



3rd quarter 2011-2010 Economic Indicators

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Introduction

In the 3rd quarter (Jan-Sept.) 2011-2010 developments, St. Maarten saw some continuous trends in the way its economy acted when compared to that of 2010. As the island continued to grapple with the effects of the global economic down-turn, the Tourism sector continued to record a decrease in the Stay-over arrivals.

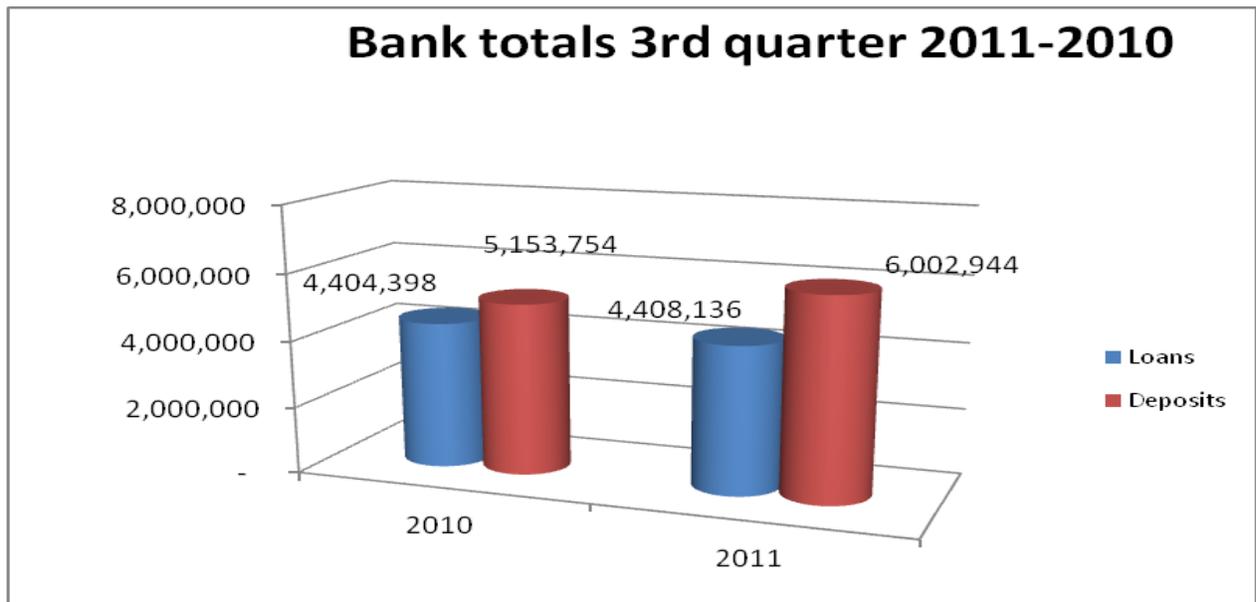
Monetary Sector

Banking Developments - Deposits

The banking deposits in the 3rd quarter (Jan-Sept.) have increased significantly by 16.48% when compared to the same period for 2010. In general, it seems that the population is saving more. However, this perception is false, as in actuality, reliable sources indicate that commercial deposits have attributed to the increase, not saving deposits. Increased Government spending contributed to the savings of the businesses, while uncertainty within the economy and prudent spending by consumers contributed minimally.

Banking Segment - Loans

The loans segment has shown a small increase of 0.08% in the 3rd quarter (Jan-Sept.) 2011 when compared to the same period in 2010. Although there was continuous low interest banking rates (some as low as 3.99% etc) in this quarter, sources indicate that businesses did not borrow due to skepticism in the outlook for the economy. Persons and businesses alike were also borrowing outside the banking realms (from each other or businesses). Banks were cautious to lend to business entities as the economic climate slowed down, and banking restrictions increased.



Graph 1- Bank totals 3rd quarter 2011/2010

Tourism Sector

Stay over Arrivals

In 2011 the 3rd quarter (Jan-Sept.) saw a decrease of 6.05% when compared to that of 2010. The North American market (our target market), accounts for the largest majority of stay-over arrivals to St. Maarten. Additionally, St. Maarten is more susceptible to changes in their home economy.

The North American market showed a decrease arrival amount of 9.26%, while the South American market yielded a 22.52% increase in the 3rd quarter 2011, when compared to that of 2010. The decline in the American market is consistent with the continued affects of the recession in the United States.

