Economic Half Year Report

2011 vs. 2010

Department of Economy, Transportation & Telecommunication

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Executive Summary

This report provides an analysis and evaluation on the economic indicators for the period January to June 2011 compared to the same period in 2010. The method used includes a review of the regional and international developments, against the back drop of what is transpiring in the St. Maarten economy. Additionally, stakeholders of the information were asked to provide an explanation based on the data collected. Sources such as the International Monetary Fund (IMF) and Central Bank of Curacao and St. Maarten were also used in evaluating the data. Results of data analyzed showed that real growth is contracting, in the wake of the global crisis. Key indicators registered a decline, except for the Cruise tourism arrivals and Turn-over Tax revenues. A summary of the of the findings saw a decrease of 5.5% in Stay over tourist arrivals, a decrease in the Occupancy Rate of 10.60% and an increase of 14.17% in Banking Deposits. Government Revenues saw an overall decrease of 28.72% of collected revenues. During the half year 2011/2010, Cargo Developments saw a significant growth of 16%. On the international scene over the last half year 2011/2010, the US has seen a slow recovery in both its unemployment and inflation segments. The U.S. economy was stronger in the half year 2011/2010. In light of the aforementioned, recommendations to improve the overall performance of the economy should be geared towards stimulating increase demand, employment and investments. In the wake of the economic crisis and the new autonomous status of the island the Government of St. Maarten has embarked on several structural reforms, including revising the tax code, and updating legislation which is consistent with the needs of the island. It is expected that comprehensive tax reforms, aimed at broadening the tax base, with a shift from direct to indirect taxes, can increase overall tax revenue, spur investment and assist with lowering the current account deficit.

Introduction

Sint Maarten has an open economy, with Tourism being the primary export, accounting for 82.5% of GDP. Following the wake of the global crisis, activity remained weak through 2010 and June 2011. The report examines the Fiscal Sector, Turn-over-Revenues, Tax Revenues (wage, timeshare, and rental), social premiums, and the Tourism sector.

Fiscal Sector

Government Revenues

In an overview of the Government Revenues comparing 2011 to that of 2010, there is a large decrease, overall 28.72%. This decrease could be attributed to the costs to establish new Government departments (Maritime, Aviation, MOT etc.) after 10-10-10.

Taxes	2010	2011	% Change
Wage Tax	61,965,222	62,980,000	1.64%
Timeshare	2,686,815	2,400,000	-10.67%
Rental Tax	666,905	675,000	1.21%
Room Tax	2,504,244	2,446,000	-2.33%
Vehicle tax	7,747,857	8,273,000	6.78%
Other Revenues	40,188,625	5,742,000	-85.71%
Total	115,759,668	82,516,000	-28.72%

Table 1- Government Revenues 2011/2010 half year

Also, attributing to this decrease are external factors such as, the present collection method – the collection of these revenues are done on a month after basis. As stated by the Receiver's Office, payment is made presently for the revenues generated the month before. This process in itself has hampered giving information about revenues being generated presently. To mitigate the this method of collection, the Receivers Office has stepped up their collection measures in hope of capturing a majority of revenues for each month.

TOT

Turn Over Tax (TOT) revenues has increased in the first half of 2011 by 32.44% when comparing it to the same period in 2010. This can be attributed to the increase of the TOT from 3% to 5%

which came into effect February 2011.[1] The consequence of this increase in TOT percentage has a correlation with overall consumer prices, which subsequently experienced a substantial increase.

Description	2010	2011	%change
Quarter 1	23,111,284	25,466,819	10.19%
Quarter 2	18,971,612	30,266,458	59.54%
Total	**42,082,896**	**55,733,277**	**32.44%**

Table 2- TOT revenues 2011/2010 half year

Wage Tax

The Wage Tax revenues collected increased by 1.64% when comparing 2011 to the same half year period in 2010. This increase could be attributed to increased collection and compliance measures implemented by the Inspectorate of taxes.

