

## EDITOR'S NOTE

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. As the inflation is a hot topic, the focus this quarter is on the entwinement of inflation and investment and how investment can cause inflation. 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 for the 4th quarter of 2007. The high utility prices caused by the increasing price of oil remains an issue in the questioned households.

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.

The cover page is intended for those not familiar with Aruba and provides more general information on Aruba's economic structure.

Aruba, March 2008 AIB EIT Issue 4

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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

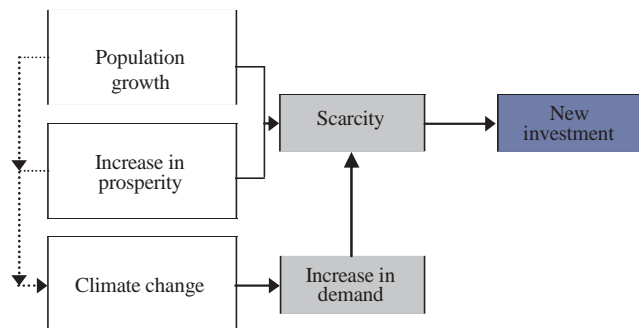
Since the 1990s inflation has been relatively steady in Aruba, where in 2006 the average inflation was 3.6%. However, in 2007 the 12 month average inflation was reported 6.0% due to the introduction of the turnover tax and the higher international oil price, which influenced the local water and electricity price significantly. The inflation of Aruba is also 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.

## INFLATION EFFECT ON INVESTMENT TRENDS

Inflation and investments are often entwined with each other. Strong investments can create new scarcity and in return cause inflation, while increasing inflation can set back planned investments. 2007 was a year in which various countries around the world were greatly affected by the rise in prices in various markets of their economies. Increasing global inflation is a threat for many businesses today.

Based on a recent publication of Institute for Research and Investment Services (IRIS Research), main pressures on the current continued expected rising global inflation were identified. The main causes of inflation is mainly due to the following five global developments:

1. Increase in shortage of many raw materials, energy, clean water, fresh air and health care;
2. Continuous increase in the world population;
3. Increase of the income per capita in various of the advanced economies resulting in an overall increase in demand of raw materials, energy, etc;
4. Ageing of the population creating an increase in demand for health care;
5. Change in global climate, resulting in changes in energy consumption.



These developments are further amplified below.

### Increase in world population

Up to 2005 the world population has more than doubled in the past fifty years, increasing by almost 4 billion. The world population is expected to increase by another 2.5 billion by 2050. This increase of the world population will automatically increase the demand for food, water, health care, and energy, where if not met by demand will certainly have an upward effect on their current pricing.

World Population 1950-2050						
	Population (millions)			Distribution (%)		
	1950	2005	2050	1950	2005	2050
World	2,519	6,465	9,076	100.0	100.0	100.0
More developed regions	813	1,211	1,236	32.3	18.7	13.6
Less developed regions	1,707	5,253	7,840	67.7	81.3	86.4
Africa	224	906	1,937	8.9	14.0	21.3
Asia	1,396	3,905	5,217	55.4	60.4	57.5
Europe	547	728	653	21.7	11.3	7.2
Latin America and Caribbean	167	561	783	6.6	8.7	8.6
Northern America	172	331	438	6.8	5.1	4.8
Oceania	13	33	48	0.5	0.5	0.5

Source: United Nations

When looking at the expectations of the world population outlook above, it is noteworthy that the less developed regions will continue to increase in share of total world population versus the ever decreasing developed regions. The less developed regions tend to be less regulated and can have more inconsistent consumption patterns, while the more developed regions in the current situation consume the largest amount of resources of the world.

### Increase of the income per capita

Next to the consistent increase in the world population, the economic growth of great parts of the world is also significant. The economic growth of the upcoming economies (average of 4.2% per year) is also steeper than that in the advanced economies (average of 2.5% per year) according to the World Bank. The increase in demand due



to the increase in economic growth also has an impact on the consumption pattern of people and realizing new shortages in the consumption product chain, such as creating new demand for more and more specific food

