



Investment Trends:

Small and Medium Enterprise (SME) Guidance Program

Consumer Trends:

Cost of living - still on the rise?

Economic Trends:

Any signs of recovery?

SMALL AND MEDIUM ENTERPRISE (SME) GUIDANCE PROGRAM

AIB BANK's Small & Medium Enterprise (SME) Guidance Program in partnership with the Government of Aruba

The Small and Medium Enterprise Guidance Program, referred to as "SME Program" was officially launched on May, 2010. The Program was created to fill in the gap for the demand in guidance specifically for the small and medium sized businesses. Small and medium businesses in the SME Program are considered those with a maximum initial investment of Afl. 500,000.

The program offers assistance in the set-up and establishment of small and medium sized projects or businesses in Aruba and to assist existing businesses with the expansion of their business or with their distressed business. Purpose of the SME Program is to guide the small and medium business entrepreneur in the planning of new venture and guidance in setting up a business plan against a subsidized fee (partially subsidized by the Government of Aruba). The program could assist or guide the small and medium business entrepreneur in the different stages of the setting up of their business (e.g. market research, sales and marketing strategy, financial and investment aspects), their business plan and guidance on how to obtain the necessary financing, depending on the identified needs of the business entrepreneur. In addition financial monitoring could be provided for a short-period, if this is desired.



The services offered under the SME program entail; (1) Providing Information, (2) Providing Guidance, (3) Business Plan Guidance and (4) Capital Raising (assistance to seek financing).

The overall fees to be paid by the client are greatly reduced (subsidized) in order to stimulate small and medium enterprises and further entrepreneurship on the island. The Program will open doors for new entrepreneurs, as well as existing small and medium businesses, to rise and to stimulate entrepreneurship thinking, which is positive for the economy and business climate on the island.

The participants in the SME Program should comply with certain admissibility criteria, amongst others; the business should preferably contribute to the diversification of the economy, the prospect should have some preparatory work related to the business to some extent, should possess entrepreneurship skills or the ability to develop these, should have equity and collateral in case financing for project is required and the individual should reside legally in Aruba. The applicant will have to go through an intake process in which the applicant should be able to at least have the required information as indicated in the 'Required Information List' which is available at the premises of the AIB BANK, Aruba Chamber of Commerce, Department of Economic Affairs, Commerce and Industry and on the website of the AIB BANK. The intake information will be processed by the SME committee within the AIB BANK for approval. Following the approval, the participant might receive tailor made guidance sessions specifically to meet the identified need.

For additional information related to the SME Guidance Program please contact Gabrielle Croes 582-7327 ext. 324 / Lay Hing Yee ext. 258 / Mendy Steenken-Wever at ext. 322.

European Development Fund (EDF) for Small and Medium Enterprises

The European Development Fund (EDF) has allocated EUR 15 million for a regional program to focus on strengthening the development of Small and Medium Enterprises (SMEs) in the British and Dutch overseas territories. As a result, representatives from the various territories met in Tortola in July, 2010 to find a strategic approach to the allocation of these funds, which are intended to reduce social, economic and environmental vulnerabilities of SMEs within these territories. AIB BANK, The Department of Economic Affairs, Commerce and Industry and Aruba Chamber of Commerce represented Aruba during this convention. The convention focused on brainstorming ways to drive enhanced cooperation and competitiveness that should eventually lead to increased employment within the sector, a growth in market share and an extension in the lifespan of small businesses.

Tactical solutions presented included developing a regional database to increase market access, sharing best practice, and securing technical support for the capacity building programs of SME intermediaries to facilitate the on-going provision of training opportunities in the areas of business planning, resource optimization, ICT, marketing and management skills.

Consultants are expected to submit a draft report to the EDF in August summarizing the convention outcomes and a decision will subsequently be made on the distribution of funds based on the findings and each country's needs assessment.

“Success is the sum of small efforts, repeated day in and day out,” by Robert Collier.

CONSUMER SHOPPING BEHAVIOR

Introduction

The global financial downturn has shaken the majority of the economies around the globe and considering Aruba's small economy, Aruba is no exception. The consumer confidence in Aruba started to experience a decline since the second quarter of 2008 and it improved to some extent in the subsequent quarters, however in the second quarter of 2009, the consumer confidence fell again. Quarter-over-quarter comparisons from the third quarter of 2009 and onwards indicate an improvement of confidence again.

The consumer confidence is an indicator designed to measure the degree of optimism on the current state of the economy expressed by the consumer. The Economic & Financial Services department of the AIB BANK conducts a research periodically amongst consumers to determine certain trends and behavior. Ever since the first months

of 2008, the research has been focused on the consumer confidence based on the reigning economic situation. The survey is conducted amongst one hundred respondents, who are randomly selected and approached by telephone as survey instrument. The responding group differs in each period and therefore results are merely an indication of a possible trend for the general population.

