



The insight of foresight

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The only function of economic forecasting is to make astrology look respectable

John Kenneth Galbraith



Why do we make economic forecasts?

- To provide guidance in decision making
 - Monetary policy
 - Fiscal policy
 - Economic policy
- Substantial and variable lags between economic policy decisions and consequences thereof.



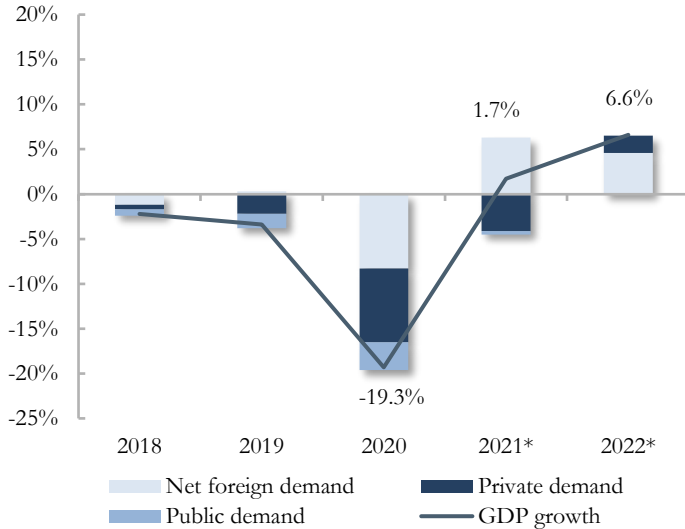
Uncertainty surrounding forecasts

- Uncertainty about future shocks on endogenous variables (e.g., consumption, investment).
- Uncertainty about external shocks (e.g., oil price shocks, natural disasters).
- Uncertainty about data (e.g., revisions, accuracy and availability of data).

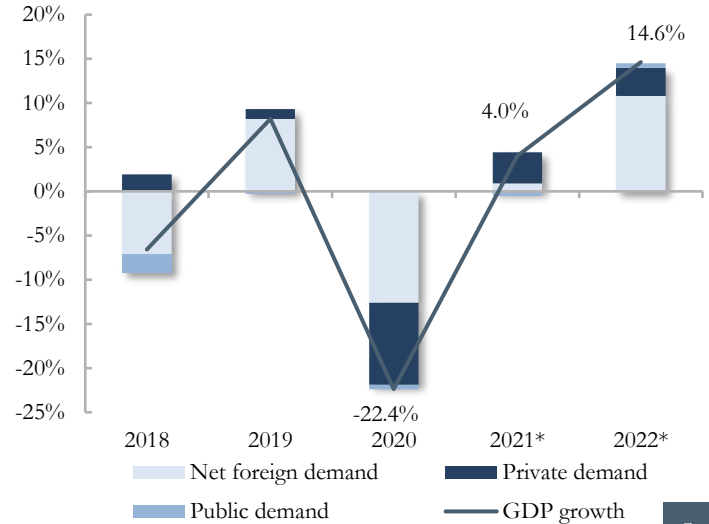


Road to recovery is uncertain and bumpy

Curaçao



Sint Maarten

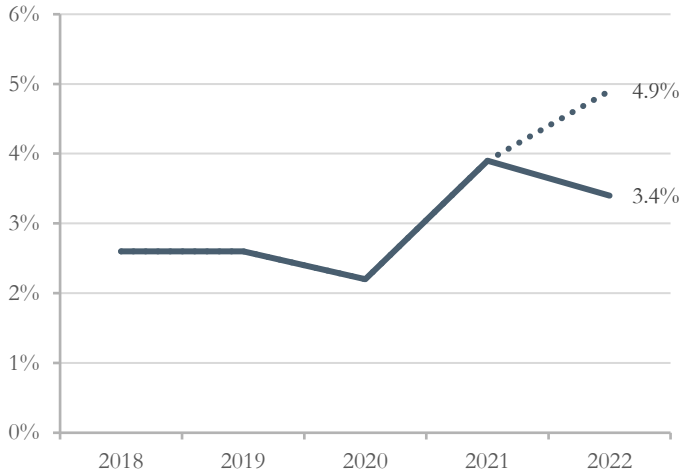


Source: CBCS estimates and forecast.



