

## EDITOR'S NOTE

Aruba, November 2007 AIB EIT Issue 3

The aim of this publication is to provide you with the economic and investment development of Aruba, which could support you in making important business decisions or important decisions related to a project.

The EIT is issued quarterly and in each quarter the spotlight is positioned on a different subject. This quarter the focus is on investment in technology, where the main article can be viewed in the Investment Trends section.

The Consumer Trends section presents the findings of AIB's consumer survey, which is held on a quarterly basis. The survey divulges the shopping behavior and spending patterns of the population. During this survey, many households claimed not to be able to bear the cost of the higher utility prices any longer, which is primarily due to the increasing price of oil.

The current development in tourism, inflation, trade, taxes as well as an outlook of the GDP is displayed in the Economic Trends section. The recovering tourism figures as well as the accelerating inflation rate remain this quarter in the spotlight.

For those less familiar with Aruba, the cover page provides more general information on Aruba's economic structure.

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## ARUBA'S ECONOMY BRIEFLY

### The Economy

Aruba is a small, open economy and, like many other small economies, the island's economy is relatively undiversified. Prior to 1986, the economy was primarily centered around the operations of the oil refinery, then owned by Exxon. When that refinery closed in 1985, the economy was readjusted towards other products and services, principally tourism. Currently, despite the reopening of the refinery by Coastal in 1991, the substantial majority of Aruba's GDP is provided by service activities, while agricultural and industrial activities (including manufacturing and construction) and public utilities (including oil refining activities) contribute a much smaller portion to the GDP.

### Tourism

Tourism as the greatest contributor to the economy, contributes an amount greater than 50% of the nominal GDP. In the 1990's Aruba was experiencing double digit growth in tourist levels, while now this is stabilizing. Since the year 2000, tourist arrivals in Aruba have increased on average approximately 0.5% per annum, with tourism receipts increasing on average approximately 4.8% per annum. Aruba's visitors comprise around 1.3 million yearly, of which 57% are stay-over visitors and 43% are cruise visitors. 73% of these stay-over visitors are from the US, followed by 7% from Venezuela and 5% from the Netherlands.

There are over 7,300 hotel rooms on the island and there are various additional hotel rooms, time-share and condominiums in the pipeline. The condominium development is the most recent real estate development of Aruba and since Aruba has a very high percentage of repeat visitors, the trend for second home visitors appears to be increasing. Currently, the development policy for tourism in Aruba entails the further enhancement of the quality of tourist coming to Aruba, which is reflected on the high level hotel rooms offered on the island.

### Other business activities

Other important contributors to Aruba's economy include the following sectors: Construction, Real Estate, Trade and Other Business Services. It is estimated by the CBS that the Construction sector contributes 8.6% to the GDP of Aruba. The booming economy of Aruba has attracted a lot of investment related activities on the island. Real Estate activities have increased tremendously in the last few years, due to the increased construction activities, housing projects, condominium projects and commercial centers. It is now estimated to contribute 12.6% to the GDP of Aruba. Trade activities in Aruba comprise 14.2% of the GDP of Aruba, and include all retail and wholesale activities. The increased population, including the transient population (tourism), and the increasing demand for a wider variety of products and competition have contributed to the further development of this sector. There are however some concerns of market saturation in some areas, but the free-enterprise policy let's the business sector be driven by the demand supply mechanism that tends to correct itself in time.

Other Business Services, include car rentals, tours, equipment rental, water-sports companies, etc... This sector has widened further because of the influence of tourism on the island and the fringe effects on the population of Aruba as well as on the recreational activities of Aruba. These together comprise 16.1% of the GDP. Other contributors to Aruba's economy include the oil refinery (Valero), the health sector, education and the public administration.

### Inflation

Inflation in general in Aruba has been quite stable since the 1990s and in 2006 the average inflation was 3.6%, however in 2007 higher inflation rates (6-8%) are expected due to the introduction of the turnover tax. The inflation of Aruba is greatly driven by the international trade partners, as Aruba imports most of its products from abroad. The US, Latin-America and the Netherlands are the most important trade partners of Aruba. The international oil developments also greatly influence the local inflation drivers, as water and electricity, which in turn affect the price of shipping, transportation and most goods.

## INVESTMENT IN TECHNOLOGY

### Investment in general

Investment is the value of machinery, plants, and buildings that are bought by firms for production purposes. In today's world, investment in immaterial assets is getting more and more important, as with the case of expenditure in Research & Development, human capital, software and other areas.

When considering the issue of the creation and diffusion of innovation through investment, a crucial distinction should be made between complementary investments and competitive investments. At firm level, investment is determined by expected benefits as well as funds, both in terms of availability and cost. Benefits relate to the effects of investment in terms of increased value added, reduced costs, larger production, higher competitiveness. Hence, profits are expected to be higher, too. The value over time of these benefits (and profits in particular) is compared to the investment costs.

