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Economic developments in 2010 and prospects for 2011

Traditionally, the opening of a new year is an appropriate moment to evaluate the economic developments in the past year and look at the challenges ahead. On this occasion, such an assessment is particularly opportune because we have concluded a long process of constitutional changes in 2010. Now, both Curaçao and Sint Maarten are autonomous countries within the Dutch Kingdom. In this article, the main economic developments in Curaçao and Sint Maarten in 2010 and the prospects for 2011 are dealt with.

As Curaçao and Sint Maarten are both small open economies, the developments in the global economy in general are relevant when analyzing our economic figures. After contracting by 0.6% in 2009, the IMF has recently estimated a world GDP expansion of 4.8% for 2010. The global economic recovery was led by expansionary economic policies and robust economic growth in the emerging economies. In contrast, growth in most advanced economies remained very modest as a result of weak private domestic demand and little improvement in net exports.

According to the IMF, the US economy expanded by 2.6% in 2010 due mainly to increased private investment largely in software and equipment. In contrast, private consumption rose moderately because consumers remained cautious about making big purchases. The high unemployment, sluggish income gains, and tight credit conditions continued as a drag on consumer spending. Meanwhile, the estimates are that the Dutch economy grew by 1.8 percent in 2010, driven largely by increased exports. Despite an increase in crude oil prices, Venezuela's economy continued to contract, by 3.3% in 2010. Decreases in the oil and non-oil sectors were behind this dismal performance, as almost all industries in the non-oil sector suffered a production decline. The decline in industrial output and investments are caused by several years of distorting economic policies and a series of nationalizations.

Based on preliminary data, the Centrale Bank van Curaçao en Sint Maarten (Central Bank) (CBCS) currently estimates for Curaçao a rather weak economic growth of 0.4% in 2010, after the 0.5% contraction in 2009. However, there are some downward risks to this estimate, including a further contraction in the wholesale and retail trade sector and the tourism industry in the third and fourth quarter of 2010.

The financial services sector and the public sector were the main drivers of the economic expansion in 2010. Output in the financial sector rose, accounted for by both the domestic banks and the internationally operating financial services companies. Increased public spending on wages & salaries and goods & services also contributed to the economic growth.

In contrast, activities in the manufacturing and transport, storage & communication sectors contracted. Real value added dropped significantly in the manufacturing sector as a result of a prolonged shutdown of the "Isla" refinery as of March 2010. The plant shutdown was the result of power supply and air compressor problems.

The transport, storage, and communication sector suffered a decline largely due to decreases in the air transportation and harbor sectors. Output in air transportation shrank as fewer passengers were transported by the domestic airlines. In addition, airport-related activities in Curaçao contracted, owing to a decline in total passenger traffic. The negative performance in air transportation was reinforced by decreased harbor activities reflecting fewer ships piloted into the harbor and declines in cargo movements and oil transshipment.

The devaluation of the Bolivar in the beginning of 2010 combined with tightened restrictions on access to foreign currency in Venezuela had a negative impact on our tourism sector. As a result, the number of Venezuelan tourists in Curaçao dropped significantly. However, an increase in the number of visitors from North America and Europe mitigated the contraction in the tourism industry.

Activities in the wholesale and retail trade sector were affected by a contraction in the free zone. The latter was caused by a decline in the number of visits to the free zone. However, gains in domestic spending and total tourist spending partly offset the contraction in the free zone.

For Sint Maarten, the CBCS currently estimates no growth for 2010, compared to a 0.9% contraction in 2009. During the first half of 2010, stay-over tourism in St. Maarten increased by 3%. The favorable performance in St. Maarten's tourism sector resulted predominantly from more visitors from the United States and France. In addition, the growth in the South American market was due mostly to an increase in the number of Brazilian tourists. This result was related to the marketing strategy to attract more South American visitors to the island.

Activities in the transport, storage, & communication sector increased moderately in the first six months in 2010, due to a growth in air transportation. Airport-related activities were positive, as total passenger traffic rose. This outturn was reflected by the favorable results in stay-over tourism. Developments in the harbor sector remained poor, as fewer ships were piloted into the harbor. This dampened the encouraging performance in the air transportation sector.

