

Macro Monitor



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Special points of interest:

- ◆ Tourism Data
- ◆ Balance of Payments
- ◆ GDP

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Sint Maarten Year End 2012 Macro-Monitor Report

The analysis and projections contained in this Issue of the Macro Monitor Report that highlights the Year End 2012, 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 that

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.



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ASSUMPTIONS AND CONVENTIONS

The global economy has taken two steps forward and two steps backwards, mainly because of the European crisis, which has had a negative growth impact on the rest of the world. This Year End report focuses on the past trends of key economic indicators and contains an analysis and estimate of the developments in Sint Maarten for 2012. At the end of 2012, the developments for the Sint Maarten's economy are estimated as follows:

- Sint Maarten's economy expanded by 4% for the year 2012;
- unemployment rate is estimated to have slightly decreased to 11%;
- the current deficit has increased;
- the inflation has decreased to 4% for 2012;
- Imports increased by 5%;
- Exports increased by 5%.

At production time of this report, data for some indicators for the last quarter of 2012 were still unavailable. These include; the banking totals and balance of payment figures for 2012. Therefore, the figures presented above could slightly change based on realized figures. However, these indicators give the trends for 2012.

The estimates and indicators for 2012 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.

For 2013 the real GDP is expected to grow, but at a slower pace than the year before. This assumption is based on a flat export growth for 2013, while imports

increased at 2%. The current account as a percentage of GDP is projected to further deteriorate. However, the season is still young, thus tourist arrivals, and exports could pick up. The Department of Economic Affairs, Transportation and Telecommunication (EVT) will continue to monitor the tourist arrivals and update the estimates during the year.

SOURCE INFORMATION AND DATA

The data appearing in this Year End report are compiled by the Department of Economic Affairs, Transportation and Telecommunication. Sources include the Central Bank of Curaçao and Sint Maarten, the Department of Finance, the Statistical Department, the Sint Maarten Tourism Bureau, the Sint Maarten Harbour Holding Companies, and the Sint 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 is 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 Sint Maarten, analyze the impact of policy measures in Sint Maarten's economy and discuss developments with the many stakeholders on Sint Maarten.

KEY FIGURES

Based on the short to medium term estimates of the “Smaartmodel”, selected key indicators of Sint Maarten’s economy are chosen and analyzed in Table 1. It should be noted however, that these estimates are based on developments during the year 2012. As the year 2013 progresses, we expect updates on some of these indicators as they are dependent on the economic developments during the year.

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

St. Maarten's Macro-Economic Data Estimates			
Indicators	2011	2012 e	2013 e
Real GDP Growth %	0.2	4	2
Private consumption %	0.1	6	7
Inflation	4.2	4	2
Unemployment Rate %	12	11	11
Population*1000	37	38	39
Employment by enterprises*1000	20	20	21
Budget Deficit (mil Naf)	-35	-2	-2
Export (mil Naf)	1842	1970	2011
Imports (mil Naf)	1736	1861	1939
Export (%)	2	5	0
Imports (%)	1	5	2
Current Account in % of GDP	-3	-2	-4

Source: EVT, Ministry of Finance, STAT

Real GDP is estimated to have grown in 2012 to an estimated 4%. This estimate is justified by the developments within the external sector in which Sint Maarten experienced 5.9% increase in cruise passengers, 7.6% increase in Stay-over and an annual average of 63% of occupancy rate with both hotels and timeshare combined. This is a 6% growth in occupancy rate when compared to 2011. The growth of the economy is also fueled by an increase in government’s consumption, investments and wage bill in 2012.

Unemployment was high at around 12% in 2011 based on the latest figures from the Statistical Department. Due to higher economic activity in 2012, (due to increased government’s 2012 expenditures especially for investments in the area of infrastructural development) the unemployment rate is expected to reduce to be 11% at year end.

Exports of goods and services showed an estimated growth of 5% in 2012. This increase was mainly fueled

by the excellent performance within the external sector; namely Cruise tourism and Stay-over tourism. It should be noted that 75% of total exports of Sint Maarten pertains to the tourism sector.

Imports showed an estimated 5% increase for 2012; this estimate can be attributed to the increase in aggregate demand.

In 2012 public sector expenditures are estimated to have increased by 18% when compared to the realized expenditures of 2011. Likewise revenues are estimated to have increased by 5% in 2012 when compared to 2011. Since, exports were slightly lower than imports; the net exports (exports minus imports) are estimated to have slightly deteriorated.

