

EDITOR'S NOTE

The objective of this publication, which is aimed to be issued on a quarterly basis, is to provide you with the economic and investment development of Aruba, which could be used as an instrument to support important business decisions or important decisions related to a project.

This quarter the topic chosen to be presented in the Investment Trends is the current global economy, which is fed by the consumer and business confidence. This in light of the uncertainties related to the economic conditions globally spooked by the credit crises.

AIB's quarterly consumer survey, on the shopping behavior and spending patterns of the population, is presented in the Consumer Trends section. This issue the focus of the consumer survey is on the results of the 3rd and 4th quarter, as the 3th quarter has not been published yet. Additionally, the analysis of the Consumer Confidence Index is displayed in the Consumer Trends.

In the Economic Trends section, the current development in tourism, inflation, trade, taxes as well as an outlook of the GDP is displayed. In September, tourism decreased by 5.1%, while maintaining up to September an increase of 10.4%. Although the last quarter tourism is expected to have declined the estimate for the year remain positive.

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

Aruba, April 2009 AIB EIT Issue 7

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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 2002, tourist arrivals in Aruba have increased on average approximately 2.2% per annum, with tourism receipts increasing on average approximately 6.2% per annum. Aruba's visitors comprise around 1.3 million yearly, of which 62% are stay-over visitors and 38% are cruise visitors. In 2008, around 70% of these stay-over visitors are from the US, followed by 10% from Venezuela & 5% from the Netherlands. There are over 7,300 hotel rooms on the island and there are 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

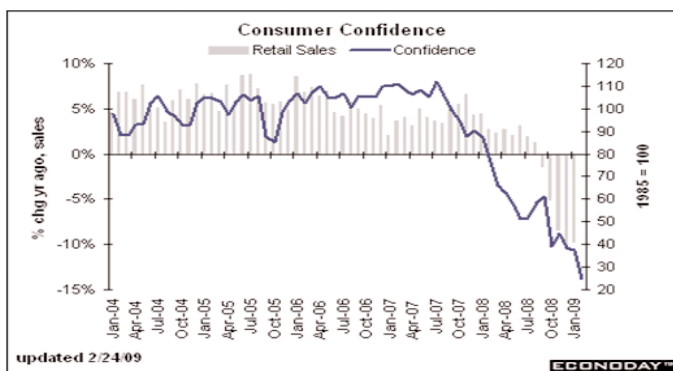
Since the 1990s inflation has been relatively steady in Aruba, where in 2006 the average inflation was 3.6%. In December 2008 there was a deflation of 3.7% due to the lowered international oil prices influencing the electricity and water bills. However, the 12 month average inflation was reported at 10.2% due to the higher international oil prices registered in the first half of the year. 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.

GLOBAL ECONOMY DEPENDING ON CONFIDENCE

The confidence of US consumers

Although the most recent release of the Conference Board Consumer Confidence Index showed a slight improvement in March of this year, which followed three consecutive monthly drops, it came in below expectations. The Consumer Confidence Index issued for March by the New York-based Conference Board edged up to 26.0 in March from a revised 25.3 reading in February, which is the worst in history since measurements began more than 40 years ago. The Consumer Confidence had fallen from 37.4 in January and is less than half its level of a year ago. The Present Situation Index declined to 21.5 in March from 22.3 last month. The Present Situation Index measures sentiments towards the current economic condition. The Expectations Index increased to 28.9 from 27.3 in February; however Consumers' appraisal of the labor market was somewhat more pessimistic in March. The percentage of consumers saying jobs are "hard to get" increased to 48.7 percent from 46.9 percent in February, while those claiming jobs are "plentiful" was unchanged at 4.6 percent. The overall state of the economy remains weak and more job losses are on the horizon. Fear about the outlook for the economy, the labor market and earnings continue to weigh heavily on consumers' attitudes.

Graph 1



It is fairly easy to see, as is depicted in graph 1, how the lack of confidence has translated into overall drops in retail sales. Sure people are spending less for gasoline than they spent a year ago as crude oil prices declined 71% from July 2008 to February 2009, however they surely aren't buying anything else in its place either. This situation, though, goes way beyond some numbers released every month because confidence is the key to a successful economy, especially the US economy, which is so heavily dependent on the consumer taking on debt and spending money. The consumer confidence index is one of the most important measures of future consumer spending expectations.

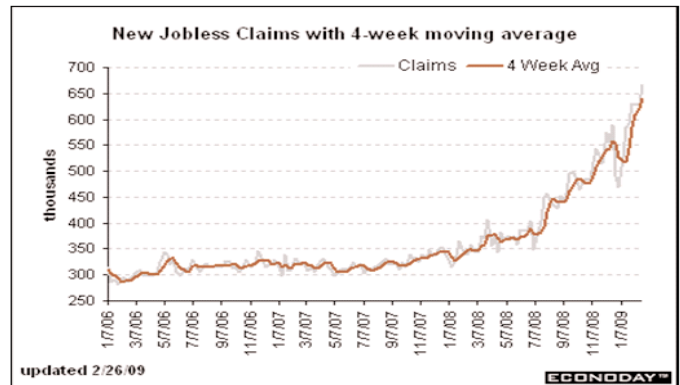
Job losses - consumer confidence killer

Job security is a major factor behind shoppers' ability and willingness to spend. The number of unemployed persons increased by 851,000 to 12.5 million in February, which lead to an increase in unemployment rate to 8.1% from 7.6% reported in the previous month. Over February the job losses were significant and widespread across nearly all major industry sectors.

