Sint Maarten First Quarter 2013 Macro-Monitor Report

The analysis and projections contained in this issue of the Macro Monitor Report that highlights the First Quarter 2013, are critical parts of the Department of Economic Affairs, Transportation & Telecommunication’s observation and monitoring of economic developments and policies in St. Maarten as well as internationally. The analysis, projections and policies are the product of a comprehensive interdepartmental

Contributors

- Tourism Bureau
- Department of STAT
- Ministry of Finance
- Receivers Office
- St. Maarten Harbor Holding Company
- CBCS

The Department of EVT takes this opportunity to thank all contributors in the development of this publication.
CONTENTS

Assumptions and Conventions
Source Information and Data
Key Figures
Table 1: Overview of St. Maarten –Macroeconomic Key figures
Chapter 1: International Sector
Table 2: Tourist Arrival by Region
Table 3: North America Forecasts 2012-2013
Table 4: Europe Forecasts 2012-2013
Table 5: Caribbean Forecasts 2012-2013
Table 6: South America Forecasts 2012-2013
Chapter 2: External Sector
Table 7: Stay-over Tourism First Quarter 2012-2013
Table 8: Tourism Market Estimates 2013
Table 9: Quarter 1 Tourism market Developments 2013
Table 10: Cruise Tourism First Quarter 2012-2013
Table 11: First Quarter Occupancy Rates Comparison 2012-2013
Chapter 3: Fiscal Sector
Table 12: Government Revenues by Category First Quarter 2012-2013
Graph 1: Government Revenues Jan- Mar 2012-2013
Table 13: Government Expenditures by Category First Quarter 2012-2013
Graph 2: Government Expenditures Jan- Mar 2012-2013
Chapter 4: Monetary Sector
Table 14: First Quarter Banking Totals 2012-2013
Conclusion
ASSUMPTIONS AND CONVENTIONS

This first quarter 2013 publication provides an overview of the economic developments in St. Maarten and the other parts of the world. It focuses on the past trends of key economic indicators as well as an analysis of the developments in St. Maarten for the first quarter of 2013. At the onset of 2013, the developments for St. Maarten’s economy are estimated as follows:

- St. Maarten’s projected growth for 2013 is 0.8%;
- unemployment rate projected at 11%;
- the current deficit has increased;
- the inflation projected a decrease of 3% for 2013;
- Imports projected to increase for 2013;
- Exports projected to decrease for 2013.

At production time of this report, data for some indicators for the first quarter of 2013 were still unavailable. These include; the proposed 2013 budget figures. Therefore, the figures presented above could slightly change based on the conversion and application to our “Smaartmodel”. However, these indicators outline the trends based on the first quarter of 2013.

The estimates and indicators for the first quarter of 2013 presented in this report are preliminary and therefore need to be seen as the best estimate based on all current quantitative economic data and expert knowledge. The estimates and projections are based on statistical information available. Minor discrepancies between sums of basic figures and totals shown reflect rounding and therefore the forecast include a margin of error.

The Department of Economic Affairs, Transportation and Telecommunication (EVT) will continue to monitor the tourist arrivals and update the estimates as the year progresses.

SOURCE INFORMATION AND DATA

The data appearing in this first quarter report are compiled by the Department of Economic Affairs, Transportation and Telecommunication. Sources include the Central Bank of Curaçao and St. Maarten, the Department of Finance, the Statistical Department, the St. Maarten Tourism Bureau, the St. Maarten Harbour Holding Companies, PJIAE, and the St. Maarten Hospitality & Trade Association.

Within the Department of Economic Affairs, data from stakeholders are compiled, collated and analyzed using an excel spreadsheet, termed “Smaartmodel”. This macro model is an analytical tool used to present a holistic view of the operation of the economy. It was built from scratch using past historical data on the various sectors of the economy, and is now in its operational stage. The Smaartmodel is a tool to monitor the economy of St. Maarten, analyze the impact of policy measures in St. Maarten’s economy and discuss developments with the many stakeholders on St. Maarten.