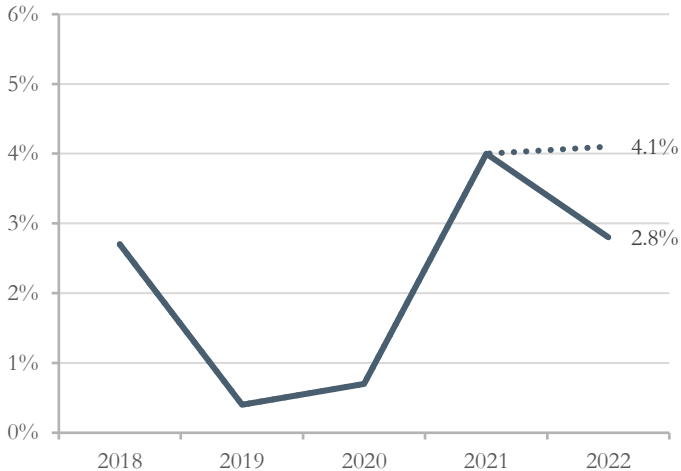
...with high inflationary pressures

Curaçao



— QB-II Revised projection

Sint Maarten

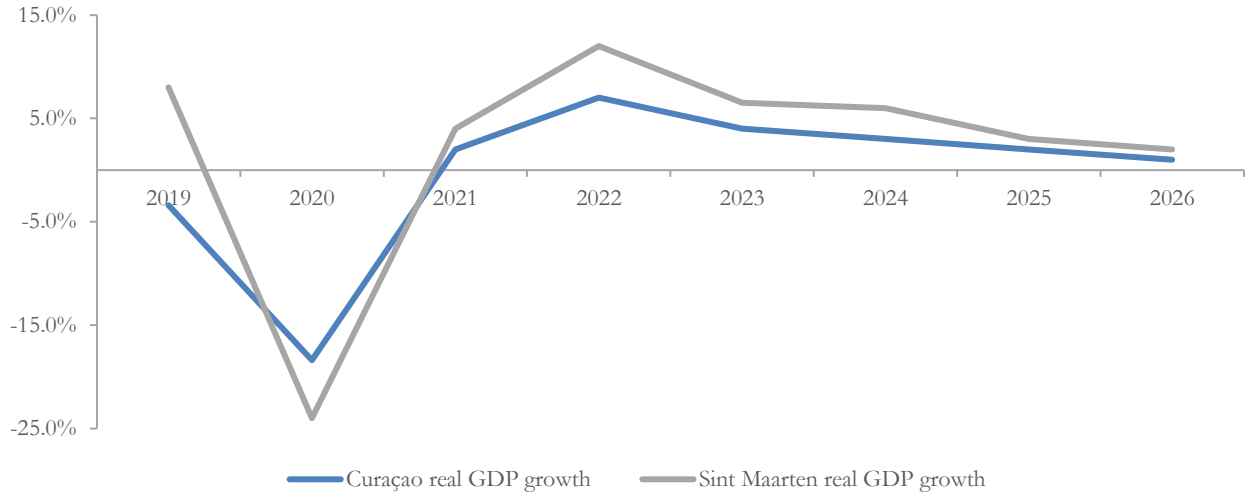


— QB-II Revised projection

Source: CBCS estimates and forecast.