### Investment in technology

During the 1990s, there was a rapid diffusion of information technology (henceforth, IT) and the use of the Internet throughout the globe, especially in developed countries. The average household in the USA and other developed countries now contains at least one personal computer with access to the Internet. More importantly, the use of the Internet is pervasive in the private sector in most developed countries. The use of IT and the Internet is also increasing in many developing and transition economies, sometimes being a cheaper alternative to other information sources.

Technology normally forms anywhere from 5% to 20% of a total investment project. In the developed world, a larger percentage of total investment is usually spent as compared to the developing countries. Depending on the type of business, it might have some specific equipment that it requires to conduct business, for example a gym requires various equipment both high tech as well as the regular gym equipment to keep track of its clients. Rental businesses will have their registers with a corresponding technology to match the merchandise being sold, medical offices require a specific software to handle their patients as well as technology based equipment to monitor their patients, and so on. On the other hand a manufacturing business might need to spend much more on technology related to the products they are trying to produce.

The high dependence on computers, internet and technology by many companies is considered normal today. Yet technology based financing is still a challenge in many banks. Traditional collateral/ security is usually required for any financing (in Aruba) where a general understanding of technology might also be a lack in many cases. With the new technologies coming out to save energy, for example, financial institutions might need to equip departments that specialize in that kind of technology when evaluating a loan request for the purchase or the sale of these types of technologies. The long-term benefits of adequate technology can save \$\$\$ in the long-term, but the choice for the adequate technology needs to be made very carefully and by an expert in the relevant field, because the wrong tech can cost rather than save.

### On a macro level

The UNCTAD conducted a quantitative and qualitative research on

the impact of IT on economic performance in developed and developing countries. In general, studies from the developed world have yielded evidence of a strong positive correlation between IT and economic performance, as well as IT-induced changes in workforce composition in favor of highly skilled or educated workers and organizational changes that allow firms to implement IT more effectively. To maximize social returns to IT investment, policymakers in developing countries must address two key deficiencies: (1) a lack of knowledge of "best practices" in IT usage and (2) IT-related skill deficiencies in the workforce. This might be applicable in Aruba as well to safeguard the processes of businesses, utility companies, etc...

In recent years, numerous scholars have analyzed the relationship between IT and economic performance. Many of these studies examine the impact of IT on productivity growth, although some researchers also examine its effects on firm profitability and stock prices.

In the following table the % of investment in technology of a country in terms of GDP is displayed, where it is obvious the more developed countries spend more on technology based investment than do the less developed countries. This figure is unknown for Aruba, but being a service based economy, it is estimated to be in the lower percentages.

Average annual percentage of GDP devoted to expenditure on ICT (1993-2001)

Country	%	Country	%
New Zealand	10.3	Chile	5.5
Switzerland	8.4	Brazil	5.4
UK	8.0	Italy	4.6
USA	7.8	Venezuela	3.9
Netherlands	7.5	China	3.7
Colombia	7.0	Mexico	3.5
Germany	6.2	Indonesia	2.1

Investment plays six macroeconomic roles in general:

1. it contributes to current demand of capital goods, thus it increases domestic expenditure;
2. it enlarges the production base (installed capital), increasing production capacity;
3. it modernizes production processes, improving cost effectiveness;
4. it reduces the labour needs per unit of output, thus potentially producing higher productivity and lower employment;
5. it allows for the production of new and improved products, increasing value added in production;
6. it incorporates international world-class innovations and quality standards, bridging the gap with more advanced countries and helping exports and an active participation to international trade.

For Aruba these 6 points are very important as it could be argued that in a small country as Aruba, all these points are very relevant, where we want to lower the need for imported laborers, while increasing production capacity and general productivity. The choice

for a proper investment in technology could serve as key to the upkeep of economic performance.

**Conclusion**

Much of the recent firm-level evidence suggests that there are "excess" returns to IT, that is, the marginal product of IT capital is substantially higher than the marginal product of non-IT capital. There is also some evidence that these private or firm-level returns have become higher in recent years.

When controls are included in the model for measurement errors, computers have a positive and statistically significant impact on productivity. The OECD study confirms the findings and policy conclusions of many researchers on the importance of IT investment in enhancing economic growth in most developed economies.

The technology advances in banking, for example, contributed to a much higher efficiency rate in transactions between businesses and now also between individuals. In Aruba, the automation of for example the tax department, will also contribute greatly to the efficiency of the government transactions with the consumers/ clients while saving every ones time greatly. Perhaps further automation in the service sector can contribute to a reduction in demand for laborers, though the types of automation applicable need to be examined. Examples to think about: There are for example international restaurant menus that are automated where the customer merely checks the items desired and this is automatically registered, which would lower the number of waiters required in a given restaurant and make it more efficient. The human touch would then need to be measured against service received. In construction however, unlike manufacturing, the growth of automation has been slow, since it is a very labor intensive sector.

**Examples**

New restaurant in Nuremberg, Germany, offers fully automated ordering and food service. There are no waiters. The restaurant, called 's Bagger, has table-top touch screen ordering menus and mini train tracks from the kitchen to each table. The food travels along the rails by gravity alone (the kitchen is upstairs). As food is ordered, a computer keeps track of ingredients in stock. The system also keeps customers updated with likely delivery times for both food and drinks. Each electronic menu doubles as an ATM-like credit card payment system.