Over the past 12 months, the number of unemployed persons has increased by roughly 5.0 million and the unemployment rate has risen by 3.3 percentage points. Currently, more than 600,000 Americans each week are realizing that the loss of a job is one of the most stressful events one can bear. There is an old saying that it is a

recession when your neighbor loses his job, but it is a depression when you lose yours. This is meant to underscore the effect that the loss of one's livelihood has on confidence rather than to belittle the issue of unemployment.

Graph 2



As can be expected, consumer confidence will further plunge as job losses continue to increase. Federal Reserve Chairman Ben S. Bernanke said in Washington on March 10 that it was "certainly well within the realm of possibility" that unemployment nationwide could rise above 10 percent "for a period."

Job losses are spreading from manufacturers such as General Motors Corp., Caterpillar Inc. and International Business Machines Corp. to other firms like lumber producer Weyerhaeuser Co., media companies like the New York Times Co. and even the US Postal Service. It is affecting all income brackets and professions. Noteworthy to mention is the fact that underemployed freelancers and involuntary part-timers are hidden casualties of the deepening recession as they are not reported in official unemployment statistics nor will they receive unemployment benefits. Only, in New York the free-lancers account for 15% of their workforce, which mount to approximately 590,000 free-lancers. In February, the number of people classified as working part time for economic reasons rose by 787,000, reaching 8.6 million. Over the last year such part time workers almost doubled. Since the recession began in December 2007, the economy has lost officially 4.4 million jobs, already more than the 3.5 million jobs President Barack Obama is targeting to save or create with his USD 787 billion recovery program.

US current Recession already longest in postwar period

According to the business cycle dating committee of the US National Bureau of Economic Research (NBER) recession started already in December 2007, matching the longest recession in the postwar period. According to NBER a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators which differs from the consecutive two-quarter real GDP decline rule widely used. Real GDP in the fourth quarter of 2008 declined by 6.3% as compared to the same quarter a year before, the second consecutive decline (-0.5% in Q3) and the third largest decline in GDP in 50 years.

Global Economy

The downward trend is global and data releases indicate the global economy is weakening further. Data released in Beijing showed China's exports decreased by 25.7% in February as compared to the same month of the previous year, while key Japanese machinery

orders fell for the fourth consecutive month to record the longest decline in nearly two decades. This followed the release of figures showing Japan's exports collapsed, dropping by a record 46% year on year in January.

In the meantime, French industrial production fell by 3.1% in January, which was worse than forecasted.

Total British exports fell by about 4% in January as the world's biggest economic downturn since the Great Depression helped to cancel out the benefits to UK exporters of a weak pound.

Further highlighting the deterioration in global demand, Germany, Europe's largest economy, released recently its factory orders, which fell by 8.0% month over month, from which non-Euro zone member states declined by 18.2%, while orders from Germany's partners in the 16-eurozone states edged down by a more modest 1.2% month over month. The year over year factory orders declined a significant 37.9% in January following a drop of 28.2% in December. The factory orders followed the release of German exports figures for January showing a massive 20.7% year over year slump. The lack in global demand forced German companies to scale back output and cut jobs.

Global stock markets have lost USD 5.9 trillion only this year, after about USD 28.7 trillion was evaporated from the value of world equities in 2008.

The above mentioned releases are a few amongst many which weigh on the global consumer confidence, which in turn will influence the

global consumer spending and investments. European confidence is worsening across Europe with Italian business confidence falling to a record low in March, as reported by the Isee Institute, while French consumer confidence held near a record low according to INSEE, their statistics agency. However, German consumer confidence declined in March for the first time in seven months.

Implications for Aruba

In Aruba, tourism is the conductor through which the international developments are translated in the performance of the local economic sectors. The fact that Aruba's tourist product comprises of a significant portion of time-share rooms have thus far softened the effects, as these time-share rooms have been performing relatively untouched even in the crisis. The transient hotels, on the other hand, claim to have been feeling the effects tremendously. Tourism is expected to be very much affected by the international circumstances, where currently the tourist experts are foreseeing a decline in visitors to Aruba of around 7.5% for 2009. There are mixed forecasts for planned investment activities in 2009 which might be equal or below 2008, based on current information of various projects which have halted planned activities due to the uncertainties related to the future economic conditions.

Tourism receipts are expected to decline by 13% in 2009. These elements currently translate into a forecasted 2.1% decline in real GDP, according to DEACI. The GDP indicators, however, are monitored on a continuous basis, so the forecast is expected to be altered at any time.

