The state of Sint Maarten’s economy

Annual general meeting of the
Sint Maarten Hospitality & Trade Association (SHTA)
March 29, 2012
Outline presentation

• Developments in:
  – Real sector.
  – Public sector.
  – External sector.
  – Monetary and financial sector.

• Outlook for 2012
Real sector
Main developments in Sint Maarten for 2011

• Economic contraction of 1.0%, caused mainly by poor developments in stay-over tourism.

• Inflation rate soared to 4.6%, driven by (1) higher turnover tax (TOT); and (2) rising fuel and utility prices.
Economic development
Sint Maarten

2007: Real GDP 4.6%, Inflation 3.2%
2008: Real GDP 3.2%, Inflation 0.0%
2009: Real GDP 0.0%, Inflation 0.0%
2010*: Real GDP 3.2%, Inflation 0.0%
2011*: Real GDP 4.6%, Inflation -1.0%

*CBCS estimate
Developments tourism sector

Stayover tourism

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>40,000</td>
<td>35,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Feb</td>
<td>35,000</td>
<td>30,000</td>
<td>40,000</td>
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<tr>
<td>Mar</td>
<td>30,000</td>
<td>25,000</td>
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<tr>
<td>Apr</td>
<td>25,000</td>
<td>20,000</td>
<td>30,000</td>
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<tr>
<td>May</td>
<td>20,000</td>
<td>15,000</td>
<td>25,000</td>
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<td>Jun</td>
<td>15,000</td>
<td>10,000</td>
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<td>Jul</td>
<td>20,000</td>
<td>15,000</td>
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<tr>
<td>Aug</td>
<td>30,000</td>
<td>25,000</td>
<td>40,000</td>
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<tr>
<td>Sep</td>
<td>25,000</td>
<td>20,000</td>
<td>35,000</td>
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<tr>
<td>Oct</td>
<td>20,000</td>
<td>15,000</td>
<td>30,000</td>
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<tr>
<td>Nov</td>
<td>15,000</td>
<td>10,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Dec</td>
<td>10,000</td>
<td>5,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>
Developments tourism sector

Stayover tourism by market

North America | South & Central America | Caribbean | Europe | Rest of the World

2009: 272708 |  |  |  | 0
2010: 269877 |  |  |  | 0
2011: 252460 |  |  |  | 0
Developments tourism sector

Hotel occupancy rates

0 10 20 30 40 50 60 70 80 90 100

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

2009  2010  2011
Developments in other sectors

• Transport, storage & communication:
  – Decline in airport-related activities
  – Increased ships into the ports and container movements

• Construction:
  – No major construction projects
  – Decline in mortgages extended
Developments in other sectors

• Wholesale and retail trade:
  – Drop in activities reflecting decline in stay-over tourism and lower private spending

• Financial services:
  – Decline in net income of the domestic commercial banks
Public sector
Main developments in Sint Maarten

• The current account of the budget will be balanced in 2011.

• On the revenues side, total proceeds from the turnover tax rose largely as a result of the increase in the turnover tax rate from 3% to 5% in February 2011.

• Including capital expenditures, Sint Maarten will reach an overall deficit of ½ percent of GDP.

• Public debt increased due mainly to bond issue of NAf 26 million in October 2011.
External sector
Main developments

• Current account deteriorated in 2011 due to decreased net current transfers from abroad.

• In contrast, net exports of goods and services improved as the growth in exports exceeded the rise in imports.

• Capital account worsened significantly as a result of a decline in net capital transfers from abroad.

• Sharp increase in external financing.