Pace of recovery differs across the monetary union

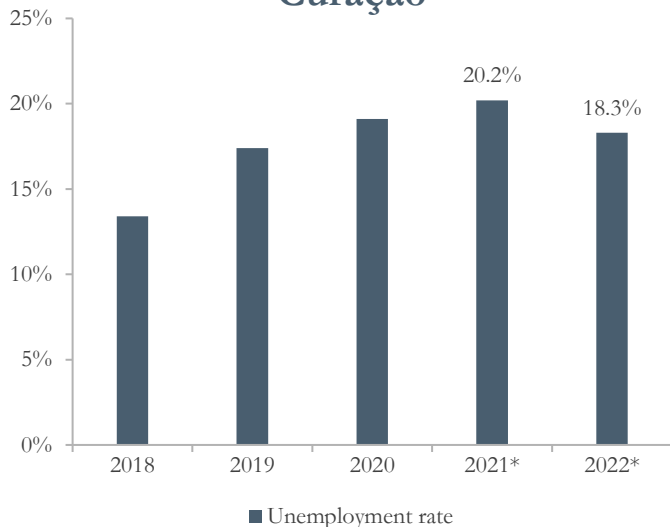


Source: CBCS/ IMF estimates



Unemployment to remain high in 2022

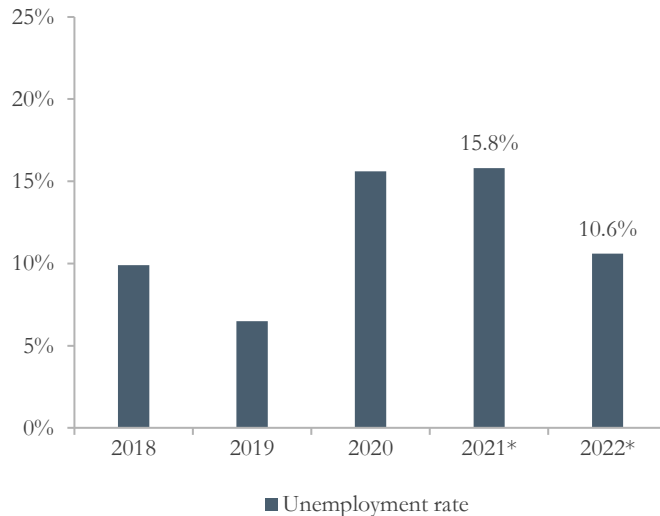
Curaçao



Source 2018 – 2020 figures: Curaçao Labor Force Surveys

*2021 and 2022 are projections of the CBCS.

Sint Maarten



Source 2018 figure: Sint Maarten Labor Force Survey

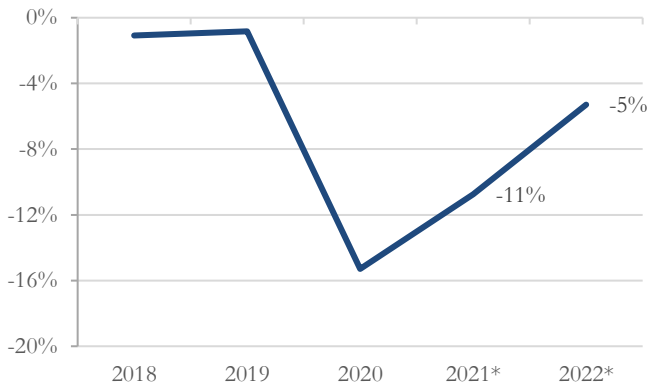
*2019 – 2022 are projections of the CBCS



Fiscal deficits to remain elevated....

Curaçao

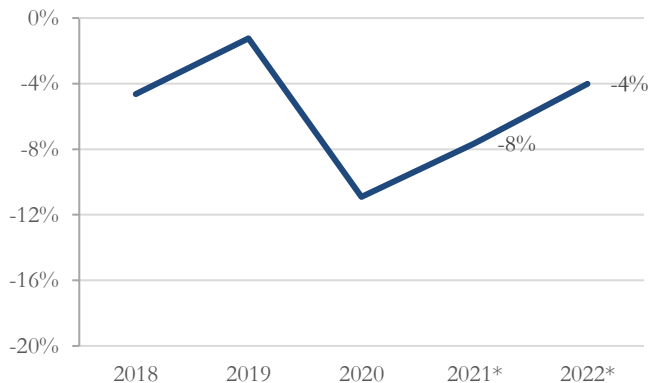
Current budget balance as % GDP



Source: Financiële Management Rapportage of 2018-2021 of the government of Curaçao and Draft Amended Budget 2022. The current budget balance as % of GDP for 2021 and 2022 are based on the Budget 2021 and Draft Amended Budget 2022, respectively.