Self-service checkout has become accepted by supermarket shoppers in the U.S. who are embracing the convenience of scanning and bagging their own groceries. In fact, industry observers believe that

self-checkouts will become more popular than pay-at-the-pump gas stations.



An example of pharmacy prescription automation methods.



**Refill over the phone.**

1. Call your Pharmacy at the same number you currently dial.
2. Select option 1, refill prescription.
3. Enter the prescription number from your label.
4. Your prescription will be validated, filled and ready for you to pickup.
5. You can enter multiple prescriptions during your call.



Automated convenient store is also available, where the machines are restocked inside and the shopper can buy 24 hours a day.



Investment expenditure is a bet on future. If the bet is lost, the product does not find a remunerative market and much of the investment expenditure turns out to be a sunk cost that cannot be recovered. In the extreme case, investment is irreversible. Coupled with true uncertainty, irreversibility becomes a fairly important determinant of investment levels across industries. If the bet is won, the return on investment can be very attractive.

## CONSUMER SHOPPING BEHAVIOR

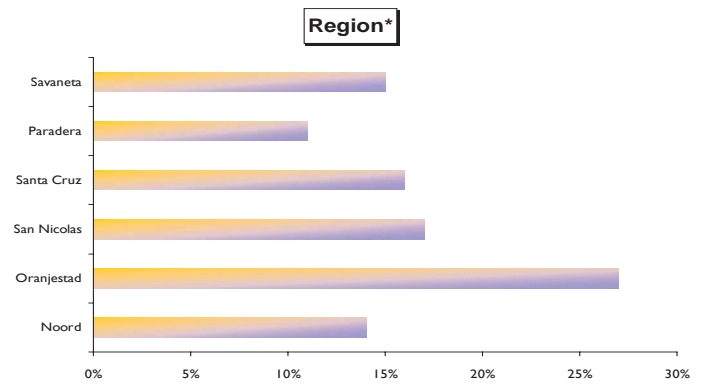
### Introduction

In order to stay abreast of the developments in the consumer market, AIB Economic and Financial Services conducts periodically a consumer survey. For this survey, 100 randomly selected households are requested to participate and answer a few basic questions relating to their behavior as consumers and shopping patterns. Most of the questions were closed questions with pre-classified options to provide one answer. The question on their spending amount for utilities, groceries and otherwise non-essential expenses, were left as open-ended questions.

Since every quarter a different sample group is used, the results are merely indicative of the current situation as variations from one quarter to the next are likely.

Most of the consumers expressed their concerns with the ever increasing cost of living. The high price of fuel oil has in turn spiked the cost of utilities here in Aruba.

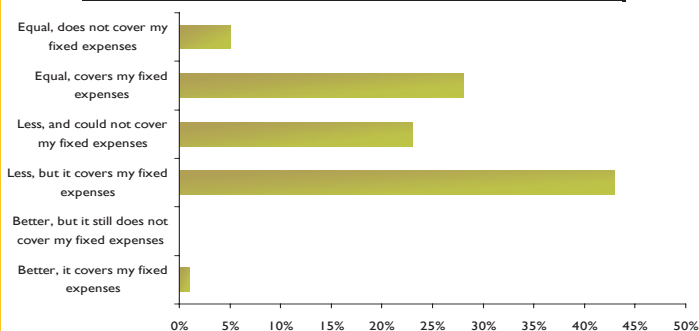
Of the total 36,000 households in Aruba, 100 were surveyed successfully. The average household size of surveyed consumers was 3.4, which is relatively close the actual average household size of Aruba of 3.1. 50% of the surveyed households included children.



The 100 households surveyed were divided over 6 regions as seen in the chart above, where the majority of the people surveyed resided in Oranjestad followed by San Nicolas with 27% and 17% respectively.

\*The geographic distribution of Aruba's households according to Censo 2000 slightly differs from this survey, the results were not weighted to adjust for actual geographic distribution.

### Your Income's Ability to Cover Your Fixed Monthly Expenses

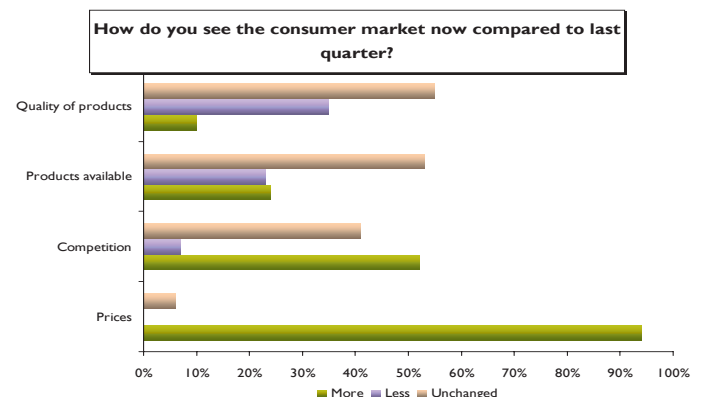


The survey participants were asked if their income's ability to cover their expenses changed during the 3rd quarter compared to the 2nd

quarter, and 43% answered that it is getting more difficult to cover their fixed expenses. 23% claim that they are no longer able to cover their fixed monthly expenses. In total, 72% answered that they are able to cover their fixed expenses, while 28% say that they cannot afford to pay all of their fixed expenses.