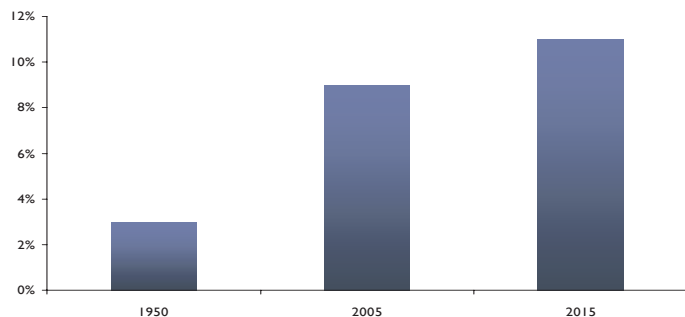
supplies. Increase in economic growth is also directly related to the demand of energy. Therefore, it will be lucrative to invest into supplemental products for such consumer goods as energy or investing in increasing efficiency of current production methods used. Great opportunities lie in investing in agriculture, food processing industry and biotechnology. We should think about improving pesticides and ingredients for manure which will increase the production of crops.

### Ageing of the population

The ageing of the population is a result of a decrease in the number of children per women and an increase in the life expectancy. Ageing of the population brings along a new dimension of demand for health care on an already strained supply of health care in various countries, both upcoming as developing economies. As a result of the increasing demand both due to increase in the population, increase of the population suffering from various illnesses such as heart disease, diabetes and cancer, as well as the longer life expectancy increase the demand for health care and medical supplies. Health care costs are increasingly on the rise as well as is scarcity of various resources.



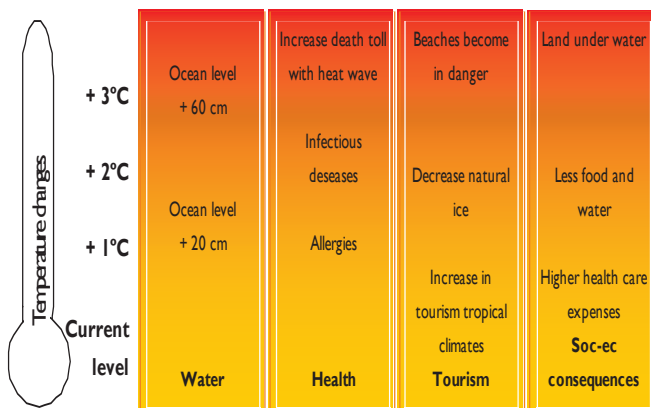
**World Healthcare Expenditures as % of World GDP**



Source: World Health Organization

**Global warming and its effect**

Increased demand for consumer goods and the additional strain of the production processes on our environment is one of the great causes of global warming. Global warming affects the climate and therefore results in increases or shifts on the demand side of (natural) resources. On the other hand global warming also affects the supply of farmed goods, supply of fresh water and in our case presence of our beaches for tourism to thrive on.



**Increased shortages of supply; both result as well as cause**

Not only is the global demand for products such as water, health care, energy and various other consumer goods continuously increasing but the supply of many of these goods are on the other hand diminishing or remain unchanged. The potential for investments therefore lies especially in compensating for these shortages in supply and therefore creating attractive new investment opportunities such as in clean water and clean air. But the interesting focus will lie especially on increasing efficiency, recycling and innovations in the current production process whereby lessening waste products and

added pollutants. Investments opportunities thus lie especially in the new shortages that are increasingly created.

**Global inflation**

Table Consumer Price Index according to the World Economic Outlook by International Monetary Fund (IMF)

	2006	2007	2008
Aruba	3.6%	6.0%	3.9%
The Netherlands	1.7%	2.0%	2.2%
Europe	2.2%	2.0%	2.0%
USA	3.2%	2.7%	2.3%
China	1.5%	4.5%	3.9%
Colombia	4.3%	5.5%	4.6%
Venezuela	13.7%	18.0%	19.0%

Source: World Economic Outlook of IMF, October 2007 and Aruba Economic Outlook 2007 by Department of Economic Affairs

Inflation in China spiked in several months of 2007 due to steep prices in food sector due to shortages of some items. The inflation of an exporting country such as China can have a great effect on the global pricing of various products. The US, for example, is the larger importer of China, and the US is the largest trade partner of Aruba. The U.S. experienced inflation of 2.7% in 2007.

In Aruba, the year 2007 was an exception as the BBO was introduced and caused an average inflation of 6.0% during that year. For 2008, though, the global factors will have most influence on the actual inflation rate, where oil prices continue to dominate followed by other developments in scarcity which will be reflected on the main trade partners.

"In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value", by Alan Greenspan.

