

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.

It is already one year ago since we have initiated with the publishing of the EIT, which is issued quarterly. The spotlight of this quarter is positioned on the competitive advantage a company has to create in order to survive in the increasing global and local competition. The main article is presented in the Investment Trends section.

The Consumer Trends section presents as usual the findings of AIB's consumer survey, on the shopping behavior and spending patterns of the population. New in the Consumer Trends is the analysis on Consumer Confidence, which will lead to the calculation of an Index. More to this new analysis can be read in the Consumer Trends.

The current development in tourism, inflation, trade, taxes as well as an outlook of the GDP is showed in the Economic Trends section. In the spotlight this quarter is the further acceleration of the inflation figure and the significant decrease in the imported value. Highlighted in this section is also the perception of the demand and supply of the retailers on Aruba.

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

Aruba, May 2008 AIB EIT Issue 5

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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.

INVESTING TO CREATE COMPETITIVE ADVANTAGE THROUGH SERVICE

Due to increase in global and local competition it is becoming progressively more important to distinguish your company from its competition through having unique products and services, improving service level, increasing efficiency, lowering prices and mark-ups, but maybe most importantly keeping customers happy.

MAXIMIZING SYNERGY

Trying to get the best competitive advantage

1+1=3

In March & April of 2008 a retail survey* was conducted by AIB EFS in which the competitiveness of the retail sector was assessed:

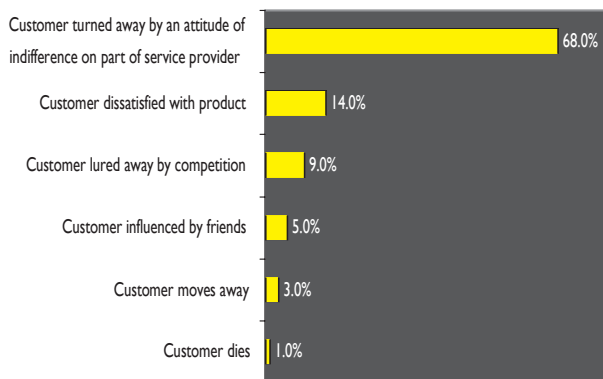
- The survey showed that in the past two years 25% of the businesses surveyed have felt an increase in the competition within their branch. Another 14.6% have not felt any change in competition. The remaining businesses did not respond to this question.
- Of those surveyed, 20.8% perceive the competition level of their business to be high. 15.6% perceive the competition to be average while only 3.1% perceive the competition of their business to be low.

*Note: survey did not cover other sectors than the retail sector of Aruba

Noting that competition has increased in the past few years and will surely continue to increase in years to come it becomes more important to ensure satisfied customers and to create a competitive edge. According to research done by the American Society for Quality, 68% of those surveyed said that they turned their backs on a company where the employees treated them indifferently or with an attitude.

CUSTOMER RETENTION

Why companies lose customers



Source: American Society for Quality

By retaining a customer a business can maintain or increase revenue at a lower cost than by attracting new customers. Therefore, current companies increasingly invest in IT, Human Capital, Advertising and improving their overall service trying to increase customer retention in order to ensure success (revenue) and continuity.

Service

Attracting new customers is as mentioned more expensive and can often cost five times more than retaining current customers, depending of the type of business and the complexity and/ or uniqueness of

the products or services sold by the respective business. Especially in case the needs of the existing customers are static, servicing them successfully is easier and of greater essence.

Benefits of customer retentions:

- It can cost five times more to acquire new customers vs. retaining current customers through satisfying them.
- The average company loses 10% of its customers each year.
- A 5% reduction in customer defection rate can increase profits by 25% to 125%, depending on the type of business you are in.
- A customer's profitability tends to increase over the life of a retained customer.
- A 2% increase in customer retention has the same effect on profits as cutting costs by 10%.

The importance of servicing and satisfying a customer should be the main focus of all employees of a business and should not differentiate with one's title, as everyone of a business can have an effect on retaining or turning away a customer.

Additionally the customer service needs to be consistently of high value.