In this current edition, the first quarter of 2010 is highlighted, which can provide an indication of the possible developments for the upcoming months of 2010. This consumer trend edition will examine 5 behavioral trends during the economic downturn and how this is expected to change according to the respondents, providing an indication whether consumers are ready to get out of the box in which they have been hiding since the start of the global economic recession.

Profile of survey participants

Respondents' regional distribution

According to the latest Census, Aruba has a total of 36,000 households of which 100 were surveyed over 6 regions. Santa Cruz was the area with most respondents in the first quarter survey of 2010 with 21%, followed by Noord with 20%, Savaneta with 17%, Oranjestad with 16%, San Nicolas with 13% and Paradera with 13%. Oranjestad according to the census attributes to almost 31% of the distribution and is in this survey less represented as is San Nicolaas, while the region of St. Cruz and Savaneta are over represented in the survey as compared with the latest census.

Age of Respondents

The groups of respondents are characterized by age as follows; '55 or older' being the largest group, consisting of 67% of the respondents, 30% are between the age of 35 and 54 and 3% are younger than 35. The latter might be a short-coming of the survey, as the younger generations are difficult to reach by home phone during regular office hours.

Household Income Distribution

The characteristics of the respondents based on their gross total household income are defined as follows; 14% of respondents of the first quarter 2010 survey have a gross income of less than Afl. 1,500,

36% between Afl. 1,500 and Afl. 3,000, 26% have an income between Afl. 3,000 and Afl. 4,500, 12% have an income between Afl. 4,500 and Afl. 6,000, 3% have an income between Afl. 6,000 and Afl. 7,500 and 8% have income above Afl. 7,500 and only 1% of the respondents preferred not to answer this question. The income bracket between Afl. 1,500 and Afl. 3,000 remained the most prevailing for the first quarter survey of 2010.

Table 1: Total gross monthly income per household in Afl.

	Q110	Q409	Q309	Q209
< 1,500	14%	21%	15%	15%
1,500 - 3,000	36%	29%	28%	33%
3,000 - 4,500	26%	18%	19%	16%
4,500 - 6,000	12%	12%	14%	14%
6,000 - 7,500	3%	7%	7%	5%
> 7,500	8%	12%	14%	9%
n/a	1%	1%	3%	8%
Total	100%	100%	100%	100%

Survey analysis: Consumer Behavior

Discretionary spending still not moving forward

The respondents were asked to indicate whether their shopping behavior changed based on the quantity of products purchased, 68% of all respondents indicated a decrease in shopping for the first quarter of 2010 compared to the last quarter of 2009, 28% indicated no change in the quantity shopped and only 4% indicated an increase in shopping. From those indicating no change in the quantity shopped, 82% attributed this to external factors such as, changes in prices and economic conditions, 10% attributed this to internal factors such as, employment conditions and change in family conditions, 6% attributed this to both internal and external factors and 3% attributed this to other factors, amongst others; change in shopping behavior such as, smarter shopping.

Ability to cover fixed expenses

The respondents were asked to indicate the ability of their income to cover their monthly fixed expenses. The majority indicated clear-

Table 2: Did your shopping behaviour change compared to previous quarter?

	Q110	Q409	Q309	Q209
Change because buying less as before	68%	56%	65%	68%
Change because buying more as before	4%	6%	1%	0%
Not change	28%	37%	34%	32%
No answer	0%	1%	0%	0%
Total	100%	100%	100%	100%

ly that their financial state to cover their monthly fixed expenses has not been improving. This can be concluded based on the following results; 55% indicated their ability to be less than the last quarter of 2009, however yet they are able to cover all expenses, 8% indicated to be less, but unable to cover all fixed expenses. Moreover, 34% indicated their ability to be the same as the last quarter of 2009. Only 3% of all respondents indicated their ability to be better and able to cover all their fixed expenses.

Cost of living - still on the rise?

The respondents were asked to indicate their average bill for the following categories; their monthly groceries, their monthly utilities bill, their fixed house expenses (such as; rent, mortgage and property tax) and their monthly non-essential expenses. The results were as follows:

Groceries

The average groceries' bill gauged, based on the monthly average bills indicated by the respondents, was Afl. 870.00 per household, of which 54% of the average bills, indicated by the respondents, were below the total average and 42% were above the average. The average groceries' bill for the first quarter of 2010 was less than the average bill indicated in the last quarter of 2009. The actual figures of inflation as indicated by the Central Bureau of Statistics, the 12 month period average in inflation for the 'Food' category has been showing a decreasing trend ever since March 2009. In other words in 2009 and in the first months of 2010, the prices for food has experienced a downward trend. However, the average grocery bills per quarter since the first quarter of 2009 according to the respondents showed the opposite trend as can be seen in the graph below which can have different explanations, such as; that people are eating out less often and resorting to eating at home.

