



SUPPLEMENT TO THE QUARTERLY BULLETIN 2015-III

DEVELOPMENTS IN THE BALANCE OF PAYMENTS OF THE MONETARY UNION

The current account of the balance of payments recorded a deficit of NAf.356.6 million in the third quarter of 2015. Compared to the third quarter of 2014, the deficit increased by NAf.32.7 million. This increase was the result of a decline in the net export of goods and services, mitigated by a growth in net current transfers from abroad. In line with the developments on the current account, external financing into the monetary union rose, albeit at a slower pace compared to a year earlier. However, since the external financing was not sufficient to cover the current account deficit, the gross reserves of the central bank dropped by NAf.25.2 million (see Table 1).

Table 1 Balance of payments summary (in millions NAf.)

	2013-III	2014-III	2015-III
Current account	-421.1	-323.9	-356.6
Capital transfers	6.5	4.8	-1.5
External financing of the government	15.0	-0.2	1.4
External financing of the private sector	300.1	384.9	302.6
- Direct investment	41.2	129.1	117.3
- Loans and credits	44.7	156.5	45.1
- Portfolio investments	214.2	99.4	140.2
Change in gross reserves of the central bank ^{*)}	46.7	-89.1	25.2
- Foreign exchange	55.9	-89.9	153.6
- held at foreign central banks	45.5	68.1	203.3
- held at foreign commercial banks	10.5	-157.9	-49.7
- Other claims	-9.2	0.8	-128.4
Statistical discrepancies	52.8	23.5	28.9

^{*)} A minus sign implies an increase.

CURRENT ACCOUNT

Net exports of goods and services in the monetary union dropped by NAf.57.9 million during the third quarter of 2015 compared to the third quarter of 2014 because the decline in exports (NAf.308.4 million) surpassed the drop in imports (NAf.250.5 million). Below

follows an analysis of the developments in the net export of goods and services in Curaçao and Sint Maarten.¹

Developments in the net export of goods and services in Curaçao

In Curaçao, net exports of goods and services dropped by NAf.72.5 million because of a decline in exports (NAf.289.7 million) moderated by lower imports (NAf.217.2 million). The decline in exports reflected, among other things, lower earnings from bunkering activities as a result of the drop in international oil prices. In addition, the free-zone, transportation and tourism sectors were affected by the unstable situation and currency restrictions in Venezuela. Consequently, foreign exchange earnings from the re-export of merchandise by free-zone companies contracted during 2015's third quarter. Meanwhile, in the transportation sector, foreign exchange revenues from passenger transportation services provided by domestic airlines to abroad recorded a marked decline. In the tourism sector, despite an overall increase in the number of stay-over visitors, foreign exchange receipts from stay-over tourism shrank. This development was attributable to the decline in the number of Venezuelan tourists that tend to spend more on average than the tourists from the other markets. By contrast, foreign exchange receipts from cruise tourism rose and compensated partly for the lower stay-over earnings. A decline in the refining fee from the Isla refinery combined with lower foreign exchange earnings from ship repair activities also contributed to the contraction in exports during the third quarter of 2015.

The decline in imports reflected primarily lower oil and non-oil merchandise imports. Oil imports were down on the account of the considerable decline in international oil prices. Furthermore, merchandise imports by the free-zone companies shrank in line with the decline in re-export activity, while the wholesale & retail trade sector imported less merchandise due to lower consumer spending. Merchandise imports by the utilities and transportation sectors also dropped during the third quarter of 2015 compared to the third quarter of 2014. In both sectors, major investments took place in 2014 that resulted in additional merchandise imports which did not occur in 2015. The contraction in imports was mitigated by an increase in the import of construction services as a result of the construction of the new hospital and maintenance work at the Isla refinery.

Developments in the net export of goods and services in Sint Maarten

Net foreign demand in Sint Maarten rose by NAf.16.2 million during the July – September period of 2015 compared to the same period of 2014 as the drop in imports (NAf.31.8 million) outweighed the decline in exports (NAf.15.6 million). The import bill shrank mainly as a result of the significant decline in international oil prices that reduced the value of oil imports. Furthermore, non-oil merchandise imports dropped on the account of the decline in domestic spending and less communication services were imported.

The contraction in exports can largely be ascribed to a drop in business services provided to abroad, including real estate (brokerage) services and business management services. Meanwhile, foreign exchange earnings from the tourism sector, which is Sint Maarten's

¹ The current account of the monetary union is not equal to the sum of the current accounts of Curaçao and Sint Maarten due to the unregistered transactions between the two countries.

main economic pillar, remained practically unchanged as a decline in the foreign exchange receipts from cruise tourism was offset by an increase in the earnings from stay-over tourism.