South America was heavily marketed in 2010 and 2011 respectively. With Copa Airlines bringing vacationers directly from South America via Panama twice a week, St. Maarten is now reaping the fruits of this marketing venture.

In the 3rd quarter 2011, the European market saw a decrease of 1.17%, as most Europeans are still uncertain about Greece and the Euro Zone. Another bail out is being sought for Greece, where financial institutions and banks that own Greek bonds will turn in their old bonds and get new ones that are easier for Greece to pay.

The Caribbean market saw a decrease of 1.43% in the 3rd quarter of 2011 when compared to that of 2010. Several factors could contribute to this decrease, including limited and expensive airlift among the Caribbean Islands. An increase in Taxes such as VAT in Caribbean countries, and the increase of ToT in St. Maarten, has also impacted the prices of products for the Caribbean.

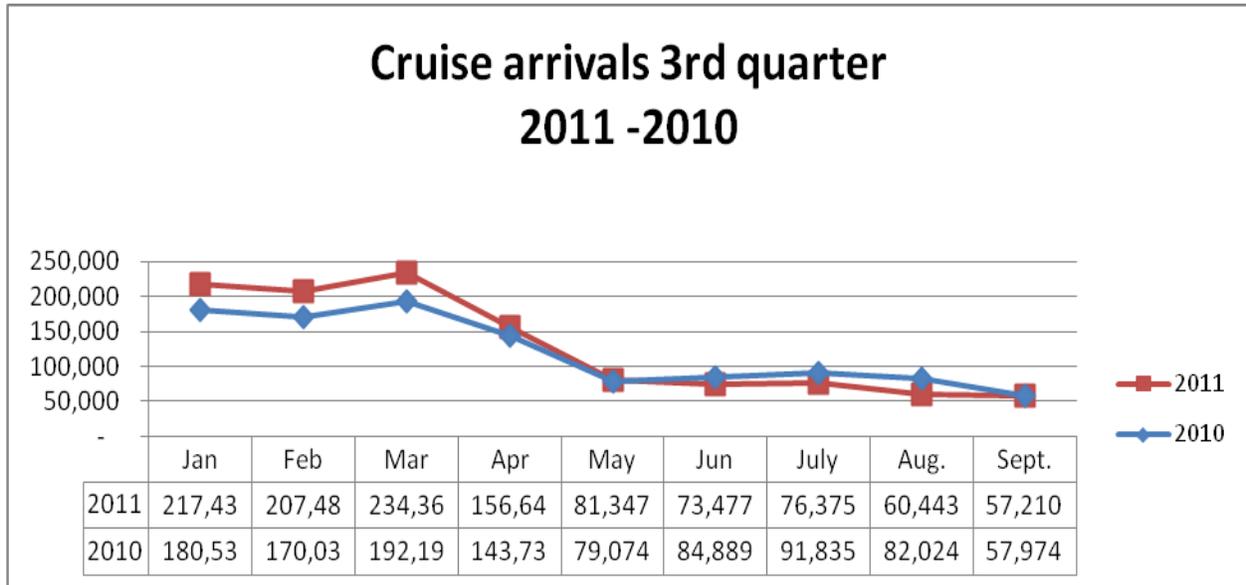
The Rest of the World market saw a decrease of 8.86% in the 3rd quarter 2011 when compared to that of 2010. Like St. Maarten, all Caribbean islands are competing for the same tourists. As such, vacationers have the upper hand when choosing a destination to spend their vacation. From the arrival figures in this segment one can see that St. Maarten was not chosen as vacationers sought new destinations over returning to a place they have already been to.

Segments	2010	2011	% change
North America	207,814	188,565	-9.26%
South America	10,059	12,324	22.52%
Europe	75,488	74,606	-1.17%
Caribbean	17,755	17,501	-1.43%
Rest of the World	25,409	23,159	-8.86%