CONSUMER SHOPPING BEHAVIOR

Introduction

Every quarter a consumer trend survey is executed to determine certain trends and behavior among consumers. Recently, the global financial crisis has been a popular topic, which also affects the perception, confidence and behavior of the local consumers. Lingering on a similar topic, the consumer confidence is once more tested for comparison with the previous quarter. However, in the last two surveys some additional questions were added. These additional questions are related to the consumers' vacation planning, possibility of

job loss and willingness to spend additional income. This way, the degree of exasperation related to the current economic situation can be assessed. The results of the survey are merely an indication of a situation in a particular point in time as variations from one quarter to the next are likely. Each quarter different groups of 100 respondents are surveyed. Worthy to consider is the fact that the survey over the fourth quarter was conducted during the first months of 2009 implicating thus also the circumstances during that period.

Profile of survey participants

According to the latest Census, Aruba has a total of 36,000 households of which 100 were surveyed over 6 regions as seen in figure 1. The majority of respondents in the last survey resided in Oranjestad with 33%, followed by Santa Cruz with 18%, Noord with 16%, San Nicolas with 12%, Paradera with 11%, and Savaneta with 10%. The regional distribution of the survey differs slightly from the actual distribution of the population.

The groups of respondents were similarly structured based on age with '55 or older' being the largest group. For the survey over the 4th quarter, 67% were 55 or older, 29% were between 35 and 54, and only 4% were younger than 35. This is probably related that the older groups spend more time at home and are therefore more accessible by land-line phone, which is the medium for the fieldwork.

The respondents were categorized based on total household income; 47% of respondents of the fourth quarter survey have a gross income between Afl. 1,500.00 and Afl. 3,000.00, 18% between Afl. 3,000.00 and Afl. 4,500.00 and 14% less than Afl. 1,500.00, the

minority have an income above Afl. 6,000.00, which is only 8% of those surveyed.

Table 1: Regional distribution of survey participants

	Q4	Q3
Noord	16%	21%
Oranjestad	33%	34%
San Nicolas	12%	7%
Santa Cruz	18%	14%
Paradera	11%	9%
Savaneta	10%	15%
Total	100%	100%

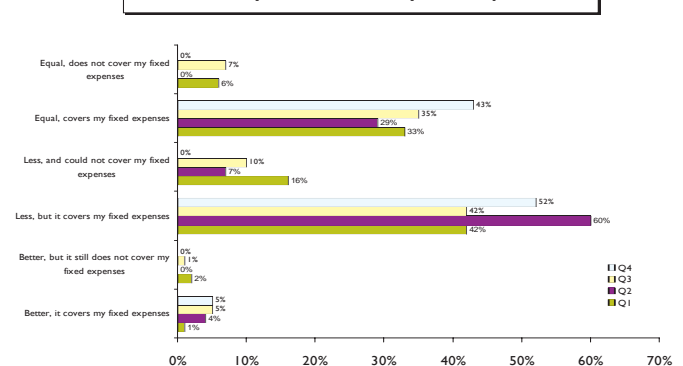
Table 2: Total gross monthly income per household in Afl.

	Q4	Q3
> 1,500	14%	19%
1,500 - 3,000	47%	33%
3,000 - 4,500	18%	19%
4,500 - 6,000	11%	15%
6,000 - 7,500	4%	0%
> 7,500	4%	6%
n/a	2%	7%
Total	100%	100%

Survey analysis: Consumer Behavior

According to the survey related to the 4th quarter of 2008, 52% of the respondents indicated their income's ability to cover their monthly fixed expenses to be less, however still covering their expenses, 43% indicated their ability to be equal and still covering their fixed expenses. If the results are compared with the previous quarter, it indicates few changes in the ability of the consumers' income to cover the monthly fixed expenses. Only 5% of the group of respondents of the fourth quarter survey indicated their ability to be better, which percentage equals the results of the third quarter survey. According to many, few changes in shopping behavior were experienced due to the increase of groceries prices. Many of the participants highlighted the decrease of oil prices as a major relief on their monthly income; however the long lasting high prices of groceries is still a heavy burden for the wallets of many households.

Income's ability to cover monthly fixed expenses 2008



Another indicator for the current financial situation is the consumers shopping behavior.

The respondents were asked to indicate if their shopping behavior has changed based on the quantity shopped during the fourth quarter compared to the previous quarter. Considering that the

Table 3: Did your shopping behaviour change compared to previous quarter?

	Q4	Q3	Q2	Q1
Change because buying less as before	73%	71%	79%	64%
Change because buying more as before	1%	5%	2%	6%
Not change	26%	24%	19%	30%
Total	100%	100%	100%	100%

groups of respondents were not the same, the results between quarters vary slightly. In the fourth quarter, 73% are of opinion that their shopping behavior changed, because they are buying less than the previous quarter, 26% feel no change and only 1% are buying more than the previous quarter.

If the results are considered representative for the whole population, it can be noted that the second quarter was felt heavier, which can be explained by the fact that the global crisis was starting to have its first appearances at the end of the second quarter, beginning the third quarter of 2008. The changes in shopping behavior were there

fore strongly felt and more noticeable for the consumers. The changes in shopping behavior are mostly due to external factors, such as increase of the cost of living; 94% of the respondents of the fourth quarter survey indicated external factors to be the main causes, while 6% indicated internal factors and other reasons.