Overall, Sint Maarten’s economy has shown a favorable growth for the year 2012, despite the global economy being sluggish. The overall performance or economic boom is fueled by exceptional performance in the external sector, increase in government consumption, investments and public sector wages. However, as the expenditures increased more than the revenues, this development can have adverse effect on the deficit.

For 2013, the first preliminary estimates indicate a slower economic growth caused by a conservative flat growth rate of stay-over tourism, given that the United States is still going through its recovery stage. However, we are still at the beginning of the year and tourism could pick up, leading to an upward adjustment of the estimates.

CHAPTER 1: INTERNATIONAL SECTOR

For the year 2012, Sint Maarten Stay-over arrivals from the various monitored regions showed an increase with the exception for the South American region. The North American region, which is Sint Maarten’s leading contributing region, had a 10% growth when compared

to 2011. Other regions with growth when compared to 2011 include; the Caribbean region with 4%, Europe 3%, and the Rest of the World (which includes countries of the Asian Continent) with 6% growth. This is illustrated in Table 2. Preliminary estimates for 2013 for the various regions are expected to change as the year progresses.

Regions	2011	2012	2011/2012 % Change	2013e	2012/2013 %
Caribbean	23,314	24,236	4%	33,009	36%
North American	252,460	278,964	10%	276,876	-1%
Europe	101,712	105,196	3%	98,953	-6%
South America	15,960	15,633	-2%	12,809	-18%
Rest of the World	30,894	32,691	6%	37,063	13%
Total	424,340	456,720	8%	458,709	0%

Source: Sint Maarten Tourism Bureau/EVT

RECENT GLOBAL EVENTS

EVT continues to monitor international developments as it is very important for our local economy. Because we are heavily dependent on tourism, any developments within the international sector or environment can impact our local economy.

In this report we continue to focus on the 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 2012 came to an end, Americans shrugged off the threat of higher taxes and bought automobiles and a range of other goods which led to a push in consumer spending. Inflation increased due to higher gas prices during the third quarter, however by year end the pressures remained calm with prices declining for a

third straight month in December.¹ The United States economy reached a 2% growth for the year despite the spread of the European recession.² In November in the wake of a wider trade deficit, analysts cut their growth forecasts. Higher taxes are expected to keep consumer spending moderate for the first couple months of 2013, but a pending fight over raising the country's debt ceiling could hurt consumer reaction.

North America	Real GDP Growth (%)		Inflation (Average, %)		Current Account (% of GDP)	
	2012f	2013f	2012f	2013f	2012f	2013f
USA	2	2.1	2.1	-3	-0.1	-2.7
Canada	2	1.9	1.9	2.1	-2.7	-2.6

Source: Global Macro Monitor- Jan 2013

With the aforementioned on the United States economy, we have noted that for the period January- December 2012 an average 61% of Sint. Maarten's stay-over tourists originated from the North American region. Additionally, a growth of 10% was also observed from that region during the same period when compared to 2011.

Based on the forecast illustrated in the table 3 with a slight increase in real GDP growth, stable rate of inflation and the knowledge of issues with the United States' debt ceiling still pending, EVT takes a conservative estimate of negative 1% growth for the stay-over arrivals from the North American region for 2013. Additionally, the rate of inflation in the United States has a direct effect on the rate of inflation in Sint Maarten's economy.

EUROPE

The euro zone is beginning to show signs of recovery even in the present recession and after the downturn experienced in the beginning of the third quarter of 2012. Measures taken by individual countries and efforts to stabilize the single currency union are starting to pay off

¹ www.reuters.com

² www.money.cnn.com

as investors are returning to the euro zone, and resuming confidence in that market. Inflation remained steady at 2.7% as exports rebounded.³

Germany had a 0.7% growth for the year 2012, in spite of being hit hard by the euro zone crisis in the final quarter of 2012 as strong exports and investment slowed. Inflation, however, remained stagnant at 2.1% for the year.⁴ The Dutch economy had a contraction of 0.6% for the year 2012. Meaning it will likely be in recession after having two straight quarters of negative growth. Nevertheless, inflation remained the same throughout the year at 1.7%.⁵

The slow recovery of the European economies is a positive sign and incentive for Sint Maarten.