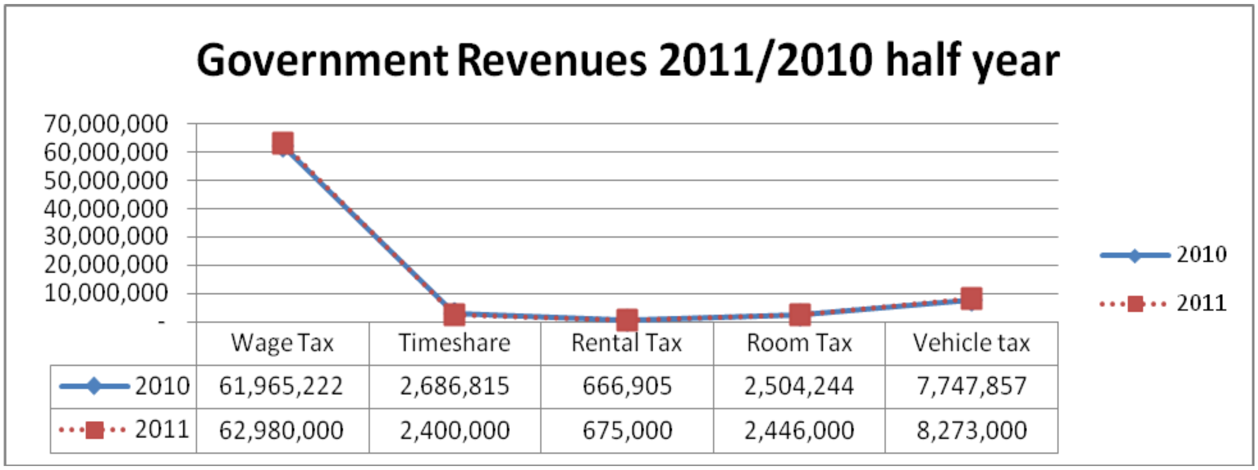
Timeshare

The Timeshare tourism related tax saw a decrease of 10.67 % in revenues during the first half of the year when comparing 2011 to that of 2010. This decrease in revenue can be attributed to the effects of the economic downturn in our core market, which is the United States. The steady rise of un-employment, home foreclosures in the US and temporary closure of the Pelican Resort (which was one of the top timeshare accommodations on St. Maarten), has impacted the industry negatively.

Rental Car Tax

The Rental Tax revenues saw an increase of 1.21% compared to that of the same period in 2010; which can be ascribed to increased collection measures by the Receivers Office.

[1] Inspectorate of Taxes St. Maarten



	Wage Tax	Timeshare	Rental Tax	Room Tax	Vehicle tax
2010	61,965,222	2,686,815	666,905	2,504,244	7,747,857
2011	62,980,000	2,400,000	675,000	2,446,000	8,273,000

Graph 1- Government Revenues 2011/2010 half year

Room Tax

The Room Tax revenues saw a decrease of 2.33% in the first half of the year when comparing 2011 to that of 2010. The Room Tax has decreased although the occupancy rate has risen to a 61 % mark. The decrease can be attributed to the reduction of room rates. Room tax is based on the room rate, thus lower rates can affect the amounts collected.

Vehicle Tax

Revenues generated from the Vehicle Tax saw an increase of 6.78% in the first half of the year when comparing 2011 to that of 2010. This increase can be attributed to an increase in the number of vehicles being purchased, since the record low interest rate of 3.99% offered by the local banks makes it more attractive to buy a new vehicle. Furthermore, the purchase of vehicles compared to that of property and homes are more easily attainable.

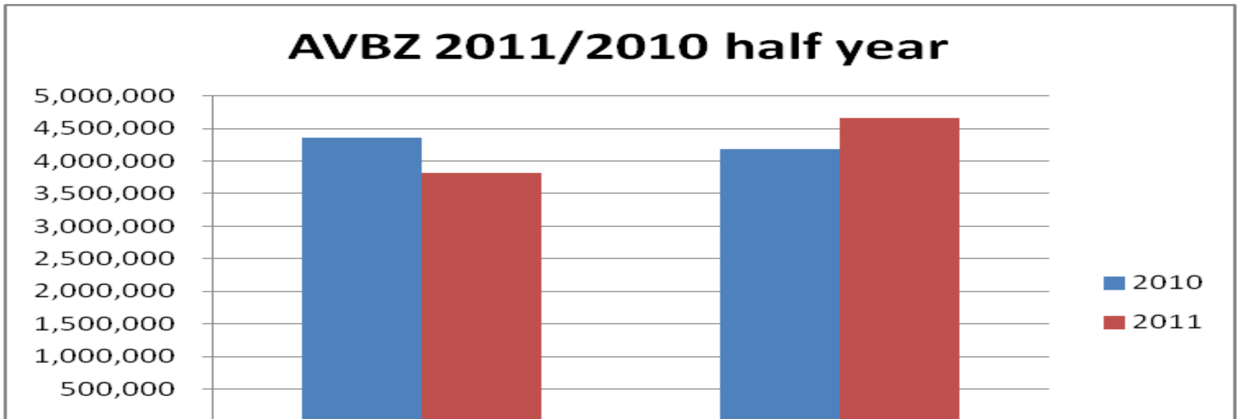
AVBZ

The AVBZ - Algemene Verzekering Bijzondere Ziektekosten or General Insurance Sickness Expenses is a social premium that persons do not have to pay if their income exceeds NAF 361,677.

ABVZ revenues saw a decrease of 0.71% in the first half of the year when comparing 2011 to that of 2010. As these figures are related to employment, one has to consider their correlation and note that if one increases the other one will also and vice versa. However, this is not the case as the AVBZ figures do not reflect the actual employment activity. Presently, there are several large construction projects taking place on St. Maarten namely;

- the Blue Mall (due for completion in February 2012)
- the Indigo Bay Project (still in its infancy stage)
- Infrastructural Drainage and beautification projects for Middle Region, Dutch Quarter and Welfare Road due for completion 2012.
- Passanggrahan Hotel expansion project (due for completion 2012)
- The Windward Island Bank main building project (due for completion 2012)
- Sewage Plant project on A. Th. Illidge Road (due for completion 2012)
- demolition and the future construction of Mullet Bay (due 2012 for demolition phase)
- Expansion project at the Caravanserai Hotel (200 rooms) which is scheduled to be completed in 2012.
- Other smaller projects like repairs to Government offices, private homes etc

The Sociale Ziektekosten Verzekeringen (SZV) confirmed that these projects, combined with the opening of new businesses have shown an increase in employment. However, after consultations with the SZV and Receivers' Office about the decrease in AVBZ revenues, the consensus may be attributed to a number of factors including compliance and the payment schedule (one month delay). On another note, this is the end phase for most of these big construction projects, thus employment will be less. Nevertheless, once the business opens the AVBZ might increase as more and more employees are hired.



