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Real GDP expansion in Sint Maarten in the first half of 2017

WILLEMSTAD / PHILIPSBURG –According to estimates of the Centrale Bank van Curaçao en Sint Maarten, Sint Maarten’s real GDP expanded at a slightly faster pace in the first half of 2017 (0.3%) compared to the first half of 2016 (0.1%). In addition, following a deflation in 2016’s first half, Sint Maarten’s price pressures rose to 2.0% in 2017’s first half, attributable particularly to higher electricity prices and an increase in health care premiums.

Due to problems in its IT infrastructure, Sint Maarten’s government was unable to provide quarterly public sector data for the first and second quarters of 2017. Instead, the government provided data for the first half of 2017. Consequently, for consistency purposes, the Centrale Bank van Curaçao en Sint Maarten analyzed Sint Maarten’s economy on a half-year basis. However, Sint Maarten’s real GDP estimate should be interpreted with caution because it is based on the real GDP projections of the country’s main trading partners due to the absence of stay-over tourism data.

The Bank’s analysis by sector reveals that Sint Maarten’s real GDP growth in the first six months of 2017 was led by more activities in the manufacturing, construction, restaurants & hotels, transport, storage, & communication, and real estate, renting, & business activities sectors. The positive contribution of the manufacturing sector was the result of more repair activities on yachts that visited Sint Maarten. Increased private investments, mostly in the real estate and transportation sectors, caused the growth in the construction sector. Higher real value added in the restaurants & hotels sector reflected an estimated increase in the number of stay-over visitors and a rise in the number of cruise tourists. Activities in the transport, storage, & communication sector increased because both the airport and the harbor performed well. Airport-related activities rose in line with the estimated stay-over tourism growth and air transportation services provided by the domestic carrier, Winair, went up. The harbor recorded a positive outcome as reflected by an increase in the number of ships piloted into the port of Sint Maarten and more container movements.

On the other hand, the wholesale & retail trade, utilities, and financial intermediation sectors contributed negatively to Sint Maarten's real economic growth in the first half of 2017. The wholesale & retail trade sector's contraction was attributable to a decline in consumer spending, moderated by an increase in tourism spending. Real output shrank in the utilities sector due to lower electricity production, moderated by an increase in water production. Real value added contracted in the financial intermediation sector, owing to a decline in net interest income of the domestic commercial banks.

According to the Bank's projections, the economy of Sint Maarten will contract in the second half of 2017 and in 2018 in the wake of the destruction caused by Hurricane Irma. The Bank emphasized in its quarterly bulletin that for a fast and smooth recovery, the speed and quality of the reconstruction is crucial. The reconstruction activities should be driven by a concerted effort of the public and private sectors with financial and technical support from the Kingdom. In this context, political stability must be restored to create a macroeconomic environment conducive to private sector investments and growth.

For the complete text of the quarterly bulletin for the second quarter of 2017, please visit the Bank's website at <http://www.centralbank.cw/qb-2017-2>

Willemstad, December 15, 2017

CENTRALE BANK VAN CURACAO EN SINT MAARTEN