Chart 1: Average Grocery Bills /quarter as indicated by respondents

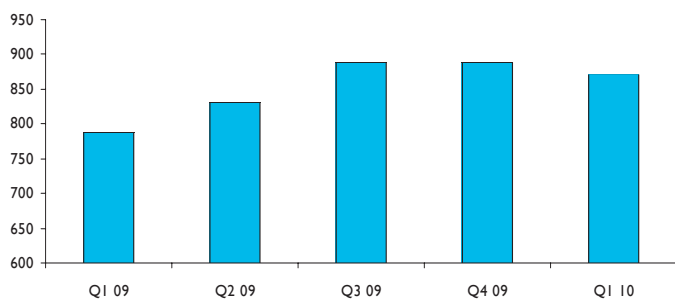
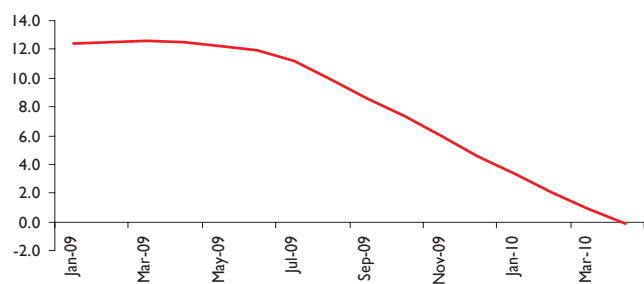


Chart 2: Food price component as %-change from period average inflation



Source: Central Bureau of Statistics

Consumer Behavioral Expectations

According to 22% of the respondents a possible product trade up in the upcoming months is likely. Under product trade up is understood the shift towards the purchase of greater (alternatively more expensive) product with greater functional benefits. The reasoning behind this is that the majority are of the opinion that it is better to pur

Utilities

The utilities' bills in contrast to the groceries' bills tell another story. The average utilities' bill for the first quarter of 2010 is Afl.575.00, 61% indicated an average utilities' bill below this average and 37% indicated an average utilities' bill above this average and 1% was equal to the average. There was an increase for both water and electricity prices between January 2010 and March 2010 according to the Central Bureau of Statistics. The total average utilities' bills as indicated by the respondents of the first quarter survey of 2010, confirm this development with an increase of 5% compared to the previous quarter.

Table 3: Prices of Utilities in Afl.	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Electricity ¹	318.7	299.5	299.5	241.6
Water ²	162.3	156.4	156.4	128.1

Source: Central Bureau of Statistics

¹ Based on average household usage of 725.5 kWh

² Based on average household usage of 120.24 m³

Non-essential expenses

The average non-essential expenses for the first quarter of 2010 was Afl. 163.00, which is 10% more than the total average non-essential expenses indicated in the last quarter of 2009. Important to observe is that the non-essential expenses are not always fixed and are dependent on the level of all fixed and more essential expenses, which still are very unpredictable and vary according with the seasons. Consequently, the consumers are therefore less certain of the stable discretionary income that could be left for non-essential purchase or activities. Therefore, it is difficult to state whether such increase is a sign of improvement. Additionally, the respondents are randomly selected and differ from quarter to quarter.

The partial elimination of the BBO, the expectations and the perceived actual effects

During the fourth quarter survey for the year 2009, the respondents were asked to indicate their expectations on the possible elimination of the BBO in terms of an expected positive effect on their spending or shopping behavior. In the first quarter survey of 2010, a follow up took place on this question, and respondents were asked to indicate the actual response or effect of the elimination of the BBO on their shopping, according to their own opinion. The results were as follows; 29% expected a positive effect on their shopping, however subsequent to the actual elimination, 22% indicated to perceive a positive effect; 70% expected no positive or no influence at all on their shopping, and 78% ended up feeling no influence after the actual elimination.

chase in one time a product of higher quality, which will be able to last longer, especially considering their uncertainty with regards to the economy. The uncertainty regarding the economy leaves them with the open question whether they would be able to shop in the near future for a new product if the one they own is damaged due to an inferior quality (it's now or maybe never).