Table 4: Europe Forecast 2012-2013

Europe	Real GDP Growth (%)		Inflation (Average,%)		Current Account (% of GDP)	
	2012f	2013f	2012f	2013f	2012f	2013f
Germany	0.7	1.3	2.1	2.4	5.6	6.1
Denmark	-0.1	1.2	2.1	1.9	1.7	1.7
Finland	0.1	1.2	2.1	1.9	4	3.6
Netherlands	-0.6	0.6	1.7	1.7	6.8	7.1
Sweden	1.1	2	1.2	1.5	7.2	6.9
Italy	-2.3	0	1.7	1.5	-1.3	-0.5
Norway	3.5	2.1	0.8	1.5	16.6	14.8

Source: Global Macro Monitor- Jan 2013

According to the forecast in Table 4, with the exception of Norway, there is an improvement projected in 2013 for GDP and the current account, however, 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.

The European region contributes 23% to stay-over tourism for 2012. This forecasted information is of crucial importance since it highlights the opportunity that exists

³ www.imf.org

⁴ www.reuters.com

⁵ www.macrobusiness.com

within the possible growth in that region for 2013. This could only be possible if these countries and their airlift are targeted.

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 had a Year-on-year growth of 7.8% at the close of 2012. China and other major economies cut their interest rates throughout the year 2012 to stimulate their economies, which lead to an increased rate of inflation. However, many of those countries realized that this stabilized the economy during the last quarter of 2012.

For 2012, the performance overall from this region which is also categorized as Rest of the World to Sint Maarten's stay-over tourism, was exceptional. As seen in Table 2, a growth rate of 6 % was realized when compared to stay-over of 2011, this also constitutes to 7% of Sint Maarten's overall stay-over for 2012. Interestingly, with the performances of the respective Asian economies, preliminary estimates for 2013 show a positive sign of 13% increase in stay-over tourism.

SOUTH AMERICA & CARIBBEAN

In the South America and Caribbean region, the economy experienced slow growth. Weakness in the global economy caused mainly by difficulties in Europe and the United States, has affected growth in South America and the Caribbean. As shown in Table 5 and 6, economic indicators for the South American countries and the Caribbean Islands reflect differing trends.

Table 5: Caribbean Forecast 2012-2013

Europe	Real GDP Growth (%)		Inflation (Average,%)		Current Account (% of GDP)	
	2012f	2013f	2012f	2013f	2012f	2013f
Barbados	0.4	0.7	8.8	7	-4.1	-3.5
Guyana	4	3.5	2.6	4	-17.2	-17.5
Jamaica	0.6	1	7.6	7.5	-10.5	-10.4
Puerto Rico	1.3	1.6	2.1	1.5	3.2	3.1
Trinidad & Tobago	1	2.5	8.5	5.5	17.6	17.3
Dominican Republic	3.6	4.4	6.1	4.8	-5.4	-4.8

Source: Global Macro Monitor- Jan 2013

For the Caribbean region as illustrated in Table 5, there is a projected overall improvement in the economies in 2013. Inflation is slowing down in most of the Islands except for Guyana. With the current account deficit we see that Guyana is about 17% negative. Only Puerto Rico and Trinidad and Tobago seem to export more than they import in percentage of GDP.

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 Sint Maarten as a shopping hub which can generate additional revenue.

In 2013, EVT expects to receive information from a Tourism Expenditure Survey for both cruise and stay-over arrivals, done by STAT and Sint Maarten Tourism Bureau. This survey will give more details regarding the length of stay and the expenditures of several source markets.

It should also be noted, that this region contributes to our stay-over tourism in Sint Maarten. Stay-over arrivals from the Caribbean region for the year 2012 increased by 4% when compared to the year 2011. This constitutes to 5% of overall stay-over for Sint Maarten. Preliminary estimates indicate a 36% increase for 2013. This is based on an average over the last 10 years, which of course will change as the year progresses.

Based on Table 5 above, forecast with the increasing GDP and decreasing inflation can have a positive impact on Sint 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. This list is expected to be revised for 2013. Observations made are that the economies of the selected countries

are still growing into 2013. This projected growth is higher when compared to the projected growth of the European economies. Inflation is also higher and slightly slowing down, except for Argentina that seems to almost be entering into recession in 2013. This is illustrated in Table 6.

