ECONOMIC DEVELOPMENTS IN 2017 AND OUTLOOK FOR 2018

Foreword

Preliminary data suggest that real GDP contracted in the monetary union of Curaçao and Sint Maarten in 2017 as activities dropped in both economies. Curaçao recorded a real economic contraction of 1.4% in 2017, following a decline of 1.0% in 2016. Meanwhile, in the aftermath of Hurricane Irma, real GDP shrank in Sint Maarten by 4.0% in 2017 after a contraction of 0.1% in 2016. Furthermore, inflationary pressures increased in both countries.

The economic contraction in Curaçao was the result of a decline in net foreign demand, moderated by an increase in domestic demand. The negative contribution of net foreign demand was caused by a decline in exports combined with increased imports. Domestic demand rose because of higher private and public spending. The increase in private spending was supported by higher investments while private consumption dropped. The increased inflationary pressures and worsened labor market situation were the main causes of the lower consumer spending. Meanwhile, public spending increased as both government investment and consumption rose. A sectoral analysis reveals that real value added dropped in the wholesale & retail trade, restaurants & hotels, transport, storage & communication, and financial intermediation sectors. By contrast, real output expanded in the construction and utilities sectors.

Up till the second quarter of 2017, Sint Maarten's economy was growing, supported by the manufacturing, construction, restaurants & hotels, transport, storage & communication, and real estate, renting & business activities sectors. However, in September 2017, Hurricane Irma caused severe damage to the country destroying homes, infrastructure and commercial and public property. Hence, Sint Maarten's production capacity was severerly affected, causing a real GDP contraction for the entire year. On the expenditure side, Sint Maarten's real GDP contraction was the result of a decline in net foreign demand due to a drop in exports, moderated by lower imports. By contrast, domestic demand increased on the account of increased public and private demand. The increase in private demand was the result of more investments, mitigated by a decline in consumption. Public demand grew supported by increased government consumption, while investments dropped.

On the fiscal front, the public finances of both Curaçao and Sint Maarten worsened during 2017. Despite measures to reduce the total expenditures and increase tax revenues through improved tax compliance, the government projects a deficit on its current budget for the year 2017. Meanwhile, following a surplus in 2016, the government of Sint Maarten is expected to record a budget deficit in 2017 caused primarily by a sharp decline in government revenues and higher expenditures in the aftermath of Hurricane Irma. However, the government of Sint Maarten will receive liquidity support from the Dutch government that will compensate part of the deficit.

The economic prospects of the monetary union for 2018 are uneven. Curaçao is projected to record a modest growth of 0.3%, driven by an increase in public and private demand. However, a decline in net foreign demand will dampen the economic expansion. Meanwhile, Sint Maarten's economic contraction is projected to deepen further and reach 9.1% in 2018 as the increase in public and private demand will not be sufficient to compensate the sharp decline in net foreign demand. The latter decline is largely attributable to a drop in exports as it will take time for Sint Maarten's production capacity to reach pre-hurricane levels.

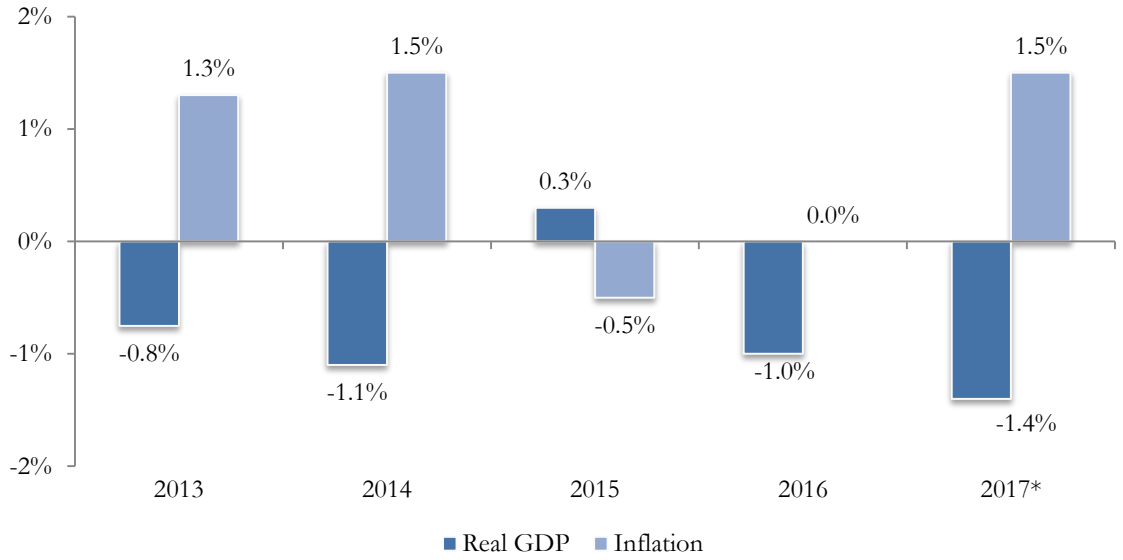
L. Matroos - Lasten
President a.i.

Curaçao

Developments in 2017

According to preliminary data and estimates of the Bank, Curacao's real GDP is expected to decrease further by 1.4% in 2017, following a decline of 1.0% in 2016. Meanwhile, consumer price inflation is projected to rise to 1.5% in 2017, reflecting mainly an increase in international oil and food prices.