However, 72% expressed the possibility for product trade up to be less, as they are not able to pay for such products anyway. Even so, this does not entail implicitly that the respondents are not interested in acquiring higher quality products, but that their preference lies on the better price / value for money. In terms of brand value (higher valued products/ branding), 21% indicated the possibility of being able to switch to brand value and 75% indicated this not to be the case.

During the financial downturn consumers have been obviously shopping smarter by comparing products, stores and prices. This is also illustrated based on the results in the first quarter of 2010, in which 92% of the respondents expressed that they will be shopping smarter in the upcoming months (majority expressed to be doing this already), only 6% indicated not to be much concerned with shopping smarter.

Considering new establishments that have been opened in different formats, from hypermarkets to malls and an increase of more establishments in each region, the respondents were asked to indicate whether they will change of location or will keep shopping in the same location as usual. The results were as follows; 63% indicated the possibility to change of location, the reason behind this is the importance to search for lower prices and therefore comparison between locations will then take place more often, 31% indicated no interest to change of location, the reasoning behind this is amongst others, the gasoline prices and the few differentiation between stores on the island, which according to the respondents makes the ride from one

store to the other less worth it.

'Green is the new black', they say, however is this statement still valid during a financial downturn? The respondents were asked to indicate whether they would be interested in the upcoming months to shift

to more environmentally conscious products despite the possibility that this could imply more expensive products, 61% expressed a positive interest, 16% were not interested and 23% left the possibility open (mostly due to higher prices involved).

Variation in downturn's impact on consumer behavior by demographics

The effect of the financial downturn varies according to the circumstances of the consumers. To understand their behavior, the age of the household and income are taken as point of departure, 23% of those between the age of 35 and 54 indicated the possibility for a product trade up, which was close to the 22% from the age of 55 and older. From those between the age of 35 and 54, 37% expressed their interest to shift to brand value, while this was only 13% in the age of 55 and older. In the age between 35 and 54, 90% expressed that they will be shopping smarter and this is 93% for those older than 55. In terms of location, 70% of those between 35 and 54 were willing to change from shopping location, while this was 61% of those older than 55. In terms of preference or interest for environmental friendlier products, 77% of those between 35 and 54 expressed their preference to 'green' products, while this was much less in the group of 55 and older with 52%.

Consumer Confidence in Aruba

The Consumer Confidence Index for the first quarter of 2010 was 143.8, which is 46.9 points less than the index of the previous quarter. After an improvement of the Consumer Confidence Index for the last 3 consecutive quarters in 2009, this index dropped in the first quarter of 2010. Both the Present Index and Future Index declined compared to the previous quarter. The Present Index for the first quarter of 2010 is 107.0 and for the Future Index this is 168.3, these were in the last quarter of 2009 140.4 and 224.2 respectively. However, the Consumer Confidence Index for Aruba is still above 100, which indicates a strong perception of the economy as compared to the base period of Q1 2008. The last assessed Consumer Confidence Index for Aruba that was below 100, was in the fourth quarter of 2008. Ever since, the Consumer Confidence Index remained above 100.

Table 4: Consumer Confidence Q1 2010 (Q108=base)

CCI	Present Situation	Expectation
143.8	107.0	168.3

Conclusion: Who is the weakest link?

The Consumer Confidence in Aruba has obviously followed the same trend as the U.S. Consumer Confidence. However Aruba clearly experiences the trend, but in terms of the degree of its effect, Aruba has managed to keep the situation above its dependent partner. This, of course is different for the U.S. where the core of the financial problem started. The consumers are still not ready to start spending as usual; this is also the case in the U.S., which consequently affects our own economy, considering that the island is greatly

Consumer Confidence in the U.S.

The average Consumer Confidence Index in the U.S. for the first quarter of 2010 declined according to the figures of the Conference Board. The average U.S. Consumer Confidence per quarter indicated stability for the last 3 quarters of 2009 followed again by a slight increase in the Consumer Confidence in January 2010, however in February 2010, the CCI declined. This decline ended the three straight months of improvement and raised again the concerns about the U.S. economy. The Conference Board expressed a fall of the Consumer Confidence Index of almost 10.1 points in February, down from 56.5 in January. The analysis of February's Consumer Confidence Index indicates a long way from what's considered to be a healthy U.S. economy, since an Index above 90 indicates that the economy is on solid footing, while above 100 indicates strong growth. The overall U.S. economy expanded at an annual rate of 5.7% in the fourth quarter of 2009, but according to The Conference Board, only about one-fourth of that growth derived from consumers.

dependent on the U.S. tourists. The consumer behavioral expectations for the upcoming months do not indicate a possible extraordinary change in behavior. With the latter is meant a change in the behavior the consumers have adopted during the economic recession, which have become, after an extended period, their standard consumer pattern. The respondents expressed that they will keep shopping smarter and foresee the possibility of changing of shopping location and only one-fourth expressed the possibility for a product trade up towards higher valued products and branding.

