

The economy of Curaçao in 2010

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Introduction

This article gives an overview of the growth, development and an international comparison of the Curaçao economy for 2009 to 2010. The first results concerning the developments in the economy of Curaçao for 2010 show a light increase in the economic activities. The increase result is 0.1 percent in comparison to -0.5 percent in 2009 (see table 3). The percentages are related to the real developments, which mean that, they are corrected for price developments.

Real GDP (Gross Domestic Product) or real economic development (growth) is equal to the change in the production of goods and services excluding price developments. The change in the production of several industries, which is used as an indicator for the change in value added, is then grouped together to arrive at an estimate of the weighted average of real GDP. The data is extracted from the conjuncture survey and the production indicator research. All data are still provisional, due to the pending final compilation of the complete data of all industries in the National Accounts.

General performance of the economy

The Curaçao economy has a fluctuating economic history, influenced by internal and external factors. In 2008 the real GDP that has been estimated at 2.2, spiraled down to 0.5 in 2009 and in 2010 slightly increased with 0.1 percent. Unemployment rates averaged almost 10 per cent for the period 2009 (AKO-onderzoek), which is above the rate under the countries in our region. The inflation as of 2010 has gone up with 2.8 percent.

The late 2000 recession in the US, the debt crisis in Europe 2010, the rise in world oil prices, an economic recovery in Latin America all have their influences directly or indirectly to our economy due to our open market economic policy.

The Latin American influence is most seen in the growth of Latin American (excluding Venezuela) tourism which has increased with 20.4 percent. Venezuelan tourism has experience a decline in arrivals to the island of about 58 percent.

In the subsequent analysis a short review will be given of the non-financial corporations, the financial corporations, the government, and the household and non-profit institutions serving households.

Table 1: Region comparisons

Countries	Real GDP growth (Annual %)			Unemployment rate, (% of total labor force)			Inflation, Consumer prices (Annual %)		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
United States	-0.3	-3.5	2.8	5.8	9.3	9.6	3.85	-0.3	1.64
Netherlands	1.8	-3.8	1.7	2.7	3.3	5.4	2.5	1.2	1.3
Venezuela, RB	4.8	-3.3	-1.9	6.9	7.6	8.6	31.4	28.6	29.1
Latin America & Caribbean	4.3	-1.8	6.2	6.8	8.0	7.5	-	-	-
Curaçao	2.2	-0.5	0.1	10.3	9.7	-	6.9	1.8	2.8

Non-financial corporations

Mining

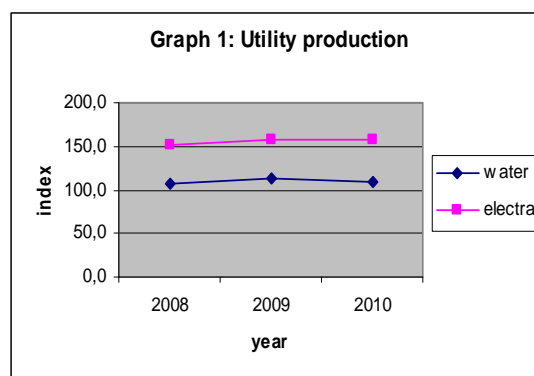
The contribution of mining to GDP, which has been -2.7 percent in 2009 has further declined in 2010 with 1.2 percent. The negative development in this industry has been influenced by climatologically circumstances which reduced the production capacity in 2010. The rain fall in 2010 is 963 mm with respect to the 367 mm of the year before. The developments of this industry are measured on the basis of the production of sand and blocks. The development of sand and blocks indicator mostly runs parallel with the growth of the construction industry, although the production of sand and blocks is not totally dependent on the local market. The weight of this industry may seem very marginal (0.4%) in the overall economy, nevertheless the value added that the mining section delivers is of substantial value and impact.

Manufacturing

Compared to 2009, this industry has shown a fall in value added of 6.6 percent in 2010. The fall has been mainly attributed to the decline in refining production, which is a consequence of among other things the falling out of the BOO (Build, Own & Operate) facilities. The BOO is the main producer of utilities for the local refinery. Other indicators in this industry such as ship repair and other small manufacturers indicate an increase, but the drop in the refining capacity of production had a comparatively large impact on the rest of the industry.

Utility

The overall utility production has showed a positive growth rate of 2.7 percent in 2010. In the utility industry, cubic meters water and the kWh for electricity are taken into account. The volume of electricity generation in 2010 has decreased with about 0.7 percent over the 2009 levels. Water production has shown a decrease of about 3.6 percent. In graph 1 there's an index development for utility. In other developments in this industry it is viewed that the prices for electricity have increased with 11.4 percent and water with 0.8 percent.



Construction

In the construction industry a substantial amount of activities has been observed on the island. Regardless of this observance there has been no increases in the investment of finished works, there has been still construction in ongoing projects of 2009. The activities however in the industry of construction have decreased with almost 6 percent. This is due to a decrease in large invitations to tender for construction projects in 2010. This led to less need of material.

Trade

The main indicator for trade is the development in the import of merchandise; this has caused a rise in the trade industry of 5.8 percent in 2010. Due to the different economic developments on the island, the imports have been growing progressively.