KEY FIGURES

Based on the short to medium term estimates of the “Smaartmodel”, key indicators of St. Maarten’s economy are selected and analyzed in Table 1. As the year 2013 continues, we expect updates on some of these indicators as they are reliant on the economic developments throughout the year.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2013e</th>
<th>2014e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth %</td>
<td>0.8</td>
<td>-0.3</td>
</tr>
<tr>
<td>Private consumption %</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Inflation</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Unemployment Rate %</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Employment by enterprises *1000</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Budget Deficit (mil Naf)</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Export (mil Naf)</td>
<td>1976</td>
<td>1984</td>
</tr>
<tr>
<td>Imports (mil Naf)</td>
<td>1913</td>
<td>1943</td>
</tr>
<tr>
<td>Export (%)</td>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>Imports (%)</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Current Account in % of GDP</td>
<td>-5</td>
<td>-4</td>
</tr>
</tbody>
</table>

Source: EVT, Ministry of Finance, STAT
Real GDP is estimated to have little growth for 2013, at an estimated at 0.8%. This estimate is supported by the developments within the external sector in which St. Maarten experienced for the first quarter of the year a 7% decrease in cruise passengers and a 2% increase in stay-over. Occupancy rate for the quarter averaged 80% with both hotels and timeshare combined. Please note that the official GDP figures for the years 2010-2012 are currently calculated by STAT and will be forthcoming within short.

The slow growth performance is projected based on the weak performance observed during this reporting period especially in the tourism industry where cruise and stay-over performed below expectation. This area is the driving force of our economy in which the service industry is so dependent.

EVT’s estimation of unemployment for 2013 is 11%. This estimation is based on the latest Labour Force Survey conducted in 2009 by the Statistical Department which indicated then, a rate of 12%.

In the first quarter of 2013 public sector expenditures increased by 4% when compared to the expenditures of the first quarter of 2012. Likewise, revenues showed a decrease of 2% when compared to the same period in 2012. Since the exports projected were slightly higher than imports; the net exports (exports minus imports) are estimated to have a slight improvement.

It should be noted however, that the key figures presented are primarily based on tourism figures of the first quarter since we have not included the proposed 2013 budget figures in our analysis. Once this is approved and included we do expect updates in future reports.

CHAPTER 1: INTERNATIONAL SECTOR

For the first quarter of 2013, St. Maarten Stay-over arrivals from the various monitored regions showed an increase with the exception of the Europe region. The North American region, which is St. Maarten’s leading contributing region, had a 65% for the first quarter of 2013. This is illustrated in table 2 below.

<table>
<thead>
<tr>
<th>Regions</th>
<th>2013 Q1 Actuals</th>
<th>% Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caribbean</td>
<td>6,497</td>
<td>4.0</td>
</tr>
<tr>
<td>North American</td>
<td>98,311</td>
<td>65.1</td>
</tr>
<tr>
<td>Europe</td>
<td>33,373</td>
<td>23.2</td>
</tr>
<tr>
<td>South America</td>
<td>4,738</td>
<td>3.0</td>
</tr>
<tr>
<td>Rest of World</td>
<td>7,009</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>149,928</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: EVT/ St. Maarten Tourism Bureau

Other markets contribution for the first quarter include; the Caribbean region with 4%, South America 3%, and the Rest of the World (which includes countries of the Asian Continent) with 5% growth and Europe even though decrease in arrival with 23% contribution.

RECENT GLOBAL EVENTS

International developments are continuously being monitored by EVT, as we are heavily dependent on tourism. Any developments within the international sector or environment can influence change in our local economy.

Focus is placed on three macro-economic indicators for selected countries of the various regions that are considered our target and emerging markets within our tourism industry. These indicators are the real GDP, the inflation and current account as a percentage of GDP.