TOURISM SIGNS OF IMPROVEMENT

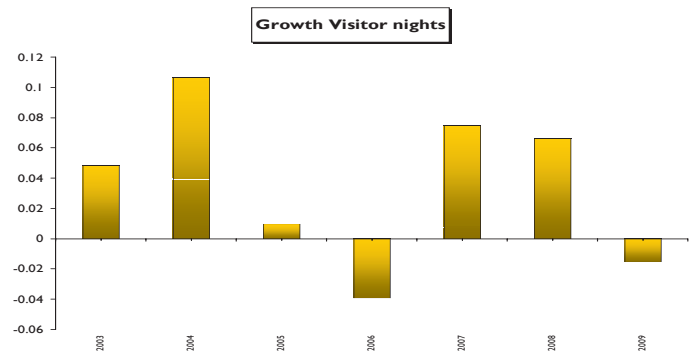
Stay-over tourism, in 2009 according to the statistics of the Aruba Tourism Authority (ATA) totaled 812,623, which is a decline of 1.7% compared to the previous year. Up to June, 2010 there were 410,182 stay-over visitors recorded, which is a year to date increase of 2.5%. A year-over-year comparison indicates a significant increase of 14.5% in March 2010, probably due to the Holy Week falling in March this year, while year-over-year decreases were reported in the months of April and June of respectively 3.4% and 4.6%. Aruba's stay-over tourists have been in a declining trend since 2008, which can be mainly attributed to the global economic recession. The U.S. market declined in 2009 by 1.9% compared to the previous year. The U.S. market though experienced a growth of 3.9% up to June 2010. The Venezuelan market which has experienced tremendous growth since 2007 experienced a decline in 2009 of 7.0%, after an increase of 61.4% and 22.6% in 2007 and 2008 respectively. Up to June 2010 the Venezuelan market dropped with 19.3%, which accounts for 7,278 tourists. Overall stay-over visitors increased up to June with 2.5%.



*Up to June 2010

Visitor nights according to ATA decreased in 2009 by 1.5% compared to 2008. The average length of stay for 2009 was 7.6 nights, which was at the same level as the previous year. Consistent with the decrease in visitor nights, the total average occupancy rate in 2009 decreased with 1.7 percentage points to 74.8%. The total Average Daily Rate (ADR) up to December 2009 was USD 175.00 which decreased from USD 185.37 reported in the same period of the previous year.

In the majority of the Caribbean countries, a drop in stay-over tourism was also experienced in 2009 compared to 2008,



*Up to December 2009

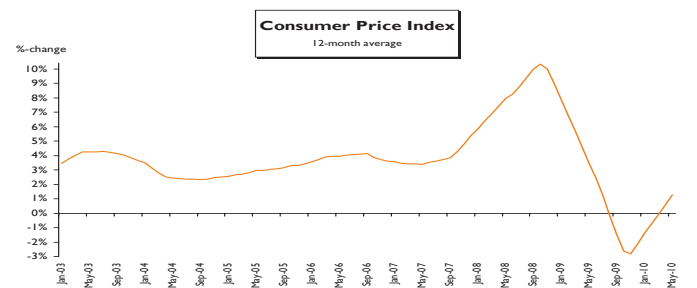
except for Cuba, Dominican Republic, Guyana and Jamaica. However, according to data of the Caribbean Tourism Organization, the number of stay-over visitors in different countries in the Caribbean for the year 2010 is improving.

Cruise tourism, the number of cruise ship passengers in 2009 was 606,768, which is an increase of 9.1% compared to 2008. Up to June, 2010 the number of cruise ship passengers recorded was 341,237, which on the other hand indicates a 7.3% decrease as compared to the same period a year ago. Cruise ship calls, increased with 9.4% in 2009 as compared to the previous year, after experiencing a decline in 2008 of 5.1% compared to 2007. Up to June 2010, the number of cruise calls was 188, which is an increase of 1.6% compared to same period of the previous year.

Tourism receipts, according to the Central Bank of Aruba in 2009 was Afl. 2,314.1 million, which is a decrease of 8.3% compared to 2008. In 2008, tourism receipts increased with 12.5% compared to 2007. The preliminary data for 2010 on tourism receipts indicate a contraction of 1.5% (corrected for inflation) in February 2010 as compared to the same month of the previous year, while a 14.8% decrease was recorded in February 2009 as compared to February 2008. In January 2010 this decreased with 18.5% (corrected for inflation) compared to a 3.5% decrease in the same month in 2009. Since March 2010 improvement has been reported in the tourism receipts, with nominal increases reported of 5.6%, 8.8% and 4.4% in respectively March, April and May. Adjusted for inflation the tourism receipt increased with 0.6% and 3.6% in respectively March and April, while in May a real decrease of 0.3% was reported.