• Developments resulted in balance of payments deficit.
## Balance of payments
(transaction basis, NAF mln)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current account</strong></td>
<td>-1,007.8</td>
<td>-1,513.9</td>
<td>-608.6</td>
<td>-1,429.7</td>
<td>-1,734.6</td>
</tr>
<tr>
<td><strong>Capital account</strong></td>
<td>218.8</td>
<td>244.8</td>
<td>200.6</td>
<td>1,392.8</td>
<td>58.0</td>
</tr>
<tr>
<td><strong>External financing</strong></td>
<td>920.3</td>
<td>1,532.6</td>
<td>794.4</td>
<td>81.8</td>
<td>1,023.9</td>
</tr>
<tr>
<td><strong>Direct investments</strong></td>
<td>425.1</td>
<td>449.0</td>
<td>196.4</td>
<td>228.7</td>
<td>174.4</td>
</tr>
<tr>
<td><strong>Loans and credits</strong></td>
<td>644.5</td>
<td>1,210.2</td>
<td>786.7</td>
<td>1,600.7</td>
<td>810.9</td>
</tr>
<tr>
<td><strong>Portfolio investments</strong></td>
<td>-149.3</td>
<td>-126.6</td>
<td>-188.7</td>
<td>-1,747.6</td>
<td>38.6</td>
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<td><strong>Change in reserves</strong></td>
<td>-277.3</td>
<td>-371.6</td>
<td>-538.9</td>
<td>-162.4</td>
<td>501.2</td>
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*CBCS estimate
Balance of payments developments (in % of GDP)

Current account balance

External financing of the private sector
Share in export of goods & services

*Average 2007 - 2010
Tourism sector

![Bar chart showing tourism sector earnings from 2007 to 2011 for Curacao and St. Maarten.](image)

- **2007**: NAF 500 mln
- **2008**: NAF 550 mln
- **2009**: NAF 600 mln
- **2010**: NAF 1,207 mln (CBCS estimate)
- **2011**: NAF 1,237 mln (CBCS estimate)

*Curacao and St. Maarten earnings from tourism sector*

*CBCS estimate*
International reserves

(mln N.Af.)


NFA CBCS  NFA commercial banks  net international reserves (excluding gold)
Monthly import coverage

- Monthly import coverage norm
- Import coverage
Monetary and financial sector
Main monetary developments

- Slight increase in money supply.
- Growth in credit extension decelerated.
- Interest rates on government paper dropped.
- Declining trend in interest rates continued.
Money supply

NAf mln

2007 2008 2009 2010 2011

Net domestic assets Net foreign assets
Net domestic credit

Change, NAf mln

-1100  -800  -500  -200  0  100  400  700

2007  2008  2009  2010  2011

Government  Private sector  Other
Credit extension
commercial banks
(annual growth rate)
Growth private loans Curaçao and Sint Maarten

(annual growth rate)
Credit growth / reserve requirement

- NDC private loan component
- Percentage reserve requirement
Liquidity commercial banks

![Bar chart showing liquidity commercial banks' levels from January 2005 to January 2012. The x-axis represents the months from January 2005 to January 2012, and the y-axis represents the levels in millions of NAf. The chart highlights the changes in liquidity over the years.]
Current monetary situation

- High current account deficit balance of payments
- Foreign exchange reserves and import coverage declining
- High excess liquidity banking sector
- Credit growth not in line with economic growth
Monetary policy

• Reserve requirement:
  – October 2010 to August 2011: 7.75%.
  – September 2011: raised to 9.75%, then tightened further to 10.75%.

• Current situation: consequences of credit extension discussed with banks: moral suasion to limit credit growth. If no effect, a credit restriction will be imposed.
Monetary policy measures

• Increase in percentage reserve requirement

• Credit freeze for 6 months
Outlook 2012
## Balance of payments
(transaction basis, NAf mln)

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Balance of payments developments (in % of GDP)

Current account balance
External financing of the private sector
Outlook 2012 Sint Maarten

• Real GDP of Sint Maarten is expected to remain relatively unchanged at -0.2% in 2012, related largely to:
  (1) fewer tourism activities;
  (2) mitigated partly by some private investment activities in the second half of 2012
• Consumer price inflation will ease to 2.0%, the result of lower world oil and food prices.
Challenges to be addressed

• Reform of the system of taxation.
• Creation of an attractive business climate for local as well as foreign investors.
• Diversification of the economy.
• Filling of high-level vacancies in the government apparatus.
• Improving macroeconomic data.
• Development of capital market
Thank you for your attention