## CONSUMER SHOPPING BEHAVIOR

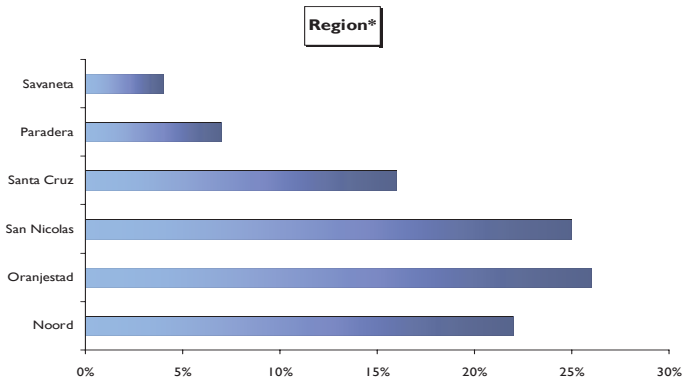
### Introduction

During the month of December 2007, AIB Economic and Financial Services conducted its quarterly consumer survey. Consumer behavior is an important indicator to the current economic situation and in order to stay abreast of the developments in the consumer market, this survey is conducted periodically. The consumer survey asks 100 participants to assess changes (if any) in their shopping behavior for the past three months and compare that to the previous quarter. Another important aspect to consumer behavior is the credit extended to them and what percentage of their income it entails. Do the Aruban consumers have a "saving mentality"? These questions replaced those on market perception and shopping locations. 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 open-ended questions.

Every quarter a different sample group is used for the survey, therefore the results to this survey can merely be viewed as an indication of the situation in a particular point in time as variations from one quarter to the next are likely.

Since this survey was conducted during the month of December, which is a month known for overspending, many survey participants were concerned about not having enough to spend during the holiday season. Naturally, this had its impact on the responses. Utility prices are continuously on the rise and consumers are worried as they wonder when this "price rising" trend will stop.

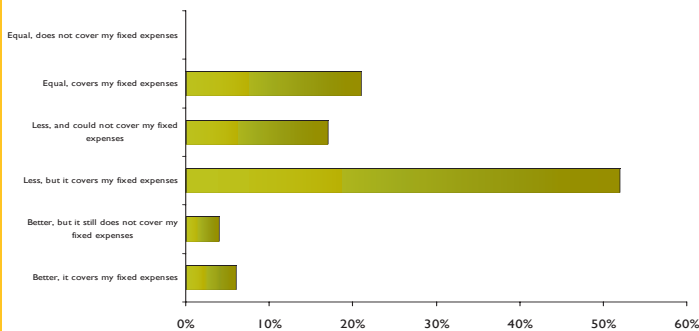
There are a total of 36,000 households in Aruba, of which 100 were surveyed successfully divided among the various regions. The average household size of surveyed consumers was 3.3, which is relatively close the actual average household size of Aruba of 3.1, based on CBS statistics. 53% of the surveyed households included children.



\*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.

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 26% and 25% respectively.

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



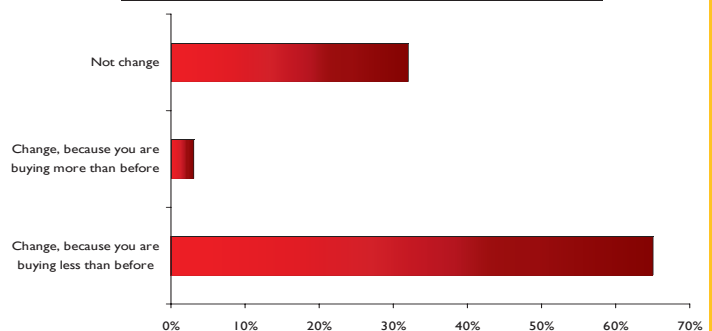
The survey participants were asked if their income's ability to cover their expenses changed during the 4th quarter compared to the 3rd quarter, and 52% responded that their budget is getting tighter, but that they are still able to cover their expenses. 21% say that their ability to pay their fixed monthly expenses remained the same for the 4th quarter and they are still able to cover their expenses. 6% said that they are more able to cover their expenses if compared to the previous quarter. Aggregately, 21% say that they can not cover their fixed expenses.

"Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair", by Sam Ewing.

Are consumers adapting their shopping behaviors? According to the respondents, they are. A greater majority of 65% say that they are buying fewer products and 93% of that group says that it's due to high prices. 32% mentioned that they did not change their shopping behavior, but many immediately added that they are paying much more for the same amount of products.

"Inflation is bringing us true democracy. For the first time in history, luxuries and necessities are selling at the same price", by Robert Orben.