Some examples are given of investments which can be made to improve a company's service and increase customer retention:

- Loyalty programs

Customer loyalty programs are becoming increasingly more popular and are aimed to retain customers and increase sales, thereby improving company's results. The supermarket point system reward, mileage accumulating point systems, frequent flyer programs are a few examples. When introducing a loyalty program some matters should be thoroughly considered:

- Program should add noteworthy value to customer.
- Not surpassing personal privacy issues of the customers.
- Should be able to collect significant data and this should be strategically analyzed and applied to company's strategic planning. The collected data is more accurate than market research information.
- As the local market is fairly small, if you are a small company you should form part of larger loyalty program which includes more companies.



- Quality insurance program

As the competition is increasing one can distinguish one's company through improving its service by certifying the company. Therefore the company insures delivery of higher quality of products and service. Some examples of certification are certifications for restaurants or other food suppliers, product quality certification, service certification, maintenance certification.

- Information/ help desks & tailored services

To put that extra person or department available for providing information or helping customers with questions or complaints often seems like too much. But by making personnel available for assisting clueless customers or even customers with complaints can avoid these customers from walking away from your business for good and going to your competitor. This is especially the case if your products and services are more complex. Investing in training personnel to be able to help out customers specific requests is also essential as a clueless employee can be a turn-off.

Areas which can be invested in include tailoring the products and services as much as possible to deliver fitting solutions. Take time to find out the real problems of your customers to be able to solve them. Try to synchronize your options in order to be able to solve problems of various customers at the same time and therefore cutting back on costs. Invest in new products and services, even some which will not directly increase sales, in order to provide a wider range and therefore increasing revenue growth. Stick to quality and consistency when this is important to the customers.

- Information Technology (IT)

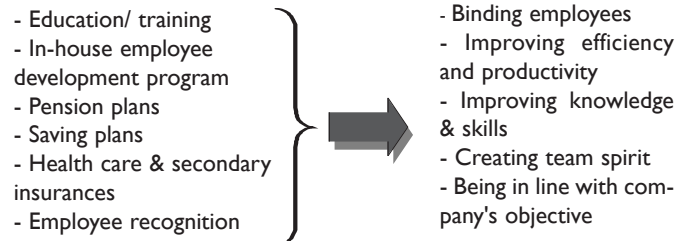
Investing in information technology to create a database is a great way to getting to know the customers' purchasing patterns. The availability and accessibility of this information can help a company to target the customers better with tailor-made offers. The IT system can ensure maintaining minimum stock levels especially those with seasonal fluctuations, which improves overall stock management.

- Human capital

The employees are those in contact with the customers. It needs to be recognized that investing in human capital is just as important as investing in assets, such as buildings, equipment, and land and has an effect on the service of the company. Systems need to be created to recruit, reward and develop the primary human assets of a business in order to ensure the success and continuity of a company. It is also important to note that the importance of investing in human capital does not only stop at investing in a company's own employees but

needs to be stretched to a company's suppliers and customers as well. Creating a good relationship with these people can have long term effects on a company's revenue.

Therefore, a business should evaluate the importance of its human capital and set-up a mix creating synergy where employees and third parties feel treated as valuable human capital.



Strategic alliances and advertising remain import tools for potential-ly increasing revenue, but next to the above investments, the effects are far greater.

Conclusion

While keeping the expenses of a company in check many aspects with regards to investing in service and human capital can greatly affect the revenue of a business. It is important to find the right mix with the goal in mind to improve the customer satisfaction and therefore customer retention of your company.

"The best way to hold your customers is to constantly figure how to give more for less," by Jack Welch.

CONSUMER SHOPPING BEHAVIOR

Introduction

In April of this year, the first consumer survey for 2008 was conducted amongst 100 Aruban households. This is the 5th survey of a series of quarterly surveys that AIB Economic and Financial Services has been conducting since the first quarter of 2007. A few basic questions have remained the same throughout the quarters, but each quarter some of the questions are replaced by a new set of questions in order to explore certain current topics. We have always indicated the importance of assessing consumer behavior and have studied the impact that the islands' economic situation may have on such behavior. Another important indicator to a country's economic condition is the consumer confidence. For the first time, questions to measure and calculate the consumer confidence have been included in the consumer survey. These set of questions are permanently added to the survey and an index will be calculated based on the answers provided by the survey participants. Another new topic that is discussed in this segment is the consumer's perception of the local retail market. Is there enough variation amongst the retail stores? Are certain segments already saturated? These are questions that

replaced those on consumer credit and saving habits. 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, as well as the retail related questions, were open-ended.