Consumer Spending

The average monthly grocery receipt per household for the fourth quarter was Afl. 868.00, which is 13% higher than the average receipt of the previous quarters. This result is supported by the many comments given by the respondents regarding the continuous high grocery prices. Noticeable is that the Consumer Price Index (CPI) for food, increased with 4.8% in the fourth quarter compared to the third quarter and kept increasing throughout the whole year 2008 to an increase of 12.3% for all of 2008.

The average utility bill per household for the fourth quarter is Afl. 557.00, which is lower than the Afl. 651.00 calculated in the third quarter. The fuel surcharge decreased significantly, by 34.6%, at the end of the fourth quarter as compared to the previous quarter. In the survey related to the third quarter, great number of respondents indicated electricity to be their heaviest burden on their income. However, in the fourth quarter survey this burden was comforted immensely due to lower fuel surcharge.

The average non-essential expenses in the fourth

quarter were Afl. 109. This is less than the calculated average prices in the previous quarter. The monthly non-essential expenses were claimed by 64% of respondents to be less than Afl. 100, which is a higher percentage compared to the previous group surveyed in the third quarter. An overview of the household expenditure on groceries, utilities and non-essential expenses can be seen in table 3.

Table 4: Average monthly expenditures on groceries, utilities and non-essential expenses

	Groceries		Utilities		Non-essentials			
	Q4	Q3	Q4	Q3	Q4	Q3		
Afl. p/m	%		Afl. p/m	%		Afl. p/m	%	
≤200	3%	2%	≤150	6%	2%	≤100	64%	45%
201-400	17%	25%	151-300	24%	20%	101-200	17%	12%
401-600	22%	23%	301-450	16%	16%	201-300	5%	7%
601-800	17%	15%	451-600	24%	18%	301-400	5%	6%
801-1000	16%	11%	601-750	7%	10%	401-500	2%	7%
≥1001	18%	19%	751-900	7%	8%	≥501	2%	8%
Unknown	7%	5%	≥901	15%	25%	Unknown	5%	15%
			Unknown	1%	1%			

Vacation planning

To assess the degree of the current financial burden, the respondents were asked in the survey over the third quarter if they were planning to go on vacation in the following six months; 71% of all respondents are not planning to go on vacation in the following six months, while 25% is planning a vacation and 4% were uncertain. From all the respondents planning a vacation, 88% is able to cover their fixed monthly expense, while 11% is not able to cover their fixed monthly expenses. From the group able to cover their fixed expenses, 56% indicated their ability to be equal, 20% indicated their ability to be less and 12% indicated their ability to be better. The majority of respondents planning to go on vacation are able to cover their fixed monthly expenses indicating in general no peculiar or contradicting spending behavior.

Unemployment

The U.S. economy lost 651,000 jobs during February 2009; the unemployment rate from one of the most important market for the tourism sector in Aruba soared with an unemployment rate of 8.1, which is the highest level since 1983. From the 100 respondents in Aruba surveyed by AIB EFS in the fourth quarter of 2008, 20% indicated a job loss of family member(s) or their own person in the last three months, while 80% indicated no job loss. From those who have not experienced any job loss in the family, only 5% indicated a possibility to lose their jobs in the upcoming 3 months, while 95% indicated to have a stable employment. Generally those in the 5% group who indicated a possibility to lose their job were mainly active in the tourism sector. Noteworthy is that unemployment indicators simply

indicates the proportion of the labor force that does not have a job, however they are still available and actively looking for a job. It indicates nothing about the economic resources of unemployed workers or their family members.

Willingness to spend

Discretionary income is known to be more sensitive for changes in the economy, which has demonstrated to be the case under the 100 respondents. To assess the spending behavior, 100 respondents were asked what they will do (at first instance) if they were to receive additional income (e.g. a bonus or winning a lottery). The result is mainly a shift of traditional high spending to a more saving pattern; 43% indicated saving, 38% would pay their bills, 11% would invest it and 8% would spend it. The main reason for choosing saving as the first option is due to the high uncertainty that is reigning under the consumers. Many indicated that they will prefer saving this additional income for emergencies, since they are also more unwilling to take more debts.

In the survey over the fourth quarter, 61% of the respondents indicated a bad time to buy major household items, which is higher than the 57% of the third quarter, however the percentage of 'good time to buy' response increased to 9%. The main reasons according to the respondents who consider that now is a good time to buy is based on the current lower prices that is being caused by a decline of demand towards expensive and luxurious household items.

Consumer Confidence Index

Based on the results of the surveys in 2008, the consumer confidence index per quarter was calculated. The consumer confidence for the fourth quarter survey is 92.6, which is higher than the 82.6 calculated in the third quarter. The index is considered significant, since it purports to show real people's opinion on the economy. The consumer confidence index in Aruba is still well above the average U.S. consumer confidence index of 2008.

Table 5: Consumer Confidence Index utilities and non-essential expenses

Base period Q1 2008	Q3 2008	change Q3/ Q2
CCI	82.6	11.9
Present situation	66.7	-13.7
Expect		
Expectation	93.2	29.0

Present situation:

The Present Situation Index increased with 20.5 index points in the fourth quarter compared to The Present Situation Index in the third quarter, indicating hence an increase of confidence for the present situation. The improvement of The Present Situation Index can be explained by the particular moment in time that the survey was conducted; the gasoline prices have decreased with 22.5% compared to the average gasoline prices of the third quarter and consequently the fuel surcharge was by then adjusted already in the bills of many. Therefore, The Present Situation Index presented might be affected by the current circumstances of the first months of 2009.

