Department of Economic Affairs, Transportation & Telecommunication

Macro Monitor

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Sint Maarten 2nd Quarter Macro-Monitor Report

The analysis and projections contained in this Issue of the Marco Monitor Report that highlights the Half Year Report are critical parts of the EVT'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 review of world economic developments, which draws primarily on information received from key Government Departments and external stakeholders. Projections were also based on results generated by the department Macro-Economic Model.

Special points of interest:

- Tourism Data
- Balance of Payments
- GDP

Inside this Issue

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

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ASSUMPTIONS AND CONVENTIONS

The half year report focuses on the past trends of key economic indicators and contains an analysis and forecasts of its developments in St. Maarten for 2012. A number of assumptions have been adopted for the projections presented in this Macro Monitor that highlights the Half Year Report.

- St. Maarten's economy will expand by 5% for the year 2012;
- unemployment rate which stands at 12.7% is expected to decrease to11% by the end of the year;
- the current deficit is expected to decrease; the deposits and loans will further decrease in the third quarter;
- Government Revenues will increase;
- the inflation rate is expected to increase from its current rate of 5% for the remainder of the 2012;
- Imports and exports are expected to increase.

The forecasts presented 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 includes a margin of error.

SOURCE INFORMATION AND DATA

The data appearing in this Half Year Report are compiled by the Department of Economic Affairs, Transportation and Telecommunication (EVT). Sources included the Central Bank of Curacao and Sint Maarten, the Department of Finance, the Statistical Department, the St. Maarten Tourism Bureau, the St. Maarten Harbour Holding Companies, and the St. Maarten Hotel & Trade Association.

Within the Department of Economic Affairs data from stakeholders are compiled, collated and analyzed using an excel spreadsheet, termed "Smaartmodel". This 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.

The main purpose and function of the "Smaartmodel" is to analyze the economic impact of fiscal and monetary policy decisions, and the monitoring and forecasting of key economic indicators.

Presently, "Smaartmodel" is used in the monitoring of key economic indicators and their developments, running scenarios and presentations on the various monthly topics of the Economic Monitoring Committee meetings. Also, it is used in the compiling of data for the quarterly reporting and the development of macro-economic policy notes.

KEY FIGURES

Based on June's 2012 baseline of the "Smaartmodel", selected key indicators of St. Maarten's economy were analyzed and forecasted as seen in Table 1. It should be noted however, that these forecast are based on developments within the first half of the year. As the year progresses, we expect updates on some of these indicators, since they will be dependent on the economic developments of the latter half of the year.

Table 1: Overview of St. Maarten- Macroeconomic Key Figures

St. Maarten - Macroeconomic Data Forecasts	
Indicators	**2012 f**
Real GDP Growth %	**5**
Inflation	**4.1**
Unemployment Rate %	**11.0**
Population*1000	**39.10**
Export (mil Naf)	**1850**
Imports (mil Naf)	**1908**
Current Account in % of GDP	**-8.0**

St. Maarten's economy has shown significant growth for 2012, despite the global economy being sluggish. Real GDP is forecasted to grow in 2012 to an estimated 5%. This forecast is justified by the developments within the external sector in which St. Maarten experienced 10% increase in cruise passengers and 11% increase in stay-over for the first half of the year when compared to 2011. Similarly observed is the high increase in government's budgeted expenditure in the areas of net government consumption, wage bill and investment for 2012. If the current trend continues to improve we can expect a favorable growth at the end of the year.

Unemployment remains high at around 12.7% based on the latest figures from the Statistical Department, however, based on the first half of 2012 and the increased government's 2012 budget it is forecasted that the rate will reduce to 11% by year end. The reason for this projected decrease is attributed to the increase in the investments and increased employment for 2012.

Exports of goods and services are expected to grow in 2012. This projection is mainly fueled by the developments within the external sector; namely Cruise tourism and Stay-over tourism. It should be noted that 75% of total exports of St. Maarten pertains to the tourism sector.

Imports are expected to increase for 2012; this prognosis can be attributed to the expected increase in aggregate demand, since the 2012 budget figures indicate government's intent to increase their expenditures by 25% when compared to the realized expenditures of 2011. Forecasted imports for 2012 is 7% higher than 2011. Since, exports are slightly lower than imports; the balance of payments is expected to slightly deteriorate.