Table 1 – Stay over arrivals by market segment 3rd quarter 2011/2010

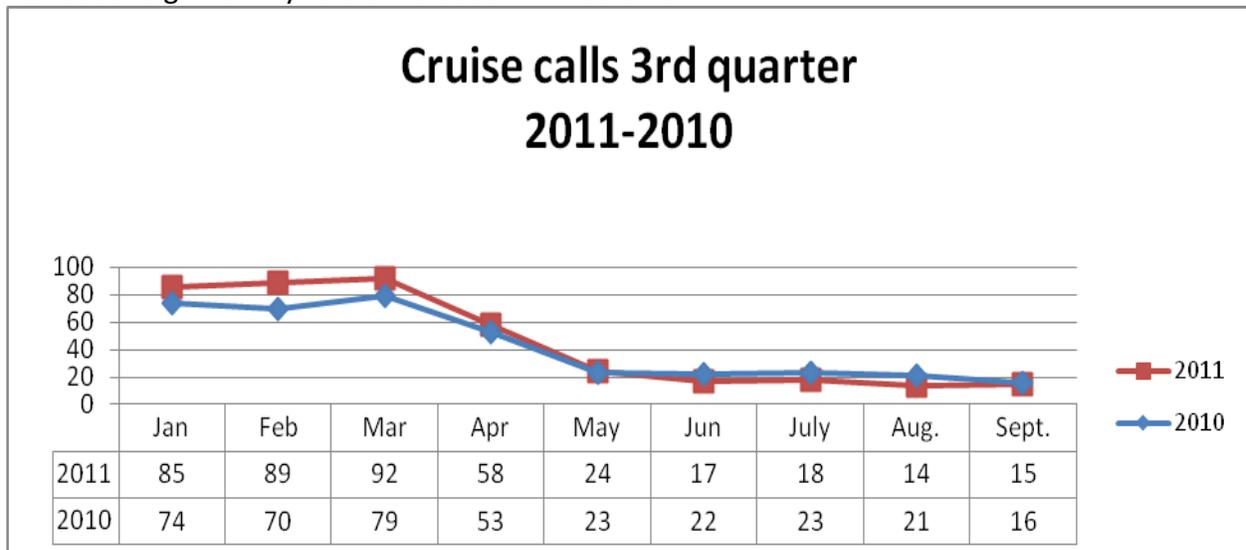
Cruise Arrivals

The 3rd quarter (Jan-Sept.) 2011 Cruise Arrivals showed an increase of 7.62% , when compared to that of 2010. This increase could have been higher if St. Maarten did not experience inclement weather consecutively in this quarter. The island did not sustain any damage, but the severe weather (rough seas) deterred the Cruise ships to other destinations.



Graph 2 – Cruise arrivals 3rd quarter 2011-2010

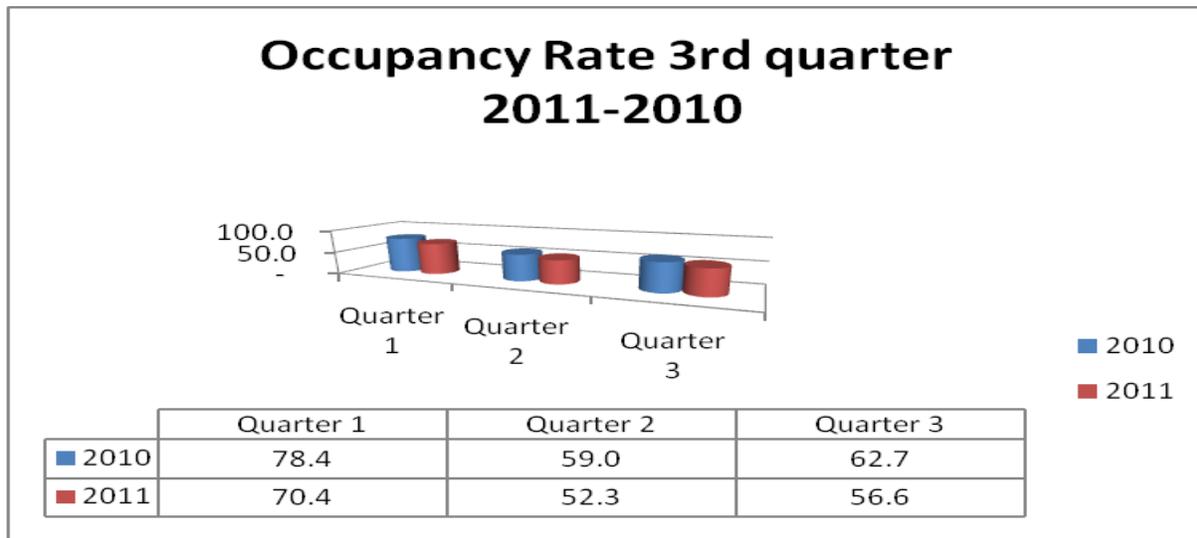
The Cruise ship arrivals showed a solid increase of 8.14% by 3rd quarter (Jan-Sept.) 2011 when compared to 2010. This increase is due to marketing arrangements between the Port of St. Maarten and the Cruise liners. At the same time, St. Maarten is home to one of the largest porting facilities that can accommodate the two largest Cruise ships in the world. This has attributed significantly to the increase in cruise calls.