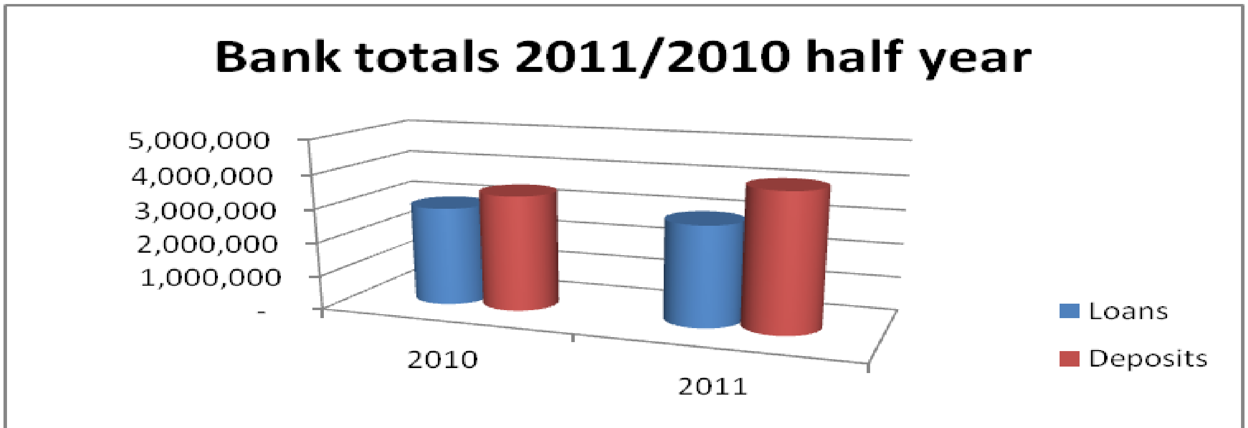
	Quarter 1	Quarter 2
2010	4,352,523	4,181,919
2011	3,810,109	4,664,032

Graph 2- AVBZ Revenues 2011/2011 half year

Monetary Sector

Banking (Loans)

In the banking segment Loans, there is an increase of 0.95% in 2011 compared to that of 2010. This increase, though small, can be attributed to businesses not borrowing as much, due to low economic activity.



	2010	2011
Loans	2,908,538	2,936,049
Deposits	3,409,868	4,014,728

Graph 3- Bank totals 2011/2010 half year

Banking (Deposits)

In the banking segment Deposits, there is an increase of 17.74%. This deposits increase could be attributed to the fact that economic activity is low and businesses are saving more due to uncertainty in the economy. Other contributing factors are:

- lack of confidence in the economy, especially with the world economic melt down
- saving for an education, retirement or for not wanting to take a loan from the bank
- building up capital now and use it later in their country of origin (capital flight)[2]
- people are more money conscious and not spending unnecessarily.

[2]A **Capital flight** in economics occurs when assets and/or money rapidly flow out of a country, due to an economic event (such as an increase in taxes on capital and/or capital holders) and that disturbs investors and causes them to lower their valuation of the assets in that country, or otherwise to lose confidence in its economic strength.

External Sector

Stay-Over tourism

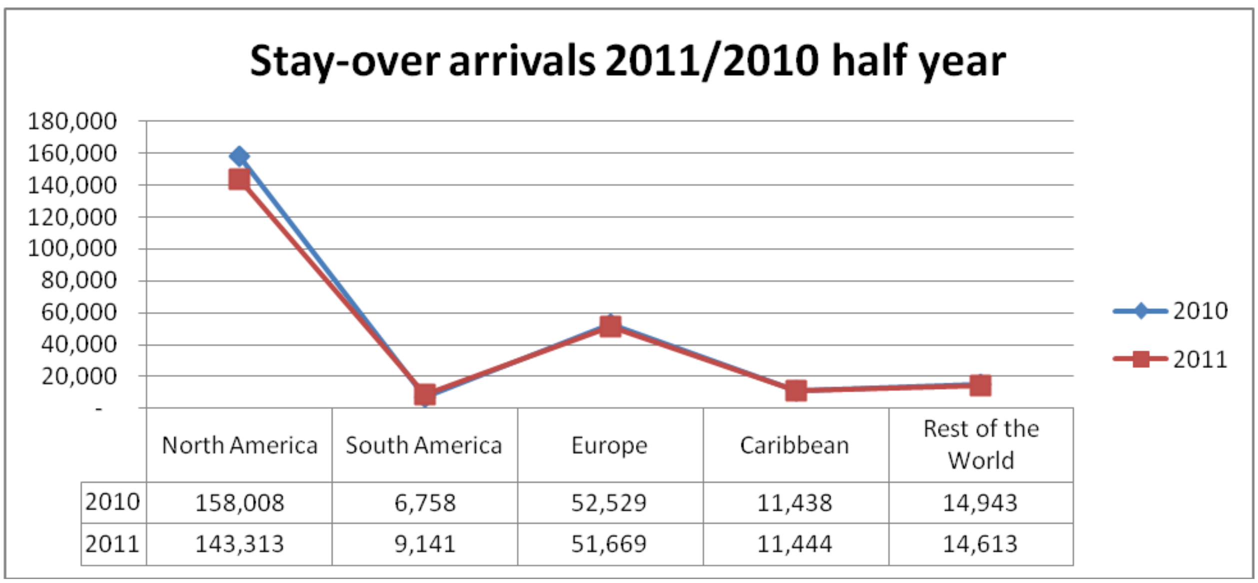
In the first half of 2011 there was a decrease of 5.54% in the stay-over arrivals to St. Maarten.