### Your shopping behavior in the 4th quarter of 2007 did:



The average monthly grocery bill per household for the 4th quarter was Afl 763, according to the survey results. And the average utility bill per household was calculated at Afl 540 according to the response of the survey participants. These averages have increased since our last survey in October 2007, where the grocery bills averaged at Afl 754 and the utility bill at Afl 495. This comes to no surprise since the inflation rate at the end of October was up by 0.3% and 1.1% at the end of November if compared to the previous month. The major increases in October were in the categories of food (0.9%) and housing (0.8%) which includes the cost of utilities.

After analysis of the prices for products which are determined based on the Price Ordinance, it can be deduced that almost all of them recorded an increase in price with the highest increases in the categories of butter, edible oils and powdered milk with some of these products experiencing a price increase of close to 42%.

The high price of fuel and its effect on utility prices have been felt throughout the 4th quarter. Many consumers were thankful for the rainy season, which helped ease the cost of the water bill, and quite a few consumers are trying to lower their electricity usage as much as possible. The utility company Elmar has also launched a nationwide campaign geared towards the consumers that promotes the responsible use of power.

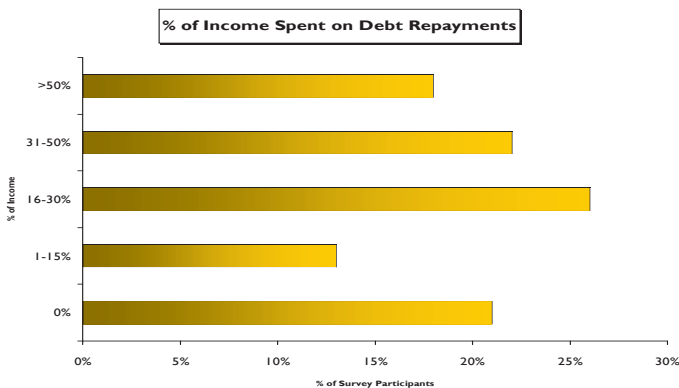
The month of December always brings with it the added expenses of the holiday season. For this reason, the expenditure on dispens-

able items is likely to be high. Still, 15% of the participants claim to have nothing left over to spend on otherwise non-necessary items. Last quarter, 28% of the participants claimed to be in that position.

The table below gives an overview of the findings of the survey for the 4th quarter of 2007.

Groceries		Utilities		Non-Essentials	
Afl. p/m	%	Afl. p/m	%	Afl. p/m	%
≤200	2%	≤150	2%	0	15%
201-400	16%	151-300	22%	1-100	23%
401-600	23%	301-450	31%	101-200	22%
601-800	24%	451-600	15%	201-300	19%
801-1000	15%	601-750	8%	301-400	5%
≥1001	18%	751-900	9%	401-500	11%
Unknown	2%	≥1001	12%	≥ 501	5%
		Unknown	1%	Unknown	0%

Seeing that 15% of the participants say that they spent nothing on non-essential items, and another 23% claim they only spent between Afl 1 and Afl 100 per month on such items, one has to wonder what allocation of their income is spent on fixed expenses every month, which include debt repayments. The following graph shows the result of this question.



As displayed in the graph above, 40% of all surveyed participants are overleveraged, by having over 30% of their income spent on debt repayment. The most common loan type is the mortgage, with 49% of the participants having invested in owning their own home. Following closely to the mortgage type loan is the personal loan with 41%.

Credit Card debt is also a cause for concern, as it is the debt with the highest interest rate and the longest lasting if the consumer is only making minimum payment. Consumer credit (also store credit), extended mostly by small grocery stores, furniture stores and other "mom and pop" stores, is also becoming more popular. These also have very high interest rates.

This type of credit is extremely risky for the consumer, since it is relatively easy to get, but also makes it very easy for a consumer to become overleveraged.

Types of Credits/Loans	% Income spent on Savings
Mortgage	49%
Car Loan	35%
Personal Loan	41%
Credit Card	36%
Consumer Credit	17%
Other	1%
	0%
	1%-2%
	3%-5%
	6%-9%
	≥10%
	No fixed amount
	47%
	15%
	7%
	1%
	7%
	23%

The same 100 surveyed participants were also inquired about their saving habits, and the right table above shows the results of that question. Saving, according to these results, is not a priority to many of the survey respondents. The participants were asked what percentage of their income is spent on savings and/or a pension plan. While 47% clearly state that they contribute nothing towards a savings or pension plan, another 23% mentioned that they save, but no fixed amount.