Figure 1. Curaçao: economic growth and inflation



**2017 is projection of the CBCS.*

An analysis of GDP by expenditure shows that the economic contraction in 2017 was caused by a decrease in net foreign demand mitigated by an increase in domestic demand. Net foreign demand dropped reflecting a decline in exports combined with higher imports. Exports contracted on the account of lower foreign exchange earnings from stay-over tourism and air transportation services provided to abroad. In addition, re-exports by the free-zone companies and the refining fee earned by the Isla refinery declined. Imports increased because of more oil imports driven primarily by higher international oil prices. Furthermore, imports of construction material for various investment projects went up. In contrast, domestic demand expanded as both private and public spending increased. The rise in private spending was attributable to an increase in private investment mitigated by a decrease in private consumption. The growth in private investment reflected large projects including the second mega-pier, the windmill park, the remodeling and expansion of the airport, and several hotel projects. Private consumption dropped as a result of, among other things, a decline in disposable income because of the higher inflationary pressures and the worsened labor market. Furthermore, public spending rose because of an increase in both government investment and consumption. The increase in public investment was largely driven by the construction of the new hospital while the increase in public consumption was caused by more spending on goods & services and wages & salaries.

An analysis of GDP by sector in the first half of 2017 shows that activities in the wholesale & retail trade, restaurants & hotels, transport, storage, & communication, and financial intermediation sectors contracted, while the construction and utilities sectors recorded a growth. Meanwhile, growth in the manufacturing sector remained flat as the refining activities remained practically stable compared to the first half of 2016. Real value added in the wholesale & retail

trade sector dwindled due to less consumer and tourism spending, and fewer activities in the free-zone industry.

The decline in the restaurants & hotels sector reflects a drop in the number of stay-over visitors, mitigated by an increase in the number of visitor nights. The number of stay-over visitors decreased in the first six months of 2017, particularly because the strong decline in the number of visitors from Venezuela outpaced the increase of the European and North American markets. The increase in the number of European tourists, especially from the Netherlands and Germany, largely explains the rise in the number of visitor nights as European tourists tend to stay longer compared to tourists from other markets. In contrast, the number of cruise tourists increased, consistent with the rise in the number of cruise calls.

Real value added contracted in the transport, storage, & communication sector in the first half of 2017 as a result of declines in airport and harbor activities. Airport-related activities dropped, owing to the discontinuation of most flights by the domestic carrier, InselAir, since the third quarter of 2016 because of the financial headwinds the company has been facing. The decline in airport-related activities was reflected by a drop in total passenger traffic and in the number of commercial landings. Moreover, the drop in harbor activities resulted from a decline in the number of ships piloted into the port of Curaçao, mitigated by an increase in cargo movements and oil storage.

The financial intermediation sector also recorded a decline in real value added during the first half of 2017. This decline occurred because the increase in net interest income and other fees & income earned by the domestic commercial banks was not enough to compensate for the inflation.

Contrary to the contractions in the above-mentioned sectors, the construction and utilities sectors contributed positively to GDP in the first half of 2017. The construction sector expanded mainly because of the construction of the second mega-pier and the new hospital. Furthermore, output in the utilities sector grew because of higher production of both water and electricity.

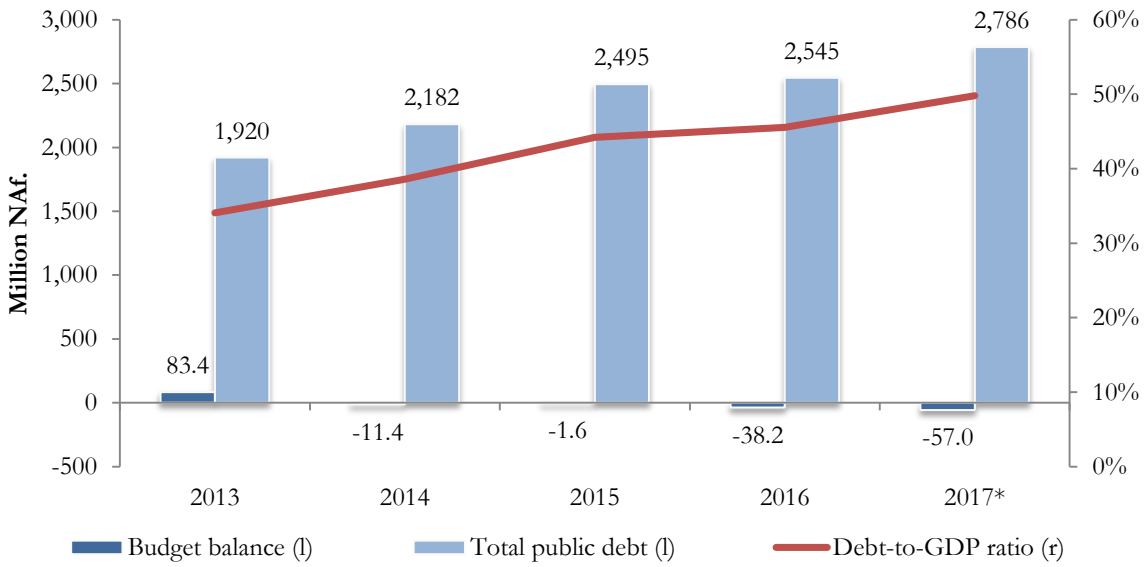
The fiscal position of the government of Curaçao deteriorated in the first nine months of 2017, reflected by a deficit of NAf.57.0 million on its current budget, up from the NAf.30.1 million deficit recorded during the first nine months of 2016. The higher deficit was largely the result of an increase in government expenditures of NAf.32.2 million, while revenues increased slightly by NAf.5.3 million. Expenditures went up due to a rise of NAf.29.8 million in other expenditures, primarily because of more additions to the buffer fund of the social security bank, SVB, combined with more outlays on goods & services, especially office costs. The increase in expenditures was mitigated by fewer expenses on transfers & subsidies and wages & salaries. On the revenues side, nontax revenues increased by NAf.16.6 million due mainly to NAf.17.8 million more in social security premiums. However, a decline in tax proceeds of NAf.11.3 million moderated the increase in government revenues. In particular, proceeds from wage tax (NAf.12.3 million) and import duties (NAf.4.8 million) dropped in the January – September period of 2017 compared to the corresponding period of 2016.