Similar to Curaçao, the domestic financial services sector in St. Maarten improved. Compared to the first six months of 2009, net income of the domestic commercial banks was up because the increase in income earned outweighed the rise in expenses.

The implementation of the debt relief program continued to have a significant impact on the economies of Curaçao and Sint Maarten in 2010. The transfer of debt relief grants by the Dutch government limited the worsening of the current account of our balance of payments. Thanks to the debt relief, the Curaçao government registered a cash surplus in 2010[1]. In addition, the public sector debt of Curaçao declined considerably as a result of the debt relief.

For 2011, the IMF expects a global economic growth of 4.2%, slightly below the expected growth rate of 4.8% in 2010. The growth prospects will remain fragile and uneven. In the emerging and developing economies, output will expand strongly, while recovery in the advanced economies is expected to remain sluggish. Against this background, Curaçao's real GDP growth is projected to remain subdued at 0.6% in 2011. Meanwhile, St. Maarten's economy is expected to expand slightly by 0.3%.

With the dissolution of the Netherlands Antilles, the Bank van de Nederlandse Antillen, as the monetary authority of this country, also ceased to exist. As agreed, Curaçao and St. Maarten became a monetary union with a common currency. The Centrale Bank van Curaçao en Sint Maarten (Central Bank) is now the authority in charge of the monetary and financial supervision in the union. One important condition for a monetary union to succeed is policy coordination. Also, both countries will have to harmonize legislation in the areas of monetary, financial sector, and financial integrity supervision. The recent experience in the European Monetary Union has served to underscore the fact that sound public finances is an important, if not an indispensable condition for a successful monetary union. Without supporting measures of other member states, fiscal policy in some countries would have jeopardized the stability of the union and its currency.

Thanks to the debt relief program, Curacao and St. Maarten had a sound starting position for the monetary union. However, these two countries should adhere to the agreed budgetary rules to maintain sound public finances. For St. Maarten, the overriding concern remains to present a balanced budget, consistent with institution building and sustainable economic growth. The inherent opposing pressures that those objectives bring to bear on the budget are perhaps the main challenges that St. Maarten faces in the short and medium term. Fiscal consolidation is an important condition for stable economic development. However, the process of institution building requires the necessary investments in both human capital and physical infrastructure. Given the budgetary constraint, St. Maarten must look for ways to enhance and broaden its income base. A reform of the tax system and improvement of the tax collection in St. Maarten should be a major element of a sound medium-term policy framework aimed at balancing fiscal and growth objectives.

For Curaçao, given the favorable fiscal situation, the overriding objective remains to maintain this situation moving ahead. This requires a balanced fiscal budget and adherence to the rules of fiscal discipline and good corporate governance. Maintaining the sound starting position creates a solid foundation for developing a broad-based long term vision on the structure and sustainable growth of the economy. The formulation of new policy should be transparent and conducive to an environment that preserves fiscal discipline. That means that both the short term and medium term impact of policy initiatives and implementation of the budget should be consistent with mentioned

[1] The developments in the public finances of Sint Maarten during 2010 are unknown since no data are available.

objectives. Only by maintaining fiscal discipline can the stability of the monetary union and its currency be safeguarded. This stability is crucial for successfully building up our new countries, attaining a sustainable higher level of growth, and increasing the welfare of our citizens.

In addition, both Curaçao and St. Maarten will have to improve their investment climate to achieve strong and sustainable economic growth. Important areas that should be addressed include government bureaucracy, the flexibility of the labor market, and the mismatch between labor demand and supply. Moreover, an assessment by the IMF of both Curaçao's and Sint Maarten's compliance with the international standards on Anti Money Laundering and Combating of Terrorism Financing is crucial. For Curaçao, a positive assessment would strengthen its position as an international financial center. In the case of Sint Maarten, a positive assessment would be beneficial for the development of the international financial services industry on the island.

These efforts should be complemented by consistent compliance with the rules of good corporate governance in the public sector and state-owned enterprises. Together the implementation of a broad-based multi-annual policy reform framework, the new countries of Curaçao and St. Maarten will be able to meet the high expectations of their citizens for a better future.