## **Main findings/ conclusions**

The 4th quarter of 2007 was the hardest one yet for the Aruban consumers. 65% of consumers claim that they are buying fewer products compared to the previous quarter, which means that the government will be getting less income through sales tax from the local consumers and the businesses could feel a fall in local consumption.

During the last quarter of 2007 some product scarcities were experienced, from consumer products such as eggs and certain construction materials. The media influence however, may have contributed to the extent of the scarcity as consumer behavior changes according to their perception and an increase in demand for the alleged scarce items may have induced an even greater shortage of certain products.

Starting with the 3rd quarter, the utility prices have seen a steady increase. Now more than ever, consumers are concerned with this trend. The campaign to promote responsible use of power seems to help. According to CBS statistics, in the last quarter of 2006, the consumption of power dropped by 1% compared to the previous quar-

ter. In 2007, the consumption in the last quarter decreased by 8% compared to the 3rd quarter of 2007.

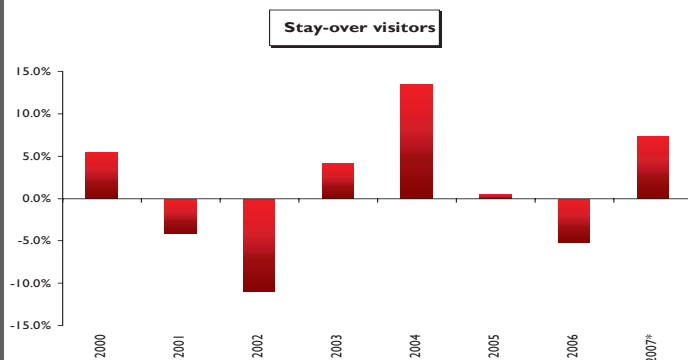
Another trend that is developing among consumers is their overall price consciousness. While consumers used to look at quality when shopping, now they are paying more attention to price, and more specifically, the prices per unit, as brand name products no longer forms part of their grocery list.

The increases in prices are inevitable up to a point. The consumer is ultimately responsible for their own consumption pattern. Having to change their spending and consumption pattern, which for some consumers may mean lowering their standards of living, is one of the most difficult things a consumer has to do. Many of our survey participants claim that it is difficult to save when there is not enough left over to cover their fixed expenses.

One concern that keeps arising every quarter amongst the survey participants is the lack of supervision on prices. Consumers claim that they are becoming smarter shoppers and more aware and conscious of their own shopping behavior.

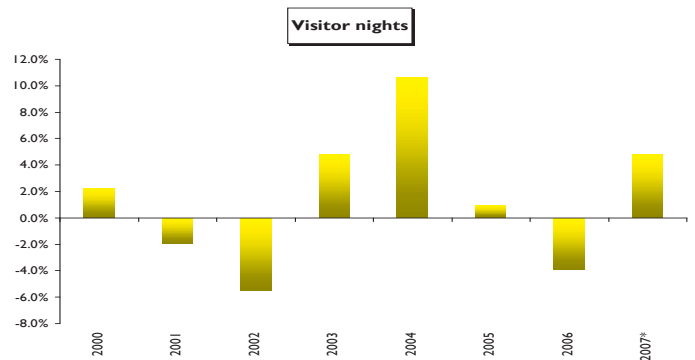
## TOURISM RECOVERING

**Stay-over tourism**, according to the Aruba Tourism Authority (ATA), increased by 15.8% in August compared to the same month of the previous year attributing to a year-to-date increase of 7.4% during the first 8 months of the year compared to the same period last year. In June/ July 2007 more hotel rooms were released on the market with the renovation of the Hyatt and the opening of the Rui Palace. Tourism from the United States, Venezuela Colombia and Europe (aggregated) increased contributing to the rising trend. No later statistics are published by the ATA for the remaining months of the year. In the meanwhile, the foreign airport arrivals reported by the CBS can be used as an indicator to follow the trend in the tourism industry. The foreign airport arrivals show an increasing trend in the months from August through November 2007 leading to an estimated year-to-date increase of around 9% until November 2007.