The inflation rate is projected to increase a little over 4% in 2012. The main reasons are due to imported inflation which has negatively affected cost of living on the island, the increase in TOT passed on to the consumers, and the increase in imports costs due to the drought in the U.S. experience during the second quarter of 2012, which in turn has affected food prices and rising fuel costs that have negatively impacted the transportation, food and housing sectors of the economy. Compared to 2011 this is a slight increase of 0.5%.

CHAPTER 1: INTERNATIONAL SECTOR

Recent Global Events

St. Maarten monitors international developments because they are very important for our local economy. The mere fact that we are mainly dependent on tourism, any developments within the international sector or environment can impact our local economy. Here we have focused on three macro indicators for selected countries of the various regions that are considered our target markets within our tourism industry.

North America

Table 2: North America Forecasts 2012-2013

Country	Real GDP Growth (%)		Inflation (Average, %)		Current Account (% of GDP)	
North America	2012f	2013f	2012f	2013f	2012f	2013f
USA	2.0	2.4	2.1	2.0	-2.8	-2.9
Canada	2.0	2.3	1.8	2.1	-2.7	-2.6

Source: BMI Vol. 3 Issue 13 June 2012

The U.S. economy took a turn for the worse in the beginning of second quarter of 2012 as consumers reduced spending and businesses invested at a slower pace, with little sign that growth will accelerate. The Commerce Department reported that the Gross domestic product rose at a gradual 1.5% rate in the second quarter of 2012. Our forecasts, however, shows that the U.S. GDP will increase to 2%.

Although being the single biggest driver of economic growth, consumer spending decelerated to 1.5% from 2.4% in the first three months of 2012.[1] Inflation in the U.S. was at 1.4% while the consumer prices remained unchanged as Americans paid more for food but less on energy. Forecasts shows that inflation will however increase to 2.1%.

The slow-down in the economy, combined with the drop in gas prices, however, kept inflation stable. This stabilization of prices will impact positively on our local economy, since the U.S. is our main trading partner and our imports are mainly from the U.S. This will inevitably stabilize our import costs in St. Maarten, thus, reducing prices of goods and services for the remaining period of 2012.

Despite the aforementioned on the U.S. economy, for the period January-June 2012 an average 60% of St. Maarten's stay over tourist originated from the North American region. This is attributed by an 18% increase when compared to the same period of 2011. Also based on the positive forecast as illustrated in the table 2 with real GDP growth and decreasing inflation in the North American region, more so in the U.S., it can be envisioned a positive impact on our St. Maarten's economy with continued growth, especially in the external sector.

Europe

Table 3: Europe Forecasts 2012-2013

Country	Real GDP Growth (%)		Inflation (Average, %)		Current Account (% of GDP)	
Europe	2012f	2013f	2012f	2013f	2012f	2013f
Germany	0.4	2.0	2.1	2.4	4.9	4.7
Denmark	0.5	2.0	1.9	1.9	3.9	3.5
Finland	0.5	1.6	1.5	1.5	-2.7	-2.9
Netherlands	-0.3	1.3	1.7	1.7	6.6	6.8
Sweden	0.2	2.0	-0.1	0.8	13.3	13.2
Italy	-1.4	0.1	1.7	1.5	-2.8	-1.7
Norway	1.4	0.9	1.0	1.6	15.6	16

Source: BMI Vol. 3 Issue 13 June 2012

In the European region, the economic outlook is rather bleak, and much is left to be desired. However, Germany managed a growth of 0.3%, for the first half of 2012 marginally reaching the forecasted figure of 0.4 percent. Similarly, the Dutch economy showed quarter on quarter growth of 0.2% between April 2012 and June 2012, according to the Central Bureau for

[1] www.marketwatch.com

Statistics CBS in the Netherlands. Forecasts figures shown estimates that growth will continue as the quarter progresses. Overall the euro zone's economy shrank in the second quarter of 2012, having being stagnant in the first despite continued growth in Germany. The 17-nation currency bloc has contracted by 0.2% on the quarter of 2012.[2]

Despite the ongoing economic crisis in Europe, St. Maarten's emphasis still has to be placed on that region since it is our second highest contributing region to our stay-over tourism and the fact we are heavily tourism dependent.

Europeans account for 16% of total stay-over which has increased by 5.4% for the first half of 2012 when compared to the same period in 2011. This is a positive sign and incentive, since according to St. Maarten Tourism Office; major focus will be placed on marketing the island within that region, which in turn can have a positive yield by year end.