Sint Maarten

Current budget balance % of GDP



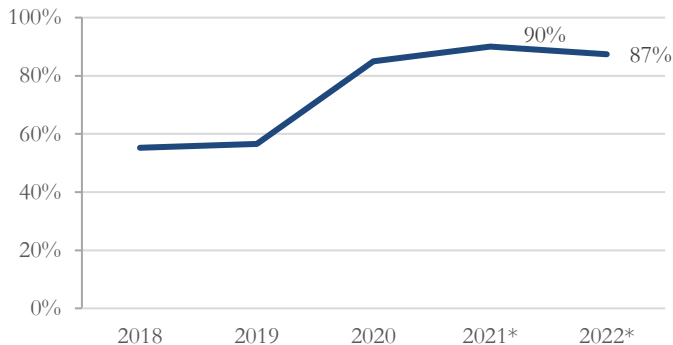
Source: Financiële Concernrapportage of 2018-2021 of the government of Sint Maarten and CBCS' estimates for 2022. The current budget as % of GDP for 2021 and 2022 are based on the Outlook 2021 provided by the government of Sint Maarten and the CBCS' estimates for 2022, respectively.



....with risks to debt sustainability

Curaçao

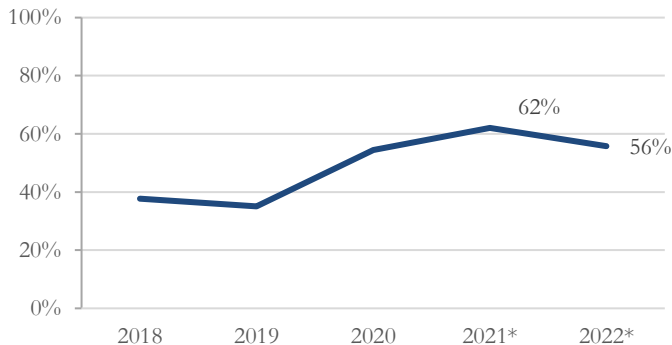
Debt-to-GDP ratio



Source: Financiële Management Rapportage of 2018-2021 of the government of Curaçao and Draft Amended Budget 2022. The debt-to-GDP ratios for 2021 and 2022 are based on the Budget 2021 and Draft Amended Budget 2022, respectively.

Sint Maarten

Debt-to-GDP ratio

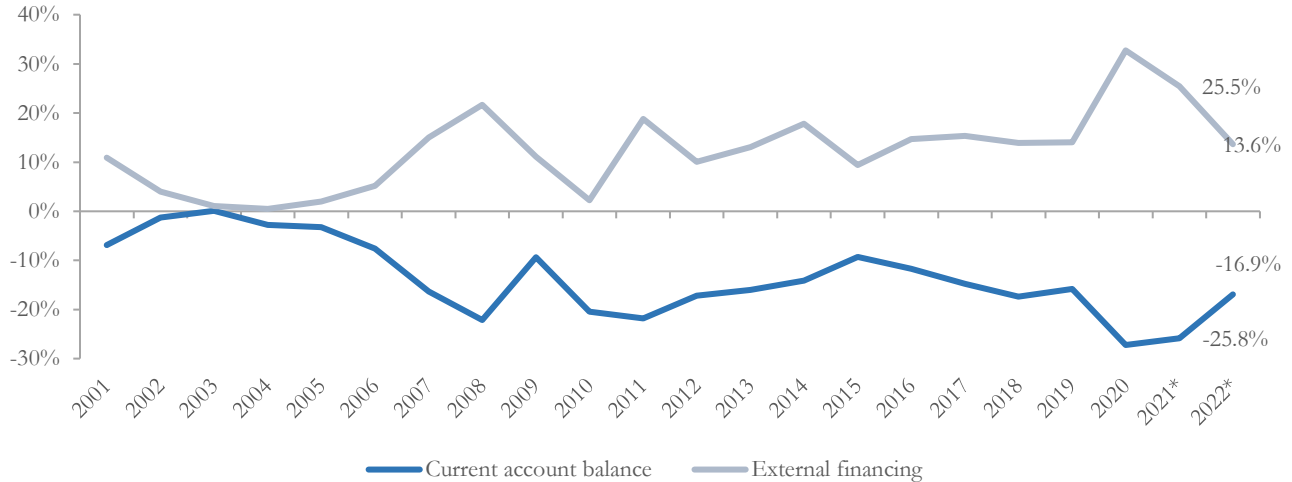


Source: Financiële Concernrapportage of 2018-2021 of the government of Sint Maarten and CBCS' estimates for 2022. The debt-to-GDP ratios for 2021 and 2022 are based on the Outlook 2021 provided by the government of Sint Maarten and the CBCS' estimates for 2022, respectively.