Expected situation:

The Expectation Index increased with merely 3.0 index points compared to the previous quarter indicating a slight improvement in the confidence towards the future outlook.

The Expectation Index has shown some improvements, which is mainly caused by the long-term expectations rather than the short term expectations. The positive long term expectations are based on continuous decline of oil prices and for several also based on upcoming large investments in the tourism sector and upcoming elections. The short-term expectation index however is lower compared to the third quarter, which is mainly due to current circumstances that

may have, in the eyes of the consumer, a great impact on the current economic conditions, such as; the fact that KLM has cancelled their flights to Aruba and the closing of Stanford Group. The consumer confidence index of all the quarters of 2008 remained under the 100 base-line.

According to 67% of the respondents their financial situation is worse now compared to 6 months ago, while 26% indicated the situation to be the same and only 7% indicated the situation to be better. If the groups of respondents are considered the same, it could be concluded that the financial situation has improved somewhat in the last quarter.

In terms of expectation, 52% indicated a worse financial situation in the upcoming 6 months, 33% is still uncertain and 15% believe in better times. There are slight changes between the quarterly surveys, except for the second quarter, in which the short term outlook was perceived, by 76% of respondents, expecting worse times ahead. A 'certain uncertainty' for what is expected to happen in the long term is indicated by the majority of respondents. In the fourth quarter, 57% indicated to be uncertain over the general economic conditions of Aruba over the next 1 to 3 years, 28% are expecting periods of unemployment and depression over the next 1 to 3 years and 15% are expecting continuous good times.

Conclusion

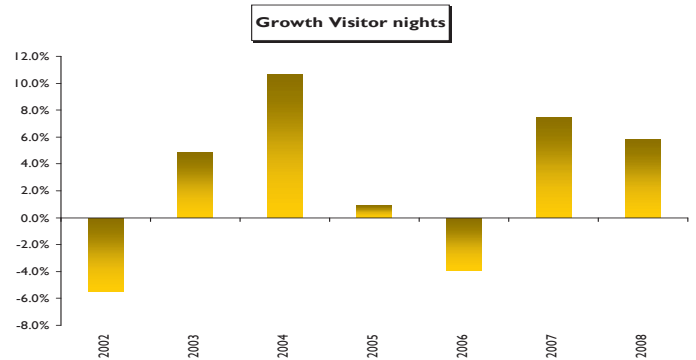
The consumer confidence index according to the surveys conducted during the different quarters of 2008 have been improving, this is mostly due to the regaining of self confidence and highly influenced by the low utilities bill received from the month of December. Many respondents have taken the bulls by the horns to relief themselves from the weightiness of the current global economic crisis, indicating changes in their shopping behavior and way of living. Many indicated their situation to be the same, since many have adjusted their spend

ing and are getting more used to the current way of living. The improvement of the consumer confidence index does not indicate an actual improvement of the current economy. The confidence of the consumer is highly dominated by current and recent occurrences on the island. It is expected that the consumer confidence index can be amplified through a more stable grocery prices that provides the consumers with opportunity to manage their budget and discretionary income more properly.

According to the Consumer Conference Board in the U.S., the consumer confidence increased merely in March and in February it has reached its worst rating. The index stands currently at 26.0 (1985=100), up from 25.3 in February. The slight improvement is fragil due to further employment concerns reigning in the U.S. The results of the survey under the 100 respondents in Aruba, show that the consumer confidence index also improved, however these are the results of the 4th quarter, where probably the lower gasoline prices and the lower utilities bills have made a great contribution to this improvement.

TOURISM HOLDING UP

In September of 2008, **Stay over tourism** decreased by 5.1% compared to the same month last year, while it experienced a year to date increase of 10.4% compared to the same period in 2007. This year-to-date increase is mainly attributed to an additional 26,506 visitors from the United States, which translates into a 6.7% increase. The number of Latin American visitors grew with 22,262, equivalent to a 27.7% increase, with the largest growth experienced from Venezuelan travelers, which increased with 33.6%, while Colombian travelers actually decreased with 3.2%. Other markets that showed significant growth compared to the same period last year were Canada with 6,629 visitors (37.3%), and the Netherlands which grew with 3,367 visitors (12.3%). After the year to date increase reported up to September of 2008, it is estimated, based on the foreign airport arrivals, that the stay-over visitors decreased in the last quarter of 2008, as compared to the corresponding quarter of 2007, diminishing the overall growth in the stay-over tourism to 6.7% for 2008.