According to table 3 illustration, especially with the real GDP growth indicator for the selected European countries, effective and successful tourism marketing campaign within that region can be beneficial to St. Maarten. On average growth is forecasted for the next year and a half and taking into consideration it is second largest contributor to our stay over tourism sector.

Asia

Most Asian markets fell sharply in the second quarter of 2012. However, the forces that dragged markets lower in May of 2012 such as the European financial crisis, weak economic data in the U.S., and fear of a hard landing in China eased in June. Many investors are looking to China as a facilitator for regional growth.

During the second quarter of 2012, China managed to grow by 7.6%, a three-year low figure last seen in the aftermath of the global financial crisis and only a tad better than the 7.5% target set by the country's premier.[3] Inflation, which had started slowing around April in the country, fell to 2.2% again in June. Growth is slowing in emerging markets, but it remains strong compared with developed markets.[4]

Latin America & Caribbean

Table 4: Caribbean Forecasts 2012-2013

Country	Real GDP Growth (%)		Inflation (Average, %)		Current Account (% of GDP)	
Caribbean	2012f	2013f	2012f	2013f	2012f	2013f
Barbados	1.3	1.9	8.8	7.0	-5.7	-5.8
Guyana	4.0	3.5	4.1	5.5	-13.5	-12.3
Jamaica	1.7	1.6	8.0	7.5	-9.7	-7.5
Puerto Rico	1.3	1.6	3.3	3.0	3.2	3.1
Trinidad &Tobago	2.0	3.5	4.6	4.3	8.2	6.9

Source: BMI Vol. 3 Issue 13 June 2012

Table 5: Latin America Forecasts 2012-2013

[2] www.wn.com

[3] www.money.cnn.com

[4] www.mfsa.com

Country	Real GDP Growth (%)		Inflation (Average, %)		Current Account (% of GDP)	
Latin America	2012f	2013f	2012f	2013f	2012f	2013f
Argentina	4.0	3.7	21	19	-0.4	0.1
Brazil	3.9	3.7	6.3	5.5	-1.3	-1.2
Chile	4.8	3.7	6.3	5.5	-1.3	-1
Colombia	4.7	4.4	3.7	3.5	-2.9	-2.9
Mexico	3.4	3.1	3.4	3.4	-0.6	-0.5
Peru	4.8	4.8	4.1	3.5	-1.1	-0.4

Source: BMI Vol. 3 Issue 13 June 2012

In the Latin America and Caribbean region the economy experienced slow growth. The recession in the developed economies has been affected by the European economic and financial crisis, which is holding back foreign investment in emerging economies in the Caribbean.

Real GDP in the Caribbean stood at 2% compared to 2011, while in Latin America growth decelerated to about 3%. Inflation in Latin America and the Caribbean reflected differing trends across countries within the region. Inflation rates in the islands of the Dutch Caribbean were substantially lower in the second quarter of 2012, as compared to the first quarter. The economy in Guyana grew by 2.8% during the first six months of this year and is projected to reach 4.0 % by year end 2012. The gold industry also contributed to the economic growth with production increasing by 13.2 %.The international recession has slowed the arrivals of foreign exchange to Barbados, and has therefore limited the prospects for growth in an economy that needs foreign exchange in order to register sustainable growth. The recession in the developed economies has been affected by the European economic and financial crisis, which is holding back foreign investment in emerging economies like Barbados. As a result of this, real growth in the first half of the year was estimated at 0.6%, and is estimated to reach 1.3% by year end 2012.[5]

Stay-over arrivals from the Caribbean region for the first half of 2012 increased to 8.9% when compared to the same period of 2011, contributing a 4.2% of the total stay-over for St. Maarten for the period. According to the Caribbean Tourist Office, individuals within the region stay a shorter period on the island but spend more than individuals from other regions who stay for a longer period. This in essence implies more focus should be placed on the region in terms of marketing St. Maarten as a shopping hub and can generate additional revenue.

Based on the table above, projected forecasts with the increasing GDP and decreasing inflation, this can have a positive impact on St. Maarten's economy. With an 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.

Brazil's second quarter results show that the Brazilian economy is gradually picking up. Brazil's economy recorded a 0.5% increase for the second quarter of 2012 compared to the second quarter of 2011.[6] Inflation in Brazil eased significantly in line with weaker growth and the policy tightening of 2011.