Segments	2010 (half year)	2011 (Half year)	% change
North America	158,008	143,313	-9.30%
South America	6,758	9,141	35.26%
Europe	52,529	51,669	-1.64%
Caribbean	11,438	11,444	0.05%
Rest of the World	14,943	14,613	-2.21%
Total	**243,676**	**230,180**	**-5.54%**

Table 3- Stay over arrival totals by market 2011/2010 half year

From the total figures it can also be seen that there is an increase of Stay-over tourists from the South American region; as it was heavily marketed over the last year and a half. St. Maarten is now seeing the gains from the marketing that was done in that region. However, overall the decrease in Stay-over tourism for the 1st half of 2011 can be attributed to:

- the 2nd quarter figures which were in the months of the low season (April, May and June).
- The continued economic downturn (un-employment rate) in the US market, which is our core market[3]



Graph 4- Stay over arrivals 2011/2010 half year

[3] St. Maarten Tourist Office

The St. Maarten Tourist Office has also been instrumental with a new project titled – The Cruise Conversion Project. This project was designed to influence Cruise passengers to return to St. Maarten as Stay over tourists. It will build on the fact that these are people who have already experienced a sample of what the country has to offer and entice them to delve in deeper, be it with family, friends or just a quick getaway. These potential Stay over tourists are given tokens which can be redeemed once they decide to take advantage of the program. The tokens give the tourist the chance to tap into discounted packaged deals (Hotel, car and dinner etc) when they return to St. Maarten. This program once successful can result in significant growth for the Stay-over sector. The Stay-over sector despite its lower number compared to Cruise, generate a significant portion of the tourism related revenues, direct and indirect.

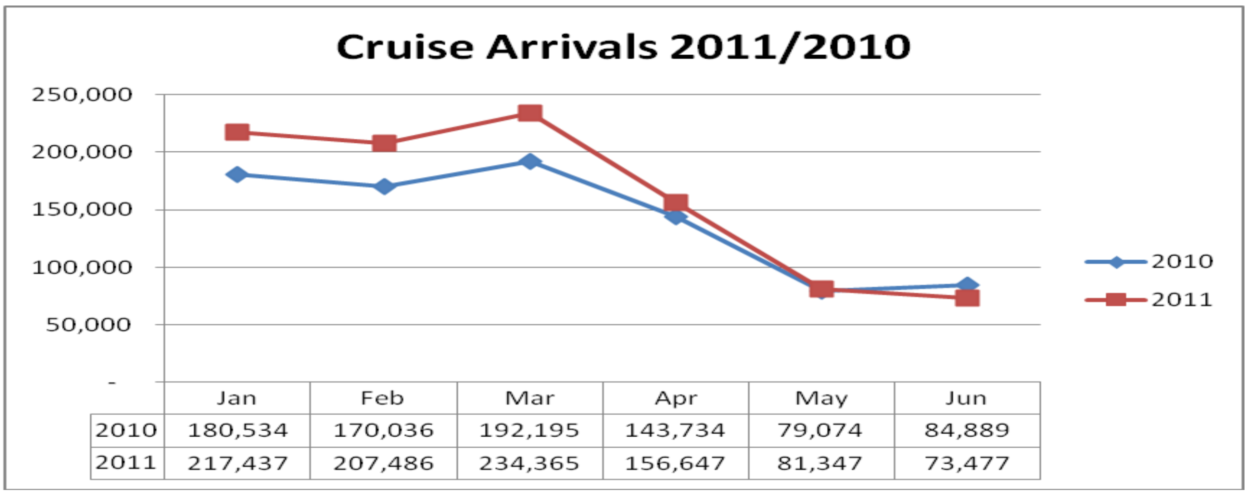
Cruise Tourism

The Cruise arrivals have shown a continuous increase of 14.14% in the 1st half of 2011 when compared to the same period in 2010. The Cruise tourism market is different from the Stay over market in the sense that the product is all inclusive, with the opportunity to visit numerous islands. Additionally, the Cruise industry internationally has been heavily promoting the industry, especially in the wake of the global downturn. Cruises are a less expensive alternative to traditional Stay over tourism. St. Maarten will take advantage of this high Cruise arrival by implementing a Cruise Conversion Program. This program will be the "push" to continue the promotion of the stay-over product.