Graph 3 – Cruise call 3rd quarter 2011-2010

Occupancy

With the decrease of 6.05% in the Stay over arrivals, the Occupancy Rate has also reflected a decrease of 56.6% in the 3rd quarter (Jan-Sept.) 2011 when compared to that of 2010 (62.7%). With economies worldwide showing slight improvements after the economic crisis, tourists are seeking all inclusive packages (Cruises) to vacation. Economically one payment, 5-6 destinations is much cheaper than staying in one destination that offers products which have not been upgraded for some time.



Graph 4 – Occupancy Rate 3rd quarter 2011 – 2010

Fiscal Sector

Government Revenues

Overall, the Government Revenues used in this report showed an increase of 15.43% in the 3rd quarter (Jan-Sept.) 2011 when compared to that of 2010. Taking into consideration the change of ToT from 3% to 5% and the collection of revenues as of 10-10-10, these revenues have increased in some instances when bundled.

Taxes	2010	2011	% Change 2011 - 2010
Wage Tax	90,693,568	96,442,000	6.34%
Timeshare	3,512,720	3,491,000	-0.62%
Rental Tax	873,789	875,000	0.14%
Room Tax	3,215,337	3,204,000	-0.35%
Vehicle tax	7,963,371	8,453,000	6.15%
Other Revenues	7,459,000	18,796,000	151.99%
Total	113,717,785	131,261,000	15.43%

Table 2 – Government Revenues 3rd quarter (Jan. – Sept.) 2011 - 2010

Wage Tax – Wage Taxes saw an increase of 6.34% in the 3rd quarter (Jan-Sept.) 2011, when compared to that same period in 2010. As a new country, revenues from this segment is a key part of the overall revenues Government collected. As such, there has been increased compliance by persons paying the Wage Tax and updated measures to collect this tax.

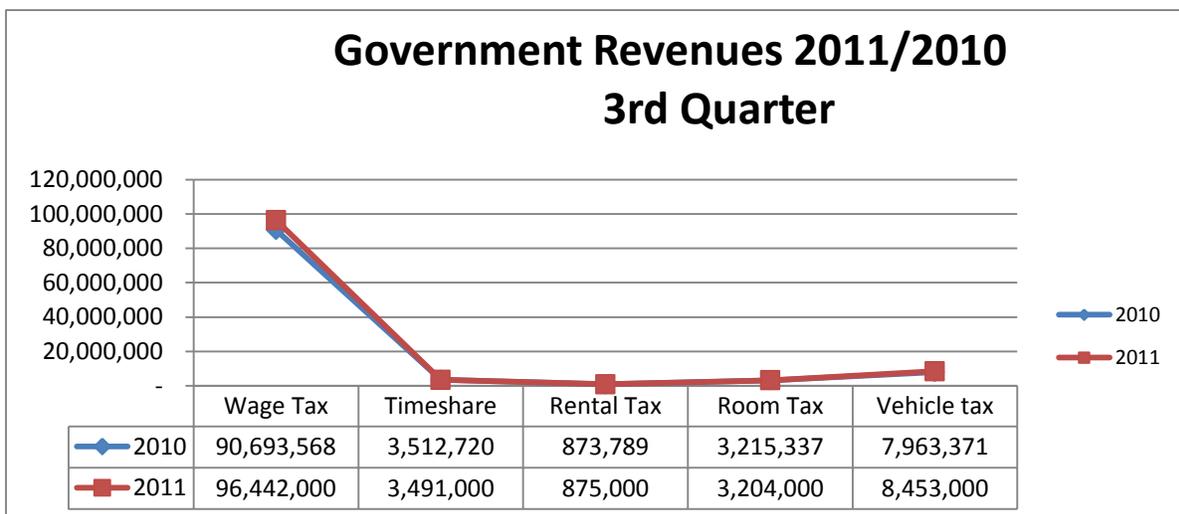
Time Share Tax – The Time Share Tax has seen a decrease of 0.62% in the 3rd quarter (Jan-Sept.) 2011, when evaluated against that of 2010. Time Share on St. Maarten has seen some tumultuous moments since February 2011, with one of our major timeshare facilities filing for bankruptcy.