Colombia's economy grew 4.7% in the first half year of 2012. A reported growth of 4.9% for the second quarter of 2012 exceeded the most optimistic expectations and reflects the good momentum of the Colombian economy, despite the

[5] www.bajanreporter.com

[6] www.brazil.gov.br

economic challenges of the international environment. The increases in consumption, investment, and trade, as well as the rise of strategic sectors, have led to growth which has exceeded the targets.[7] The inflation rate reached 3.1 % at the end of the first half of the year.

Argentina's economy deceased by 0.8% for the first half of this year. The stagnation of the economy at the end of the first half of the year was evident and so was tension in the money exchange market because of the restrictions on the purchase of US dollars.[8]

Based on St. Maarten's Tourism office marketing strategy of placing more emphasis on the Latin American region and seeking more airlift via Copa Airlines and others, economic growth can be envisioned for the island's economy. This is supported by the illustration in table 5 where the selected countries in the region forecast decreasing inflation and increasing current account for 2012-2013.

From this region there has been an increase of 3.1% in stay-over for the period January-June 2012 as compared to the same period in 2011, the highest in terms of nominal figures over the past four years from those regions. Real GDP growth projections of those countries can impact St. Maarten's economy positively, once the tourism office effectively implements their marketing strategy.

CHAPTER 2: EXTERNAL SECTOR

Stay Over Tourism- St. Maarten

Graph1: Stay over half year 2012

This sector focuses on our exports of which tourism accounts for 75% of the sector. Contrary to developments at the end of 2011, growth within the tourism industry seemed to have rebounded.

Stay-over arrivals in 2012 have been higher in all months January to June compared to last year. This trend is mainly for the U.S., Europe, and Caribbean markets in which there is growth compared to a year earlier.

Stay-over arrivals on St. Maarten increased by 11% in the first half of 2012 when compared to the same period last year. The increase can be attributed to the continual promotional rates of the hotel industry. Total number of stay-over visitors up to June 2012 amounted to 254,824, as compared to 230,180 persons for June 2011. This indicates a positive sign. In fact Stay-over tourism is above average for the first six months of 2012 compared to those first six months over the last ten years. Conservative estimate for the year ending 2012 is forecasted for an 8.6% increase, assuming a month by month increase in tourism of 0.6% for the second half of 2012.

Cruise Tourism-St. Maarten

Graph 2: Cruise Arrivals half year 2012

[7] www.mincomercio.gov.co

[8] www.marketwatch.com

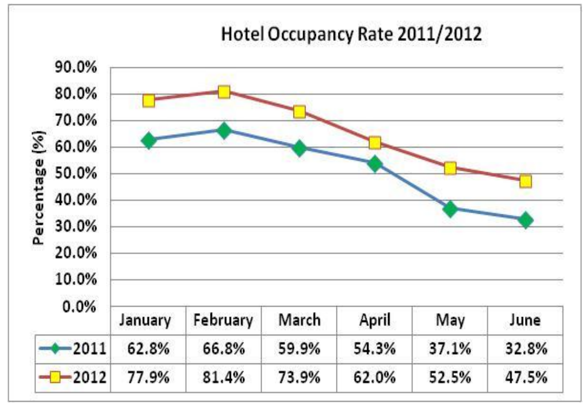
Cruise arrivals for the first half of 2012 were higher than arrivals in same period of 2011 for all the months with the exception of May. Reasons for the slump in May could be ascribed to several factors, such as less demand cruise liners received for bookings due to countries promoting vacationing within their country, job security issues within the U.S., and the effects of the cruise liner Costa Concordia which sank during the onset of the first quarter which may have deterred passenger bookings.

However, according to The St. Maarten Harbour Holding Company, the increase in calls of 9% for the first half of 2012 when compared to 2011 were due to higher demand, hence more bookings amongst a number of the cruise lines to the Caribbean region. This was also apparent in the increase in arrivals during this period for some of our competing cruise destinations in the region. There were 8 more ships calling at our port in the first six months of this year compared to this period in 2011.

Cruise passenger arrival for 2012 amounted to 1,071,491 compared to 970,759 in 2011 for the period January to June. This indicates a 10% increase in arrivals when comparing the periods 2012 and 2011. Conservative estimates for the year ending 2012 are 1.7% totaling and arrival of 1,725,062, assuming a conservative month by month increase of tourism of 8% for the balance of the year 2012.