CONSUMER PRICE INCREASING TREND

The end of period **inflation** was 6.8% in December 2009 as compared to the same month of the previous year, while the 12-month average inflation up to December was -2.1% or resulted in an actual deflation as compared to the corresponding period of the previous year. The 12-month average decline is mainly influenced by the decrease in the category Housing, Water & Electricity of which the water and electricity component decreased with respectively 17.3% and 18.0%. In January 2010, the inflation rate measured was -0.8% (or a deflation) as compared to the previous month. The 12-month average inflation rate up to May 2010 was 1.3% as compared to the corresponding period of the previous year which continues to be influenced by the category Housing, Water & Electricity.



*Up to May 2010

“Small opportunities are often the beginning of great enterprises” by Demosthenes.

CHANGE IN IMPORTED ITEMS

Merchandise import in value decreased in 2009 by 5.7%, which is a nominal decrease of Afl. 108.2 million. The decrease in value was influenced mostly by a decrease of the category 'optical instruments, apparatus and equipments' with the highest nominal decrease of Afl. 41.0 million and a percentage change of -35.3%, followed by 'base metals and derivated works' with a nominal decrease of Afl. 30.8 million or 22.8% compared to 2008. Despite the overall decrease in value the total imported volume of goods increased with 12.1% in 2009 as compared to the previous year, indicating a change in imported items to lower value high volume items in certain categories. The decline in value can be attributed to a decline of spending power during the economic recession on which the retailers

might have adjusted their purchasing strategy to lowered valued products. During the first quarter of 2010, the total imported value was Afl. 409 million, which is a decrease of 16.9% compared to the same period in 2009.

Import duties in 2009 declined with 14.8% in nominal terms, which is a decline of Afl. 24.0 million as compared to the previous year. The previous highest decline reported since 2000 was in 2001, where import duties decreased with 7.6%, which is equivalent to a decrease of Afl. 8.1 million in that year. Up to May 2010 import duties declined in nominal terms with Afl. 6.0 million, which is a decline of 11.1% as compared to the same period of the previous year.

DECLINING TAXES

Government **tax revenue** (in nominal terms) decreased with 18.8% in 2009 compared to the the previous year, which represents a total decline of Afl. 48.1 million. The decrease is mainly attributed to a decline in wage tax, followed by succession tax and foreign exchange tax with a decrease of Afl. 16.6 million, Afl. 14.7 million and Afl. 10.2 million respectively. The foreign exchange tax decreased by 20.2% (Afl. 10.2 million), the hotel room tax by 6.7% (Afl. 3.3 million) and the turnover tax (BBO) decreased by 7.1% (Afl. 12.0 million) after adjustment* of an incidental payment of Valero. Tax revenues that experienced a higher relative increase is the Land Property tax, followed by Property Transfer tax. In 2010, the turnover tax is expected to decrease further due to the reduction of the BBO rates. The nominal turnover tax decreased up to May 2010 considerably according to the monthly bulletins of the Central Bank by Afl. 28.4 million or 41.6% compared to same period in 2009, which is mostly attributed by the halving of the turnover tax rate in the beginning of the year.

*Adjustment for an incidental payment of Valero of Afl. 15 million

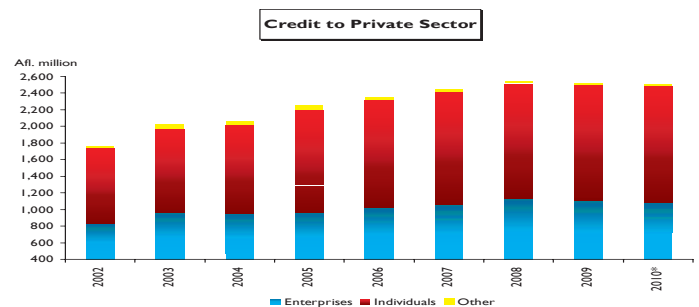
ECONOMIC PERFORMANCE

The real turnover tax (BBO), adjusted for inflation and adjusted for the decrease in BBO tax rate, declined with 17.2% in May 2010 as compared to the same month of the previous year reflecting the economic performance of April 2010. Up to May the decline in the real turnover tax is 7.6% as compared to the corresponding period of the previous year, which indicate that a slowdown in the economic activities remained up to that period.