Table 6: South American Forecast 2012-2013

South America	Real GDP Growth (%)		Inflation (Average, %)		Current Account (% of GDP)	
	2012f	2013f	2012f	2013f	2012f	2013f
Argentina	3	0.9	23.5	25	-0.1	0.8
Brazil	1.5	3.7	5.5	5.5	-2	-2
Chile	4.8	4	3.2	2.5	-2.1	-2.2
Colombia	4.4	4.3	3.5	3.2	-2.9	-2.9
Mexico	4	3.4	3.9	3.5	-0.5	-0.5
Peru	5.6	5.2	4	3.2	-2.8	-3.2

Source: Global Macro Monitor- Jan 2013

Argentina's economy grew by 3% for the year 2012. Sluggish global demand, high local inflation, a poor grains harvest and government import and currency controls have all taken a toll on the economy. Inflation increased slightly by year end reaching 23.5%.⁶

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 at year end 2012.⁷ Inflation in Brazil eased significantly in line with weaker growth reaching 5.5%.

Colombia's economy is showing signs of improvement, having a growth of 4.4% at year-end 2012. The increases in consumption, investment and trade, as well as the rise of strategic sectors, have led to growth which has exceeded the targets.⁸ The inflation rate dropped slightly to 3.5% at the close of the year.

From this region there has been an increase of 3.1% in stay-over for the period January-December 2012 as compared to the same period in 2011, the highest in

⁶ www.reuters.com

⁷ www.brazil.gov.br

⁸ www.mincomercio.gov.co

terms of nominal figures over the past four years from this regions. Real GDP growth projections of those countries can impact Sint Maarten's economy positively, once the Tourism Bureau effectively implements their marketing strategy.

CHAPTER 2: EXTERNAL SECTOR

STAY OVER TOURISM- SINT MAARTEN

This sector focuses on our exports of which 75% accounts for tourism. Growth within the tourism industry seemed to have rebounded at the close of 2012.

Graph1: Stay-Over Year End 2011/2012



Source: EVT/Sint Maarten Tourism Bureau

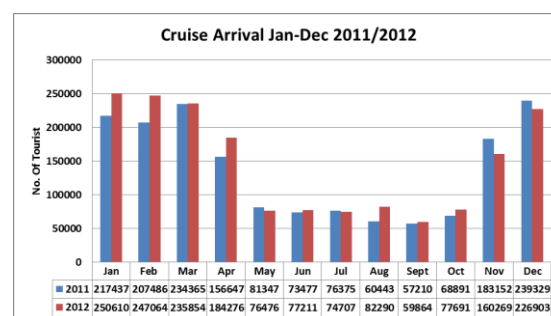
Stay-over arrivals on Sint Maarten increased by 7.6% in the year 2012 when compared to 2011. This represents 148,500 nights extra for 2012, with the assumption that stay-over per tourist is 4.5 nights on average. The increase can be attributed to the continual promotional rates of the hotel industry.

Total number of stay-over visitors up to December 2012 amounted to 456,720, as compared to 424,340 visitors for December 2011. This is a positive sign, as Stay-over tourism is above average for the entire 12 months of 2012 compared to those 12 months over the last ten years.

Estimates for 2013 indicate a slow growth rate at a conservative 0.4%. This is due to the fact that the United States 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. However, Sint Maarten should consider looking into all-inclusive resorts to boost further growth within the industry.

CRUISE TOURISM-SINT MAARTEN

Graph 2: Cruise Arrivals 2011/2012



Source: EVT/ Sint Maarten Tourism Bureau

Cruise passenger arrivals for 2012 amounted to 1,753,215 compared to 1,656,159 in 2011. This indicates a 5.9% increase in arrivals when comparing the periods 2012 and 2011. With regards to cruise ship calls for 2012, this increased by 4.4 % with a total of 622 calls when compared to 2011 with 596 calls. This is illustrated in Table 7 below.