It should be noted, however, that the deficit does not yet include commitments of NAf.50.2 million incurred during the third quarter, which will result in a preliminary cumulative deficit of NAf.107.2 million at the end of the third quarter of 2017. Moreover, despite measures to reduce total expenditures and increase tax revenues through improved tax compliance, the government projects a deficit on its current budget for the year 2017.

The outstanding public debt of the Curaçao government grew by NAf.187.1 million to NAf.2.733 billion at the end of September 2017 compared to the end of 2016. This increase was solely driven by a rise in the domestic debt component, as the foreign debt component dropped. The domestic debt component went up particularly because of increases of NAf.124.2 million and NAf.80.2 million in outstanding arrears towards the social security bank, SVB, and the public pension fund, APC, respectively. The foreign debt component dropped due to the yearly redemption (NAf.8.2 million) of the sinking bond issued in January 2015. However, the drop in the foreign debt was mitigated by an increase of NAf.6.2 million in arrears towards the Dutch government related to the coast guard. Consequently, the debt-to-GDP ratio rose to 49.1% at the end of September 2017, up from 45.6% at the end of 2016.

The deb-to-GDP ratio of the Curaçao government is expected to reach 49.8% at the end of 2017, caused by an increase in both the foreign debt and the domestic debt component. The foreign debt component is projected to rise as a result of the issuance of a bond loan of NAf.60.0 million in November 2017 that was allocated entirely to the Dutch State Treasury Agency (DSTA). Furthermore, the domestic debt is expected to grow further during the fourth quarter of 2017 because of additional arrears towards the SVB and the APC.

Figure 2. Curaçao: development in the public finances



**Note: the 2017 budget balance refers to the period up till September 2017.*
Source: FMR Curaçao, September 2017 and estimates of the CBCS.

Outlook 2018

Global economic activity is projected to accelerate in 2018 (3.7%) because of increased output growth in the advanced economies as well as the emerging & developing economies.[1] However, risks to the medium-term global economic outlook are tilted to the downside as reflected by, among other things, inward-looking policy plans including protectionism, tightening global financial conditions, and noneconomic factors such as geopolitical tensions. Economic output of

[1] IMF World Economic Outlook, October 2017.

both the United States and the Netherlands, two of the main trading partners of Curaçao, is projected to grow in 2018. Similar to the previous three years, Venezuela -Curaçao's third important trading partner- will remain in a deep economic crisis.[2]

Similar to the global economy, the Curaçao economy is estimated to grow in 2018 (0.3%), as both private and public demand are expected to expand. Private demand is expected to increase because of the growth in private investment, although mitigated by a decline in private consumption. Furthermore, public demand is projected to expand as both public investment and consumption will grow. In contrast, net foreign demand is expected to contribute negatively to real output growth because the decline in exports will exceed the lower imports. Exports will decline due to lower foreign exchange earnings from bunkering activities caused by the lower international oil prices, lower re-exports by the free-zone companies, and lower refining fee earnings. However, foreign exchange receipts from stay-over tourism will rise in line with the projected real GDP expansion of the main tourism markets of Curaçao, in particular the United States and the Netherlands. Also, foreign exchange revenues from cruise tourism are projected to go up. Imports are projected to drop on the back of, among other things, lower oil imports due to the expected decline in international oil prices. Furthermore, merchandise imports by the free-zone companies are projected to decline and the import of construction services will go down as the construction of the megapier was completed in 2017 and the construction of the new hospital will reach its final stages in 2018.

Meanwhile, consumer price inflation is projected at 1.6% in 2018 caused primarily by the projected increase in international food prices, moderated by the decrease in international oil prices[3].