Occupancy

Graph 3: Hotel Occupancy Half Year 2012



Hotel Occupancy for 2012 January to June was higher than same period for 2011. Generally *t*here is a declining trend in the low season months which run from May to October. Compared to other Caribbean islands an occupancy rate of around 50% is considered below average, hence we can consider St. Maarten's occupancy rate favorable for the months January to May of 2012.

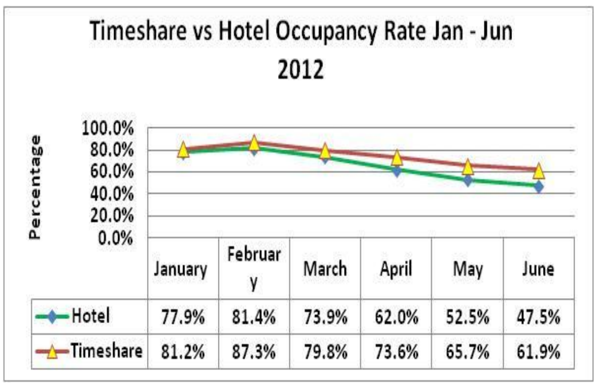
Occupancy increased to 47.5% by the end of the first half of 2012 compared to the same period last year and is expected to increase for the remaining quarters. This is due in part to the new approaches hotels are implementing, offering special rates and all inclusive packages in order to increase occupancy and compete with other destinations for the upcoming high season. Another main contributing factor would be the hotel chain Sonesta representing 777 rooms, which is more than half the the rooms available and the shift to all inclusive packages.[9] Hotel occupancy percentage for January was at 77.9% while February was at 81.4 %. The figures have increased significantly when comparing those to the previous years. However, the decline from

[9] Source: SHTA

January to June indicates the movement from the peak of the high season into the slow season where occupancy tends to decline drastically for the latter part of the second quarter. Continued marketing efforts of the competitive rates and offers, are giving travelers more incentive to choose the island as their destination to vacation.

Timeshare

Graph 4: Timeshare vs. Hotel Occupancy 2012



	January	February	March	April	May	June
Hotel	77.9%	81.4%	73.9%	62.0%	52.5%	47.5%
Timeshare	81.2%	87.3%	79.8%	73.6%	65.7%	61.9%

Timeshare on the island fared better when compared to the traditional hotel sector occupancy. The timeshare rate was at 61.9% at the end of the first half of this year compared to 4.7% in the hotel sector and 58.8% compared to 2011 in the timeshare sector. This can be attributed to the increase in more timeshare units being added.

CHAPTER 3: FISCAL SECTOR

The Fiscal sector experience positive developments when comparing 2012 to that of 2011.

TOT – The Turn Over Tax has shown an increase to 31.4% in the first half of 2012 compared to the same period last year. The increase from last year brought about a boost in revenue for government. Increased collection method by the Receivers Office and the compliance of persons to make payments were contributing factors.

AVBZ – The Algemene Verzekering Bijzondere Ziektekosten or General Insurance Sickness Expenses increased to 16% in for the first half of the year. This increase depicts the continued efforts persons and establishments are making to comply with payments of the AVBZ as well as the upgraded collection methods of the Receivers Office.

Wage Tax – The Wage Tax has shown a 2.70% increase. This can be generally attributed to the increase in compliance and an increase in employment and the Cost of Living Adjustment (COLA).

Timeshare Tax – The Timeshare Tax showed a slight increase of 1.3% compared to the same period last year. The change in timeshare fees was attributed in the increase in the tourist arrivals to the island.

Rental Tax – The Rental Tax showed an increase of 1.78 %. This increase could be attributed to increase in Stay-over arrivals.

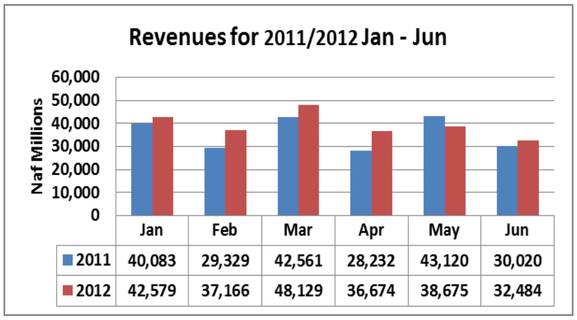
Room Tax – The Room Tax has shown an increase of 32.6% in second quarter of 2012. This increase is ascribed to the increased Stay-over arrivals.

