Recent Economic Developments and their Implications for the Sint Maarten Hospitality and Trade Industry

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President BNA
General Membership Meeting SHTA
St. Maarten, October 23, 2009

Outline presentation

- International economic developments
- Local economic developments
- Dollarization to reduce external vulnerability
- Structural reform agenda
### Impact financial crisis on world economy

**Real GDP growth (%)**

![Bar chart showing real GDP growth from 2007 to 2010 for various regions including World, United States, Euro Area, Japan, and Latin America and the Caribbean]

October 23, 2009  General membership meeting SHTA 3

### Impact on the region

**Real GDP growth (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
<td>-1.7</td>
<td>-3.9</td>
<td>-0.5</td>
</tr>
<tr>
<td>Barbados</td>
<td>0.2</td>
<td>-3.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>5.3</td>
<td>0.5</td>
<td>2.0</td>
</tr>
<tr>
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<td>-3.6</td>
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</tr>
<tr>
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<td>2.3</td>
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Sources: IMF, World Economic Outlook, October 2009; Centrale Bank Aruba.

October 23, 2009  General membership meeting SHTA 4
Netherlands Antilles:
Total public debt-to-GDP ratio

Developments tourism sector
Foreign exchange revenues from tourism
Developments tourism sector

Stay-over tourism St. Maarten

Hotel occupancy rates St. Maarten
Developments tourism sector

Cruise tourism St. Maarten

Number of cruise passengers

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
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<th>Dec</th>
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<tr>
<td>230,000</td>
<td>170,000</td>
<td>120,000</td>
<td>70,000</td>
<td>20,000</td>
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2007: Blue line
2008: Green line
2009: Red line

Developments wholesale & retail sector

Turnover tax revenues (BBO)

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<th>Feb</th>
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<tbody>
<tr>
<td>10.0</td>
<td>9.0</td>
<td>8.0</td>
<td>7.0</td>
<td>6.0</td>
<td>5.0</td>
<td>4.0</td>
<td>3.0</td>
<td>2.0</td>
<td>1.0</td>
<td>0.0</td>
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2007: Blue line
2008: Green line
2009: Red line
License fee revenues St. Maarten

Economic developments
Netherlands Antilles

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Netherlands Antilles vs region

Real GDP growth (%)

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Sources: IMF, World Economic Outlook, October 2009; Centrale Bank Aruba; and BNA.

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Benefits of dollarization

• Elimination currency risk / reduction default risk.
• Lower transaction costs.
• Promotion of the soundness of the financial sector.
• Integration in international financial markets.
• Promotion of macroeconomic stability by constraining monetary financing of fiscal deficits.

Costs of dollarization

• No possibility of autonomous monetary and exchange rate policy.
• Loss of government income.
• Loss of lender-of-last resort function.
Structural reforms (1)

• Labor market reform
  – Increase flexibility
  – Address mismatch between supply and demand
• Capital market reform
  – Promote more financing opportunities for businesses
  – Promote more investment opportunities for local investors

Structural reforms (2)

• Reduce administrative barriers
  – Streamline and simplify administrative procedures
• Economic diversification
  – Development international financial and business services sector
  – Development transportation hub function
Thank you for your attention