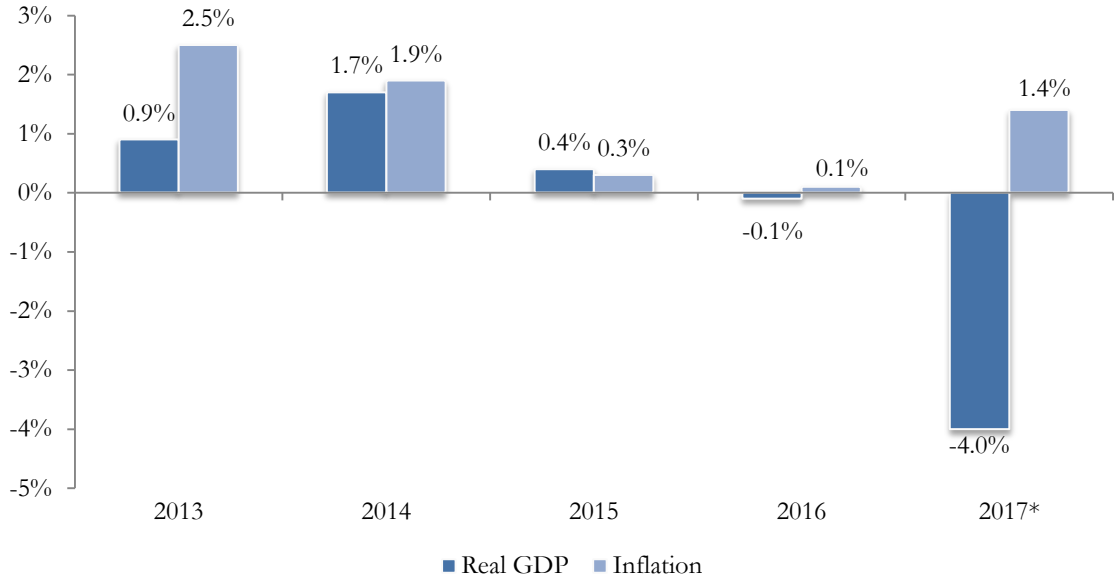
Sint Maarten

Developments in 2017

Sint Maarten's real GDP is expected to contract by 4.0% in 2017, a deepening of the 0.1% contraction in 2016, primarily because of the severe damage Hurricane Irma inflicted on Sint Maarten's production capacity. Meanwhile, inflationary pressures rose to 1.4% in 2017, largely influenced by a rise in electricity prices and healthcare premiums.

[2] IMF World Economic Outlook, October 2017.
[3] IMF World Economic Outlook, October 2017.

Figure 3. Sint Maarten: economic growth and inflation



**2017 is a projection of the CBCS.*

The economic contraction in 2017 is caused by a decline in net foreign demand because the drop in the export of goods and services surpassed the lower imports. Exports dropped mainly because of a decline in the foreign exchange earnings from tourism activities. Also, foreign exchange earnings from the sectors that cater the tourism sector contracted. Meanwhile, the lower imports were caused primarily by a decline in merchandise imports by the wholesale & retail trade sector reflecting lower tourism spending and private consumption. An increase in domestic demand moderated 2017's economic contraction. Both private and public spending contributed to the increase in domestic demand. Private investments increased mainly due to the construction activities during the first 8 months of 2017. Moreover, businesses started to reconstruct following Hurricane Irma. Private consumption dropped due to the decline in economic activities, particularly in the tourism sector. Following Hurricane Irma, many persons left Sint Maarten, including foreign workers, resulting in a lower population and, hence, less consumption. Meanwhile, public spending rose because of more outlays on goods & services moderated by a decline in public investment.

During the first half of 2017, the economy of Sint Maarten grew, driven by both the private and public sectors. The positive contribution of the public sector was the result of an increase in disbursements on wages & salaries.

The manufacturing, construction, restaurants & hotels, transport, storage & communication, and real estate, renting & business activities sectors were the drivers of Sint Maarten's real GDP growth during the first half of 2017, due largely to better performance in the tourism sector, notably cruise tourism. However, this growth was dampened by contractions in the wholesale & retail trade, financial intermediation, and utilities sectors. Nevertheless, these results should be interpreted with caution. Because of the absence of data on stay-over arrivals by tourism market during the first half of 2017, the Bank estimated stay-over arrivals based on a proxy for the tourism sector.[4]

[4] For stay-over tourism, only arrival data up until 2016 were available. Consequently, the Bank calculated the growth of stay-over tourism in the first six months of 2017 based on the GDP growth projections per country and region according to the IMF World Economic Outlook of October 2017.

Activities in the manufacturing sector grew during the first half of 2017, albeit slower than during the first half of 2016, because of increased yacht repair activities reflecting a higher number of yachts visiting Sint Maarten. The increase of real value added in the restaurants & hotels sector was attributable mainly to a positive turnaround in cruise tourism and growth in stay-over arrivals. The number of cruise tourists visiting Sint Maarten rebounded during the first half of 2017, accompanied by a small increase in the number of cruise calls. The positive turnaround in cruise tourism was attributable, in part, to lower concerns over the presence of the Zika virus.

Growth in the transport, storage & communication sector was fueled by increased activities at both the airport and the harbor. Airport-related activities and air transportation activities of domestic carrier Winair grew, although at a slower pace than during the first six months of 2016, in line with the estimated increase in stay-over tourism. The growth in harbor activities was reflected by a higher number of ships piloted into the port of Sint Maarten, particularly tankers and cruise ships. Meanwhile, there were slightly fewer freighters recorded during the first half of 2017 compared to the first half of 2016, although container movements increased.

Additionally, real output in the construction sector accelerated during the first half of 2017, largely because of more private investments, such as the construction of condominiums in the Maho area and the renovation of the cargo facilities at the Princess Juliana International Airport, among other things.

By contrast, real value added in the wholesale & retail trade sector contracted because the increase in tourism spending was not enough to offset the contraction in private consumption. Furthermore, activities in the utilities sector contracted in the first half of 2017, a negative turnaround compared to the first half of 2016, because the slight increase in water production was insufficient to offset the contraction in electricity production. Finally, the financial intermediation sector contracted in 2017's first half compared to the first half of 2016 because interest income of the domestic commercial banks dropped at a faster pace than interest expenses.