NORTH AMERICA

As the year 2013 commenced, growth appears to be strengthening even after taxes increased on Jan. 1,
2013 and automatic government spending cuts totaling $85 billion took effect on March 1, 2013. Despite the fiscal cliff, the economy reached a 2% growth for the first quarter, with an improvement in housing markets, healthy consumer spending on new cars and among other goods and services. However, the Congressional Budget Office estimated that the combination of tax increases and spending cuts could lessen economic growth this year by about 1.5 percentage points.\(^1\)

Nevertheless, steady hiring has kept consumers spending thus far for the year. In addition, businesses rebuilt depleted inventories in the first quarter, signifying positive growth early in the year.

With the aforesaid on the U.S. economy, we have noted that for the first quarter of 2013, 65% of St. Maarten’s stay-over tourists originated from the North American region. Based on the forecast illustrated in the table 3 with a slight increase in real GDP growth, stable rate of inflation, EVT takes a conservative estimate of 1.6% growth for the stay-over arrivals from the North American region for the year of 2013.

### EUROPE

As the global economy is beginning to rebound, Europe remains to be lagging behind, raising concern that the recession will deepen. The unemployment rates, even in countries that are starting to see growth, remains too high.

The government budget-balancing measures have hurt household spending across most of Europe, even as the U.S continues to grow modestly. Investors are bailing out of the European and emerging markets due to the impact the Cyprus dilemma may have on the euro zone crisis.\(^2\)

Germany’s economy lost its strength in 2012 after contracting for three straight quarters; however, for the first quarter of 2013 it managed a growth of 1.3%, mainly as a result of strong domestic demand. Inflation, however, remained stagnant at 2.1%. The Dutch economy had a contraction of 0.6% for the first quarter of 2013. Nevertheless, inflation remained at 1.7%.

Although the European economy is rebounding, no significant change in activity has been detected. Investment has accounted for much of the rebound in GDP, on the back of stimulus policies implemented more precisely in 2012.\(^3\) The slow recovery of the European economies is a positive sign and creates an incentive for St. Maarten.

According to the forecast in Table 4, with the exception of Italy and Norway, there is an improvement projected in 2013 for GDP and the current account, nevertheless, inflation remains stable. Improvement in the real GDP will lead to more jobs, additional income (and further real income if inflation stays low). People in turn will have more purchasing power and will have the opportunity to travel more.

Although the European region contributed 23% to stay-over tourism for the first quarter, its arrivals declined when compared to the same period of 2012 by 2%. This

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\(^1\) [www.reuters.com](http://www.reuters.com)

\(^2\) Source: NY Times

\(^3\) Source: Associated Press

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**Table 3: North American Forecast 2012-2013**

<table>
<thead>
<tr>
<th>North America</th>
<th>Real GDP Growth (%)</th>
<th>Inflation (Average, %)</th>
<th>Current Account (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2.2</td>
<td>2.3</td>
<td>-3.8</td>
</tr>
<tr>
<td>Canada</td>
<td>2.6</td>
<td>1.9</td>
<td>-2.8</td>
</tr>
</tbody>
</table>

**Table 4: Europe Forecast 2012-2013**

<table>
<thead>
<tr>
<th>Europe</th>
<th>Real GDP Growth (%)</th>
<th>Inflation (Average, %)</th>
<th>Current Account (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>0.7</td>
<td>1.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Denmark</td>
<td>-0.1</td>
<td>1.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Finland</td>
<td>-0.4</td>
<td>0.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-1.1</td>
<td>0.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.6</td>
<td>1.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Italy</td>
<td>-2.3</td>
<td>0.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Norway</td>
<td>3.2</td>
<td>2.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: Global Macro Monitor - April 2013

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\(^1\) [www.reuters.com](http://www.reuters.com)

\(^2\) Source: NY Times

\(^3\) Source: Associated Press
development can be considered a reflection of the deepening recession in Europe.