Every quarter a different sample group is used for the survey, therefore the results of 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.

It has to be noted that the survey coincided with a period of turbulence amongst the population, with a public worker's strike that had been ongoing for a few weeks already and at which point no obvious solution was in sight. We cannot be oblivious to the fact that this may have caused an unusually pessimistic feeling amongst the general population which may have influenced their answers. The cost of utility has remained constant throughout the first quarter of the year, the cost of food and gas however, have seen their share of price increases during this same period of time.

Demographics of the Survey Participants

There are a total of 36,000 households in Aruba, of which 100 were surveyed successfully divided over 6 regions* as seen in table 1. The majority of the people surveyed resided in Oranjestad followed by Savaneta with 27% and 19% respectively. The average household size of surveyed consumers was 2.9, which is relatively close to the actual average household size of Aruba of 3.1, based on CBS statistics. 3% of the participants were less than 35 years of age, 38% were between the ages of 35 and 54, while 59% were over 55 years of age. Table 2 shows the total household income distribution amongst the respondents.

Table 1: Regional distribution of survey participants

Noord	18%
Oranjestad	27%
San Nicolas	15%
Santa Cruz	14%
Paradera	7%
Savaneta	19%
Total	100%

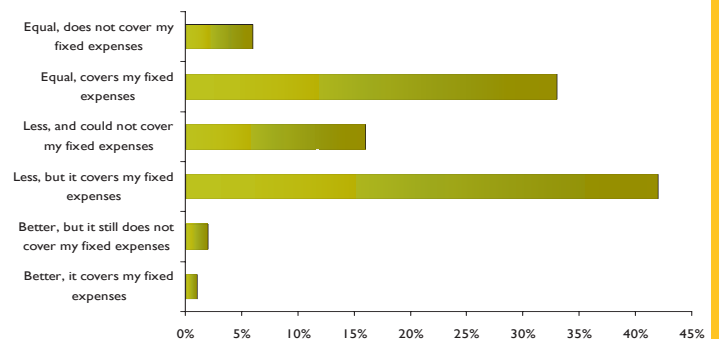
Table 2: Total gross monthly income per household in Afl.

> 1,500	15%
1,500 - 3,000	32%
3,000 - 4,500	23%
4,500 - 6,000	12%
6,000 - 7,500	8%
< 7,500	6%
n/a	4%
Total	100%

Consumer Behavior

There are many public outcries of concerned consumers relating to their inability to keep up with their monthly expenses, and when we asked this randomly selected group of survey participants on their take of this situation, these were their answers: 42% have personally experienced a decrease in their ability to pay their fixed (Define fixed) monthly expenses, but yet are still able to comply with payment of these expenses. Another 33% did not feel any change in their ability to pay for their expenses and only 1% of all the participants is actually better able to cover their fixed expenses compared to the previous quarter. The other 24% stated that they are simply not able to pay their fixed expenses.

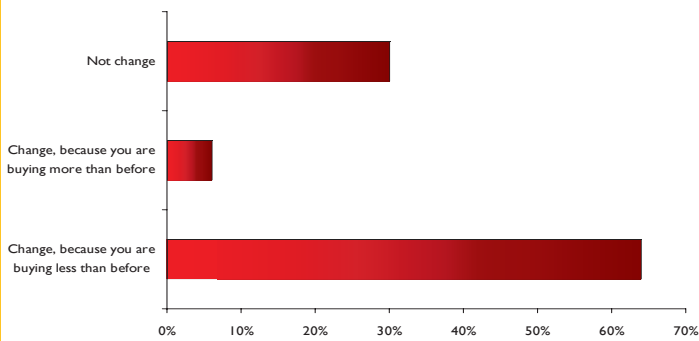
Your Income's Ability to Cover Your Fixed Monthly Expenses



Consumer Comments:

"I had to take a second job, because we could not make ends meet" and "my two youngest sons also had to start working in order to help with expenses" are comments that we received from the survey participants.

Your shopping behavior in the 1st quarter of 2008 did:



How are consumers dealing with the price changes? According to

the survey responses, 64% of the consumers are buying fewer products than the prior quarter and of those 64%, 92% say that it's due to external factors, such as prices and economic situation. 30% of all the participants mentioned that they did not adapt their shopping patterns and are buying the same amount of products as before. Only 6% of all respondents are buying more products and it's mostly due to internal factors such as changes in family composition.