Rental Tax – The Rental Tax segment saw a small decrease of 0.14% in the 3rd quarter (Jan-Sept.) 2011 when sidelined against that of 2010. This increase can be solely attributed to the compliance of the rental owners and the increase in collection.

Room Tax – The Room Tax segment saw a decrease of 0.35% in 3rd quarter (Jan-Sept.) 2011 when compared to that of 2010. This decrease in Room Tax could be directly related to the decrease in Stay over arrivals (-6.05%).

Vehicle Tax – The Vehicle Tax showed an increase of 6.15% in the 3rd quarter (Jan-Sept.) 2011 when compared to that of 2010. This could be attributed to more persons complying with payment of the Vehicle Tax.

Other Revenues – The Other Revenues segment saw a comforting increase of 151.99% in 3rd quarter (Jan-Sept.) 2011 when compared to that same period in 2010. This increase is due to the revenues being collected by the Receivers Office as of 10-10-10.



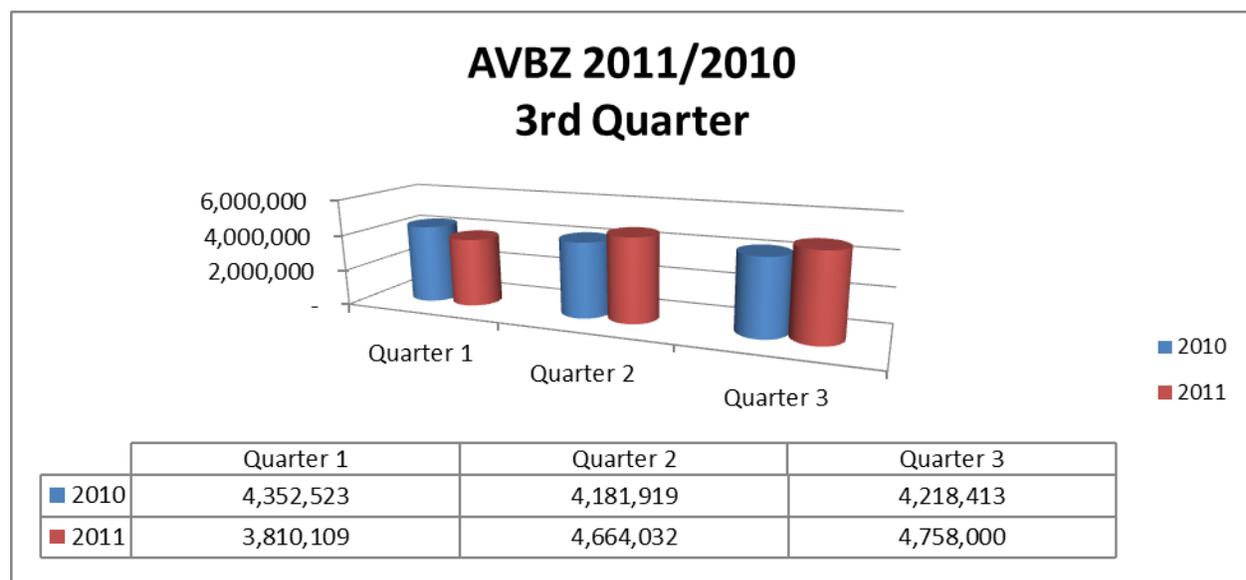
Graph 5 – Government Revenues 3rd quarter (Jan. – Sept.) 2011-2010

ToT – Turn over Tax saw an increase of 40.79% in the 3rd quarter (Jan-Sept.) 2011 compared to the same period in 2010. The increase recorded is mainly attributed to the increase in ToT from 3% to 5%. However, compliance of the entities paying the ToT still could be a factor.