“28% of the surveyed households say that they cannot afford to pay all their fixed expenses”.

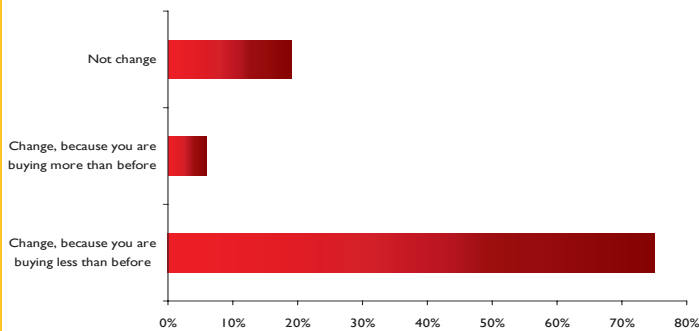
In the adjacent graph, we show the consumers' view on the current market conditions compared to the previous quarter. 94% of the participants believe that the prices are higher this quarter than they were last quarter, and 52% believe there to be more competition compared to the previous quarter. The availability of products, according to 53% of the survey participants, remains unchanged and 55% see no change in the quality of the products. Comparing the results from the survey held in the previous quarter, more people from this group believe there to be a decrease in product availability and quality. 23% of this quarter's participants think the product availability has dropped (14% had this perception during the last survey) and 35% think that quality of products is diminishing (26% shared this thought last quarter).



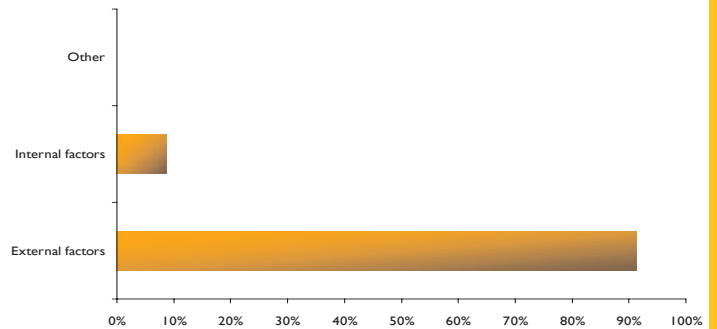
"Noteworthy it is that during the survey, a few participants mentioned that they compel themselves and their families to work with a budget and to adapt their consumer behavior accordingly....."

2nd quarter however, 53% of those participants mentioned that they were buying fewer products compared to the 1st quarter of 2007. Of the 81% that made a change in their shopping behavior, 91% say that it is due to external factors such as changes in prices, and 9% say that the change is due to internal factors. The results can be viewed in the graph below.

Your shopping behavior in the 3rd quarter of 2007 did:



If it did change, what caused the change?



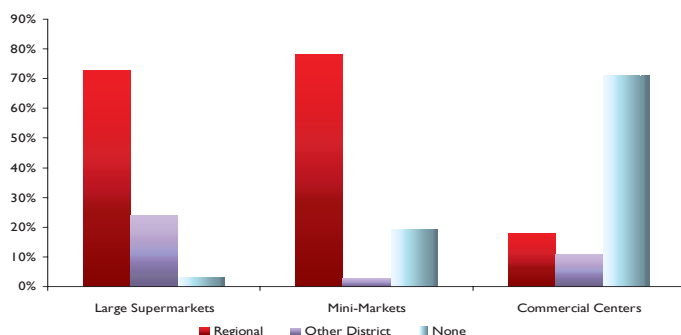
The question on shopping behavior of the consumer is used to assess whether or not consumers are adapting their shopping style to changes in the market and a total of 75% of surveyed households say that they are buying fewer products compared to the previous quarter and only 6% claim to buy more products. In the survey for the

..... Unfortunately, only a minority share a budget mentality while others believe that the government is the only one who can act to improve the current financial situation of the Aruban families”.

How far are consumers willing to travel in order to acquire their daily necessities? Not far, according to the survey results 73% of the participants visit large grocery stores that are in their own region and only 24% will travel to another district for their groceries at a large supermarket. For mini-markets, it is self-evident that the great majority (78%) will visit one within their own region and only 3% mentioned that they use mini-markets in other districts. 19% of the survey participant claim to never shop at a mini-market. 71% of the surveyed households mention that they have not visited a commercial center within the past month. 18% of the participants did visit a commercial center in their region of residency and 11% had visit a commercial center located in a region other than their residential area.

According to the survey, 41% will visit a grocery store between 1 to 3 times per month, while 46% will visit between 4 to 6 times per month, which was 24% in the previous quarter. Mini-markets are

Where do you shop?