Consumer comments:

"We are continuously scratching off items from our grocery list, but yet the amount we pay at the cashier does not seem to go any lower"

Consumer Spending

The average monthly grocery bill per household for the 1st quarter was Afl. 791 according to the survey results. In the last survey, held in December of 2007, this amount was Afl. 763. And while it has to be noted that it is not the same group of people that has been surveyed, an increase in food expenses was surely expected. The Food group in the calculation for the CPI has increased by 2.2% in the first quarter of 2008. This is second highest only to the Housing group which increased by 2.3%.

The effects of last year's price increase of basic commodities such as eggs, butter and milk have been felt throughout the 1st quarter of 2008 and these price increases have consequently caused other food items to increase as well.

The average utility bill per household of the survey respondent was calculated at Afl. 545 which is also slightly higher than the Afl. 541 calculated from last quarter's survey. And while February and March experienced no increase in the cost of utility supplies, January did see an increase in price compared to December of 2007. For a quarterly average, this means that for the 1st quarter of 2008 an increase of about 5.53% was experienced in water expenses (based on an average household consumption of 20m3 p/m) and the electricity bill

increased by about 7.96% (based on a household consumption of 600 Kwh p/m).

How much did the survey respondents spent monthly on non essential expenses for the 1st quarter of the year? 42% claim to have spent absolutely nothing on otherwise unnecessary items, as they mention that there is hardly any money left over for such expenses once all the bills have been paid. An overview of the responses can be seen in table 3.

Table 3: Average monthly expenditures on groceries, utilities and non-essential expenses

Afl. p/m	%	Afl. p/m	%	Afl. p/m	%
≤200	1%	≤150	4%	≤150	4%
201-400	23%	151-300	24%	151-300	24%
401-600	17%	301-450	19%	301-450	19%
601-800	13%	451-600	19%	451-600	19%
801-1000	23%	601-750	6%	601-750	6%
≥1001	15%	751-900	12%	751-900	12%
Unknown	8%	≥1001	12%	≥1001	12%
		Unknown	4%	Unknown	4%

Consumer's Perception on the Retail Sector

The retail industry in Aruba has seen its share of turbulence in the past year. With the continuous increase in prices, retail stores are struggling to remain competitive based on pricing while having to attend to the price conscious consumer. Retail stores need to start looking down other avenues and find a competitive advantage that will allow them to stand out amongst the rest. One way to differentiate themselves from the rest is through variation of products. The consumers were asked through this survey if they thought that there was enough variety of products amongst the local retail stores and 48% said no. Of those 48%, 48% would like to see more variety in the clothing and footwear segment and 40% mentioned that there is a lack of variety amongst non-specialized stores, referring mainly to supermarkets.

Next, the participants were asked if they felt that any of the retail segments were already saturated and 67% felt that there were saturated segments. Of these 67%, 55% finds that the segment of non-specialized store has clearly been overpopulated, even though it was identified that product variety was limited. This segment includes supermarkets which have now also transformed into department stores that sell all types of products, from toys to household appliances. Another 22% stated that there is saturation in the segment of specialized stores, in particular jewelry stores, and 18% mentioned that there are too many clothing stores, and yet not enough variety amongst them.

Consumer Confidence

As mentioned earlier, starting this quarter a new set of 5 questions were permanently added in the consumer survey. The answers to these questions will lead to the calculation of the Consumer Confidence Index (CCI). The CCI is an important indicator of the local economy, as it measures the consumer's perception and expectations on the present and future economic situation of the country. Countries such as the United States and the Netherlands conduct this survey on a monthly basis and historically their index patterns have correlated with that of the economy's overall trend. If a consumer is confident in the economy, he will spend more money, therefore increasing the demand which in turn will trigger higher production. If a consumer lacks confidence in the economy, he will not spend as much, but rather save his money for the bleak future that he perceives to be on its way. The consumer confidence survey always consists of 5 questions, of which (in our case) 2 relate to the present conditions, and 3 to the expectations for the future. There are 3 answers to choose from: Positive, Negative or Neutral. The neutral answers are not considered when calculating the index.