Description	2010	2011	%change
Quarter 1	23,111,284	25,466,819	10.19%
Quarter 2	18,971,612	30,266,458	59.54%
Quarter 3	15,533,925	25,384,000	63.41%
Total	57,616,821	81,117,277	40.79%

Table 3 – TOT 3rd quarter 2011-2010

AVBZ – The collection of Algemene Verzekering Bijzondere Ziektekosten or General Insurance Sickness Expenses in the 3rd quarter (Jan-Sept.) 2011 saw an increase of 3.76% as opposing to the same period in 2010. AVBZ was always being collected in Curacao before St. Maarten attained its country status. Thus, the collection of this revenue was fairly new to St. Maarten in 2010, which started at a slow pace. Now that we have been collecting it for the last year and a half, the collection measures has been put in place and persons are starting to comply.



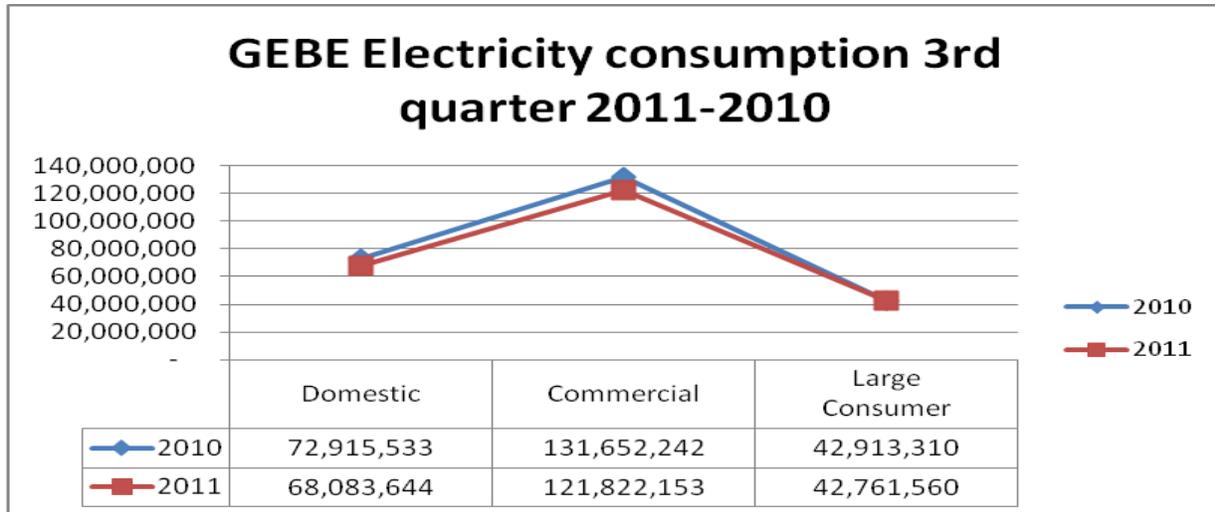
Graph 6 –AVBZ 3rd quarter 2011-2010

Real Sector

GEBE

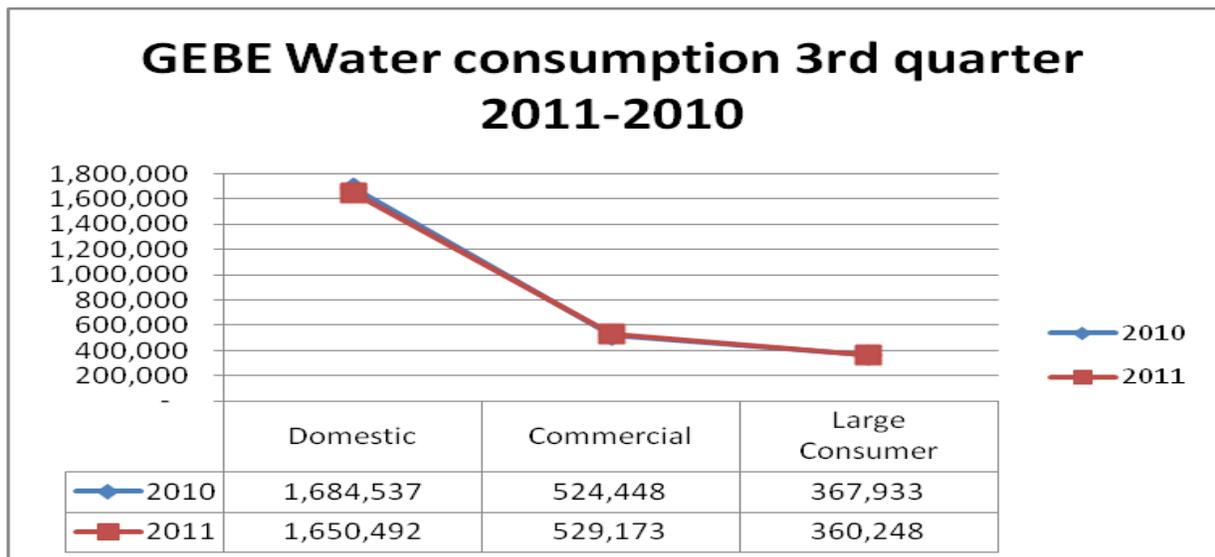
Across the board, GEBE electricity consumption has shown a decrease of 5.99% in the 3rd quarter (Jan-Sept.) 2011, when compared to that a year earlier. Domestic consumption dropped to 6.63%, Commercial consumption dropped 7.47% and Large Consumer consumption