The government of Sint Maarten recorded a surplus of NAf.65.0 million on its current budget during the first half of 2017, more than double the NAf.25.8 million recorded in the first half of 2016. This improvement was caused primarily by an increase in government revenues because expenditures remained practically unchanged. Revenues went up by 17.4% during the first six months of 2017 compared to the first six months of 2016, while expenditures rose only by 1.0%. The growth in revenues was the result of an increase in nontax revenues in the first two quarters of 2017 of more than three times compared to the first two quarters of 2016, combined with an increase of 5.1% in tax revenues. Nontax revenues increased particularly as a result of funds received from the settlement of the division of the assets and liabilities of the former Netherlands Antilles and the dissolution of the Economic Development Foundation (SEO). Furthermore, the government received dividend from the public utility company, GEBE. Meanwhile, tax revenues went up because of more proceeds from taxes on income & profit, goods & services, and property. Higher revenues from turnover tax contributed mainly to the increase in taxes on goods & services, reflecting more efforts to improve compliance. The increase in property taxes was attributable to higher property transfer tax receipts. Expenditures remained practically unchanged because the higher spending on goods & services and social security was offset by a drop in other expenditures.

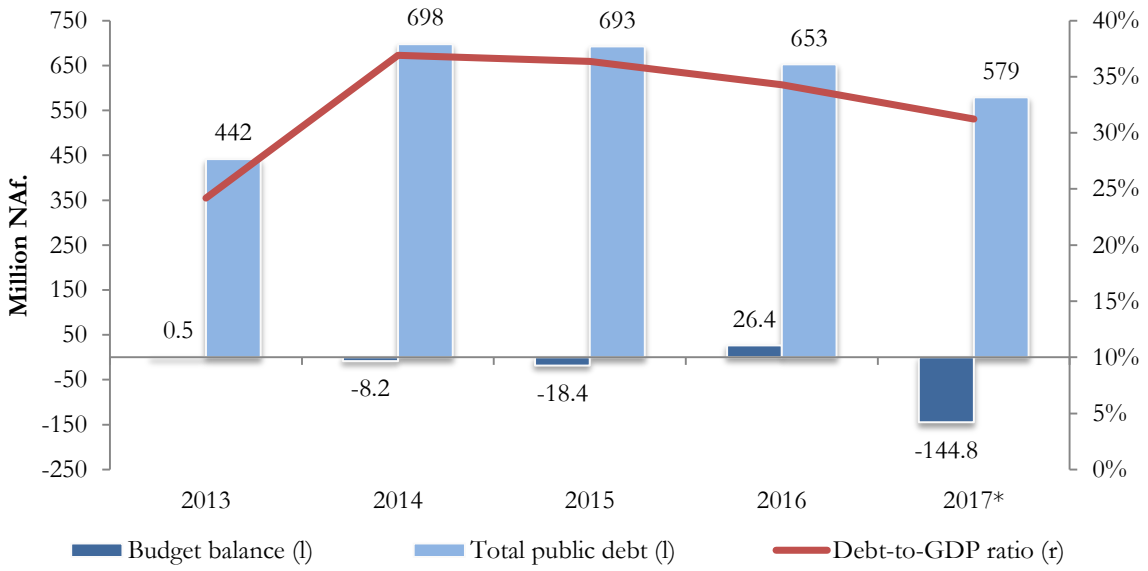
Following Hurricane Irma, the fiscal position of the government of Sint Maarten is expected to deteriorate as government revenues will drop while expenditures will rise. Hence, the

government expects to record a budget deficit of NAf.144.8 million[5] at the end of 2017, a turnaround compared to the surplus of NAf.26.4 million recorded at the end of 2016. However, the government of Sint Maarten will receive liquidity support from the Dutch State (Euro 40.0 million) to cover part of the higher budget deficit.

Sint Maarten's total outstanding public debt dropped by NAf.63.6 million to NAf.589.1 million at the end of June 2017 compared to the end of December 2016. The lower debt was due entirely to a decline in the domestic debt component as the foreign debt component remained unchanged. The domestic debt component declined as a result of the settlement of part of the government's arrears towards the public pension fund, APS.[6] Consequently, Sint Maarten's debt-to-GDP ratio decreased from 34.3% at the end of 2016 to 31.7% at the end of June 2017.

The debt-to-GDP ratio is expected to record 31.2% at the end of 2017,[7] due to a projected decline of NAf.103.6 million in outstanding arrears towards the public pension fund, APS, and the social security bank, SZV. However, this decline will be mitigated by an increase in the foreign debt component due to the issuance of a NAf.21.7 million bond loan by the government of Sint Maarten in August 2017 that was purchased entirely by the Dutch State.