Month	2010 (Half year)	2011 (Half year)	% change	% chn.11/10 in quarters
Jan	180,534	217,437	20.44%	
Feb	170,036	207,486	22.02%	21.47%
Mar	192,195	234,365	21.94%	
Apr	143,734	156,647	8.98%	
May	79,074	81,347	2.87%	1.23%
Jun	84,889	73,477	-13.44%	
Half Year	**850,462**	**970,759**	**14.14%**	

Table 4- Cruise arrival totals 2011/2010 half year

The 14.14% in Cruise arrival figures for the half year might have been higher, if the 2nd quarter figures were much higher than 1.23%. This small increase during the low season (April, May and June), caused the 1st quarter impressive 21.47% to drop down to 14.14% overall for the half year.



Graph 5- Cruise arrivals 2011/2010 half year

Due to the bookings being made a year in advance, St. Maarten was able to see more Cruise calls and a good high season, which pulled us through the 2nd quarter. [4]

Month	2010	2011	% change
Jan	74	85	14.86%
Feb	70	89	27.14%
Mar	79	92	16.46%
Apr	53	58	9.43%
May	23	24	4.35%
Jun	22	17	-22.73%
Half Year	**321**	**365**	**13.71%**

Table 5- Cruise ship calls totals 2011/2010 half year

Although the Cruise arrivals have increased, this does not translate into big spending by our Cruise visitors.

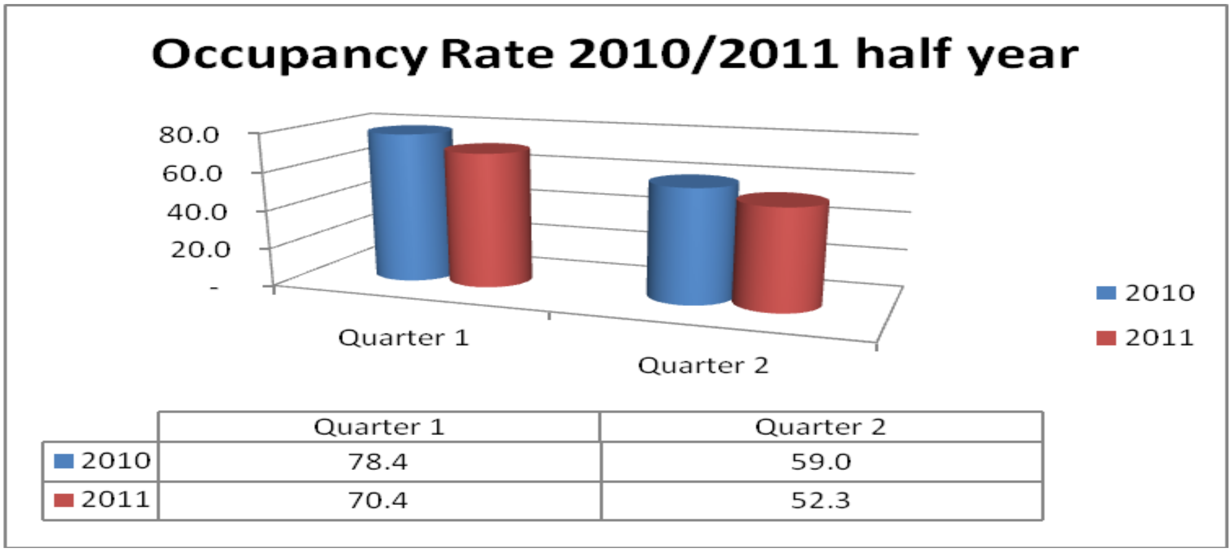
[4] Source - St. Maarten Harbor Holding Company

Occupancy Rate

The Occupancy Rate of half year 2010 (68.7 %) versus that of 2011 (61.4%) showed a slight decrease of 10.6%. This decrease can be attributed to many factors such as:

- more people are taking cruises
- not enough packaged deals (airline, hotel and car)
- the island present situation (crime, traffic, increase in prices)

In lieu of this decrease, one has to consider that the Occupancy Rate is tied in with the Stayover arrivals. The Average Daily Rate (ADR) and the TOT also plays an indirect role in the outcome of the Occupancy Rate. ADR is the accommodation revenue divided by the number of rooms sold. Accommodations use this measure to calculate the average price at which they are booking rooms each night. With the Stay over arrivals decreased by 5.54% when comparing 2010 half year to that of 2011, the Occupancy Rates which are directly linked also registered a decline (10.6%). Consultations within the tourist industry, has indicated that the TOT increase from 3% to 5% also played a part in the decrease of Occupancy Rate. Industry experts indicated that with the increase of TOT, purchasing materials and maintenance of their accommodation have increased. Additionally due to the downturn in the US, ADR was lowered to ensure occupancy. In order to regain the lost revenue, it can only be added to the ADR. However, this is done on a seasonal basis (during high season December – April) and via a targeted market (The US and Canada market most of the time). Employees in the industry are also expressing concern as “tips” are being adversely affected. Patrons are opting to leave less or no gratuity, as the 15% Service Charge that patrons (tourists and locals alike) have to pay at restaurants, is already added to the bill. This trend in behavior is an indication of the effects of the global downturn.