dropped 0.35%. As electrical fees (fuel clause) continue to rise, due to increase in Petroleum products prices, persons are finding more and more ways to cut costs by consuming less electricity.



Graph 7 – GEBE Electricity consumption 3rd quarter 2011-2010

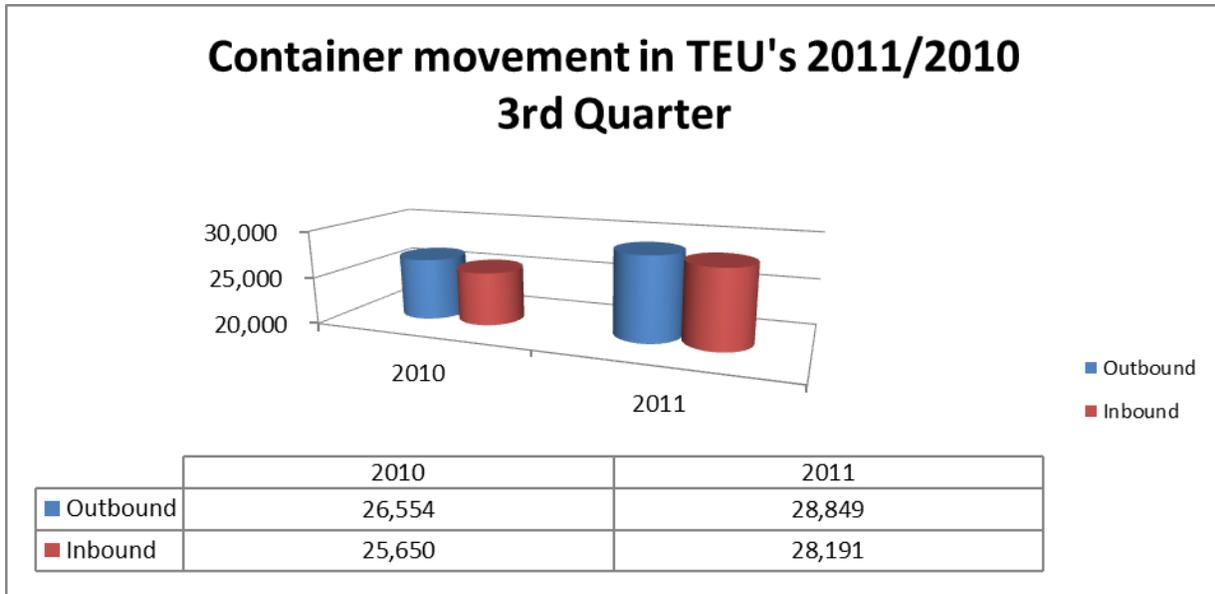
In the 3rd quarter (Jan-Sept.) 2011, overall GEBE water consumption showed a decrease of 1.44%, compared to the same period a year ago. The only increase in the water segment was seen within the Commercial consumption of 0.90%. The Domestic (-2.02%) and Large Consumer (-2.09%) consumption showed a decrease due to persons making use of cisterns/wells or limiting water usage in order to pay a lower water bill.