ASIA

The Asian Pacific economies have shown some strong signs of recovery in economic activity even with the generally rising exports and stabilizing inflation. China's annual rate of economic growth pushed higher in the first three months of 2013 versus the last quarter of 2012, with fixed asset investment and factory output growth in double digits strengthening a mild rebound.

For the first quarter of 2013, the performance overall from this region which is also categorized as Rest of the World to St. Maarten’s stay-over tourism, was very low. As seen in Table 2, a growth rate of 1% was realized when compared to stay-over of 2012, this also constitutes to 4.7% of St. Maarten’s overall stay-over for the first quarter of 2013. Interestingly, with the performances of the respective Asian economies, preliminary estimates for 2013 show a positive sign of 7% increase in stay-over tourism.

SOUTH AMERICA & CARIBBEAN

The economies in the South America and Caribbean region experienced a modest growth caused by the slow recovery of the global economy, mainly by difficulties in Europe and the U.S. As shown in Table 5 and 6, economic indicators for the South American countries and the Caribbean Islands reflect differing trends.

For the Caribbean region as illustrated in Table 5, there is a projected overall improvement in the economies thus far for 2013. Inflation is slowing down in most of the Islands except for Guyana. With the current account deficit we see that Guyana is about 15% negative, while Puerto Rico and Trinidad and Tobago seem to export more than they import in percentage of GDP.

Higher global commodity prices will continue to pose a risk to the inflation path across the region, with a number of countries importing the majority of their food and fuel, while sluggish economic growth rates will for the most part keep price increases muted. Tourism remains a key industry for the majority of the Caribbean economies, and a faster-than-expected recovery in developed markets could boost tourism receipts and overall growth rates. However, rapid inflation stemming from the high prices in commodities such as food prices, seem to pose a risk for the Caribbean economies as well as the poor external climate.4

Anguilla has few natural resources, and the economy depends heavily on luxury tourism, offshore banking, lobster fishing, and remittances from emigrants. Increased activity in the tourism industry has spurred the growth of the construction sector contributing to economic growth. Anguillan officials have put substantial effort into developing the offshore financial sector, which is small but growing. While we see some upside for Anguilla’s tourism sector in the coming years as growth in major source markets picks up modestly, we believe it will be insufficient to not see a strong economic recovery in the island’s economy.5

The economy of Saint Kitts and Nevis depends on tourism; since the 1970s tourism has replaced sugar as the traditional mainstay of the economy. Roughly 200,000 tourists visit the islands, but reduced tourism arrivals and foreign investment led to an economic

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4 www.latinamericamonitor.com
5 www.latinamericamonitor.com

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4 www.latinamericamonitor.com
5 www.latinamericamonitor.com
contraction over the past three years, and the economy has not yet returned to growth.

It should also be noted, that this region contributes to our stay-over tourism in St. Maarten. Stay-over arrivals from the Caribbean region for the first quarter of 2013 increased by 11.8% when compared to same quarter in 2012.

Based on Table 5 above, forecast with the increasing GDP and decreasing inflation can have a positive impact on St. Maarten’s economy. With effective regional marketing strategy, an increase in travel from the region and consumer spending can lead to a positive effect on the GDP for St. Maarten and overall economic growth.

In perspective of the South American region, these countries were notably the targeted countries for 2012. Observations made are that the economies of the selected countries are still growing as the year 2013 progress. Inflation is also higher and slightly slowing down, except for Argentina that seems to almost be entering into recession.