Frequency visits p/m	Large Super markets	Mini markets	Shopping centers
0	3%	19%	71%
1-3	41%	17%	27%
4-6	46%	22%	2%
7-9	3%	16%	0%
10-12	4%	13%	0%
13-15	0%	0%	0%
16+	3%	13%	0%

more frequently visited, with 13% visiting at least 16 times or more in 1 month compared to merely 3% of the surveyed consumers visiting large supermarkets.

71% of the households surveyed are not visiting commercial centers at all, while 27% are visiting shopping centers only 1 to 3 times a month. The complete findings of the results are presented in the table above.

"71% of the surveyed households mention that they have not visited a commercial center within the last months".

Groceries		Utilities		Non-Essentials	
Afl. p/m	%	Afl. p/m	%	Afl. p/m	%
≤200	3%	≤150	10%	0	28%
201-400	14%	151-300	19%	1-100	21%
401-600	29%	301-450	30%	101-200	20%
601-800	25%	451-600	16%	201-300	19%
801-1000	12%	601-750	9%	301-400	8%
≥1001	16%	751-900	9%	401-500	3%
Unknown	1%	≥1001	7%	≥ 501	0%
		Unknown	2%	Unknown	1%

Starting last quarter we added a few questions on actual spending on the household's utility and grocery bills. This quarter we also asked the participating households on the spending on non-essential expenses. The results of last quarter's survey gave us an average of Afl. 685 spent per household per month on groceries, while utilities had an average cost of Afl. 411 per household. This quarter, these numbers are higher with an average Afl 754 spent on groceries per month and Afl 495 on utilities per household. These increases are in par with the increase in prices for utilities and consumer products. The cost of electricity has increased by 13.2% (at an average use of 600 Kwh) from the previous quarter, while the customers experienced an increase in their water bill of 14.97% (with an average use of 22 m3).

During the last survey, 24% of the participants were in the bracket of 201-400 for groceries. This quarter only 14% still falls within this category and the category of 401-600 increased from 22% in the previous quarter to 29% this quarter.

The same trend is seen in the utilities expenditures. Last quarter, the

greater majority (33%) spent between Afl. 151 and Afl. 300 per month on utilities. This quarter, only 19% still spends this amount on their utility bills. And the majority of the survey participants (30%) spend between Afl. 301 and Afl. 450 per month on utilities which is an increase from the 24% that spent that same amount last quarter.

The newest question on this survey was the one of non-essential expenses. 28% of all participating households claim to not have enough left over after fixed expenses to indulge in any additional spending. The average amount spent on non-essentials as per this group of participants is Afl. 150 per household.

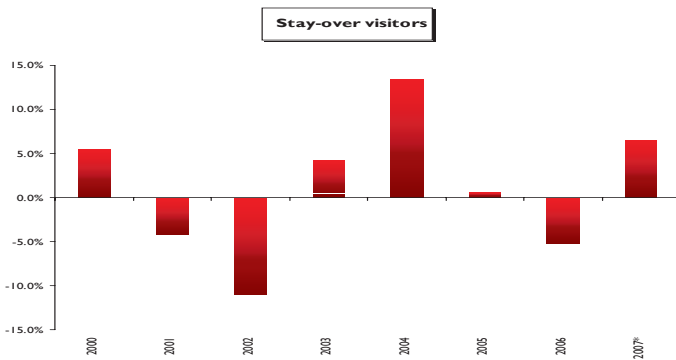
### Main findings/ conclusions

The cost of living in Aruba seems to have increased significantly compared to last quarter. The ever-increasing price of fuel oil leaves to local utility companies no choice but to increase the prices. This in itself is a great burden on many households here in Aruba, and by adding the increase in prices of consumer products as well as gas prices, the Aruban population has no choice but to cut down on expenditures. This approach is of course easier said than done since it cannot be ignored that the local population has a culture of spending and where saving is not always paramount for the families.

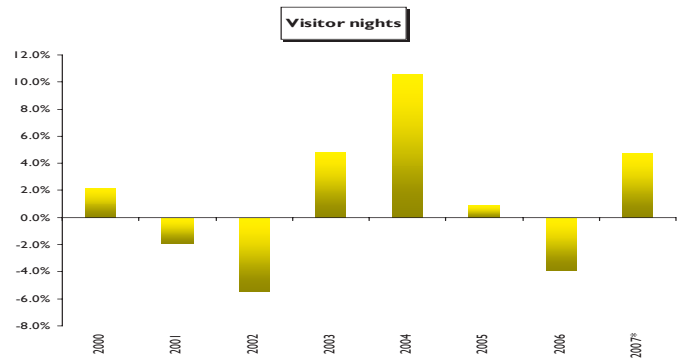
In an article published by C.A.S. (Consumidor Arubano Solidario), they warn consumers not to exceed their income ability by purchasing irresponsibly on credit. Many families are in deep financial problems simply by "over purchasing" on credit. Laws are in place in order to protect the consumers, however many businesses are not abiding by these laws and credit is easily extended to families who in reality cannot afford the payments.