Figure 4. Sint Maarten: development in the public finances



**Source: Estimates by the CBCS.*

Outlook 2018

In 2018, the economy of Sint Maarten is projected to contract by 9.1% in real terms. The economic contraction is the result of a sharp decline in net foreign demand moderated by an increase in domestic demand. Net foreign demand will drop because of a decline in the export of goods and services combined with higher imports. The dismal export performance reflects primarily lower foreign exchange earnings from tourism activities. By contrast, imports will rise related to construction material and services for the reconstruction of Sint Maarten. However,

[5] CFT, Advies bij de nota van wijziging bij de 1e begrotingswijziging 2017 Sint Maarten, 16 november 2017.
[6] In the second quarter of 2017, the settlement of the division of the assets and liabilities of the former Netherlands Antilles was finalized. The government of Sint Maarten used part of the amount received to payoff outstanding arrears towards the APS.
[7] Note that this estimate is based on preliminary data before the passing of Hurricane Irma.

the imports by the wholesale & retail trade sector will drop due to lower tourism spending and a decline in private consumption. Domestic demand will go up driven mainly by increased investments by the private and public sectors. In addition, public consumption will rise because of more disbursements on goods & services. The increase in domestic demand will be dampened by lower private consumption. The decline in private consumption is caused by increased unemployment, particularly in the tourism sector, and reduced wealth. However, more purchases of construction material and durable goods by those who were covered by insurance will moderate the decline in private consumption. The inflationary pressures are projected to remain at 1.4% in 2018.

Monetary union

Balance of payments developments

According to estimates of the Bank, the deficit on the current account of the balance of payments widened in 2017 compared to 2016 as a result of a drop in the net export of goods and services and a worsening of the income balance. In contrast, the current transfers balance improved. The decline in net exports was caused by a drop in exports combined with higher imports. Exports contracted because of a decline in foreign exchange earnings from tourism activities caused largely by the poor performance of both stay-over and cruise tourism in Sint Maarten after it was hit by Hurricane Irma. Foreign exchange earnings from the sectors that cater the tourism sector in Sint Maarten contracted also. Furthermore, foreign exchange receipts from stay-over tourism dropped also in Curaçao due to the situation in Venezuela, the discontinuation of several flights by the local airline, InselAir, and the temporary closure of the Marriott hotel for renovation and expansion. The situation in Venezuela resulted also in a decline in the foreign exchange earnings from air transportation services and the re-exports by the free-zone companies in Curaçao. On the other hand, foreign exchange revenues from bunkering activities increased, supported by the higher international oil prices. The higher import bill can largely be attributed to higher oil imports as a result of the increase in international oil prices. In addition, imports of construction material increased in Curaçao, driven by several investment projects such as the second megapier, the hospital, Aqualectra, Kooyman, and Marriott. However, merchandise imports by the wholesale & retail trade sector dropped in Sint Maarten, reflecting lower tourism and consumer spending. Merchandise imports by the free-zone companies in Curaçao contracted as well, reflecting lower re-exports.

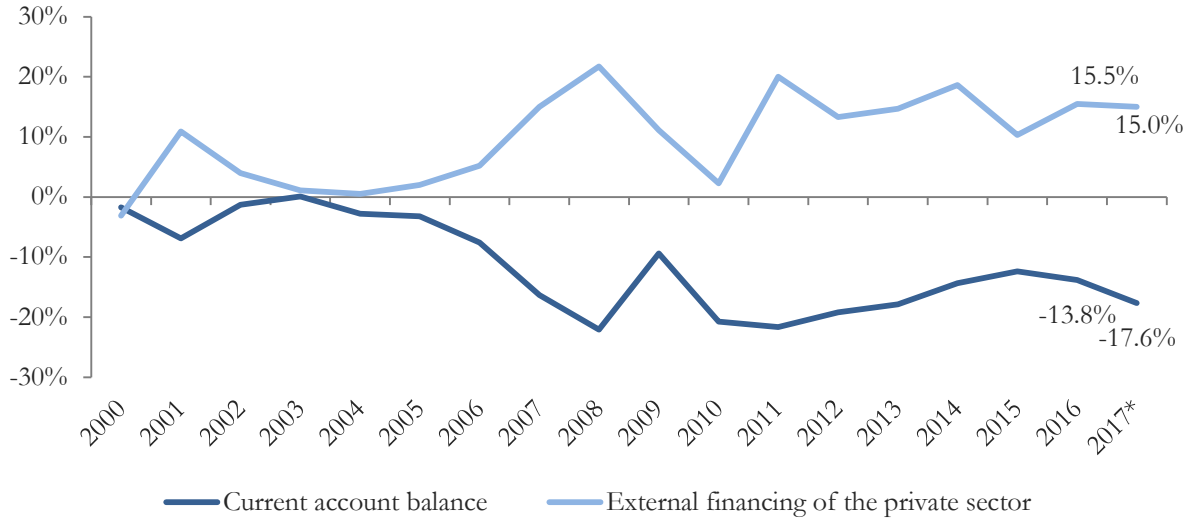
The income balance worsened because the increase in interest income paid to abroad was more pronounced than the rise in interest income received from abroad. By contrast, the current transfers balance improved as current transfers received from abroad increased, while current transfers paid dropped.

In line with the development on the current account, external financing into the monetary union is projected to rise. The increase in external financing reflects a worsening of the portfolio investment, direct investment, and loans & credits balances. The worsening of the portfolio investment balance can be explained by, among other things, matured foreign debt securities held by institutional investors that were not entirely reinvested abroad during 2017. Furthermore, the issuance of bonds by the governments of Curaçao and Sint Maarten that were purchased entirely by the Dutch State contributed to the worsening of the portfolio investment balance. Meanwhile, the direct investment balance deteriorated mainly because of increased claims of foreign direct investors on their subsidiaries in the monetary union. The loans & credits balance worsened as a result of, among other things, a decline in foreign deposits of residents of Curaçao and Sint Maarten. Also, the net trade credits balance deteriorated as a result of the net repayment

of trade credit extended to foreign customers, mitigated by the repayment of trade credit received in the past on imports. As the external financing was not sufficient to cover the current account deficit, the gross official reserves of the Bank decreased in 2017 by an estimated NAf.51.5 million, a turnaround compared to the NAf.187.7 million increase in 2016.