Vehicle Tax – The Vehicle Tax shows a stability of 0.02 % in first half of 2012. This increase is directly linked to an increased number of vehicles on St. Maarten along with the compliance by owners to pay the Vehicle Tax yearly.

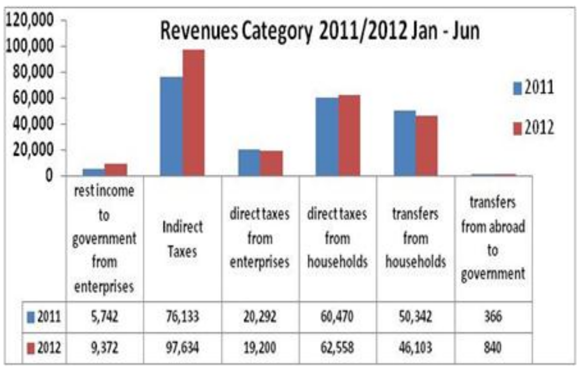
Other Revenues – The Other Revenues demonstrated an increase of 63.2%.

Government Revenues

Graph 5: Government Revenues Half Year 2012



Graph 6: Government Revenues Category 2012

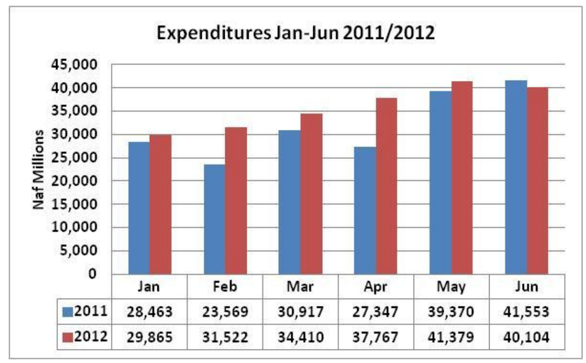


Government revenues for the period January – June 2012, saw an increase by 10 percent when compared to the same period for 2011. Indirect taxes to government grew by 28 percent over the period. This can be attributed to the increase in the TOT and compliance of the business sector. If this income trend continues the total for the entire year of 2012 could reach approximately NAf 471 million.[10]

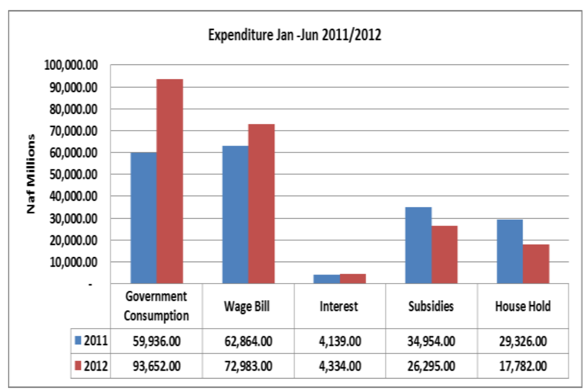
Prospects on our current account are favorable since our revenue exceeds our expenditure by 9% for the first half of 2012. Total revenues for the first half of the year amount to 235 million while expenditures amounted to 215 million. It is also foreseeable that we may have a slightly better performance for 2012 compared 2011,given that Government tax revenues are projected to increase for the balance of the year and TOT continuing to expand at a slower rate.

Government Expenditures

Graph 7: Total Government Expenditures 2012



Graph 8: Government Expenditures Category 2012



Total Government expenditures for the first half of 2012; saw an increase of 12 percent when compared to the same period for 2011. This amounted to 215 million as compared to 191 million for the first half of 2012. This is attributed to the increase in government consumption and the increase in wage bill for 2012, which signifies an increase in employment within the government sector.

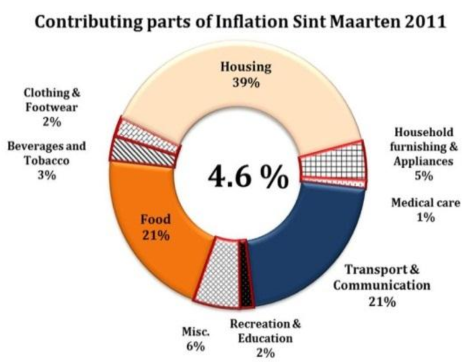
[10] Source: Department of Finance St. Maarten

Depicted in the expenditures category graph, the wage bill and government consumption saw a higher marginal percentage increase than that of the percentage decrease in expenditure on interest, subsidies and household for the period January to June 2012.