## TOURISM RECOVERING

**Stay-over tourism** growth slowed down somewhat in April and May of 2007 after showing significant increases in the first 3 months of the year. In April the stay-over tourism grew merely by 0.6% compared to the same month a year ago, while in May the stay-over tourism experienced a decrease of 0.5% compared to the same month of the previous year. However, in June the growth in stay-over tourism reported again a double digit increase of 10.9%, conducting to a year-to-date increase of 6.6% over the first half year compared to the same period of the previous year. The recovery in the stay-over tourism is in part due to the release of various renovated hotel rooms in the Hyatt and the Westin. The increase of 4.4% in the US market influenced the upward trend as well as increases in the visitors from the Latin American market, especially Venezuela, and the European market. Another factor that may have influenced this trend is the home porting of the Blue Moon cruise ship in Aruba since late last year, causing the purpose of stay-over visitors for cruise ship until June 2007 to increase by around 4300 tourists compared to the same period a year ago.



**Visitor nights**, increased by 4.8% in the first half of the year compared to the same period in 2006. The length of stay in the second quarter of 2007 remained near 7.9 nights, which is higher than the length of stay registered in the second quarter of 2006. The occupancy rate in the second quarter of 2007 is 73.3%, which is lower compared to the occupancy rate reported in the same period a year ago (74.4%), but this is due to a higher supply in 2007 as compared to 2006.



According to the Caribbean Tourism Organization, the tourism development in the Caribbean as a whole is estimated to have grown somewhat during the first half of 2007. The major destinations like, Bahamas, Cuba, Jamaica and Puerto Rico have reported a decline in this period. While the ABC Islands, the Cayman Islands and Martinique, experienced noteworthy growth in stay-over tourism during the reported period. The development reported in the smaller destinations was quite varied.

**Cruise tourism**, since February 2007, has been decreasing significantly leading to a decline of 13.7% in the first half of 2007, despite 21.3% rise in ship calls during the first half of 2007 compared to that same period a year ago. This negative development can be attributed to the cancellation of the weekly visits of the Carnival Cruise Lines to Aruba as of January 2007.

Double digit increases were reported in the first half of 2007 in the medium sized destinations, like Barbados, British Virgin Islands and Curaçao, while large destinations such as the Cayman Islands and the US Virgin Islands slightly increased. Only a few destinations in the Caribbean, besides Aruba, experienced declines in cruise tourism during the first half of 2007.

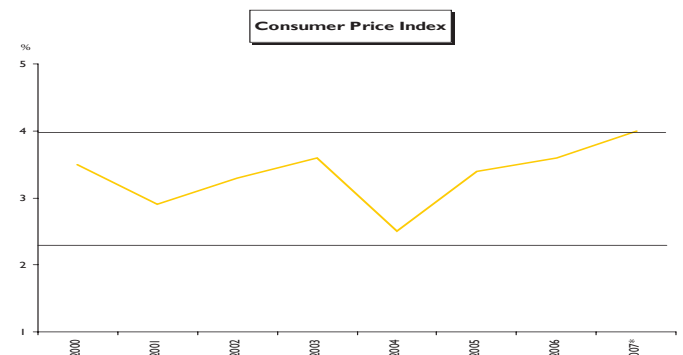
**Tourism receipts** increased with 5.9% up to the second quarter of 2007 compared to the same period in the previous year induced by the positive development in the visitor nights in the first half of 2007.

## INFLATION ON THE RISE

**Inflation** showed an increase of 1.8% in June 2007 in comparison to the previous month, conducting to a year-to-date inflation rate of 6.4%. The latter increased with 3.5% compared to the same period in 2006. The average inflation rate over 12 months was however 4.0% in June 2007, equal than the average inflation rate reported in June 2006. Primarily the increase in inflation is due to the introduction of the Turnover Tax (BBO) as per January 2007. Another factor is the spike in the oil prices, which however has not reached the high price levels yet of June 2006. Aruba's 12-month average inflation rate in June 2007 was considerably higher in comparison to some of its largest trading partners, where the US registered in June 2007 an average inflation of 2.7% and the Netherlands of 1.7%, which was slightly lower than the average of 1.9% harmonized inflation reported for the Euro Zone.

The inflation rate in the coming months is likely to rise further as oil was trading at record highs in September caused by decrease in oil

supply due to turbulence in the Middle East (Iran's nuclear program, instability Saudi Arabia) and in other oil producing nations, like Venezuela (strikes and political problems). Also, the price increases on bread since October 1, 2007 will weigh on the inflation rate.



## MODEST TRADE

**Trade** activity represents about 14% of the Aruban economy. Year-to-date (until June) the total imports increased by 3.5% to Afl. 959.5 million compared to the same period of the previous year. The overall increase during the first half of 2007 was mainly attributed to significant increases in the commodity groups “Real pearls and precious stones” and “Materials for manufacture of paper, paperwork” counterbalanced by significant decreases in equipment and base metals.