Since this is the first time these set of questions were included in the survey, no index can be calculated yet, as these results will found the basis for reference of future survey. However the answers themselves will give a clear indication of the survey respondents' perception of the economy.

The first question indicates a consumer's willingness to spend money on big ticket items, such as household appliances. 45% of the respondents answered that now is not a good time to buy such items, while 12% said that it is a good time to buy.

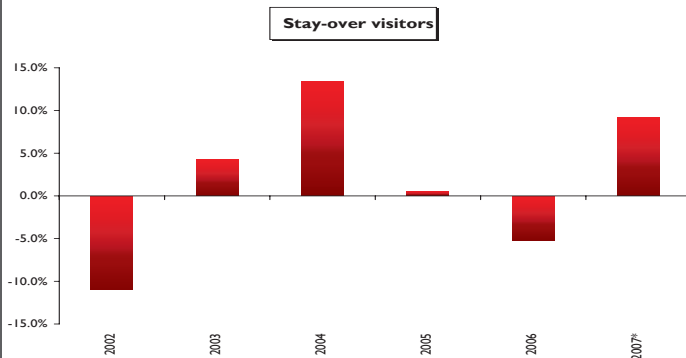
The participants were then asked to compare their current financial situation to that of 6 months ago and 59% said that they are financially worse off now, while 9% say that now they are better off. For future expectations of their financial situation, 51% said that they expect to be worse off 6 months from now, and 9% answered that they will be better off.

The overall business conditions in Aruba for the next 6 months will be experiencing some bad times, according to 43% of the respondents, while 18% believe that there will be good times coming for the next 6 months for the overall business conditions. When the participants were asked what is the most likely to happen in Aruba within the next 1 to 3 years, 35% believed that there will be periods of high unemployment and depression, and 21% believed that there will be continuous good times for the coming years.

“In the old days a man who saved money was a miser; nowadays he's a wonder”, Author Unknown.

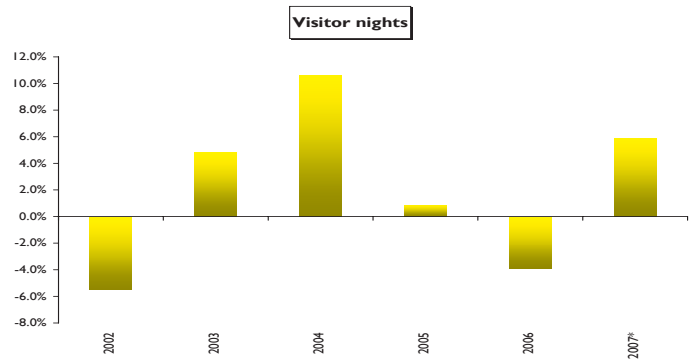
TOURISM RISING

Stay-over tourism, according to the latest figures available of the Aruba Tourism Authority (ATA), experienced a double digit increase of 14.2% in October 2007 compared to the same month of the previous year conducting to an increase of 9.2% during the first 10 months of 2007 compared to the same period of the previous year. Until October the US stay-over visitors increased by more than 23,500 as compared to the same period a year before, followed by the Venezuelans which increased with around 16,000. Aggregated Europe increased by 4,800 tourists in the period under review, of which Spain and UK increased the most by 2,400 and 2,300 tourists respectively. While no later statistics are published by ATA, the foreign airport arrivals reported by the CBS are used as an indicator to follow the trend in the tourism industry for the remaining year. When adjusting the foreign airport arrivals for November and December 2007 with the average difference between the actual stay-over arrivals, as reported by ATA, and the airport arrivals over the first 10 months the year-to-date increase for 2007 is estimated to have been around 10.5% as compared to 2006. Airport arrivals up to the first 4 months of 2008 increased by over 20% as compared to the same period in 2007 indicating that the upward trend experienced in 2007 in the stay-over tourism continued in the first few months of 2008.



Visitor nights, until October 2007 increased with 6.2%. The average length of stay until October 2007 decreased to 7.6 nights from 7.9 nights reported for the same period in 2006. Based on the data available to date the average length of stay could have further decreased in 2007 to 7.4, based on an average occupancy of 2.9 stay-over visitors per room night, while the occupancy rate of accommo-

modation in 2007 increased with 0.9 percentage points to 77.8% from 76.9% reported in 2006.