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CENTRALE BANK VAN CURAÇAO EN SINT MAARTEN

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Desaroyo ekonómiko na 2010 i perspektiva pa 2011

Komienso di aña ta tradishonalmente un momento apropiá pa evaluá desaroyo ekonómiko durante di e aña tras di lomba i reflehá riba e retonan nos dilanti. E aña aki un evaluashon asina ta partikularmente oportuno konsiderando ku nos a terminá un proseso largu di kambionan di struktura estatal na 2010. Awor, tantu Kòrsou komo Sint Maarten ta pais outónomo den Reino Ulandes. Den e artíkulo aki e desaroyonan ekonómiko di mas importante durante 2010 i e perspektivanan pa 2011 ta wòrdu deskribí.

Na momento ku ta analisá dato ekonómiko di Kòrsou i Sint Maarten, desaroyo ekonómiko mundial ta relevante ya ku ekonomia di ámbos pais ta relativamente chikitu i habrí. Despues di un kaida di 0.6% na 2009, Fondo Monetario Internashonal (IMF) ta kalkulá ku ekonomia mundial a krese ku 4.8% na 2010. E rekuperashon mundial aki por wòrdu atribuí na maneho ekonómiko di ekspanshon i kresementu fuerte di ekonomianan emergente. Sin embargo, kresementu ekonómiko den paisnan desaroyá tabata moderá reflehando un subida marginal den demanda privá i eksportashon neto.

Di akuerdo ku IMF, ekonomia Merikano a ekspandé ku 2.6% na 2010 debí na un subida den inversh onnan privá partikularmente den "software" i ekipo. Konsumo privá, al kontrario, a krese di un forma moderá ya ku konsumidónan a bira mas kouteloso ora di hasi kompranan kuantioso. Tasa di desempleo haltu, kresementu di ingreso moderá i restrikshon riba krédito a keda afektá konsumo na Merka. Mientrastantu, ekonomia Ulandes a krese ku 1.8% na 2010, danki na prinsipalmente un subida di eksportashon. No opstante un subida den preis di krudo, ekonomia di Venezuela a kai ku 3.3% na 2010. Esaki tabata resultado di un bahada den produkshon den tantu e sektor di petroli komo otro sektornan di e ekonomia Venezolano. E maneho ekonómiko i e ola di nashonalisashon durante último añanan na Venezuela a resultá den un kaida di produkshon industrial i inversh on.

Basá riba sifranan preliminar, Centrale Bank van Curaçao en Sint Maarten (CBCS) ta kalkulá ku ekonomia di Kòrsou a krese levemente ku 0.4% na 2010. Na aña 2009, Kòrsou a registrá un kaida ekonómiko di 0.5%. Mester remarká sin embargo ku tin un riesgo ku e tasa di kresementu definitivo pa 2010 por resultá mas abou ku e sifra preliminar aki. Un kaida di entre otro e aktividatnan den e sektor di benta por mayor i por menor inkluyendo e sektor di turismo durante di e di tres i di kuater kuartal di 2010 por resultá den un tasa di kresementu definitivo mas abou.

Sektor finansiero i sektor públiko tabata esunnan ku mas a aportá na kresementu ekonómiko durante di 2010. Desaroyo den e sektor finansiero tabata faborabel, reflehando un oumento den e balor agregá real di tantu e sektor bankario lokal komo e sektor di servisio finansiero internashonal. Den sektor públiko, oumento den gastunan salarial i suèldo mas haltu a aportá na e kresementu ekonómiko.

Al kontrario, aktividat den e sektor industrial i e sektor di transporte, almasenahe i komunikashon a kai durante di 2010. E sektor di industria a konosé un bahada di aktividat, reflehando prinsipalmente e echo ku Refineria Isla mester a para su operashon for di mart 2010. E situashon aki a wòrdu kousá pa problemanan ku suministro di energia riba e planta di BOO.