As depicted in Figure 5, the current account deficit as a percentage of GDP of the monetary union rose from 13.8% in 2016 to 17.6% in 2017. An increase in the current account deficit caused primarily by a decline in exports points to competitiveness problems, which needs to be addressed in both Curaçao and Sint Maarten. Meanwhile, the external financing as a percentage of GDP dropped from 15.5% in 2016 to 15.0% in 2017.

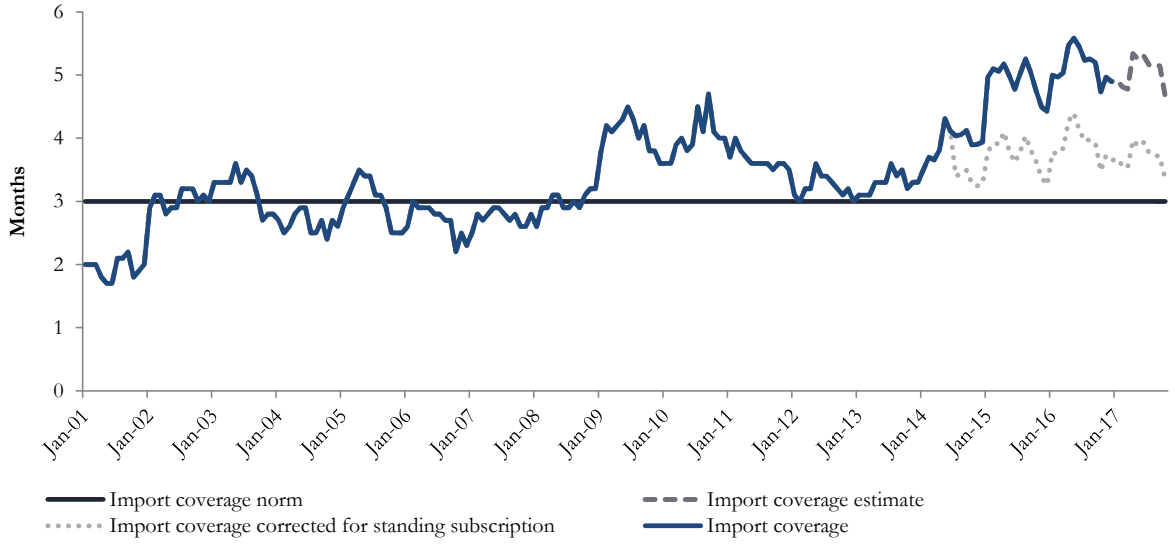
Figure 5. Monetary union: development of the balance of payments as a percentage of GDP



**2017 is projection of the CBCS.*

As shown in Figure 6, the import coverage dropped from 4.9 months in December 2016 to 4.7 months in October 2017 because of a decline in official reserves combined with higher imports. If corrected for the inflow of funds related to the bond issuances by the governments of Curaçao and Sint Maarten, the import coverage would have been 3.6 months in December 2016 and 3.4 months in October 2017.

Figure 6. Monetary union: development in the import coverage



Monetary developments

During the January – July period of 2017, the Bank continued to deploy its monetary instruments, i.e., the auctioning of certificates of deposit (CDs) and the reserve requirement, in a neutral manner. As a result, the Bank aimed only at the refinancing of maturing CDs at the bi-weekly auctions. Consequently, the amount of outstanding CDs remained unchanged. Meanwhile, the percentage of the reserve requirement remained unchanged at 18.00%. Nevertheless, the amount of required reserves rose as a result of the higher base amount upon which they are calculated.

However, as of August 2017 the Bank has aimed at reducing the amount of outstanding CDs, while keeping the reserve requirement percentage at 18.00%. Consequently, the amount of outstanding CDs dropped. Meanwhile, the amount of required reserves continued to increase because of an increase in the base upon which they are calculated.

Furthermore, the Bank increased its official interest rate, the pledging rate, by 0.50 percentage point to 1.50% on March 20, 2017. After being kept at the historically low level of 1.00% since December 2008, the Bank took this step following the upward adjustments in the federal funds rate and its impact on international interest rates and, hence, domestic money market rates.

Up to October 2017, loans extended to the private sector rose by 1.4% on an annual basis in the monetary union. In Curaçao, private credit extension increased by 1.9%, resulting from an increase in business loans (5.2%) and consumer loans (4.0%), mitigated by declines in mortgages (-1.4%) and "other loans" (-9.2%). Meanwhile in Sint Maarten, the amount of private loans outstanding dropped marginally by 0.1% due to declines in business loans (-3.2%) and "other loans" (-23.7%), moderated by increases in consumer loans (1.1%) and mortgages (1.4%).