**Visitor nights**, until August 2007 increased with 4.8%. Occupied room nights, which can serve as a leading indicator for the total visitor nights increased year-to-date December 2007 by merely 0.5% compared to the same period in 2006, which might point out to a decrease in the visitor nights for the remaining months in 2007. The average length of stay until July is 7.7 nights, though with the rising trend in the stay-over tourism and the decreasing trend in the visitor nights the average length of stay for 2007 could come out somewhat lower in 2007. A lower visitor nights for 2007 would indicate a slower rate of growth in the latter part of the year. According to CBS, the occupancy rate increased in 2007 with 0.9%-points to

77.8% from 76.9% reported in 2006, despite the fact that there is a higher room supply on the market.



According to the Caribbean Tourism Organization, stay-over tourism decreased in the first part of the year in main destinations like, Bahamas, Cuba, Martinique and Puerto Rico. Notable growth was reported in the ABC Islands and the Cayman Islands. However, significant decline, like experienced in Aruba, in the cruise tourism was also reported in other major destinations like Bahamas, Cayman Islands, Dominica and Jamaica, while all other major destinations experienced noteworthy growth.

**Cruise tourism** since February reported double digit decreases. The months June, August and September decreased by over 50% compared to the same month a year ago conducting to a decrease of 18.5% year-to-date until December 2007, which is more than 100,000 less cruise tourists than was reported in the same period of the previous year. The cruise ship calls however remained relatively flat compared to 2006. The cancellation of the Carnival Cruise Lines to Aruba is the main factor behind this steep decline, which amounted to around 160,000 cruise tourists until December 2006, lightened by new cruises arriving on the shores of Aruba, like the AIDA cruises, which are though smaller and carry less cruise visitors.

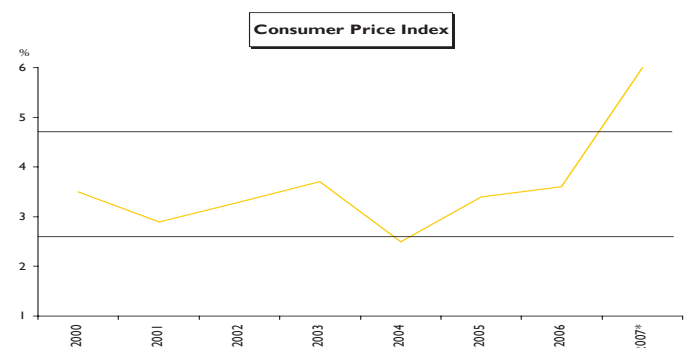
**Tourism receipts** increased with 11.2% to Afl. 1,589.6 million up to the third quarter of 2007 compared to the same period in the previous year.

## INFLATION CONTINUED INCREASING

**Inflation**, as anticipated in our previous publication, increased further in December 2007 by 1.6% compared to the previous month of the same year, conducting to a year-to-date inflation rate of 10.2%. This is primarily due to increase in the categories Housing group, Food and Beverage & Tobacco products, which increased year-to-date respectively by 16.1%, 9.8% and 9.1%. The sub-categories in the Housing group which increased the most are the utilities with an increase of 27.9% in Domestic fuel & power and a 30.6% increase in Water supply prices mainly driven by the international oil price causing the local fuel surcharge per kWh to increase with 52.7% over 2007.

The year-over-year inflation rate increased to 10.2% from 2.5% reported in December 2006, whereas the 12 month average inflation compared to the same period of the previous year increased to 6.0%, lower than was previously estimated by CBA (8.8%) and DEACI (7.5%) related to the introduction of the BBO.

First indications from the CBS show that the CPI in January 2008 increased by 0.6% compared to December 2007 and with 8.1% as compared to the same month a year ago.



## MODEST TRADE

**Trade** according to the Partial Economic Activity Index (PEAI) represents around 14% of Aruba's economy and should therefore be followed closely. The import in the free zone of Aruba reported year-to-date until September 2007 a decrease of 10.6%, while import increased by 5.5% leading to an overall increase of 4.3% to Afl 1,436 in the total imported value. The increase in import year-to-date was mainly attributed to significant increases in the sections "Real pearls and precious stones" and "Materials for manufacture of paper, paper

work" counterbalanced by significant decreases in equipment and base metals.

**Import duties** since July 2007 has been decreasing as compared to the same month a year ago. Due to a good start however in the beginning of the year the import duties increased by 18% until October 2007, compared with the same period a year ago, to Afl. 147.1 million from Afl. 124.2 million.