Aktividat den e sektor di transporte, almasenage i komunikashon tambe a baha durante di e promé lunanan di 2010, reflehando entre otro un kaida den e kantidat di pasahero ku a ser atendé na aeropuerto. Ademas, aerolineanan lokal a transportá ménos pasahero. E desaroyonan den haf tampoko no tabata mashá faborabel, debí na un kaida den e kantidat di barku ku a toka nos haf, ménos karga atendé i un bahada den aktividatnan di transbordo.

Devaluashon di Bolívar na komienso di aña kompañá pa restrikshon di divisa na Venezuela, a afektá nos sektor di turismo. Durante di e promé lunanan di 2010, turismo Venezolano a kai drástikamente. Sin embargo, un kresementu den e kantidat di turista di Oropa i Nortamérika a kompensá parsialmente e kaida den e merkado Venezolano.

Kresementu den e sektor di komèrsio por mayor i por menor a keda afektá pa un kaida di aktividat den nos Zona Liber. E último aki tabata resultado di e bahada den e kantidat di bishitante Venezolano. Sinembargo, kresementu den demanda lokal i den konsumo di turista di estadia na Kòrsou a kontrarestá parsialmente e kaida den Zona Liber.

Basá riba sifranan preliminar, CBCS ta kalkulá "sero kresementu" pa e ekonomia di Sint Maarten na 2010 kompará ku un kaida di 0.9% na 2009. Durante di e promé mitar di 2010, turismo di estadia na Sint Maarten a krese ku 3%. E desaroyo faborabel aki tabata resultado prinsipalmente di mas bishitante di Merka i Fransia. Ademas, e merkado di Suramérika a krese danki na un subida di e kantidat di turista Brazilero. Esaki tabata resultado di un strategia di merkadeo pa atraé mas bishitante di Suramérika pa e isla di Sint Maarten.

Aktividat den e sektor di transporte, almasenahe i komunikashon a krese moderá durante di e promé mitar di 2010 a konsekuensia di un subida den transporte aéreo. Aktividatnan relashoná ku aeropuerto tabata positivo dor di mas transporte di pasahero. E último aki ta reflehá e kresementu den turismo di estadia. Desaroyo den haf a keda suak komo ku ménos barku a bishitá e haf di Sint Maarten. Esaki a moderá parsialmente e kresementu den e sektor di transporte aéreo.

Meskos ku tabata e kaso na Kòrsou, servisio finansiero lokal na Sint Maarten a konosé un kresementu na 2010. Kompará ku 2009, ingreso neto di bankonan komersial lokal a krese ya ku subida den ingreso a kompensá un kresementu den gastu.

Meskos ku tabata e kaso durante di e aña anterior, e proseso di saneamentu di debe tabatin un impakto konsiderabel riba ekonomia di Kòrsou i Sint Maarten na 2010. Transferensha di

montantenan for di Hulanda relashoná ku saneamentu di debe a limitá deterioro di e kuenta koriente di nos balansa di pago. Danki na saneamentu di debe, gobièrnu di Kòrsou a registrá un surplus riba presupuesto[1]. Ademas, debe nashonal di Kòrsou a kai konsiderablemente komo konsekuensha di e saneamentu di debe.

Pa aña 2011, IMF ta proyektá un kresementu ekonómiko mundial di 4.2%, algu mas abou ku e kresementu di 4.8% di 2010. E kresementu ekonómiko proyektá lo keda frágil i desigual. Ekonomianan emergente i paisnan den desaroyo lo konosé un kresementu fuerte miéntras ku e tasa di kresementu den ekonomianan avansá lo keda moderá. Basá riba esaki, CBCS ta proyektá pa Kòrsou un kresementu ekonómiko moderá di 0.6% na 2011. Mientrastantu, ekonomia di Sint Maarten lo konosé un kresementu marginal di 0.3%.

Ku desmantelashon di Antia Hulandes, Bank van de Nederlandse Antillen, komo outoridat monetario di e pais aki a stòp di eksistí. Manera akordá, Kòrsou i Sint Maarten awor ta forma un union monetario ku un moneda komun. Centrale Bank van Curaçao en Sint Maarten awor ta e outoridat enkargá ku e supervishon monetario i finansiero den e union aki. Un faktor importante ku ta determiná éksito di e union monetario aki ta kordinashon di maneho. Ademas, ámbos pais lo mester harmonisá leinan ku ta trata supervishon monetario, prudenshal i di integridat.