Estimates for 2013 indicate a stable rate of 0%. This based on the average of each calendar month for the past five years. As the year progresses, the estimates will change and be updated.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2011	85	89	92	58	24	17	18	14	15	21	68	95	596
2012	97	100	94	70	19	18	17	19	15	24	54	95	622

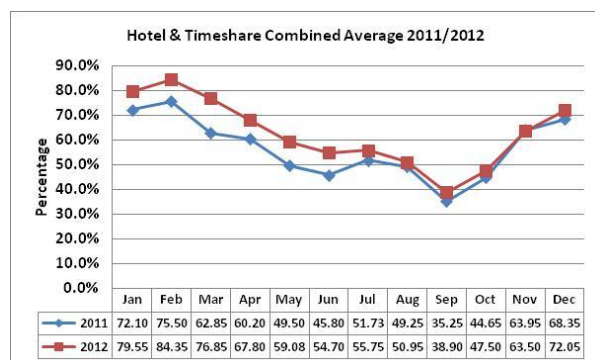
Source: Sint Maarten Harbour Holding Companies

According to the Sint Maarten Harbour Holding Company, the increase in calls of 4.4% for the year 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.

OCCUPANCY

Graph 3: Month By Month Average Occupancy 2011/2012



Hotel occupancy stood at 72.1% for December 2012 compared to 68.4% in December 2011, this is notably the highest in the past 6 years. For the year 2012 timeshare and hotels combined indicate an increase of 6% overall occupancy when compared to 2011. Additionally, during the first half of 2012 occupancy rate maintained an average 10% increase, then decreased for the latter months when compared to 2011. This is illustrated in Graph 3.

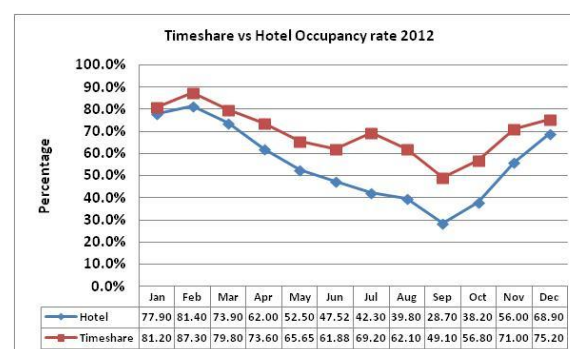
Illustrated in Graph 4 is the comparison between timeshare and hotel occupancy rate. As noticed, timeshare has been the dominating preference for 2012, with an exceeding rate of 10% for the first quarter then extending to 30% by the end of the second quarter. During the third and fourth quarter this preference decreased slightly.

The performance in this sector indicates a rebounding of the destination's tourism industry. 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. Continued marketing efforts and the competitive rates and offers, are giving

travelers more incentive to choose our island as their destination to vacation.

Compared to other Caribbean islands an occupancy rate of around 50% is considered below average. In the months June till November Sint Maarten's hotel occupancy drops below 50%. This period is generally considered the low season. This means we have to focus on activities to attract tourist and increase the occupancy rates during these low months.

Graph 4: Timeshare vs. Hotel Occupancy 2012



CHAPTER 3: FISCAL SECTOR

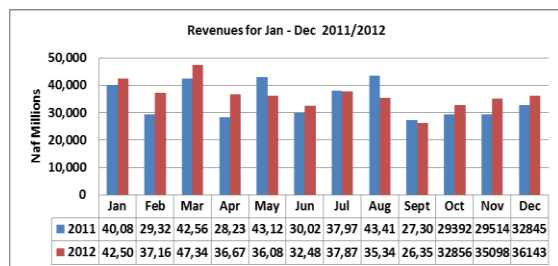
Analysis of the fiscal sector for 2012 indicates an increase in both revenues and expenditures. However, the proportion increase in revenues is much less than the increase in expenditures for the same period. This can have ill effects of increasing the current account deficit or having to use government banking reserve or other alternative funding sources for expenditure obligations.

GOVERNMENT REVENUES

Government revenues for the period January – December 2012, saw an increase of 5% when compared to 2011. Indirect taxes to government (which comprises of Turnover Tax (ToT), timeshare, vehicle rental tax, separate tax and gasoline excise tax) - grew by 20%

over the period. The increase can be attributed to the fact that the month of January 2012 the ToT stood at 5% against 3% in January 2011. Additionally the month of January is a high collection period. An increased collection method by the Receivers Office and the compliance of persons and businesses to make payments were also contributing factors.

Graph 5: Government Revenues 2011/2012



Other factors for overall revenue increase includes: 35% increase in foreign deposits, 20% increase in other taxes from businesses and a slight increase of 3% from direct taxes (wage tax) from household.