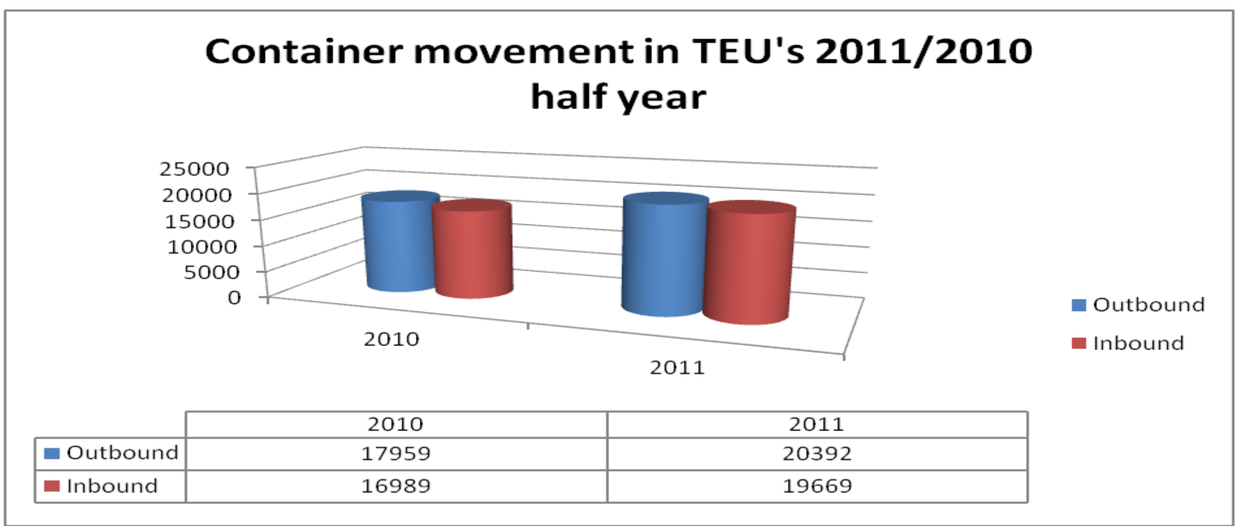


	Quarter 1	Quarter 2
2010	78.4	59.0
2011	70.4	52.3

Graph 6- Occupancy Rate 2011/2010 half year

Cargo Developments

The container movements in TEU's being brought to St. Maarten (Inbound) has shown a significant 16% increase when comparing half year 2010 to that of 2011. A TEU, or Twenty-foot Equivalent Unit, is the basic container measurement used in the shipping industry. It is the equivalent of a container 20 feet long by 8 feet wide by 8 feet high. The container movements in TEU's leaving St. Maarten (Outbound) has also shown an increase of 14% when comparing half year 2011 to that of 2010.

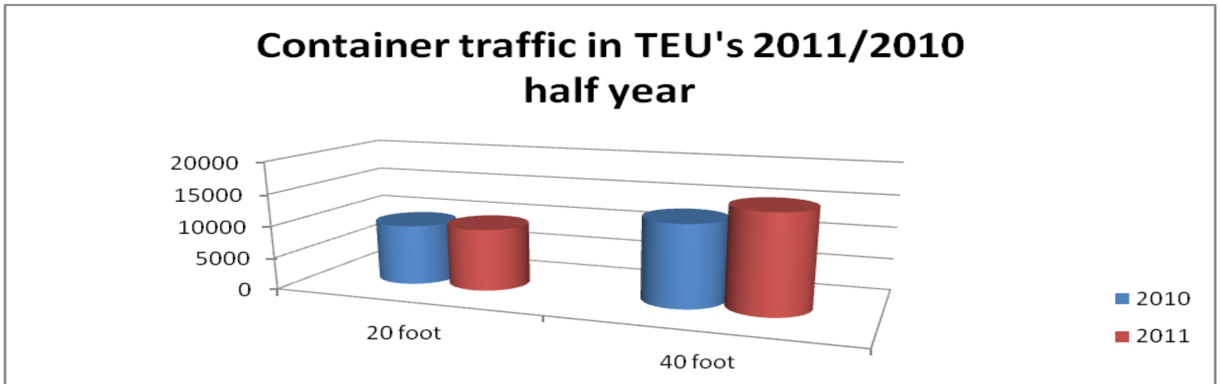


	2010	2011
Outbound	17959	20392
Inbound	16989	19669

Graph 7- Container movements in TEU's 2011/2010 half year

The container traffic per container type has also shown an increase in the usage of 20 foot containers by 2% when comparing half year 2011 to that of 2010; While the 40 foot containers showed an increase of 19% when comparing half year 2011 to that of 2010. The 19% increase in 40 foot containers however, can be attributed to:

- the discontinued use of 45 and 48 foot containers
- the increase in use of 40 foot containers by persons who split the cost to transport goods to St. marten.



	20 foot	40 foot
2010	9428	12725
2011	9661	15200

Graph 8- Container traffic in TEU's 2011/2010 half year

Overall (Inbound, Outbound, 20 foot or 40 foot containers), these increases can be interpreted as a boost:

- promotion of St. Maarten as a transshipment hub

International Sector

A review of the International economy is given, as St. Maarten is vulnerable to the developments in the international arena. For instance a contraction in the economy of the United States, can seriously impact our Tourism sector, investments and our real estate sectors.