Reported figures by the Caribbean Tourism Organization, indicate an overall increase in the stay-over tourism market in the Caribbean region for 2007 as compared to the same period a year ago, except for major destinations like, Bahamas, Cuba, and Puerto Rico, which experienced noteworthy decreases. The ABC Islands reported significant growth over 2007, particularly Curacao, which increased by 27.9% in 2007 as compared to 2006. In general the cruise tourism in the Caribbean region experienced an increase for the year 2007, while major destinations like Aruba and Jamaica reported significant decreases of 18.5% and 11.8% respectively.

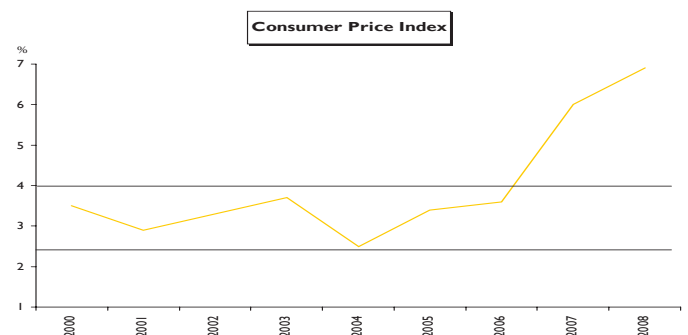
Cruise tourism in Aruba as already mentioned above decreased with 18.5% in 2007 as compared to the same period in 2006, mainly caused by the cancellation of the Carnival Cruise lines beginning of 2007, although this impact was diminished by new, smaller, cruises arriving in Aruba. Cruise figures experienced a significant increase of 34.7% in the first 4 months of 2008 as compared to the same period of the previous year. The level of 327,540 cruise visitors reported in the first 4 months of 2008 are even higher than the level reported over the same period in 2006. The cruise ship calls increased until April 2008 with 24.7% as compared to the same period a year ago. The steeper increase in the number of cruise visitors as compared to the ship calls, indicate an increase of the number of passengers per ship.

Tourism receipts increased with 16.5% to Afl. 2,244.3 million up to the fourth quarter of 2007 compared to the same period in the previous year.

THE INCREASE CONTINUES

The end-of-period **Inflation** rate in 2007 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%. The inflation in 2008 increased further in the first 3 months of the year. In the first 3 months inflation rate increased respectively with 8.1%, 8.7% and 8.5% as compared to the same month a year ago conducting to a 12 month average inflation rate of 6.9% until March 2008. The year-to-date inflation until March is 1.75% lower than the year-to-date inflation reported in the corresponding period of the previous year (3.4%). The year-to-date inflation in 2008 is mainly attributed to increases in the categories Housing group, Food and Clothing & Footwear, which increased year-to-date respectively by 2.3%, 2.3% and 1.9%. The sub-categories in the Housing group which increased the most are the

domestic fuel & power (3.5% YTD), which includes electricity and water supply (3.7% YTD). These are all greatly influenced by the increases in global oil prices.



VOLUME DECREASING

Trade, according to the Partial Economic Activity Index (PEAI), increased by 10.4% in 2007 compared to 2006 after two consecutive decreases in 2005 and 2006. The value of total import in Aruba for 2007 experienced an increase of 7.0% attributed to an increase of 8.0% in the merchandise import to Aruba, whereas the import through the free zone Aruba decreased by 6.3%. Noteworthy to mention is that the volume of the imported goods, on the other hand, decreased by 21.8%, indicating a price increase in either the international market of the imported goods or an increase in the transportation costs or a combination of both. The latter is most likely as both the production costs and the transportation costs are affected by the high oil prices.

From our retail survey conducted in March/ April 2008 we would like to highlight the aspect of the supply and demand side as perceived by the retailers of their respective sector in the retail industry. According to most retailers across all sectors there are sufficient suppliers to cater to the demand; however the majority of retailers in the retail of non-specialized stores (supermarkets, minimarkets and department stores) identified even an oversupply of products. According to 50% of the retailers surveyed, though, the market is not

adequately supplied and this is mainly due to lesser products being offered against higher prices. On the demand side most retailers believe that there is an average demand on the products they supply. The retailers of Specialized Goods and Souvenirs & Handicrafts, however, claim that the demand in their sector is low to very low. It is assumed by the retailers of Specialized Goods that the demand in their sector is low due to a decrease in the purchasing power of the consumers, where the priorities of the consumer shifted to less luxurious items. The low demand in the Souvenirs & Handicrafts is perceived to be, by the retailers surveyed, mainly due to the quality of tourists arriving on Aruba who are not spending as much as before.