E desaroyonan di último tempu den Union Monetario Oropeo ta sirbi pa suprayá e echo ku finansa públiko saludabel ta importante i asta indispensabel pa un union monetario por ta eksitoso. Si no tabata pa medidanan di sosten di sierto paisnan miembro di Union Monetario Oropeo, situashon di finansa públiko di sierto miembronan lo por a pone stabilidat di e union monetario aki i e moneda na peliger.

Danki na e proseso di saneamentu di debe, Kòrsou i St. Maarten tabatin un bon posishon di salida pa e union monetario. Sin embargo, ámbos pais lo mester keda mantené nan mes na e akuerdonan firmá enkuanto presupuesto balansá pa mantené e situashon di finansa públiko saludabel. Den kaso di Sint Maarten, e reto di mas grandi ta keda pa presentá un presupuesto balansá i na mes momento krea un aparato gubernamental nobo i stimulá kresementu ekonómiko. E echo ku e ophetivonan aki tin efekto kontradiktorio riba presupuesto ta forma kisas un di e retonan di mas grandi pa Sint Maarten riba tèrmino korto i medio. Un presupuesto balansá ta un kondishon importante pa desaroyo ekonómiko duradero. Sin embargo, e proseso pa krea un aparato públiko ta rekerí inversh onnan kuantioso den kapital humano i infrastruktura. Mirando e echo ku Sint Maarten mester tin un presupuesto balansá, e pais aki mester buska formanan pa hisa i ampliá su nivel di entrada. Reforma di e sistema di impuesto kombiná ku mehorashon di e sistema di kobra impuesto mester ta komponentenan klave di e maneho di gobièrnu di Sint Maarten riba término medio. Di e forma ei Sint Maarten lo por tin un presupuesto balansá i alabes e pais por realisá un kresementu ekonómiko duradero.

Den kaso di Kòrsou, ta sumamente importante pa e pais aki mantené su finansa públiko na òrdu. Esaki ta rekerí un presupuesto balansá. Ademas, Kòrsou mester keda mantené su mes na disiplina presupuestario i reglanan di bon gobernashon. Esaki ta krea un fundeshi sólido pa desaroyá un

[1] Desaroyo den finansa públiko na Sint Maarten no ta konosí ya ku no tin sifra disponibel.

vishon amplio pa struktura i kresementu duradero di ekonomia riba término largu. Maneho nobo mester ta transparente i mester ta konsistente ku un presupuesto balansá. Solamente ku disiplina presupuestario por garantisá stabilidat di un union monetario i un moneda komun. E stabilidat aki ta di sumo importansia pa konstruí e paisnan nobo i realisá kresementu ekonómiko duradero i konsekuentemente hisa bienestar di nos siudadanonan.

Ademas, tantu Kòrsou komo Sint Maarten lo mester mehorá nan klima di invershon pa realisá un kresementu ekonómiko fuerte i duradero. Algun área importante ku lo mester atendé ta burokrasia den e sektor públiko, fleksibilidat di merkado laboral i e desekilibrio entre demanda i oferta riba e merkado laboral. Tambe ta importante pa IMF evaluá si ámbos pais ta kumpliendo ku e reglanan internashonal riba tereno di kombatimentu di labamentu di plaka i finansiamentu di terorismo. Un evaluashon positivo lo por fortifiká e posishon di Kòrsou komo sentro finansiero internashonal. Den kaso di Sint Maarten, un evaluashon positivo lo stimulá desaroyo di e sektor di servisio finansiero internashonal na e pais aki.

Esaki mester bai akompaná pa un maneho konsistente ku reglanan di bon gobernashon den tantu e aparato públiko komo empresanan di gobièrnu. Huntu ku implementashon di un kuadro di reforma di maneho amplio i multi-anual, Kòrsou i Sint Maarten komo paisnan nobo lo por kumpli ku e ekspektativanan haltu di nan siudadanonan.

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