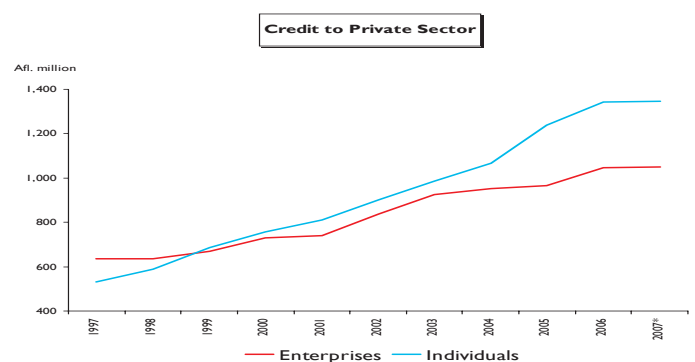
**Import duties** reported for the first 6 months of the year increased by 38%, compared with the same period a year ago, to Afl. 94.2 million up from Afl. 68.3 million. The significant increase occurred primarily in the first quarter of the year, while the remaining months reported a slight increase. First estimates for the coming months show a slowdown in the import duties when compared to the same period a year ago.

## TAXES STABILIZED

Until August 2007, the total government revenue increased by 7.2% compared to the same period a year ago. This is significantly lower than reported in our previous publication. The total government tax revenue increased year-to-date by 6.7%, compared with the same period of the previous year, to Afl. 591.6 million. The turnover tax (BBO) accounted for Afl. 80.0 million, which is 13.5% of the total tax revenue. The Wage tax and the Profit tax declined significantly, resulting in a decrease of Afl. 48.3 million on Taxes on Income and Profit over the first 8 months of 2007 compared to the same period a year ago. The taxes on Income and Profit accounted for 36.3% of the total government tax revenue in the first 8 months of 2007, which is down from 47.5% the same period a year ago. The new tax reforms contributed a net (80.0-48.3) 31.5 million to government taxes.

“Any sufficiently advanced technology is indistinguishable from magic”, by Arthur C. Clarke.

## BANK LOANS EXPANSION



**Credit** at the end of August 2007 to enterprises, increased by 6.3% compared to the same month a year earlier, while increasing merely by 0.2% compared to the previous month. Credit to individuals grew by 6.4% during August 2007 compared to August a year ago. Of the credit to individuals, the mortgages grew by 5.8%, while the consumer credit grew by 7.3% in August 2007 compared to the same month of the previous year. The overall credit ceiling imposed by CBA is 5%.

## GDP EXPECTATIONS

The Partial Economic Activity Index (“PEAI”) decreased in the first quarter of 2007 with 0.4% compared to the corresponding period a year earlier. This is primarily due to significant decreases reported in the Construction sector, which declined by 16.1% compared to the same quarter a year ago, following a decrease of 31.7% in the previous quarter. Additionally, the Public Administration & Education activity and Transport declined by 10.1% and 0.2% respectively. According to CBS, the decline in the Public Administration activity is caused by a decline in the government personnel expenditure resulting from a decline in total salaries and overtime compensations.

On the other hand, double digit increase was registered in the Trade activity, which increased with 13.5% compared to the same period of the previous year. Modest increases of 5.7%, 3.3% and 3.1% respectively were also measured in the Utility, Hotels & Restaurants and the Housing activity.

Recently, Fitch Ratings confirmed Aruba's rating outlook as stable, as the prospect for modest consolidation appear reasonable due to among others the revenue enhancing tax reform implemented in January 2007.

Something for your Company?.....

You want productivity? Improved employee health, morale and retention? Achieve all this and more by placing your workforce in a superior environment that is comfortable and ergonomically correct, which could be customized for your business applications and for the individual worker. According to marketing firms, progressive companies are increasingly opting to pay for prevention rather than cure when it comes to protecting employees' health. By designing workspaces that are centered on the ergonomic needs of their employees, firms are able to dramatically reduce the incidences of carpal tunnel, repetitive stress injuries, and other musculoskeletal disorders, savings that go right to the bottom line.



#### **Our Services**

##### **Corporate Lending**

- Senior Debt
- Mezzanine Financing
- Project Financing
- Bridge Loan
- Syndication/ Underwriting
- Bank Guarantees

##### **Program & Project Management**

- Regulations Setup
- Funds Administration
- Funds Placement
- Project Management
- Effect Disimbursement

##### **Economic & Financial Services**

- Feasibility Studies
- Economic Impact Studies
- SME Program
- Surveys and Research
- Mergers & Acquisitions
- Venture Capital
- Capital Raising
- Valuation
- Advisory to the Government

#### **Information**

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#### **Eco Corner:**

**According** to two US companies, the best way to slow global warming would be to dump iron into the oceans. The iron would trigger blooms of tiny plants that suck carbon dioxide out of the atmosphere and trap it deep in the ocean. Proponents hope it offers a low-cost way to cancel out the carbon dioxide produced by burning fossil fuels such as coal and gasoline. However, some scientists have serious doubts.