## TAXES REACHED ESTIMATE

The total government tax revenue increased up to December 2007 by 6.0%, compared to the same period of the previous year, to Afl. 888.7 million. The BBO receipt amounted until December 2007 to Afl. 132.0 million. Late 2006, when the government was considering introducing the BBO, estimates were made by the Department of Economic Affairs, Commerce and Industry (DEACI) that the BBO receipt will mount to Afl. 129 million over 2007. Also, it was estimated that the Afl. 129 million would be divided to Afl. 60 million in foreign consumption and to Afl. 69 million in local consumption, where the Afl. 69 million should be compensated by lower tariffs in wage and profit taxes. It can not be assessed if the division in foreign and local consumption has been attained, however the taxes on income and profit has decreased by Afl. 71.1 million until December 2007, compared to the same period a year ago.

"Some idea of inflation comes from seeing a youngster get his first job at a salary you dreamed of as the culmination of your career", by Bill Vaughn.

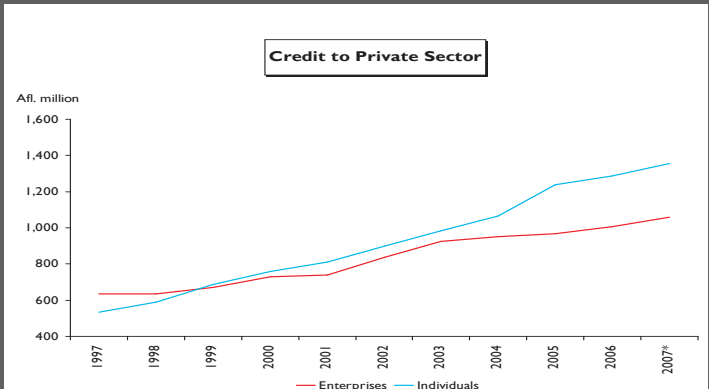
## GDP EXPECTATIONS

The economic activities, on Aruba, declined somewhat in the second quarter in comparison with the same quarter a year ago. The Partial Economic Activity Index ("PEAI") showed a decrease of 2%, where significant decreases were reported in the Construction sector (11.8%) and the Public Administration & Education sector (11.2%). Transport, Storage and Communication also declined by 4.3%. The declines were mitigated by increases in the Trade, Hotels & Restaurants, Utilities and the Housing sector by 7.0%, 3.8%, 2.6% and 2.9% respectively.

### Outlook 2007/ 2008

Estimates on the economic performance for the year 2007 are still inconclusive and the real growth is estimated at approximately 2.0%

## BANK LOANS EXPANSION



**Credit** at the end of December 2007 to enterprises, increased by 0.9% compared to the previous month and 5.2% compared to the same month a year earlier. Credit to individuals grew by 5.5% in December 2007 compared to the same month a year ago. Of the credit to individuals, the mortgages grew by 5.5%, while the consumer credit grew by 5.4% in December 2007 compared to the same month of the previous year.

(2006: 2.4%). This is caused by a recovery in the stay-over tourism together with an increase in the room supply. The construction industry has become an increasingly important economic sector for Aruba, where an average growth of 10% was experienced in the period 2002-2006. In 2007, construction activity remains heightened and it is estimated that private investment experienced a real growth of 2.7% in 2007. Preliminary estimates show an expected real growth of the Aruban economy in 2008, towards around 3.8%, mainly due to large supply in hotel and timeshare rooms expected and already in place. Private investments are estimated to again increase by a real growth of 2.7% in 2008, contributing greatly to the expected economic performance, mainly due to the condominium supply and real estate.

Something for your Company?.....How to hedge against inflation as a business owner.

According to eHow the following steps could protect your business from the threat of inflation: **1.** Obtain a variety of one-year economic forecasts. Try to gauge the overall inflation rate and the rate of inflation for the specific goods and services your business requires. **2.** Know that inflation won't occur uniformly. Energy prices might soar while prices of other products remain flat. **3.** Evaluate your projected costs and revenues for the coming year. Be sure to adjust them for the effects of inflation, again keeping in mind that the impact on your business will vary with the kinds of goods and services you buy. **Continue on page 9....**



## 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
- Surveys and Research
- Mergers & Acquisitions
- Venture Capital
- Capital Raising
- Valuation
- SME Program
- Advisory to the Government

## Information

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## Eco Corner:

**As energy prices** continue to climb, researchers are stepping up their efforts to turn black, dirty coal into a green, clean fuel of the future. Burning coal releases greenhouse gases that have been linked to global warming. But researchers are finding ways to convert coal into a zero-emissions source of electricity. A key to achieving this, is to capture the carbon dioxide and send it underground instead of releasing it into the atmosphere. Many technologies now being developed are trying to perfect this so-called carbon-capture technique. "To reduce [emissions] to zero, you've got to capture the carbon and stick it in the ground," Couch said. In Europe the world's largest prototype carbon-capture coal plant opened in Esbjerg, Denmark. The goal of the pilot plant is to develop technology that will allow the European Union (EU) to reach its target of capturing and storing 10 percent of its total carbon dioxide emissions and 30 percent of the CO<sub>2</sub> produced by conventional power stations.