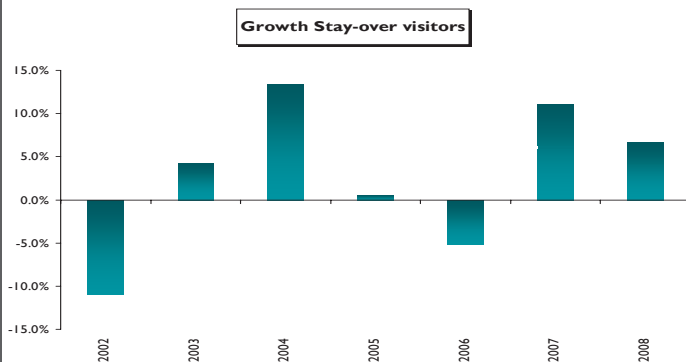


2008 compared to 2007, while the occupancy rates for hotels as well as timeshare accommodations, decreased by 1.3 and 2.2 percentage points respectively.

According to the World Tourism Organization (WTO) international tourist arrivals increased with 2.0% in 2008, while arrivals in the Caribbean region increased by 1.2%, which is a slight improvement compared to 2007, where it increased by 0.1%. The Caribbean is the only sub-region to have performed better in 2008 than it did in 2007. The first half of 2008 started out good for most of the regions. The second half of the year however showed flat growth or declines for most of the regions.

In 2008, **Cruise tourism** experienced a growth in cruise passengers of 15.4%, while the number of cruise ship calls decreased with 5.1%. For 2009, 284 cruise ship calls are expected with a maximum capacity of 604,185 passengers. While the cruise ship calls in 2009 are expected to decrease with another 5.0% as compared to 2008, the cruise ship passengers are expected to increase with 8.6% based on maximum capacity of the cruise ships arriving at the Aruban port.

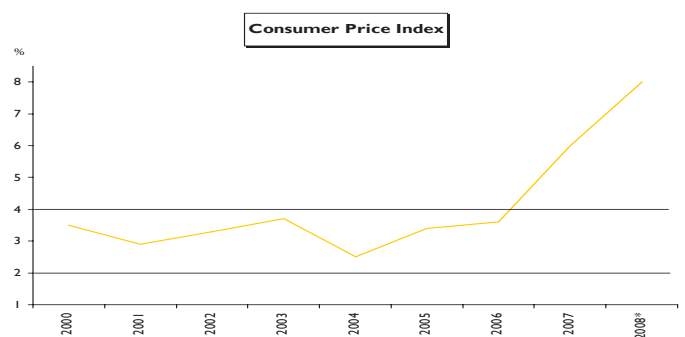
Tourism receipts, according to the Central Bank of Aruba, increased in nominal terms with 12.4% to Afl.2,523.0 million in 2008 compared to 2007. This is a steep increase, but is related to increased inflation in that year, where real growth would come down to around 4.4%.



Visitor nights up to September 2008 increased by 9.5%, while it is estimated that for the entire year of 2008, visitor nights grew with 5.8% due to a slower 4th quarter, as compared to 2007, based on an average occupancy per room of 3.1 persons (2007). Up to September of 2008, the average length of stay decreased with 0.1 nights to 7.6 nights as compared to the same period a year ago. The average length of stay for 2008 is estimated at 7.5 nights. The average occupancy rate decreased 1.3 percentage points to 76.5% for

CONSUMER PRICE DROPPING

Consumer Prices have decreased in December of 2008 for the 4th consecutive month by 3.7% as compared to November 2008. The end of period change (December 2008 - December 2007) shows a decrease of 1.0%. This is the first time since the CPI is being calculated in Aruba that a decrease is registered for the month of December. The decline reported over the period December 2008 - December 2007 was mainly caused by a decrease in the housing category (10.5%), which was the main result of the significant drops in the categories "water supply" with 27.3% and "domestic fuel and power" with 24.4%. This came as a direct result of the drop in international oil prices, which initiated in July 2008. The 12 month period average change CPI for December 2008 in Aruba came out at 8%, which was at 6% for December of 2007.



VOLUME DECREASING

During 2008, the volume of **merchandise import** decreased with 20.2%, and the import value also decreased with 1.6%, from Afl.1,875 in 2007 to Afl.1,853 in 2008. The sectors that experienced the most decline in import in 2008 were the construction sector with Afl.32 million (38.1%), the transport sector with Afl.31 million (22.6%), the retail sector with Afl.15 million (2.4%) and the real estate sector with Afl.14 million (17.7%). Significant increase was reported in the whole trade and the mining sector; as they increased with Afl.24 million (6.4%) and Afl.14 million (33.3%) respectively.

Import duties in 2008 increased with 2.8% in nominal terms (Afl. 4.5 million) as compared to 2007. If this is corrected for inflation, a real decrease would be reported for 2008.

"The only safe ship in a storm is leadership", by Faye Wattleton.