**Thai Scientists** look for a greener rice crop, as rice fields are a major source of methane, one of the so-called greenhouse gases linked to global warming. Therefore scientists in Thailand are trying to find rice cultivation techniques that produce less methane.

**The Nobel Peace Prize**, this year, went to a group of people leading international efforts to tackle the challenge of removing the alarming threat of global warming. The winners are the Intergovernmental Panel on Climate Change (IPCC), a United Nations network of scientists around the world, and former US Vice President Al Gore.

“The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency”, by Bill Gates.

“One machine can do the work of fifty ordinary men. No machine can do the work of one extraordinary man”, by Elbert Hubbard.

“The most important and urgent problems of the technology of today are no longer the satisfactions of the primary needs or of archetypal wishes, but the reparation of the evils and damages by the technology of yesterday”, by Dennis Gabor.

## Summary Economic Indicators

As of and for the year ended December 31,

2001 2002 2003 2004 2005 2006 2007\*  
(in millions of Afl. except percentages and where otherwise noted)

### DOMESTIC SECTOR

Population	92,676	93,945	96,207	99,109	102,149	103,484	
Nominal GDP**	3,399	3,421	3,514	4,025	4,153	4,390	n.a.
Nominal GDP per Capita** (in Afl. per person)	36,676	36,415	36,525	40,612	40,656	42,422	n.a.
Percentage Change in Real GDP**	-0.7	-2.6	2.2	10.5	0.8	1.4	1.5-3.5
Inflation (percentage change in Consumer Price Index)	2.9	3.3	3.6	2.5	3.4	3.6	4.0
Unemployment Rate <sup>(1)</sup> (percentage)	6.5	8.1	7.8	7.3	6.9		n.a.

### TOURISM

Tourism receipts <sup>(2)</sup>	1605.1	1616.7	1523.9	1889.6	1953.0	1917.0	1069.9
Total Visitor Arrivals (in thousands)	1,176.2	1,197.6	1,184.2	1,304.5	1,285.3	1,285.8	644.2
Stay-over Visitors (in thousands)	691.4	615.4	641.9	728.2	732.5	694.4	367.0
Visitor nights (in thousands)	5,144.6	4,862.6	5,097.6	5,639.9	5,692.7	5,470.5	2,830.0
Cruise Visitors (in thousands)	484.8	582.2	542.3	576.3	552.8	591.5	277.3

### EXTERNAL SECTOR

Total exports (F.O.B.) (excluding oil sector exports) <sup>(4)</sup>	266.45	229.58	146.96	142.25	182.20	221.20	70.12
Total imports (C.I.F.) (excluding oil sector imports) <sup>(5)</sup>	1,496.86	1,507.42	1,515.18	1,563.59	1,841.03	1,884.43	959.54

### PUBLIC FINANCE

Total Revenue <sup>(9)</sup>	731.8	754.7	988.6	835.9	908.9	983.4	693.2
Total Expenditure <sup>(3)</sup>	717.0	866	919.3	1180.2	1033.8	1095.7	230.9
Overall Surplus/(Deficit) <sup>(3)(6)</sup>	-141.8	-76.1	150.9	-224.7	-152.1	-62.4	-31.6
Overall Surplus/(Deficit) as a Percentage of GDP <sup>(7)</sup>	-4.2%	-2.2%	4.3%	-5.6%	-3.7%	-1.4%	-0.7%

### PUBLIC DEBT AND INTERNATIONAL RESERVE

Total Public sector Debt <sup>(8)</sup> as a Percentage of GDP <sup>(7)</sup>	43.1%	47.1%	41.1%	44.5%	46.3%	45.5%	47.0%
Net International Reserves in months of imports <sup>(3)</sup>	6.3	7	6.6	6.2	5.5	5.2	5.7

### PARTIAL ECONOMIC ACTIVITY INDEX (PEAI)<sup>(10)</sup>

	103.3	100.3	101.9	105.3	111.1	109.8	112.4
Utilities	112.3	113.3	115.5	116.2	120.6	120.6	121
Construction	87.9	82.4	93.8	87.6	128.2	124.7	110.4
Trade	88.9	87.1	83.2	86.0	82.8	79.9	98.2
Hotels & Restaurants	107.5	101.5	105.5	116.1	118.0	115.1	127.3
Transport	107.7	107.3	105.0	114.5	112.1	112.1	120.5
Housing	110.5	113.6	116.5	119.5	123.5	127.6	130
Public administration & Education	113.2	104.2	104.3	106.2	109.6	106.2	92.5

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

\* year-to-date up to June 2007 (Also for the charts in the Economic Trends)

\*\* GDP figures for 2003-2006 are preliminary estimates of the Departement of Economic Affairs, Commerce and Industry

(1) Includes all persons without jobs, whether actively seeking employment or not.

(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 up to the 2nd quarter of 2007.

(3) 2007 up to 2nd quarter.

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

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

(6) including the change in unmet financing requirements

(7) Up to 1st quarter in 2007 and measured against nominal GDP estimates of 2006.

(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) Up to August 2007.

(10) Provisional. Up to 1st quarter 2007.