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Applied Economic & Financial Research



STRATEGIES FOR SUSTAINABLE LONG TERM ECONOMIC DEVELOPMENT IN CURACAO

Macroeconomic Projections

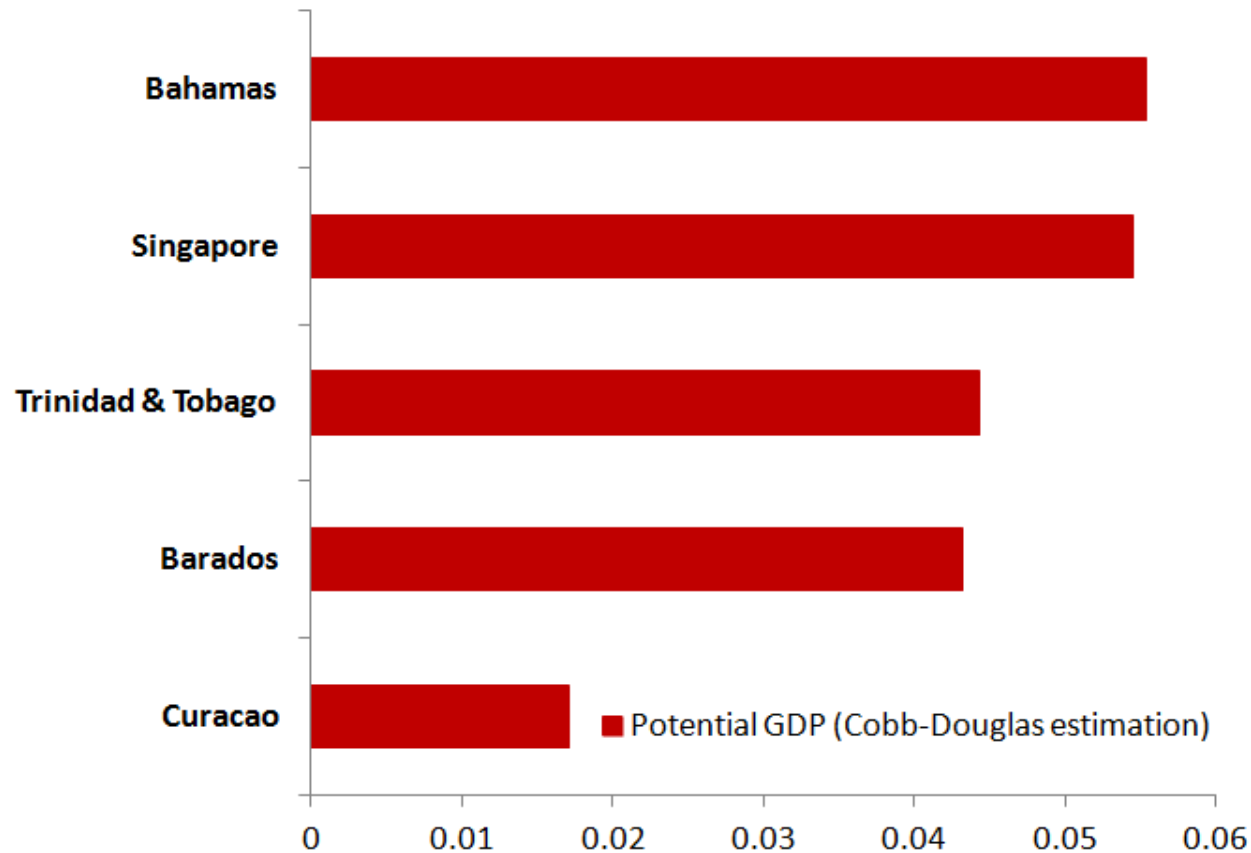
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Macro projections

- Traditional formulation of growth potential estimation and calibration over the past period
- Potential GDP growth under “no policy / no structural changes” comes at around 1.7% per annum over the long term
- Much lower than a group of “benchmark peers”, and directly related to low growth in productivity
- Could decline further if population changes become less supportive

Macro projections



Source: IMF, CBS, TAC

Macro projections

| | Past GDP growth | Capital | Labour | Productivity |
|------------------|-----------------|---------|--------|--------------|
| Curacao | 1.1% | (59%) | (38%) | (2%) |
| Bahamas | 5.4% | (64%) | (13%) | (24%) |
| Barbados | 4.3% | (62%) | (10%) | (29%) |
| Singapore | 5.8% | (55%) | (23%) | (23%) |
| T&T | 3.8% | (52%) | (15%) | (33%) |

Macro projections

- We use the identification of “binding constraint” to test the potential impact of structural reforms:
 - Higher “human capital” (i.e. higher skills associated with higher productivity of labor force)
 - Improved “investment attractiveness” and business environment
- We assume that Curacao can reach the levels observed across a sample of “comparable” island states

Macro projections

| | Potential shock | Long-run growth outcome, % |
|----------------------|--------------------|----------------------------|
| Human capital | No change | 1.7 |
| | Decrease by 1 pp | 1.5 |
| | Increase of 2.5 pp | 2.3 |
| | Increase of 4.5 pp | 2.8 |

Macro projections

| | Potential shock | Long-run growth outcome, % |
|--|-----------------|----------------------------|
| Improving investment attractiveness | No change | 1.7 |
| | Barbados | 2.7 |
| | Bahamas | 3.3 |
| | Singapore | 4.0 |

Simple conclusions

- There is no “fatality” in Curacao’s low GDP growth
- By tackling the “key structural constraints” to growth (human capital / skills, quality / stability / attractiveness of businesses environment), the country is able to substantially accelerate its growth potential
- A benefit of “small size” is that dealing with structural constraints should be less complex and more consensual than in larger economies.

Thank you for your attention

Thierry Apoteker, CEO, TAC



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