Table 8: Government Revenues Category 2011/2012

Revenues Jan- Dec (Naf Millions)	2011	2012	% Change
Rest income from Enterprises	24,312	29,219	20
Indirect Taxes	139,414	166,785	20
Direct taxes from Enterprises	27,071	22,212	-18
Direct Taxes from Households	122,050	125,911	3
Transfers from Households	100,000	90,525	-9
Transfers from Abroad	938	1,262	35
Total revenues	413,785	435,914	5

Source: Ministry of Finance

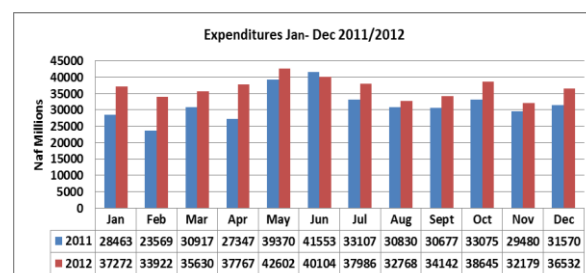
It should be noted that for 2012 other revenues categories declined when compared to 2011. These include direct taxes from enterprises (profit tax) decreased by 18% and transfers from households (which includes; license rights, concession, student loans, business license, stamp tax, among others) decreased by 9% for 2012.¹⁰

GOVERNMENT EXPENDITURES

¹⁰ Source: Department of Finance Sint Maarten

Total government expenditures for the year of 2012 saw an increase of 18% when compared to 2011. This amounted to Naf 465 million as compared to Naf 395 million for the previous year 2011. It should be noted however, that these totals include capital investments of Naf 15 million and Naf 25 million for 2011 and 2012 respectively. This has inevitably contributed to the overall increase in expenditures.

Graph 6: Total Government Expenditures 2011/2012



Other contributing factors are the increase in government consumption (which includes: aps, creditors, rent, garbage, buses, miscellaneous and interest) by 34%, the increase in wage bill by 21% and the increase in interest paid of 11% for 2012.

Furthermore observed, is the category transfers to household, (which includes expenditures like creditors, study loans and Bureau Social Insurance) increased by 6% for 2012. This observation is shown in Table 9 below.

Table 9: Government Expenditures Category 2011/2012

Expenditures Jan- Dec (Naf Millions)	2011	2012	% Change
Government Consumption	124,517	166,877	34
Gross Investments	15,000	25,000	67
Wage Bill	131,638	159,384	21
Interest	8,278	9,199	11
Subsidies	65,630	63,851	-3
Transfers to House Hold	49,895	40,238	-19
Total expenditures	394,958	464,549	18

Source: Ministry of Finance

This overall increase in government expenditures is attributed to the increase in investments in the infrastructural development.

CHAPTER 4: MONETARY SECTOR

INFLATION

Graph 9: Inflation Trend 2011-2012

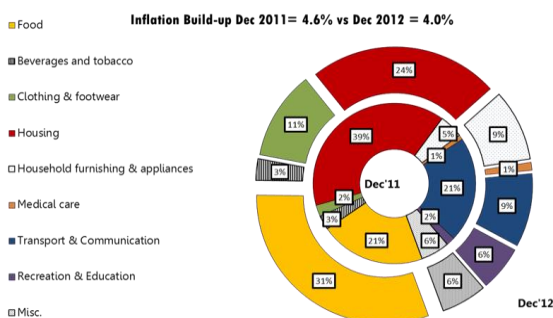


Source: STAT

Depicted in the graph above are month by month inflation for the years 2011 and 2012. The rate of inflation has continued to ease since June 2012; following an all-time high of 5.5% in April 2012. At the end of 2012 inflation rate stood at 4%, signifying a drop of 0.06% for 2012 when compared to 2011. Major contributing factors would be the easing inflation recorded in the expenditure categories Housing and Transport and Communication both Global and Locally.

Deeper analysis in the rate of Inflation for Sint Maarten for the year 2012 indicates; the food sector to be highest contributor to the rate of inflation with a growth rate of 10%. This is followed by clothing and footwear 9%, household furnishing and appliances 4% and recreation and education 4%. This is illustrated in the graph 10 below.