Graph 8 – GEBE Water consumption 3rd quarter 2011 -2010

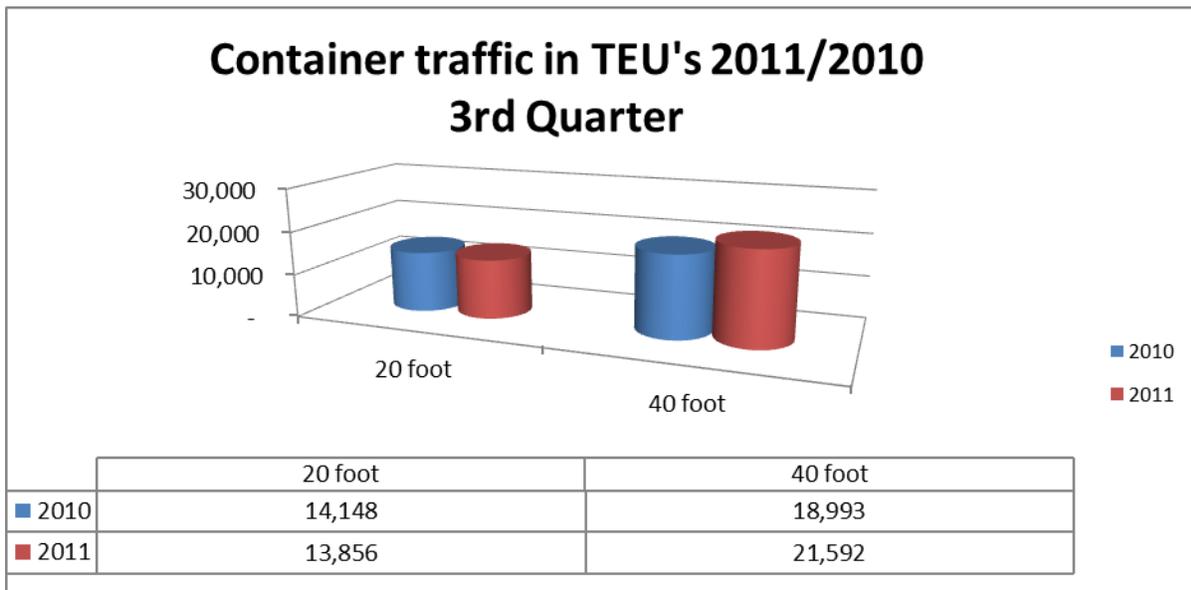
Container movements

Container TEU movements in 3rd quarter (Jan-Sept.) 2011 saw an increase of 9.26% when compared to the same period in 2010.



Graph 9 – Container movement in TEU's 3rd quarter 2011-2010

Container (20 and 40 foot) traffic in the 3rd quarter (Jan-Sept.) 2011 showed an increase of 6.96% compared to that of 2010. This increase can be attributed to more transshipment activities being done through the Port of St. Maarten



Graph 10 – Container traffic in TEU's 3rd quarter 2011-2010

Conclusion:

St. Maarten saw a decrease 6.05% in their Stay over tourist arrivals for 3rd quarter (Jan-Sept.) 2011, when compared to that of 2010. As previously stated in the half year report, a pattern can be seen in visitors turning more to Cruise line vacations. The move from Stay-over to Cruise Tourism has increased Cruise arrivals to St. Maarten by 7.62% in the 3rd quarter(Jan-Sept.). However, the Occupancy Rate for 3rd quarter (Jan-Sept.) 2011 reflected a decrease of 56.6%, when compared to that of 2010. The decrease in Stay-over is directly linked to the Occupancy rate; thus the behavior of one affects the other.

In the Banking developments of Deposits, a large increase of 16.48% was seen in 3rd quarter (Jan-Sept.) 2011, when compared to that of 2010. This increase however is due to saving by the commercial sector and not individuals. On the segment of Banking Loans, one saw a small increase of 0.08% which shows continued skepticism in the economy of St. Maarten.

At the same time, the Government of St. Maarten was expounding on the departments needed to propel St. Maarten forward as a country. Government Revenues saw an overall increase of 15.43% of collected revenues which was mainly due to the collection of taxes that were once collected by the Federal Government of the then Netherlands Antilles before 10-10-10.

During the 3rd quarter (Jan-Sept.) 2011 when compared to that of 2010, Container movements in TEU's saw a significant growth of 9.26%. The Container traffic segment also increased by 6.96%, as more and more companies are using the Port of St. Maarten for transshipment purposes.

Ultimately, St. Maarten will need to increase investments and continue their marketing efforts, in order to have positive returns in each of the segments highlighted in this 3rd quarter (Jan-Sept.) 2011-2010 report.