The European Union (EU) Economy – overview[5]:

The EU has recovered from the global financial crisis faster than expected, with business investment growing by an estimated 2% in 2010, but with public investment and housing development lagging. Strong corporate profits should enable this recovery to continue in 2011. Nevertheless, significant risks to growth remain, including, high official debts and deficits, aging populations, overregulation of non-financial businesses, and doubts about the sustainability of the Economic and Monetary Union (EMU). With 12 new member countries joining since 2004, the EU's GDP- output of goods and service- is now bigger than that of the US:

- GDP (€12,268,387 million in 2010)

Trade:

- With just 7% of the world's population, the EU's trade is with the rest of the world accounts for around 20% of global exports and imports. The EU is the world's biggest exporter and the second-biggest importer;
- Around two thirds of the EU countries' total trade is done with other EU countries;
- The United States is the EU's most important trading partner, followed by China. In 2005, the EU accounted for 18.1% of world exports and 18.9% of imports.[6]

The EU however struggles with the monetary matters of Greece with Ireland, Spain, Italy, and Portugal are showing the same irregularities. These monetary issues of Greece stem from:

- Tax evasions – 1/3 of Greeks do not declare their Income taxes
- Wide spread bribes "*fakelaki*"– from getting a vehicle inspected to having a building pass inspection.

[5] https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html
[6] http://europa.eu/about-eu/facts-figures/economy/index_en.htm

Greece is experiencing a budget crisis so severe that the country may lose its footing in the European Union. Athens is reporting a deficit that is four times the EU limit, which means that Greece could be in danger of losing the Euro as its national currency. The leaders of the 17 Euro Zone member nations met in Brussels with the goal of hammering out the terms of a second bailout for Greece and discuss ways to prevent the crisis from infecting larger economies in the monetary union. The predicament is slowing trade among euro member states, fueling austerity sentiment, decreasing Government spending and discouraging business investment. Expect the European Union to grow just 0.4% in 2012, following 1.2% growth this year. This monetary situation will no doubt trickle down into the rest of the EU; as it is the people living in each EU country having to pay the bail out money; which in turn would mean reduction in disposable income and spending on travel abroad. This will have a direct effect on our tourist coming out of the EU whether they come via Cruise or Stay over.

The United States (US) Economy – overview[7]:

The U.S. economy will feel the impact of the economic slowdown in the EU, but is not likely to slide back into recession — unless Europe spins out of control and experiences a default of a major economy. After growing at an annual rate of only 0.9% for the first half of the year, the Gross Domestic Product (GDP) grew at a 2% rate in July, August and September. Business investment surged at a 15.6% annual rate, accounting for half of the increase in GDP. Consumer spending rose at a 2.3% annual rate — not great, but well above what would point to recession. Unfortunately, growth is not accelerating as it normally does in a recovery. The economy will grow at the same pace through the rest of 2011 and all of 2012, indicating that a sustained recovery still has not started, more than two years after the end of the Great Recession. Growth remains sluggish, but it has picked up a bit in the second half of 2011. The Federal Reserve pegged its rate for overnight loans at near zero in December 2008 and launched a huge purchase of Treasury debt in 2009 and 2010. With all that, GDP grew at an annual rate of only 0.9% in the first half of 2011 and will grow at a rate a bit over 2% in the second half.

[7] www.kiplinger.com

Fiscal austerity measures in Europe and slower growth in China and India will cool demand for U.S. goods in the second half of the year. Still, a pause in interest rate hikes, including the Federal Reserve's pledge to keep interest rates at record lows until 2013, will keep the Dollar weak and American goods attractive to foreign buyers. So expect both U.S. exports and imports to reach prerecession levels this year. The Consumer Price Index for October fell 0.1%, after rising in the previous three months by 0.5%, 0.4% and 0.3%. The Labor Department says the major reason for last month's easing was a 3.1% drop in the price of gasoline. Food prices barely increased, rising 0.1%. Inflation for this year appears on course for a 3.3% rise. For the 12 months ending in October, inflation was 3.5%, and we expect a small drop in prices for the rest of the year.

The Latin Americas & Caribbean Economy – overview

Latin America and the Caribbean is expected to expand by 4,5% in 2011 and to moderate to about 4% in 2012.[8] The IMF said countries in the region continue to benefit from easy external financing conditions and still-high commodities prices. Growth has been driven by strong domestic demand. Recently the region fears that the global slowdown of economic growth will have an impact on Latin America and the Caribbean. Main cause is the financial crisis and the lack of decisive political measures in the Euro zone.

Latin America is as dependent on commodities today as it was 40 years ago. With commodity prices quite sensitive to global output, the region is particularly vulnerable to a global economic slowdown. Policies can play an important role in mitigating the economic impact of these shocks. Countries with strong policies—exchange rate flexibility if dollarization is low along with sound external and fiscal positions—particularly during the boom phase of the commodity price cycles, fare better. This highlights the need to rebuild policy buffers to allow the region to be better placed to withstand a commodity price turnaround.