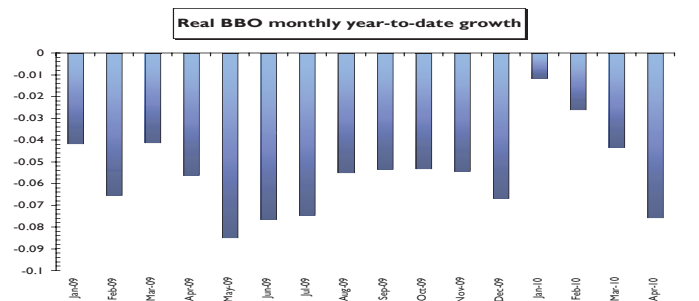
According to estimates by the Central Bank of Aruba (CBA), the nominal decline in the Gross Domestic Product (GDP) for 2009 is 8.1%, which would result in a nominal GDP of Afl. 4,591 million and a real decline of 8.6%. This decline is particularly due to an estimated decline in private investment, while public investment is estimated to have increased in 2009. Additionally, the consumption as well

PRIVATE SECTOR CREDIT DECLINED

Credit to the private sector declined in 2009 by 0.7% as compared to 2008 (credit for enterprises and individuals). Credit to enterprises decreased with Afl. 30.4 million or 2.7% while individual credit increased with Afl. 14.4 million or 1.0%, mainly due to an increase of Afl. 21.8 million (or 2.7%) in mortgages, offset with a decrease in consumer credit of Afl. 7.4 million or 1.3%. Up to May 2010 claims on private sector continued declining with Afl. 17.3 million (0.7%) to Afl. 2,506.9 mainly attributed to a decline of Afl. 14 million (1.3%) on credit to enterprises.



as the import and export components of the GDP are estimated to have declined in 2009. This decline is attributed to the decrease of tourism receipts and the temporary shutdown of the refinery in 2009.



“Behold the turtle; he makes progress only when he sticks his neck out”, by Bruce Levin.



Our Services

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- Capital Raising
- Valuation
- SME Program
- Advisory to the Government

Information

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Eco Corner:

British Petroleum (BP) spills oil on the economy

On April 20, 2010, the global energy company BP suffered an explosion that caused a massive amount of oil spill in the Gulf of Mexico. The environmental effects of this spill are obvious, but besides the environmental consequences, this catastrophic spill has major economic impacts. Approximately USD 1 billion of the U.S. GDP is attributed to fishing from the Gulf area. The Gulf area accounts for almost one-fifth of U.S. oyster and domestic shrimp production. Next to fishery, the tourism in this area is also affected. The Florida state relies heavily on tourism revenues. Furthermore, the Gulf area is an important area for the drilling of oil, but representatives are withdrawing from this area. The cleaning up of this mess is estimated to take decades and not only time, but the money to clean this up will have to be taken from somewhere other than BP. This all is affecting the U.S. economy that was heading to a possible recovery of the deep economic recession, but needs to deal again with other unprecedented circumstances. The financial firm BBVA Compass estimated the direct economic impact from the worst oil spill in U.S. history at USD 11.3 billion. The Deutsche Bank predicts the U.S. oil production to fall by 160,000 oil barrels per day by next year, making the U.S. more dependent on oil from other countries. The Small Business Administration is extending low-interest to small businesses that are dependent on the water-business activity in order to support them through this crisis. It is estimated that the oil spill will cost about 195,000 jobs and USD 10.9 billion in lost spending according to the University of Florida. This is not the right timing considering the high unemployment rate the U.S. is coping with caused by the economic recession. Not to mention the high concentration of houses in the Florida coast, which property value will be going down. This can have also consequences for the tourist industry in Aruba, considering the great dependency of Aruba's tourism sector on the U.S. market. The BP spill is an example of the high importance of environmental aspects for business and the general economy.

"The secret of getting ahead is getting started. The secret of getting started is breaking your complex overwhelming tasks into small manageable tasks, and then starting on the first one" by Mark Twain.