**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.

.....**Continuation of page 8**.....**4.** Cut costs. If energy costs are soaring, look for ways to reduce your use of costly fuels. **5.** Step up marketing efforts. More than ever, you will need to convince consumers that your products and services are essential. **6.** Reduce production/ import of non-essential goods and services, which will be harder to sell during inflationary times. **7.** Keep in mind that your investors will demand higher rates of return during inflationary times. If inflation is at 4 percent, they might be content with returns of 10 percent. But if inflation reaches 6 percent, they might insist on returns of 12 percent.

**8.** Consider borrowing money instead of issuing stock. In periods of high inflation, it often is more cost-effective to raise money by issuing debt instead of stock.

## 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 <sup>(3)</sup>	92,676	93,945	96,207	99,109	102,149	103,484	104,494
Nominal GDP**	3,437	3,475	3,618	3,983	4,159	4,334	4,696
Nominal GDP per Capita** (in Afl. per person)	37,086	36,990	37,606	40,188	40,715	41,881	44,940
Percentage Change in Real GDP**	-0.7	-2.6	2.2	10.5	0.8	1.4	2.0
Inflation (percentage change in Consumer Price Index)	2.9	3.3	3.7	2.5	3.4	3.6	6.0
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	1589.6
Total Visitor Arrivals (in thousands) <sup>(9)</sup>	1,176.2	1,197.6	1,184.2	1,304.5	1,285.3	1,285.8	986.7
Stay-over Visitors (in thousands) <sup>(9)</sup>	691.4	615.4	641.9	728.2	732.5	694.4	504.9
Visitor nights (in thousands) <sup>(9)</sup>	5,144.6	4,862.6	5,097.6	5,639.9	5,692.7	5,470.5	3,900.4
Cruise Visitors (in thousands)	484.8	582.2	542.3	576.3	552.8	591.5	481.8

### EXTERNAL SECTOR

Total exports (F.O.B.) (excluding oil sector exports) <sup>(3)(4)</sup>	266.45	229.58	146.96	142.25	182.20	221.20	110.10
Total imports (C.I.F.) (excluding oil sector imports) <sup>(3)(5)</sup>	1,496.86	1,507.42	1,515.18	1,563.59	1,841.03	1,884.43	1,436.27

### PUBLIC FINANCE

Total Revenue	731.8	754.7	988.6	835.9	908.9	973.0	1,037.2
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>	-4.1%	-2.2%	4.2%	-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%	42.8%	45.0%	45.8%	44.3%
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>(3)</sup>

	103.3	100.3	101.9	105.3	111.1	109.8	109.3
Utilities	112.3	113.3	115.5	116.2	120.6	120.6	123.3
Construction	87.9	82.4	93.8	87.6	128.2	124.7	106.9
Trade	88.9	87.1	83.2	86.0	82.8	79.9	88.3
Hotels & Restaurants	107.5	101.5	105.5	116.1	118.0	115.1	119.9
Transport	107.7	107.3	105.0	114.5	112.1	112.1	109.5
Housing	110.5	113.6	116.5	119.5	123.5	127.6	130.3
Public administration & Education	113.2	104.2	104.3	106.2	109.6	106.2	100.6

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

\* year-to-date up to December 2007, unless otherwise stated in this table (including for the charts in Economic Trends)

\*\* 2007 Estimate IMF

(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 3rd quarter of 2007.

(3) 2007 up to 4th quarter.

(4) Recorded on a "Free on Board", or "F.O.B.", basis as sold at the time the exported goods are shipped. Up to 3rd quarter.

(5) Recorded on a "Cost, Insurance and Freight", or "C.I.F.", basis. Up to 3rd quarter.

(6) including the change in unmet financing requirements

(7) Up to 3rd quarter in 2007 and measured against nominal GDP estimates of 2007.

(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) Up to 2nd quarter 2007.