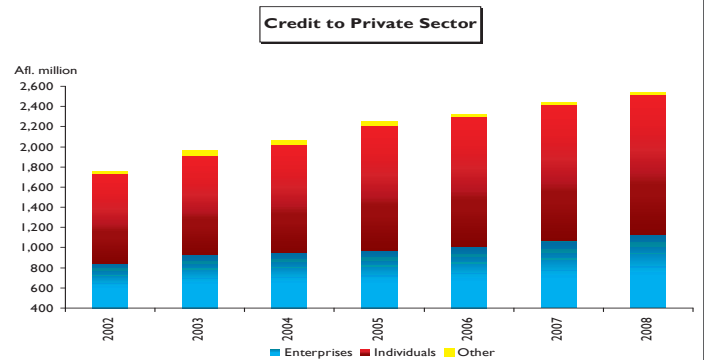
TAXES RISING

Government **tax revenue** (in nominal terms) increased in 2008 with Afl.86.7 million to Afl.975.5 million from Afl.888.8, an increase of 9.8% compared to 2007. The increase is mainly induced by a growth in the profit tax revenues and wage tax revenues which increased respectively by Afl.26.4 and Afl.19.1 million in 2008. Moreover, the turnover tax and the foreign exchange tax revenues increased by Afl.36.6 and Afl.12.9 million respectively. However, decreases were registered in the income tax revenues of Afl.13.7 million and revenues on excises also decreased, lowering the overall income on commodities with Afl.8 million. The lower income on excises is partly attributed to the lowered excise tariffs applied to help absorb the increased prices internationally, especially during the first half of the year.

"Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek", by Barack Obama.

BANK LOANS

The **credit** to the private sector increased by 3.8% to Afl.2,542.2 million in 2008, compared to the previous year, which is less than the growth of 5.2% experienced in 2007, indicating a deceleration in consumer spending. This growth at a decelerated rate is seen in the consumer credit, which went from a growth of 5.4% in 2007, to a growth of 3.5% in 2008. The same applies for housing mortgages, which experienced a growth of 5.5% in 2007, but grew only with 1.4% in 2008. Credit to enterprises however grew with 6.6% in 2008, compared to a 5.2% growth in 2007.

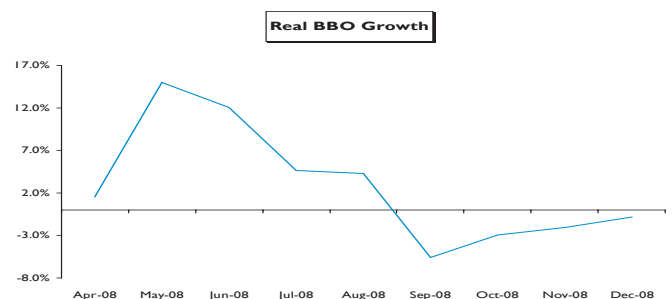


GDP EXPECTATIONS

According to the Central Bank of Aruba (CBA), the real GDP experienced a slight decline of 1.6% in 2008, while in 2007 the GDP development was almost flat at 0.1% in 2007. In 2008, this mainly influenced by lowered investments, as tourism experienced a healthy growth for that year. The recent outlook for 2009 projected by the Department of Economic Affairs, Commerce and Industry (DEACI) shows another decline in real GDP of 2.1%. The outlook for 2009 is based amongst others, on a projected inflation of 4.1%, and a stay-over tourism reduction of 7.5% as compared to 2008. Furthermore, the private investments in 2009 are expected to remain flat as compared to the previous year.

The turnover tax (BBO), which is levied over the gross revenues of each company in Aruba on a monthly basis, can be used as a leading indicator for the economic performance of Aruba. To capture however the real growth in the BBO proceeds, this is adjusted for infla

tion (January 2007=100). Noteworthy to mention is that the real growth in the BBO proceeds, as is depicted in the graph below, decelerated since June 2008 and contracted for the first time in September 2008 with 5.6% as compared to the same month of the previous year. In December 2008, the real BBO revenue decreased by 0.8% as compared to the same month a year ago.



Something for your business?.....Be prepared to catch the wave

It might take a few months or even a few years before an upswing in the economy is seen, however be prepared when this occurs through the following recommendations:

- o Learn to let go. A change in behavior is important, do not stick too much on the old, but think about new alternatives.....Continued 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

For more information please visit our website www.aib-bank.com or contact the AIB BANK N.V. at 297-582-7327. If you have any questions regarding the publication please contact the AIB Economic and Financial Services (AIB EFS) or send us an e-mail at maw@uib-bank.com.

Eco Corner:

Leather manufacturer ISA Tan Tec, which supplies leather amongst other to Timberland, New Balance and Hush Puppies, is spending USD 8.7 million on its new, Vietnam-based, tannery, which will produce leather using fewer resources than industry standards. The company's overall process for making its LITE (Low Impact To the Environment) leather uses 30 percent less energy and 50 percent less water, and emits 35 percent less carbon dioxide, than industry standards derived from the British Leather Technology Center. The company's LITE policy also stipulates continuous monitoring of the company's energy and water use. How much water the company uses is recorded daily and is analyzed for potential water usage reduction.

Coca Cola enterprises have recently taken measurements to go greener and expect to cut its consumption of electricity by 5.6 million kilowatt-hours a year, as a result of an energy efficiency overhaul of lighting systems at 24 facilities. Moreover, the company is more than doubling the size of its hybrid electric delivery fleet and will have 327 green trucks on the road in the U.S. and Canada, the largest fleet of its kind in North America.