External imbalance to reduce gradually....

Balance of payments developments (% GDP)

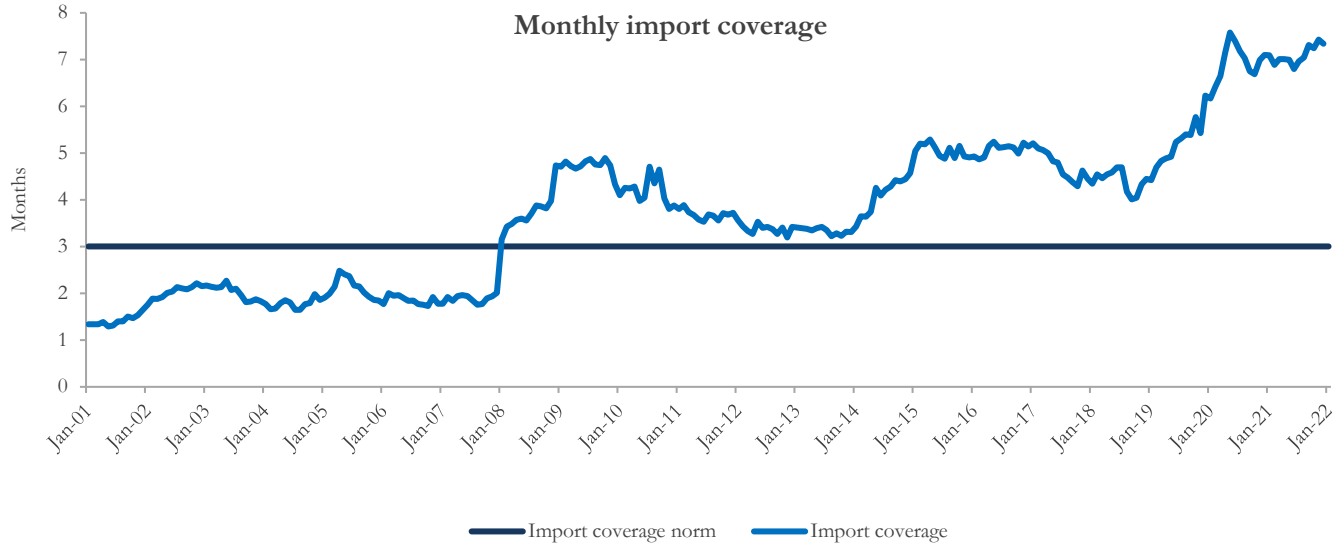


Source: CBCS

*2021 and 2022 are projections of the CBCS.



... while guilder will remain strong



Source: CBCS

*2021 and 2022 are projections of the CBCS.