Summary Economic Indicators

As of and for the year ended December 31,

2004 2005 2006 2007 2008 2009 2010
(in millions of Afl. except percentages and where otherwise noted)

DOMESTIC SECTOR

Population	99,109	102,178	103,459	104,494	106,050	107,138	
Nominal GDP**	3,983	4,159	4,334	4,658	4,996	4,591	
Nominal GDP per Capita** (in Afl. per person)	40,188	40,703	41,891	44,577	47,110	42,854	
Percentage Change in Real GDP**	7.4	1.0	0.5	2.2	2.4	-8.1	
Inflation (percentage change in Consumer Price Index) ⁽³⁾	2.5	3.4	3.6	5.4	9.0	-2.1	1.3
Unemployment Rate ⁽¹⁾ (percentage)	9.5	8.8	9.3	7.1	6.8	10.3	

TOURISM

Tourism receipts ⁽²⁾	1,882.9	1,952.8	1,924.3	2,242.3	2,522.4	2,314.1	4.4%
Total Visitor Arrivals (in thousands) ⁽⁹⁾	1,304.5	1,285.3	1,285.8	1,253.8	1,381.2	1,419.4	751.4
Stay-over Visitors (in thousands) ⁽¹⁰⁾	728.2	732.5	694.4	772.1	825.1	812.6	410.2
Visitor nights (in thousands)	5,639.9	5,692.7	5,470.5	5,879.9	6,249.5	6,172.9	n.a.
Cruise Visitors (in thousands) ⁽¹⁰⁾	576.3	552.8	591.5	481.8	556.1	606.8	341.2

EXTERNAL SECTOR

Total exports (F.O.B.) (excluding oil sector exports) ^{(4) (12)}	142.25	182.20	195.05	175.23	178.77	246.46	50.92
Total imports (C.I.F.) (excluding oil sector imports) ^{(5) (12)}	1,563.59	1,840.88	1,863.99	1,993.84	2,030.66	1,784.94	409.45

PUBLIC FINANCE

Total Revenue ⁽¹³⁾	836.1	909.1	985.2	1,034.0	1,365.1	1,108.9	370.9
Total Expenditure	1,180.4	1,034.0	1,097.6	1,084.2	1,290.5	1,229.2	
Overall Surplus/(Deficit) ⁽⁶⁾	-237.4	-174.7	-43.3	-108.4	183.4	-136.1	
Overall Surplus/(Deficit) as a Percentage of GDP ⁽⁷⁾	-6.0%	-4.2%	-1.0%	-2.3%	3.7%	-2.1%	

PUBLIC DEBT AND INTERNATIONAL RESERVE

Total Public Sector Debt ⁽⁸⁾	1,717.1	1,904.9	2,012.2	2,136.3	2,047.2	2,135.1	
Total Public sector Debt ⁽⁸⁾ as a Percentage of GDP	43.1%	45.8%	46.4%	45.9%	41.0%	46.4%	
Net International Reserves in months of imports (12m avg.)	6.2	5.5	5.2	5.9	7.2	10.5	

PARTIAL ECONOMIC ACTIVITY INDEX (PEAI) ⁽¹¹⁾

	100.8	105.7	104.4	103.8	99.8	-4.3	
Utilities	108.9	113.1	113.1	116.0	111.6	-0.9	
Construction	99.2	145.2	141.2	127.1	107.3	-20.8	
Trade	84.2	80.4	77.4	84.4	74.8	-20.5	
Hotels & Restaurants	106.8	108.5	105.8	111.7	115.1	-5.6	
Transport	101.0	98.4	97.8	97.2	102.2	1.8	
Housing	111.8	115.5	119.3	122.5	125.8	2.7	
Public administration & Education	101.2	104.6	101.6	89.8	80.1	6.8	

Source: Central Bureau of Statistics Aruba, Central Bank of Aruba, Aruba Tourism Authority, Cruise Tourism Authority.

** GDP figures for 2009 are preliminary estimates from CBA

(1) Includes all persons without jobs, whether actively seeking employment or not. For 2003 average taken instead of end of period as only valid for 4th quarter of 2003.

(2) Gross receipts from stay-over and cruise tourism as well as other tourism-related income as recorded on a cash basis in the balance of payments. 2010 figure is the growth of May 2010 as compared to the same month a year ago.

(3) Up to May 2010 12 month average inflation.

(4) Recorded on a "Free on Board", or "F.O.B.", basis as sold at the time the exported goods are shipped. Up to December 2009.

(5) Recorded on a "Cost, Insurance and Freight", or "C.I.F.", basis. Up to December 2009.

(6) including the change in unmet financing requirements.

(7) Measured against nominal GDP preliminary estimates of 2009.

(8) Debt totals are maintained by the Ministry of Finance and Economic Affairs and the information on outstanding debt is provided to the Central Bank. The Central Bank, in certain circumstances, analyzes and reports data differently than the Ministry of Finance and Economic Affairs, resulting in certain immaterial differences in debt totals and/or categorizations.

(9) Results of the sum of cruise tourism and stay-over tourism up to June 2010.

(10) Up to June 2010

(11) Percentage change of the second quarter of 2009 as compared to the same period of the previous year

(12) Up to first quarter 2010.

(13) Up to May 2010.