Continued.....Something for your business?.....Be prepared to catch the wave

- o Take action collectively/ Engage the employees in decision making process to maintain productivity
- o Become more flexible
- o Monitor financial performance and indicators carefully
- o Know your product
- o Understand cost structure and restructure where needed
- o Understand your clients (seek feedback), be on top of developments, gauge competition, stay ahead, maintain high service level
- o Invest in vital matters for core business
- o Assess all leases and outsourcing for cost benefit
- o Invest in training of staff, product development
- o Understand present financing and consider debt restructuring

Summary Economic Indicators

As of and for the year ended December 31,

2002 2003 2004 2005 2006 2007 2008
(in millions of Afl. except percentages and where otherwise noted)

DOMESTIC SECTOR

Population	93,945	96,207	99,109	102,178	103,459	104,494	106,050
Nominal GDP**	3,475	3,618	3,983	4,159	4,334	4,588	4,876
Nominal GDP per Capita** (in Afl. per person)	36,990	37,606	40,188	40,703	41,891	43,907	45,978
Percentage Change in Real GDP**	-2.1	0.5	7.4	1.0	0.6	-0.1	-1.6
Inflation (percentage change in Consumer Price Index) ⁽³⁾	3.3	3.7	2.5	3.4	3.6	6.0	8.0
Unemployment Rate ⁽¹⁾ (percentage)	8.1	7.8	7.3	6.9	n.a.	n.a.	n.a.

TOURISM

Tourism receipts ⁽²⁾	1,616.7	1,523.9	1,889.6	1,953.0	1,925.1	2,242.3	2,523.0
Total Visitor Arrivals (in thousands) ⁽⁹⁾	1,197.6	1,184.2	1,304.5	1,285.3	1,285.8	1,253.8	1,380.3
Stay-over Visitors (in thousands) ⁽¹⁰⁾	615.4	641.9	728.2	732.5	694.4	772.1	824.2
Visitor nights (in thousands) ⁽¹¹⁾	4,862.6	5,097.6	5,639.9	5,692.7	5,470.5	5,879.9	6,223.5
Cruise Visitors (in thousands)	582.2	542.3	576.3	552.8	591.5	481.8	556.1

EXTERNAL SECTOR

Total exports (F.O.B.) (excluding oil sector exports) ⁽⁴⁾	229.58	146.96	142.25	182.20	195.05	175.23	180.56
Total imports (C.I.F.) (excluding oil sector imports) ⁽⁵⁾	1,507.42	1,515.18	1,563.59	1,840.88	1,863.99	1,993.84	1,991.59

PUBLIC FINANCE

Total Revenue ⁽³⁾	754.7	988.6	836.1	909.1	985.2	1,034.0	1,365.1
Total Expenditure ⁽³⁾	866.0	919.3	1,180.4	1,034.0	1,097.6	1,084.2	1,290.5
Overall Surplus/(Deficit) ⁽⁶⁾	-78.5	172.6	-237.4	-174.7	-43.3	-104.7	182.3
Overall Surplus/(Deficit) as a Percentage of GDP ⁽⁷⁾	-2.3%	4.8%	-6.0%	-4.2%	-1.0%	-2.3%	3.7%

PUBLIC DEBT AND INTERNATIONAL RESERVE

Total Public Sector Debt ⁽³⁾⁽⁸⁾	1,653.20	1,494.60	1,717.10	1,904.90	2,012.20	2,136.30	2,047.20
Total Public sector Debt ⁽³⁾⁽⁸⁾ as a Percentage of GDP ⁽⁷⁾	47.1%	41.1%	43.1%	45.8%	46.4%	46.6%	42.0%
Net International Reserves in months of imports (12m avg.)	7.2	6.6	6.2	5.5	5.2	5.9	7.2

PARTIAL ECONOMIC ACTIVITY INDEX (PEAI)*

Utilities	106.1	108.1	108.9	113.1	113.1	116.0	112.2
Construction	93.3	106.3	99.2	145.2	141.2	126.8	112.35
Trade	84.3	80.6	83.5	79.7	76.6	83.1	74.05
Hotels & Restaurants	93.3	97.1	106.8	108.5	105.8	111.6	119.5
Transport	94.4	92.4	101.0	98.4	97.8	97.2	107.2
Housing	106.3	109.0	111.8	115.5	119.3	122.5	124.7
Public administration & Education	99.0	99.3	101.2	104.6	101.6	89.8	83.2

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

* Up to second quarter 2008

** GDP figures for 2007 and 2008 are preliminary figures from DEACI

(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 2008 are preliminary.

(4) Recorded on a "Free on Board", or "F.O.B.", basis as sold at the time the exported goods are shipped. Up to June 2008.

(5) Recorded on a "Cost, Insurance and Freight", or "C.I.F.", basis. Up to June 2008.

(6) including the change in unmet financing requirements.

(7) Measured against nominal GDP estimates of 2008.

(8) Debt totals are maintained by the Ministry of Finance and Economic Affairs and the information on outstanding debt is provided to the Central Bank.

The Central Bank, in certain circumstances, analyzes and reports data differently than the Ministry of Finance and Economic Affairs, resulting in certain immaterial differences in debt totals and/or categorizations.

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

(10) Estimations by AIB EFS up to December 2008 based on foreign airport arrivals.

(11) Estimations by AIB EFS up to December based on occupied room nights assuming avg. occupancy per room of 3.1 tourists.