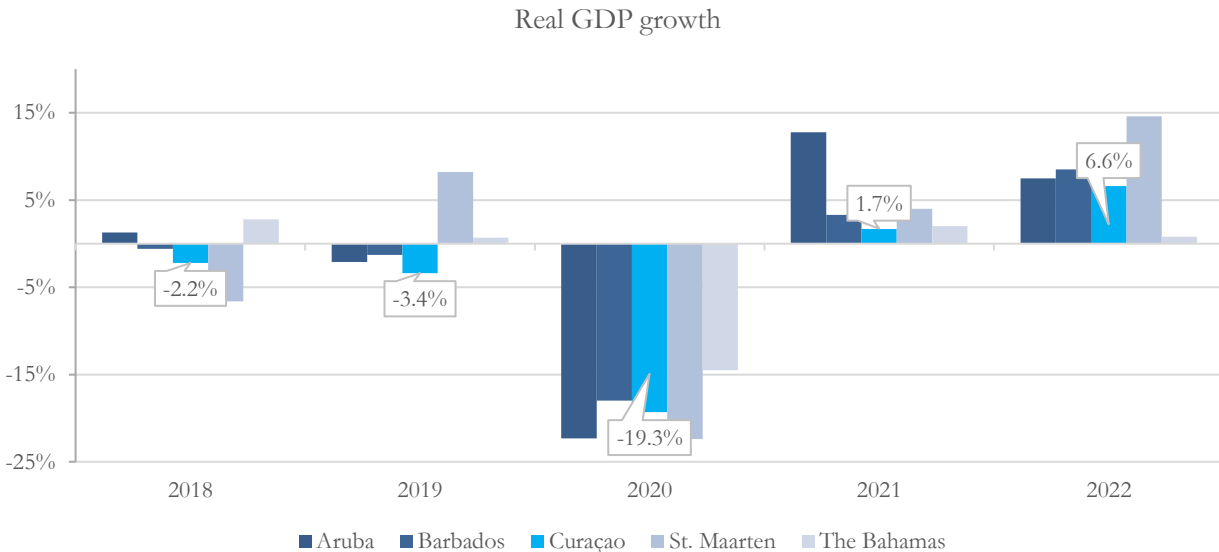


Main risks to the outlook

- Emergence of new COVID-19 variants combined with travel restrictions and / or hesitation will affect the pace of recovery.
- Implementation of the “*Landspakket*”
 - Structural measures will support growth
 - Counter-cyclical fiscal consolidation will dampen pace of recovery.
- Further increase in international commodity prices and supply chain disruptions will result in higher-than-expected inflation and, hence, affect domestic demand.
- Restart of refining activities will result in higher economic growth.



Curaçao is lagging behind the region

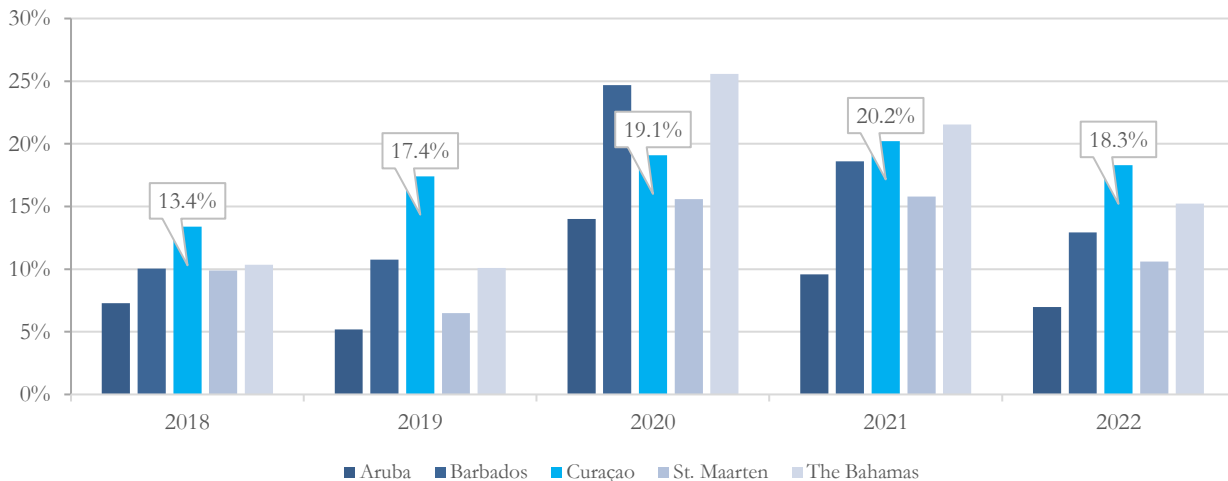


Source: Curaçao and Sint Maarten CBCS estimates and projection and Other countries: IMF World Economic Outlook Database October 2021.