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[8] Source: IMF, October 5, 2011http://www.imf.org/external/pubs/ft/survey/so/2011/CAR100511A.htm

Solid but moderating growth

(real GDP growth, percent change)

	2009	2010	2011 Projection	2012 Projection
North America				
Canada	-2.8	3.2	2.1	1.9
Mexico	-6.2	5.4	3.8	3.6
United States	-3.5	3.0	1.5	1.8
South America				
Argentina	0.8	9.2	8.0	4.6
Bolivia	3.4	4.1	5.0	4.5
Brazil	-0.6	7.5	3.8	3.6
Chile	-1.7	5.2	6.5	4.7
Colombia	1.5	4.3	4.9	4.5
Ecuador	0.4	3.6	5.8	3.8
Guyana	3.3	4.4	5.3	6.0
Paraguay	-3.8	15.0	6.4	5.0
Peru	0.9	8.8	6.2	5.6
Suriname	3.1	4.4	5.0	5.0
Uruguay	2.6	8.5	6.0	4.2
Venezuela	-3.2	-1.5	2.8	3.6
Central America				
Belize	0.0	2.7	2.5	2.8
Costa Rica	-1.3	4.2	4.0	4.1
El Salvador	-3.1	1.4	2.0	2.5
Guatemala	0.5	2.8	2.8	3.0
Honduras	-2.1	2.8	3.5	3.5
Nicaragua	-1.5	4.5	4.0	3.3
Panama	3.2	7.5	7.4	7.2
The Caribbean				
Antigua and Barbuda	-9.6	-4.1	2.0	2.5
The Bahamas	-5.4	1.0	2.0	2.5
Barbados	-4.7	0.3	1.8	2.2
Dominica	-0.7	0.3	0.9	1.5
Dominican Republic	3.5	7.8	4.5	5.5
Grenada	-7.6	-1.4	0.0	1.0
Haiti	2.9	-5.4	6.1	7.5
Jamaica	-3.0	-1.2	1.5	1.7
St. Kitts and Nevis	-4.4	-1.5	1.5	1.8
St. Lucia	-1.3	4.4	2.0	2.6
St. Vincent and the Grenadines	-2.3	-1.8	-0.4	2.0
Trinidad and Tobago	-3.5	-0.6	1.1	2.6
Latin America and the Caribbean	**-1.7**	**6.1**	**4.5**	**4.0**

Source: IMF staff calculations.

Figure 1 - Source IMF staff calculations

According to the Economic Commission for Latin America and the Caribbean (ECLAC); during the first semester of 2011, Foreign Direct Investment (FDI) in Latin America and the Caribbean showed significant growth (54%). The increase in FDI inflows is due to the stability and economic growth in most of the countries; and the high prices of raw materials, which continue to attract investment in mining and hydrocarbons, particularly in South America. However, despite the good perspectives with regard to FDI, the sovereign debt crisis in Europe, the fiscal dilemma in the United States of America and the global financial volatility place certain uncertainty on the financing of transnational companies and their future investment plans, as well as the region's economic performance.

Conclusion

During the fist half of 2011 versus that of 2010, the Fiscal Sector of St. Maarten saw a change in the way Government Revenues have been collected. Although, this sector saw an overall decrease, the revenues collected gave the Government of St. Maarten the boost needed to bring the necessary departments online. In this segment, the Monetary sector saw increases in both the Banking Loans and Deposits. However, factors that drove those increases could also become detrimental (Capital Flights) for St. Maarten if an eye is not kept on the way monies are being spent and saved.

In the External sector, one can see the results of St. Maarten’s marketing efforts on Cruise Tourism has been guite elaborate. However, on the Stay over level St. Maarten has to revisit their goals and enhance their tourism product for this segment, in order to see the fruits of their marketing schemes. The Stay over figures in this report contest to the fact that if this is not done, St. Maarten stands to loose their market share in Stay over tourism.

On the international scene, the Euro area crisis remains the key risk to the world’s economy. Concerns about sovereign debt sustainability are becoming increasingly widespread in the EU. If not addressed could result in an escalating economic disruption,[9] which leaves the Euro zone

[9] Organization for Economic Co-operation and Development.

best bet for normality to be a bail out. This option however, does not sit well with the European Central Bank (ECB). The bank crisis will translate into a severe Europe-wide recession, just as the U.S. financial crisis of 2008 created a severe recession in 2009. Banks within the Euro zone will lose the value for their bonds. The rippelling Euro zone effect will be felt by Latin American & Caribean countries alike once the Euro holding banks falter on their investments. The developments in Europe, the Middle East and the United States has to be monitored to see the outcome.

In other instances (locally), the 1st half of 2011 saw an increase ofcertain food commodities over short periods of time (in certain cases a 2 months period) on St. Maarten. These high prices has indirectly led to negative outcomes in some parts of our economy. Due to economic conditions and business pressures; inhabitants are all (businesses and individuals) feeling the pinch with the increase in prices on St. Maarten. The cost to run a business on St. Maarten has trippled as owners are compelled to :

- deal with high utility bills (GEBE) for both home and their business.
- increase prices on items to make monies to pay overhead (rent, utilities, salaries, TOT monthly and the same for their personal homes)

There was some growth in the Cruise sector and TOT revenues, however, the contraction of Stay-over tourism, which accounts for a large share of Government Revenues than Cruise, is a concern. Overall, there appears to be a slowing down of the economy. The island has several advantages over its competitiors in the region namely; strategic location, one of the most modern airport facilities with excellent connections, and harbor facilities, to rival any in the caribbean. Policies to improve the overall performance of the economy should be geared towards stimulating increase demand, employment and investments.