Outlook 2018

The deficit on the current account of the balance of payments will widen further in 2018, primarily as a result of a decline in the net export of goods and services. In addition, the income balance will worsen, while the current transfers balance will improve. The net export of goods and services is projected to decline because of a drop in exports combined with an increase in imports. The drop in exports can be ascribed to lower foreign exchange earnings from bunkering

activities due to the lower projected international oil prices. Furthermore, the foreign exchange earnings from re-exports by the free-zone companies and from refining activities in Curaçao are projected to drop. The refining activities will drop as the Isla refinery might gradually reduce its operations and investments in light of the expiration of the lease contract in 2019. In addition, foreign exchange earnings from tourism activities will contract in Sint Maarten because much of the hotel room capacity was destroyed by Hurricane Irma. However, foreign exchange revenues from tourism activities in Curaçao will increase in line with the projected real GDP expansion in the main tourism markets, particularly the United States and the Netherlands. Also, more cruise ships will visit Curaçao due to the second megapier. Imports will increase as a result of more construction material and services for the reconstruction of Sint Maarten. However, the merchandise imports by the wholesale & retail trade sector in Sint Maarten will drop due to lower tourism and consumer spending. Furthermore, the merchandise imports by the free-zone companies in Curaçao will contract in line with the decline in re-exports. In addition, the imports by the utilities sector will drop due to less investments in the sector. Oil imports in Curaçao and Sint Maarten will shrink as well, reflecting the projected lower international oil prices. As the construction of the megapier was completed and the hospital in Curaçao is nearly finalized, there will be less imports of construction services from abroad. The external financing is projected to be insufficient to cover the deficit on the current account in 2018. Hence, gross official reserves will drop further but the import coverage will remain well above the 3 months target.

APPENDIX

Table 1. Economic key figures Curaçao
(in millions NAf.)

	2014	2015	2016	2017*	2018*
Real economy					
GDP	5,653.5	5,641.9	5,587.4	5,593.0	5,699.2
Nominal growth	0.4%	-0.2%	-1.0%	0.1%	1.9%
Real growth	-1.1%	0.3%	-1.0%	-1.4%	0.3%
Inflation	1.5%	-0.5%	0.0%	1.5%	1.6%
Public finances					
Budget balance (cash basis)**	-11.4	-1.6	-38.2	-57.0	0.0
% GDP	-0.2%	0.0%	-0.7%	-1.0%	0.0%
Public debt	2,181.5	2,495.5	2,545.3	2,786.3	
% GDP	38.6%	44.2%	45.6%	49.8%	
Domestic	221.8	253.2	257.1	446.2	
% GDP	3.9%	4.5%	4.6%	8.0%	
Foreign	1,959.6	2,242.3	2,288.3	2,340.1	
% GDP	34.7%	39.7%	41.0%	41.8%	
Monetary					
Private credit extension (annualized growth) ***	-2.7%	-1.3%	-1.1%	1.9%	
Consumer loans	-1.0%	-3.0%	1.6%	4.0%	
Mortgages	0.8%	-2.4%	-1.4%	-1.4%	
Business loans	-8.3%	1.3%	-2.9%	5.2%	
Other			8.7%	-9.2%	

* Projection CBCS
** The 2017 budget balance refers to the period up till September 2017.
*** 2016 compares December vis-à-vis July and 2017 is annualized per October.

Table 2. Economic key figures Sint Maarten
(in millions NAf.)

	2014	2015	2016	2017*	2018*
Real economy					
GDP	1,891.1	1,904.4	1,904.4	1,854.9	1,712.0
Nominal growth	3.6%	0.7%	0.0%	-2.6%	-7.7%
Real growth	1.7%	0.4%	-0.1%	-4.0%	-9.1%
Inflation	1.9%	0.3%	0.1%	1.4%	1.4%
Public finances					
Budget balance (cash basis)	-8.2	-18.4	26.4	-144.8	-200.0
% GDP	-0.4%	-1.0%	1.4%	-7.8%	-11.7%
Public debt	697.9	692.7	652.8	579.1	
% GDP	36.9%	36.4%	34.3%	31.2%	
Domestic	196.6	191.5	151.5	47.9	
% GDP	10.4%	10.1%	8.0%	2.6%	
Foreign	501.3	501.3	501.3	531.3	
% GDP	26.5%	26.3%	26.3%	28.6%	
Monetary					
Private credit extension (annualized growth)**	-1.5%	1.7%	1.3%	-0.1%	
Consumer loans	-7.9%	-1.2%	7.0%	1.1%	
Mortgages	3.5%	0.0%	0.9%	1.4%	
Business loans	-3.8%	6.2%	1.4%	-3.2%	
Other			-51.4%	-23.7%	

* Projection CBCS
** 2016 compares December vis-à-vis July and 2017 is annualized per October.

Table 3. Economic key figures monetary union
(in millions NAf.)

	2014	2015	2016	2017*	2018*
Balance of payments					
Current account	-1,081.7	-935.3	-1,036.5	-1,313.0	-1,985.9
Capital account	23.1	-7.2	2.9	50.0	197.3
External financing	1,406.6	777.4	1,161.1	1,116.0	1,599.9
Direct investments	*128.7*	*232.6*	*237.2*	*215.0*	*366.7*
Loans and credits	*490.1*	*-42.0*	*557.0*	*646.0*	*825.3*
Portfolio investments	*787.7*	*586.8*	*366.9*	*254.9*	*407.9*
Change in reserves[1)]	-459.9	-27.8	-187.7	51.5	83.0
Statistical discrepancies	111.9	193.0	60.2	95.5	105.7
Import coverage (average, in months)	3.9	4.9	5.2	5.1	4.9
Monetary					
	-2.3%	-0.5%	-0.5%	1.4%	
Private credit extension** (annualized growth)					

* Projection CBCS
** 2016 compares December vis-à-vis July and 2017 is annualized per October.
[1)] A negative sign means an increase; excluding gold.