Import duties in 2007 decreased with 2% as compared to 2006, despite the increase in value of the imported goods in 2007. This is probably the effect of the tariff changes, which were introduced in the beginning of 2007. In the first quarter of 2008 the import duties increased with 3.9% to Afl. 37.1 million as compared to the same quarter of the previous year indicating either increased activities in the trade or again price increases abroad which affected the import duty base values.

TAXES RISING

The total government tax revenue increased up to March 2008 with 24.9%, to Afl. 250.5 million from Afl. 200.7 million reported in the same period of the previous year. The increase in the government tax revenue is mainly attributed to an increase in the turnover tax of Afl. 24.5 million up to March 2008 compared to the same period a year ago, followed by an increase of Afl. 17.3 million on taxes on income and profit. Taxes on property increased up to March with Afl. 4.3 million mainly attributed to an increase in land tax of Afl. 2.5 million. Decreases were reported on excises on Gasoline and Tobacco leading to a decrease in the taxes on commodities.

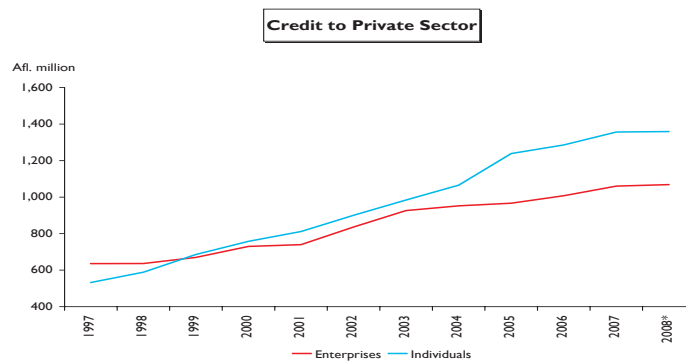
“It is better to invest in an A person with a B product than in an A product with a B person”
by Georges Doriot, venture capitalist.

GDP EXPECTATIONS

Preliminary findings for 2007 show that some economic activities such as trade and construction have lowered compared to 2006, while the tourism industry performed much better in 2007 as compared to 2006. Due to the improvement of the tourism industry and its impact on the total economy of Aruba the overall economic per-

BANK LOANS

Credit to enterprises at the end of March 2008, increased as compared to the previous month with Afl. 24.7 million to Afl. 1,090.2 million and with Afl. 68.0 million compared to the same month a year earlier. Credit to individuals grew as compared to the previous month with Afl. 7.3 million to Afl. 572.6 million, of which the consumer credit grew with Afl. 8 million, while the mortgages decreased with Afl. 0.8 million in March 2008 compared to the previous month of the same year. As compared to the same month a year earlier credit to individuals grew with Afl. 65.8 million.



formance is estimated to have improved in comparison to the year before, reaching a GDP real growth of around 2.1% in 2007. The estimated growth in 2007 is in line with the Business Perception Index as published by the Central Bank of Aruba.

“It’s not what you own that counts; it’s what you know”, by David Owens.



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:

Ethanol: Corn or Sugar?

While the idea of using corn for the development of ethanol may have seemed very attractive at first, its effect on food prices has been less than desirable. Corn is slowly becoming a precious commodity in high demand, which is causing its price to soar. Farmers, who also use corn to feed their livestock, are finding it increasingly difficult to maintain their prices and as a result the prices of beef and poultry are also increasing. As more land is used to grow corn rather than other food crops, such as soy and wheat, their prices also rise. The development of corn-based ethanol however is not the only cause of food price increases. Natural disasters have also been a major cause behind the increase of food prices, as many crop fields have been destroyed thereby decreasing the supply of staple food items such as rice.

An alternative to corn-based ethanol, is ethanol made from sugar cane. It produces far more energy than is needed to grow it, and Brazil, the main producer, has plenty of land available on which to grow sugar without necessarily reducing food production or encroaching on rain forests.

Public fountains are dry in Barcelona, Spain, a city so parched there's a €9,000 (\$13,000) fine if you're caught watering your flowers. A tanker ship docked there this month carrying 5 million gallons of precious fresh water - and officials are scrambling to line up more such shipments to slake public thirst.