CHAPTER 4: MONETARY SECTOR

Inflation

Pie Chart 1: Contributors of Inflation

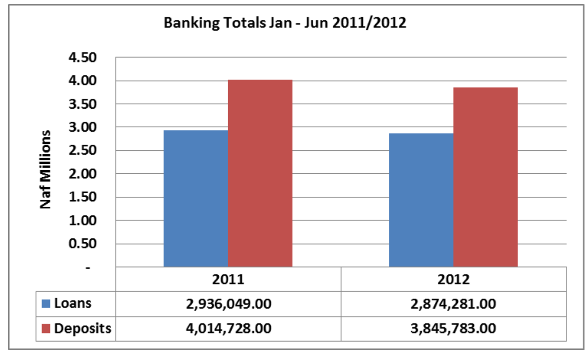


Depicted in the graph above are the contributing factors that affect inflation on the island. Compared to last year the inflation rate on the island reached an all-time high of 5.8% during the first quarter of this year but contracted to 5.2% by the end of first half of the year. The increase in inflation on St. Maarten was ascribed to the hike in food and oil prices as well as from the higher increase in the TOT from last year.[11]

Financial Developments and Prospects

Loans & Deposits

Graph 9: Banking Totals 2012



The loans for the first half the year had a decline of 2.1%; likewise deposits had a decrease of 4.2%. Bank Deposits decreased by 6.2%. The decrease can be attributed to a combination of factors, the sluggish economy has a limited effects on loans, though deposits tend to increase, a sluggish economy can limit saving.

The Central Bank of Curacao and St. Maarten (CBCS) increased the reserve requirement for commercial banks by 0.25% in May 2012. The new reserve requirement is now 11.25%. The bank chose to use this measure because it has had no effect on the over liquidity in the money market despite a six month freeze on private lending that has led to a restriction on the growth of private lending and the growth of domestic spending and imports. Increasing the reserve requirement is one of the central bank's main monetary policy instruments.

Bank Loans decreased by 2.48% due to no major projects currently being developed on the island. The central bank is currently 1.5 billion in debt and to try and decrease this debt the bank is creating a freeze credit on the loans for six months. The freeze credit that was required by the commercial banks would exempt the loan commitments that banks has with clients and for loan projects

[11] www.centralbank.an

that would strengthen the economies of both St. Maarten and Curacao.

The increase in current account balances was partially the result of monies received from the Dutch government in connection with the redemption of bonds and interest payments. The central bank also points out that the 22.4 million guilder increase in deposits of other residents was largely the result of a payment by the Dutch Ministry of the Interior and Kingdom Relations (BZK) at the Apna.[12] Many economists believe the central bank will undertake another round of stimulus soon if growth doesn't pick up.

CONCLUSION

In summary, the economy of St. Maarten have performed relatively well for the first half of 2012, when comparing the developments within the external sector, with cruise tourism, stay-over and occupancy rate. While stay-over tourism is expected to pick-up further when compared to 2011, cruise tourism likewise is projected to keep in line with its current expansion. The completion of several ongoing tourism-related projects in the latter part of this year will set the stage for enhanced growth in our tourist high-season and spill over into 2013. With St. Maarten depending mainly on tourism, the planned strategies of the Tourism Office will be of utmost importance based on reliable forecasts illustrating, that the targeted emerging markets are showing signs of improving economically over the next year and a half.

As it relates to the banking sector, if the sovereign debt crisis worsens in Europe, tremors will be felt in the U.S. banking sector which in turn affects St. Maarten's Banking sector. The coming few years will be critical and challenging for the banking sector with sluggish credit and economic growth along with the probability of significant losses.

Despite the favorable performance of the first half of 2012, the indicators provides a more moderate and steady forecast implying that conditions are likely to improve for the near future. Factors that continue to be influencing outcomes are the slight increase in consumer spending and hopefulness that the private sector is gaining power.

Activities of growth have slowed in various emerging market economies, particularly in those of Brazil, China, and India. This partly reflects a weaker external environment, but domestic demand has also slowed sharply in response to capacity constraints and policy tightening over the past year. However, sovereign debt markets in the euro area periphery remain unsettled.

Furthermore in China, the economy appears likely to avoid a hard landing. Even though the emerging markets experienced weak growth for the first half of the year, it is optimistic to say that there will be improvement for the second half of the year. Inflation has been lower in those regions and will give easing to monetary and fiscal policies.