### Table 6: South American Forecast 2012-2013

<table>
<thead>
<tr>
<th>South America</th>
<th>Real GDP Growth (%)</th>
<th>Inflation (Average, %)</th>
<th>Current Account ( % of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012f</td>
<td>2013f</td>
<td>2012f</td>
</tr>
<tr>
<td>Argentina</td>
<td>2.0</td>
<td>1.6</td>
<td>25.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.0</td>
<td>3.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Chile</td>
<td>5.3</td>
<td>4.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Colombia</td>
<td>3.8</td>
<td>4.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.1</td>
<td>3.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Peru</td>
<td>6.1</td>
<td>5.2</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: Global Macro Monitor April 2013

Argentina’s economy grew by 3% for the first three months of 2013. Sluggish global demand, high local inflation, a poor grains harvest and government import and currency controls continues to take a toll on the economy. The IMF issued a motion of censure to Argentina, due to the country's refusal to revise its inflation and GDP figures. The Argentine government has until the end of September 2013 to take remedial measures with regards to how it reports its statistics. The country has already promised to review this data several times, and has never done so, but on this occasion, a new breach could lead to their expulsion from the IMF.

Due to slower external demand, the slowdown in lending activity and weaker competitiveness, year-end results show that the Brazilian economy has slowed considerably having a 1.5% growth for the first quarter of 2013. Inflation is once more in the crosshairs of the Brazilian economy, however, private consumption performed well. Measures have been taken to improve the competiveness.

Colombia’s economy is showing signs of improvement, having a growth of 4.4% for the first quarter of 2013. The increases in consumption, investment and trade, as well as the rise of strategic sectors, have led to growth which has exceeded the targets. The inflation rate dropped slightly to 3.5%.

From this region there has been an increase of 8.9% in stay-over for the first quarter of 2013 as compared to the same period in 2012. Real GDP growth projections of those countries can impact St. Maarten’s economy positively, when the Tourism Bureau effectively implements their marketing strategy.

### CHAPTER 2: EXTERNAL SECTOR

#### STAY OVER TOURISM- ST. MAARTEN

Stay-over arrivals on St. Maarten increased by 2.3% in the first three months of 2013 when compared to the same period in 2012, as illustrated in table 7. This represents 14,900 nights extra for the reporting period, with the assumption that stay-over per tourist is 4.5 nights on average. The increase can be attributed to the continuous promotional rates of the hotel industry.

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4 [www.latinamericamonitor.com](http://www.latinamericamonitor.com)
Total number of stay-over visitors up March 2013 amounted to 149,928, as compared to 146,611 visitors for March 2012. Even though this is a positive sign, concerns should be raised seeing that stay-over tourism was not at a steady increase for the entire 3 months of 2013, as there was a slight decline in the first two months.

New estimates for 2013 indicate a relatively low rate of 1.8% which accounts for 464,970 stay-over tourist. This estimate is based on the average of each calendar month for the past five years. This estimate can also be substantiated with the fact the United States, which is our highest market, is in its recovery stage and the debt ceiling issues is still outstanding which can have an adverse effect on consumer behavior depending on policies that may be implemented.

Additionally, consideration has to be given as to the impact of the recent sequestration of the US economy in which government expenditures is to be reduced by approximately 80 million in key areas that will affect middle income earners.

However, as the year progresses and new data are received, the estimates will change and be updated accordingly.

With regards to the performance of the various regions, they have all showed positive signs for the first quarter of 2013 except that of Europe as illustrated in table 9. This fall in arrivals from Europe could be explained through the economic development in which major economies are just recovering from recessionary stages and the policy measures taken to stabilize the various economies. The slow recovery has led to less spending by the European visitors to St. Maarten.

The Caribbean region showed an increase of 8%, which is justifiable with the fact that St. Maarten is still considered a shopping hub for the other islands of the region. North American, South American and the rest of the World showed increase of 3%, 9% and 1% respectively for this reporting period.

**CRUISE TOURISM-ST. MAARTEN**

Cruise arrivals for the first quarter of 2013 were lower than arrivals in same period of 2012. Reasons for the slump in arrivals could be ascribed to several factors. According to the St. Maarten Harbour Holding Company, the decrease in calls of 5% for the first quarter of 2013 when compared to 2012 were due to lower demand, hence less bookings amongst a number of the cruise lines to the Caribbean region, such as less demand cruise liners received for bookings.
Also, other countries are promoting vacationing within their country or internal tourism for example the United States. There are also the issue of job security within the U.S., and the effects of the cruise liner Costa Concordia which sank during the onset of the first quarter of 2012 which may have deterred passenger bookings, since this process is done 9 months to one year in advance.

