

Summary Economic Indicators January to September 2009

In the third quarter of 2009, most of the economic indicators continued on the same pattern as was seen during the first half of the year; this was either a decline or reduced growth when compared to 2008. Hence, the result for the first three quarters of 2009 is a weaker St. Maarten economy than in 2008, underlining the real effects of the global economic recession on the island.

According to CBS reports, the inflation rate has also decreased further from 2.0% in June to 0.8% in August 2009.

A review of the individual indicators reveals the following:

TOT

The drop in TOT receipts remained around 9% up to September 2009, compared to this period in 2008. This indicates that reduced business activity has been sustained throughout the review period, with a further decrease of 8% in the third quarter alone.

Tourism Arrivals

Stay-over: During the third quarter of the year, a 7 % decrease was noted in visitor arrivals in this market segment compared to the same quarter of 2008. When reviewing the first three quarters of 2009, arrival numbers declined by 11 % relative to this period in 2008.

All source markets recorded a drop in stay-over arrivals during the period January to September 2009 compared to 2008. This ranged from a 10% drop from our primary North American market to as high as 23% from Caribbean destinations which were mainly a reflection of the economic slowdown. Higher airfares due to the lack of direct flights from South America coupled with the global economic environment have contributed to the 21% percent decrease in visitor arrivals from that market. The European market registered a single-digit decline of 7 percent.

Prospects from the United Nations World Tourism Organisation indicate negative tourism results for the full year 2009 for the majority of emerging and developed markets in terms of expenditure and trip volume.

In light of such circumstances, the island government with the aid of USONA funds, has stepped up its marketing activities with the launch of a new rebranding campaign in November 2009. The campaign includes a TV advertisement that will be aired in St. Maarten's key gateway cities and through the island's main wholesalers (e.g. Expedia, Travelocity). The aim is to gradually

increase bookings and stay-over volumes to the island, specifically by 7% in the 2009/2010 tourist season.

Occupancy: According to data from the SHTA¹ combined occupancy rates continued to be lower for the first nine months of 2009 compared to 2008, at 61% versus 66% respectively. Monthly declines continued in the third quarter of 2009 at an average 5 percentage points lower than in 2008; this was particularly due to lower occupancies at hotel properties.

Cruise: Contrary to positive results within this sector particularly in the first quarter of 2009, impacts from the global recession were marked during the second and third quarters of the year. Growth in passenger arrivals was gradually eroded, with a drop of approximately 6% during the second quarter and further to 30% during the months July to September 2009 relative to 2008. While advance-bookings accounted for the increase during the first quarter, actual bookings to the island saw a considerable decrease for the better part of 2009 resulting in fewer cruise calls and a 4.7% decrease in cruise passenger volume up to September 2009.

Government Revenues

Up to the ninth month of the year, collected government earnings continued to drop in the double-digits (-14%) compared to this period of 2008. During the months July to September 2009 overall revenues decreased by a total of 24%, even more significant than in the previous two quarters.

During the first nine months of 2009, receipts from room taxes declined some 10% in line with reported diminished hotel occupancies; while receipts from rental taxes stabilised during the third quarter leading to a slightly improved decline of approximately 12% for the first three quarters of 2009 relative to 2008. Timeshare taxes did however record an increase of about 3 percent in the first three quarters this year compared to last, following growth of over 25% in the third quarter alone.

During the first nine months of 2009, receipts from direct taxes continued to be lower than levels in 2008, however dropping at a slower pace than was seen during the half year 2009. This was due to major growth in income and profit taxes in the months July through September. In the case of profit taxes, this resulted from more payments being made in the final payment cycle which is usually in the July month, while for income taxes the increase in the third quarter reflects a change in the payment policy at the Receiver's office whereby the payment amount per refund has been reduced. Hence, fewer refunds will be paid out overall within a specific period.

¹ Sint Maarten Hospitality & Trade Association

AVBZ premiums

Despite the increase in AVBZ premiums, overall revenues from premiums were still declining through September 2009 relative to 2008, by approximately 4%. This reflects a contraction on the labour market.

Utilities

Total electricity sales volumes remained flat during the first three quarters of 2009 (0.72%). Individual customer groups show a -4% decline in the commercial sector, this was due to several corrections made by GEBE to its commercial clients, while double-digit increases (21%) were sustained in the large consumer sector, resulting mainly from the addition of the Maho Group on the GEBE grid.

Overall water consumption declined moderately by 2% up to September 2009 compared to the corresponding period of 2008. The commercial sector continued to decline (17%) in the third quarter of 2009 although less rapidly than earlier in the year. Large consumer sales volumes remained flat during the review period.

Banking

Based on figures from the Central Bank of the Netherlands Antilles, resident loans (7%) and deposits (5%) continued to record slowed growth up to the ninth month of 2009. A key indicator of further easing of economic activity within main sectors on the local market. Since the beginning of 2009, the growth in resident loans has outperformed growth in deposits, while in 2008 the reverse was experienced.

Home mortgage demand has reportedly held stable throughout the economic downturn, with figures showing an increase of approximately 22% in mortgage loans during the first nine months of 2009 relative to 2008.

Cargo

During the first nine months of 2009, container movements (in teu's) at the St. Maarten Port Authority declined by 17% relative to the corresponding months in 2008. It should be noted however that although negative growth (-5%) was experienced in the third quarter of the year, it signified an improvement from the relatively high double-digit declines registered in the first half of the year.

Gasoline

Overall gasoline sales volumes increased moderately by 2% up to September 2009 compared to 2008. The consistent drop in gasoil volumes throughout the first three quarters of 2009 could be accounted for by a drop in marine sales due to challenges in the industry with bridge fees as well as the slow down in the construction sector. The double-digit increase in fuel oil, resulted from higher consumption from GEBE and from the Maho group indirectly.