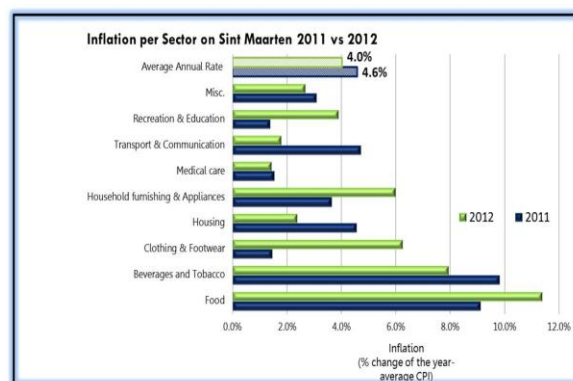
Graph 10: Inflation Build-up 2011-2012



Source: STAT

Other analysis includes the rate of inflation of the various sectors. Observations conclude that for 2012, the sectors with increased rate of inflation are; food, clothing and footwear, household appliances and furnishing and recreation and education. Transport and communication, medical care, housing and beverages and tobacco had declining rate of inflation for 2012. This is observed in graph 11.

Graph 11: Inflation per Sector 2011-2012



Source: STAT

Since the rate of inflation in Sint Maarten correlates with that of the U.S. with a six months' time lag, the drop in Sint Maarten can be attributed to the decrease in the rate of inflation in the United States during the months of June and July of 2012. Furthermore, with the forecast of the United States having a stable rate of inflation for 2013, this can have a likewise stable or decreasing trend for Sint Maarten.

CONCLUSION

In summary, while the economic picture continues to improve, headwinds remained at the end of 2012. The economy of Sint Maarten performed relatively well for the year of 2012, when comparing the developments within the external sector, with cruise tourism, stay-over and occupancy rate. Additionally, the increase in Government spending attributed to this projected growth trend for 2012. This is due to the fact, that an increase in

government consumption, investment and wages in our small economy triggers economic activity and growth.

While stay-over tourism is expected to slightly pick-up for the following year, Sint Maarten should consider looking into all-inclusive resorts to boost further growth as previously stated. Cruise tourism is projected to keep in line with its current expansion. The continued ongoing tourism-related projects will set the stage for enhanced growth during our tourist high-season.

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.

With Sint Maarten dependence mainly on tourism, the strategies of the Tourism Bureau will be of utmost importance based on reliable and positive forecasts illustrated by the targeted emerging markets over the next couple years. It is imperative that Sint Maarten, prioritize their spending and focus within those regions to capitalize on their growth.

As it relates to the fiscal developments, the current trend of having more expenditures than revenues will create a deficit situation. Measures will have to be put in place to increase revenues and decrease the expenditures, if this trend continues. Depending on the gravity of this situation this can have stifling effects of the economy, especially under the supervision of the Commission Financial Supervision (CFT).

From a global perspective, the economy for the year 2012 faced many struggles with the ongoing European debt crisis, the United States fiscal cliff, and the economic slowdown in major emerging economies, including China. Activities within our source markets showed that the rate of growth in the United States weakened for 2012. The United States Federal Reserve

announced a new round of quantitative easing measures for early 2013 to stimulate the United States economy.

Towards the end of the presidential election year, the 600-billion-dollar fiscal cliff posed a threat to pushing the United States economy back into recession. The United States economy is forecasted to grow next year at a modest pace of 2%. In spite of this growth, the high expansive monetary policy is expected to spur inflation risks next year 2013, with risks increasing in 2014.

China is expected to maintain growth in 2013. Nonetheless, expectations remain high for China to maintain a stable economic growth and expanding its investment in foreign countries.

In the euro zone, rounds of negotiations and summits have failed to restore normalcy in the single currency area, and bleak European economic performance has largely weighed on global economic growth. Europe remains an unknown and will continue that way in 2013.

Concerning the banking sector, the actions the Central Banks took in 2012 by providing liquidity may have helped calm the markets and prevented further frustration of the crisis, but they cannot be a substitute for a longer-term solution. Policy uncertainties in the advanced economies are also impacting the growth prospects of emerging market economies. Problems occurring in advanced economies with their spillover to other economies will require coordinated policy responses.

For Sint Maarten, which is tied to Curaçao through a monetary union and has a crucial role therein, the fiscal situation of Curaçao and the deficit on the current account needs to be monitored, as it can affect the position of Sint Maarten.

The indicators for the year 2012 show a modest and stable forecast implying that conditions are likely to gradually improve for the near future. In support of this, activities of growth have been slowly picking up in various emerging market economies reflecting a

recovering external environment. The increase in consumer spending and with the private sector gaining power, are factors that will influence the outlook of the economy.

GOVERNMENT OF SINT MAARTEN



We are on the Web
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