As illustrated in table 10, cruise passenger arrival for the reporting period amounted to 681,078 compared to 733,528 in 2012 for the period January to March. This indicates a 7% decrease in arrivals when comparing the periods 2013 and 2012. Conservative estimates for the year ending 2013 is negative1% totaling amounting to 1,733,199 passengers, assuming a conservative month by month increase of tourism of 8% for the balance of the year 2013. Also, there were 16 less ships calling at our port in the first quarter of this year compared to this period in 2012

**OCCUPANCY**

Hotel occupancy and timeshare rates stood at 77% and 84% respectively for the first quarter of 2013. This represent a 1% decrease in hotel occupancy and 1% increase in timeshare occupancy, when compared to the same period for 2012. This is illustrated in the table 11 below.

**CHAPTER 3: FISCAL SECTOR**

Analysis of the fiscal sector for the first quarter of 2013 indicates a decrease in government revenues collected when compared to same period for 2012. With regards to government expenditures for the first quarter of 2013, this also shows a decrease when compared to 2012.

Total revenues for the first quarter of the year amount to Naf. 120 million while expenditures amounted to Naf. 111 million. Providing that this trend continues, prospects on our current account are favorable since revenue exceeds expenditure by 8% for the first quarter of 2013.

### GOVERNMENT REVENUES

Government revenues for the period January – March 2013, saw a decrease of 2% when compared to the first
quarter of 2012. Indirect taxes to government (which comprises of Turnover Tax (ToT), timeshare, vehicle rental tax, room tax and gasoline excise tax) - reduced by 3% over the period. Contributing factors to this decrease has to do with diminished compliance rate, usually within the first quarter of the year most road tax and vehicle license plate tax are collected. However, with the implementation of a new procedure at the onset of the year 2013 with vehicle license plates, a number of commuters have not complied in making relevant payments as deemed necessary.

Other decreasing revenue categories include: 45% decrease in foreign deposits, 13% decrease in profit taxes, and 21% decrease from transfers from household. See table 12.

Although overall revenues fell for the first quarter of 2013, certain categories presented positive signs for the quarter, they include; 25% increase in rest income from enterprises and 12% increase in direct taxes from household which is basically wage tax.

Other revenue collected by government for the period but does not belong to the coffers of the government, is social security funds from households. For the reporting period this showed an increase of 11% when compared to the same period of 2012.

Revenues for each calendar month of this reporting period were lower than that of the same period for 2012. This is shown in graph 1 below:

**GOVERNMENT EXPENDITURES**

Total government expenditures for the first three months of 2013 saw an increase of 4% when compared to the same period in 2012. This amounted to Naf. 111 million when compared to Naf. 107 million for the previous year 2012. This is attributed to the increase in wage bill of 13% for 2012, which signifies an increase in employment. Additionally, observed is an increase in subsidies of 8%.

Furthermore, observed, is the category transfers to household, (which includes expenditures like creditors, study loans and Bureau Social Insurance) decreased by 16% for the first quarter of 2013. This observation is shown in Table 13 below.

This overall increase in government expenditures for the reporting period is attributed to the increase in employment, as observed by the increase in wage bill in table 13.

For the 3 months of this reporting period, the month of February saw the spike in expenditures; meanwhile the other 2 months remained lower than that of 2012. This is illustrated in graph 2.
CHAPTER 4: MONETARY SECTOR

INFLATION

Consumer price index is monitored on a bi-monthly basis by the department of STAT. For this reporting period, analysis was done during the month of February 2013. According to the department of STAT, the consumer price index for St. Maarten has increased in the month of February 2013 by 1.1% compared to that of December 2012. The price index recorded in February 2013 was 123.2.