When looking at developments within our source markets, the rate of expansion in the United States has weakened after exceptionally strong growth in the first half of 2012. The reduction of growth is expected to continue in the second half of the year, given the anticipated moderation in household spending resulting from a

[12] The Central Bank of Curacao & St. Maarten

weakening housing market, higher oil prices and the continued tightening of monetary policy.

Growth in Western Europe continue to show significant improvements while economic activity remained strong in most Latin American economies and prospects for the whole region as a whole are expected to remain positive.

It is safe to say that any global recovery will likely remain slow and fragile. Nevertheless, the government of St. Maarten will need to take action in order to maintain economic growth once the world economy starts to recuperate, by developing measures to improve the investment climate and the competitiveness of the economy of the island.

APPENDIX

Table 6: Stay-over tourism

Source: Tourism Bureau & EVT

Source: Edward Dest	January	February	March	April	May	June	July	August	Septembe	October	Novembe	December		Annual mutation
2003	39441	38927	40297	40344	31833	30845	36133	36380	19613	29445	38194	46135	427587	
2004	45348	47277	48575	48248	36054	32197	40204	38499	21757	30009	39293	47571	475032	11.1
2005	46632	45338	51264	45246	33578	33816	42150	34245	20387	30309	37150	47746	467861	-1.5
2006	44945	46890	48515	50643	33782	32962	41273	35311	20885	28056	37550	46992	467804	0.0
2007	42879	47098	53005	45123	32863	35085	39346	36683	22154	28329	36968	49891	469424	0.3
2008	48688	49498	55595	43992	37878	33707	43162	41291	19273	24409	35596	42321	475410	1.3
2009	44647	42521	41878	41601	33566	31464	39546	37549	19183	27045	36005	45180	440185	-7.4
2010	46546	45070	46423	40723	34545	30369	41242	33358	18249	28329	35363	42919	443136	0.7
2011	46929	42892	44204	38232	29367	28556	37424	30724	17827	25894	35045	47271	424365	-4.2
2012	47899	48523	50189	41815	33893	32505	*40626*	*36352*	*19569*	*27123*	*36225*	*46063*	460781	8.6

Table 7: Cruise Tourism

Source: St. Maarten Harbour Holding Company

Source: Richarc	January	February	March	April	May	June	July	August	Septembe	October	Novembe	December	average	mutation
2003	134540	117452	121033	122066	60364	52064	65496	62565	50126	70740	142956	172332	97645	
2004	147680	141009	158411	133212	75237	87210	80113	61555	40933	81510	154391	187189	112371	15.1
2005	178231	164100	182012	150387	79501	77829	74366	69554	63183	116473	172452	160373	124038	10.4
2006	165773	157220	174664	146473	89624	69248	66864	74942	63630	82239	158110	170815	118300	-4.6
2007	195692	160426	176115	128574	73368	69046	67025	88132	63766	85007	146734	168021	118492	0.2
2008	174778	162491	180709	137299	57983	59474	64478	59474	52341	75352	131480	190154	112168	-5.3
2009	195440	170828	174755	146280	50266	43494	45414	39447	37892	52841	90288	168201	101262	-9.7
2010	180534	170036	192195	143734	79074	84889	91835	82024	57974	77992	151672	200659	126052	24.5
2011	217437	207486	234365	156647	81347	73477	76375	60443	57210	68891	183152	239329	138013	9.5
2012	250610	247064	235854	184276	76476	77211	*58144*	*58144*	*58144*	*77778*	*151918*	*208735*	140363	1.7

Table 8: Inflation

Source: Statistical Department (STAT)

	February	April	June	August	October	December	Annual total	Annual mutation
2005	128.4	130.4	130.8	131.3	133.6	133.9	131.4	3.1
2006	133.3	133.8	134.4	135.3	134.4	134.4	134.2	2.2
2007	135.4	136.1	138.8	139.4	139.8	141.1	138.4	3.1
2008	141.8	143.5	146.2	149.2	146.7	140.8	144.7	4.5
2009	141.5	144.5	146.0	147.5	148.3	149.5	146.2	1.0
2010	150.0	150.0	150.0	150.6	150.8	150.2	150.3	2.8
2011	152.4	155.5	157.7	157.7	158.3	157.9	156.6	4.2
2012	161.9	163.3	162.3	*163*	*163*	*164*	163.0	4.1