Unemployment in Curaçao is relatively high

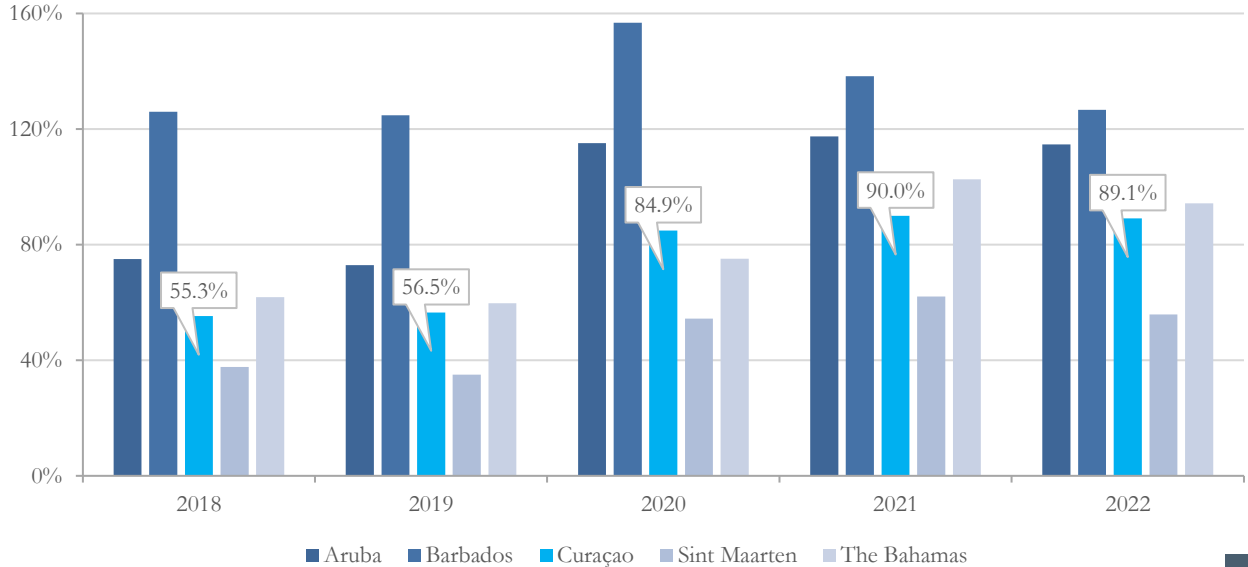
Unemployment rate in selected (tourism-dependent) Caribbean economies



Source: Curaçao 2018 – 2020: Curaçao Labor Force Survey, 2021 – 2022 CBCS projection, Sint Maarten 2018: Sint Maarten Labor Force Survey, 2019 – 2022 CBCS estimates & projection, and Other countries: IMF World Economic Outlook Database October 2021.



Development in debt-to-GDP ratio amid the pandemic



Source: Curaçao and Sint Maarten CBCS estimates and projection and Other countries: IMF World Economic Outlook Database October 2021.



Multiannual plan crucial for restoring balanced budget

Approach for 4-year plan:

- I. Multiannual budgets with operational targets that provide insights into the available medium-term fiscal space.
- II. Strengthen public financial management with an aim to reach budget balance.
- III. Reform tax system.
- IV. Reach agreement with the Netherlands regarding refinancing of the liquidity support that will mature in April 2022.



Supporting economic recovery in a pandemic (1)

- I. Continue to make progress in the vaccination and booster program, while implementing a coherent testing strategy to reduce the spread of the coronavirus and control outbreaks.
- II. Restore the financial sustainability of the health system by improving efficiency while safeguarding capacity to provide services.
- II. Stimulate private investments by:
 - Reducing cost of doing business;
 - Address lengthy administrative procedures and red tape.



Supporting economic recovery in a pandemic (2)

- IV. Unlock private investments and promote job creation through public investments.
- V. Conduct active labor market policies to help the unemployed find work
 - Job training programs
 - Job search assistance programs



Focus on inclusive growth

- I. Invest in education and stimulate lifelong learning.
- II. Address rigidities in the labor market.
- III. Improve the quality of and access to digital technologies.



*There are two kinds of forecasters:
those who don't know, and those who
don't know they don't know.*

John Kenneth Galbraith