Developments in the income balance and current transfers balance

The income balance remained rather stable during the third quarter of 2015 because an increase in dividend paid to foreign investors was offset by a rise in interest income earned on foreign assets by resident companies combined with less labor income paid to nonresident workers. Meanwhile, the current transfers balance improved by NAf.26.9 million because of an increase in profit taxes received from offshore companies by the government of Curaçao. Furthermore, the governments of both Curaçao and Sint Maarten collected more airport landing fees from foreign airlines in the third quarter of 2015 compared to the third quarter of 2014.

Overall, the current account deficit widened by NAf.32.7 million to reach NAf.356.6 million in the third quarter of 2015 compared to the third quarter of 2014. (For a detailed overview, refer to Table 2 in the Appendix.)

Developments in the financial and capital account

In line with the increased current account deficit, the net foreign wealth of the private sector dropped by NAf.302.6 million in the third quarter of 2015. This change in external financing was due to a deterioration of the portfolio investment, direct investment and loans & credits balances.

The portfolio investment balance worsened by NAf.140.2 million due mainly to funds received from matured foreign debt securities held by institutional investors that were not reinvested abroad. The bulk of these matured debt securities was issued in the past by the entities of the former Netherlands Antilles and taken over by the Dutch State in October 2010 as part of the debt relief agreement.

Net direct investments into the monetary union expanded by NAf.117.3 million due mainly to increased claims of foreign direct investors on their subsidiaries in the monetary union. Meanwhile, the loans and credits balance worsened by NAf.45.1 million led by, 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 credits received in the past on imports. The worsening of the loans & credits balance was moderated by a decline in nonresidents' deposits in the monetary union combined with the net repayment of loans extended from abroad to companies in Curaçao and Sint Maarten.

During the third quarter of 2015, net capital transfers dropped by NAf.6.3 million compared to the third quarter of 2014, due to the phasing out of the development aid funds from the Netherlands, as agreed upon in the debt relief program. As the external financing was not sufficient to cover the current account deficit during the September quarter of 2015, gross official reserves contracted by NAf.25.2 million. (Refer to Table 3 in the Appendix for a detailed overview.)

APPENDIX

Table 2 Detailed overview of the balance of payments (in millions NAf.)

	2013-III	2014-III	2015-III
Trade balance	-818.6	-843.8	-766.3
-Exports	328.8	359.3	230.1
-Imports	1,147.7	1,203.0	996.4
Services balance	477.1	625.0	489.6
Receipts, of which:	979.2	1,190.3	1,011.1
-Travel	515.2	573.0	552.6
-Transportation	126.2	132.5	64.5
-Other services, of which:	337.9	484.8	394.0
-Int. fin & bus. services sector	40.8	52.1	63.0
Expenses, of which:	502.1	565.3	521.5
-Travel	185.1	198.7	207.7
-Transportation	94.7	90.0	80.9
-Other services, of which:	222.3	276.6	233.0
-Int. fin & bus. services sector	27.5	34.1	25.2
Income balance ¹⁾	-23.3	-37.5	-39.1
Current transfers balance ²⁾	-56.3	-67.6	-40.7
Current account balance	-421.1	-323.9	-356.6
Capital & financial account balance	368.3	300.5	327.7
Capital account balance	6.5	4.8	-1.5
Financial account balance	361.8	295.6	329.2
Net errors & omissions	52.8	23.5	28.9

1) Labor and investment income.

2) Public and private transfers.

Table 3 Breakdown of net changes in the financial account¹⁾ (in millions NAf.)

	2013-III	2014-III	2015-III
Direct investment	41.2	129.1	117.3
- Abroad ²⁾	-26.2	-18.5	-18.6
- In Curaçao and Sint Maarten ³⁾	67.4	147.6	135.9
Portfolio investment ²⁾	214.2	99.4	140.2
Other investment, of which:	26.0	68.7	53.9
- Assets ²⁾	255.0	-14.0	198.1
- Liabilities ³⁾	-229.0	82.7	-144.2
Net lending/borrowing, of which:	33.6	87.5	-7.3
- Assets ²⁾	16.5	24.8	19.6
- Liabilities ³⁾	17.1	62.7	-26.9
Reserves ⁴⁾	46.7	-89.1	25.2
Total assets ²⁾	506.3	2.6	364.4
Total liabilities ³⁾	-144.5	293.0	-35.2
Balance	361.8	295.6	329.2

1) Transaction basis

2) A minus sign means an increase in assets.

3) A minus sign means a decrease in liabilities.

4) A minus sign means an increase in reserves.