Additionally, in February 2013, six of the nine expenditure categories have become more expensive, whilst one became cheaper and two remains unchanged. Amongst the more expensive were the categories; Food (+1.2%), Beverages and Tobacco (+1.2%), (+0.2%), Household Furnishing & Appliances (+10.9%), Transport & Communication (+1.7%), Recreation & Education (+0.4%) and Miscellaneous (+1.5%). Whereas, Housing (-0.2%) became cheaper; Clothing and Footwear and Medical Care remained stable.

Other findings for the period indicate that when comparing average consumer prices over a twelve month period (Feb. 2012 to Feb. 2013), an increase of 3.5 percent was recorded compared to the same period one year earlier.

However, preliminary estimate for 2013 now stands at 3% with an estimated 0.35% month by month change of the consumer price index. It should be noted that this estimate will change as new CPI index figures are provided during the months ahead.

Financial Developments and Prospects

Loans & Deposits

The loans for the first quarter of the year had a decline of 0.5%; likewise deposits had a decrease of 4.8%. This is illustrated in table 14. The decrease can be attributed to a combination of factors, the sluggish economy has a limited effect on loans, though deposits tend to increase, a sluggish economy can limit saving.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2012</th>
<th>2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>1,425,175</td>
<td>1,417,943</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Deposits</td>
<td>1,886,532</td>
<td>1,795,716</td>
<td>-4.8%</td>
</tr>
</tbody>
</table>

Table 14: First Quarter Banking Totals 2012/2013

Source: STAT/CBCS

Again, as observed with the drop in cruise tourism during the period, this could have had a crippling effect in the service industry thereby leading to a fall in both loans and investment.

CONCLUSION

Summing up, the economies throughout the various regions on the whole have improved considerably. And as the year 2013 progresses, the economic picture is likely to continue improving at a modest pace despite the ongoing global financial crisis. Nevertheless, if the euro zone sovereign debt crisis escalates, it could lead to an extended slowdown in global trade flows, which could seriously harm the export and tourism receipts for many of the Caribbean economies, including St. Maarten as we have seen during this reporting period.

Based on tourism figures, the economy of St. Maarten performed a little below expectations for the first quarter
of 2013, when looking at the developments within the external sector, especially in the cruise industry which decrease in both cruise calls and passenger arrivals. This we foresee can be remedied with renewed marketing initiatives by the Tourism Board of St. Maarten and the St. Maarten Harbour Holding Company.

Within the fiscal sector, although government expenditures showed increasing signs, the revenues collected surpassed the expenditure. This is a positive trend, taking into consideration our current account. However, analysis of the first quarter developments indicates a dire need for compliance to be adhered to with regards to government collection on relevant taxes. Analysis indicates a decreasing trend in revenue collection; this in turn can hamper government's ability to properly implement its planned programs and policies.

On the monetary sector, inflation continues to rise especially in the food category. This we reckoned that more emphasis should be placed to cushion the burden of high prices on consumers, especially with regards to basic necessities. With regards to the banking sector, its first quarter development basically depicts the slow movement of the economy where both loans and savings decreased over the period.

Maintaining the steady influx of visitors from the North American region is essential. However, it's essential to explore new markets as well as products and services. Nonetheless new products, services, and markets need to be explored, especially where new economic activities are associated with high income generation.

It is advisable however, that considerable attention be placed on tourism upgrades and investments that can boost our exports. This is of extreme importance, since our imports continue to grow more than our exports due to the increase in demand. This can also lead to a decline in our foreign reserve stock.

Overall, with St. Maarten dependence on tourism, the strategies of the Tourism Bureau will be of utmost importance for the remaining months of 2013. This can be done in collaboration with other institutions for example; St. Maarten Harbour Holding Company, the Princess Juliana International Airport and the St. Maarten Hospitality and Trade Association. Based on the reliable and positive forecasts illustrated by the targeted emerging markets, it is imperative that St. Maarten prioritize their spending and focus within those regions to capitalize on their growth.