Something for your Company?.....**Simple ways to retain great employees.**

According to Susan Heathfield, a Human Resources expert, key employee retention is critical to the long term health and success of your business and consist, among others, of the following:

- A satisfied employee knows clearly what is expected from him every day at work. Changing expectations keep people on edge and create unhealthy stress.
- The quality of the supervision an employee receives is critical to employee retention. People leave managers and supervisors more often than they leave companies or jobs.
- The ability of the employee to speak his or her mind freely within the organization is another key factor in employee retention. Does your organization solicit ideas and provide an environment in which people are comfortable providing feedback?
- The easiest to solve, and the ones most affecting employee retention, are tools, time and training. The employee must have the tools, time and training necessary to do their job well - or they will move to an employer who provides them.

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	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**	-0.4	-2.1	0.5	7.4	1.0	0.6	2.1
Inflation (percentage change in Consumer Price Index)	2.9	3.3	3.7	2.5	3.4	3.6	6.0
Unemployment Rate ⁽¹⁾ (percentage)	6.5	8.1	7.8	7.3	6.9	n.a.	n.a.

TOURISM

Tourism receipts ⁽²⁾	1,605.1	1,616.7	1,523.9	1,889.6	1,953.0	1,926.2	2,244.3
Total Visitor Arrivals (in thousands) ⁽⁹⁾	1,176.2	1,197.6	1,184.2	1,304.5	1,285.3	1,285.8	1,108.3
Stay-over Visitors (in thousands) ⁽⁹⁾	691.4	615.4	641.9	728.2	732.5	694.4	626.5
Visitor nights (in thousands) ⁽⁹⁾	5,144.6	4,862.6	5,097.6	5,639.9	5,692.7	5,470.5	4,785.4
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) ⁽⁴⁾	266.45	229.58	146.96	142.25	182.20	195.05	175.53
Total imports (C.I.F.) (excluding oil sector imports) ⁽⁵⁾	1,496.86	1,507.42	1,515.18	1,563.59	1,840.88	1,863.99	1,994.81

PUBLIC FINANCE

Total Revenue	731.8	754.7	988.6	836.1	909.1	985.2	1,028.1
Total Expenditure	717.0	866.0	919.3	1,180.4	1,034.0	1,097.6	1,070.2
Overall Surplus/(Deficit) ⁽⁶⁾	-141.8	-76.1	150.9	-249.5	-165.1	-65.2	-94.1
Overall Surplus/(Deficit) as a Percentage of GDP ⁽⁷⁾	-4.1%	-2.2%	4.2%	-6.3%	-4.0%	-1.5%	-2.0%

PUBLIC DEBT AND INTERNATIONAL RESERVE

Total Public Sector Debt ⁽⁸⁾	817.6	900.4	826.1	1,712.10	1,890.30	2,019.50	2,143.00
Total Public sector Debt ⁽⁸⁾ as a Percentage of GDP ⁽⁷⁾	43.1%	47.1%	41.1%	43.0%	45.5%	46.6%	45.6%
Net International Reserves in months of imports	6.3	7	6.6	6.2	5.5	5.2	5.9

PARTIAL ECONOMIC ACTIVITY INDEX (PEAI)⁽³⁾

	103.3	100.3	101.9	105.3	111.1	109.8	109.0
Utilities	112.3	113.3	115.5	116.2	120.6	120.6	123.7
Construction	87.9	82.4	93.8	87.6	128.2	124.7	112.2
Trade	88.9	87.1	83.2	86.0	82.8	79.9	88.1
Hotels & Restaurants	107.5	101.5	105.5	116.1	118.0	115.1	120.9
Transport	107.7	107.3	105.0	114.5	112.1	112.1	110.2
Housing	110.5	113.6	116.5	119.5	123.5	127.6	131.0
Public administration & Education	113.2	104.2	104.3	106.2	109.6	106.2	93.7

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), except for the charts including 2008, which include up to March 2008

** 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.

(3) Figures for the 3rd and 4th quarter are provisional.

(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) 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 October 2007, including tourism charts in Economic Trends. Except for the total visitors which comprises of the cruise visitors (up to December) and the stay-over visitors (up to October).