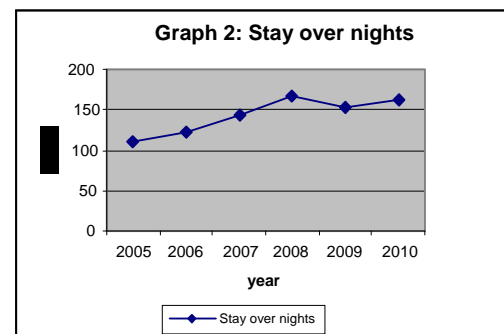
Horeca

In the hotel and restaurants (horeca) industry the value added has increased with 4 percent. The main indicator is the stay over nights, which is used to measure the developments in this industry. The Curaçao tourism industry has experienced a steady growth in stay over nights (table 2). The stay over nights have increased with about 5.4 percent (2,904,485 nights) in 2010, compared to the -7.8 percent (2,755,936 nights) in 2009. This growth has been credited to an increase in the North American, Caribbean and European tourist market which has increased with respectively about 23, 16 and 8 percent. The South American tourist market decreased with about 15 percent.

Table 2: Stay over nights development

Year	Stay over nights	% change
2008	2989021	16.1
2009	2755936	-7.8
2010	2904485	5.4

Source data: CTB



Transport and communication, Health and social work

Transport and communication did not show significant change (-0.5%) in 2010 compared to 2009. This is observed in the diminished activities of both the port and airport. In health care there has been shrinkage of 3.4 percent in the industry, this decrease is mostly due to the negative business operations results.

Financial Corporations

Financial intermediation

In the industry of financial intermediation there has been a positive development over the last years. For 2010 there has been a growth of nearly 4 percent. As indicator for this industry a weighted financial index has been used. It consists of the balance of the offshore commerce operation remainder which is the inflow export services minus outflow import services and the supplied loans by the commercial banks.

Government

In October 2010 Curaçao became an autonomous country within the Kingdom of the Netherlands. The island and the central government pertaining to Curaçao became one. For this industry the main focus is on employment. The value added for the government industry has experienced a growth of almost 5 percent.

Households & Non-profit institutions serving households

This industry has shown a positive growth of about 1.7 percent. The production units of the households are the sole proprietorship businesses if not quasi corporate, services of owner occupied dwellings, paid domestic services and taxis and small transportation buses. And the non-profit institutions serving households sector (NPISH); this includes legal or social entities created for the purpose of producing goods and services.

Table 3: Gross Domestic product (GDP) by sector and industry, Curaçao

		% REAL CHANGE	
		2009	2010
	<i>Non-financial corporations</i>		
A+B+C	Agriculture, fishing and mining	-2,7	-1,2
D	Manufacturing	-0,3	-6,6
E	Electricity, gas and water	5,4	2,7
F	Construction	-3,4	-5,7
G	Trade	-5,5	5,8
H	Hotels and restaurants	-6,1	4,0
I	Transport, storage and communications	4,4	-0,5
K	Real estate, renting and business activities	-2,2	-1,9
M	Education private	0,0	4,1
N	Health and social work	3,1	-3,4
O	Other community, social and personal service activities	1,4	4,8
	Value added, gross, market prices	-0,9	-0,1
	<i>Financial corporations</i>		
J	Financial intermediation	-1,2	1,1
	Value added, gross, market prices		
	<i>Government</i>	3,3	4,7
	<i>Households & Non-profit institutions serving households</i>	-1,9	1,7
	Real GDP growth	-0,5	0,1

Global developments in 2010

According to the World Economic Outlook of the International Monetary Fund (IMF) the world economy increased with 5.1 percent compared to a shrink of 0.5 percent in 2009. The increase has been invoked by China and India, their economy has shown an increase of respectively 10.3 and 10.4 percent in 2010. In the Euro zone there is an increase of 1.8 percent. The countries in the western hemisphere like the United States its economy has progressed with about 3 percent in 2010; Venezuela had a drop of nearly 2 percent (see table 4). The economy of South America and the Caribbean has progressed with respectively 6.5 and 3.4 percent.

	Real GDP		
	2010	Projections	
		2011	2012
North America	3.1	2.9	3.0
United States	2.8	2.8	2.9
Canada	3.1	2.8	2.6
Mexico	5.5	4.6	4.0
South America	6.5	4.8	4.2
Brazil	7.5	4.5	4.1
Argentina	9.2	6.0	4.6
Colombia	4.3	4.6	4.5
Venezuela	-1.9	1.8	1.6
Peru	8.8	7.5	5.8
Chile	5.3	5.9	4.9
Ecuador	3.2	3.2	2.8
Uruguay	8.5	5.0	4.2
Bolivia	4.2	4.5	4.5
Paraguay	15.3	5.6	4.5
Central America	3.6	4.0	4.3
Caribbean	3.4	4.2	4.5
<i>Memorandum</i>			
Latin America and the Caribbean	6.1	4.7	4.2

Source: World Economic Outlook April 2011, International Monetary Fund