

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 automobile industry, which is considered a big purchase item and how the industry is affected by the current economic conditions.

In the Consumer Trends section AIB's quarterly consumer survey, on the shopping behavior and spending patterns of the population is presented. In this issue the focus of the consumer survey is on the results of the 1st quarter of 2009. Additionally, the analysis of Consumer Confidence Index for the first quarter is displayed in the Consumer Trends.

In the Economic Trends section, the current development in tourism, inflation, trade, taxes as well as the economic performance is displayed. Estimates up to May 2009 indicate a decrease in stay-over tourism of 6% as compared to the same period of the previous year. The real BBO which is an indicator for the economic performance decreased up to March 2009 with 4.1%.

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

Aruba, June 2009 AIB EIT Issue 8

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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 1.4 million yearly, of which 60% are stay-over visitors and 40% are cruise visitors. In 2008, around 65% of these stay-over visitors are from the US, followed by 14% from Venezuela & 6% 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, there is a trend for second home visitors. 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 6.2% 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 12.5% to the GDP of Aruba. Trade activities in Aruba comprise 13.7% 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 17.3% of the GDP. Other contributors to Aruba's economy include the oil refinery (Valero), the health sector, education and the public administration.

Inflation

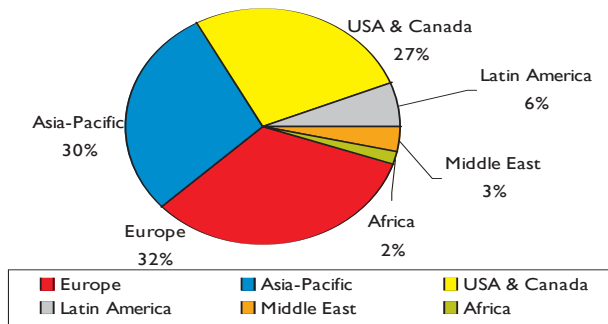
Since the 1990s inflation has been relatively steady in Aruba, where in 2006 the average inflation was 3.6%. In December 2008 there was a deflation of 4.5% due to the lowered international oil prices influencing the electricity and water bills. However, the 12 month average inflation was reported at 9.0% 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.

THE GLOBAL AND ARUBAN CAR INDUSTRY

Overview of the global automobile industry

In 2007, more than 73 million vehicles were produced by the automobile producing countries. In this same year, according to the Automotive News, approximately 71 million vehicles were sold around the world. The sale of automobiles per market can be viewed in the graph I. Meanwhile, in 2007 the North American and Japanese markets were stagnant when it came to the sale of automobiles, the South American and Asian markets grew strongly, especially countries such as Russia, Brazil, India and China.

Graph I Sales of automobiles per market in 2007



Source: Global Market Data Book

The global automobile crisis

The global automobile crisis began in the later half of 2008. The initial weakening of this sector started resulting from the more expensive automobile fuels linked to the 2003-2008 oil crisis. This influenced automobile buyers to switch their preference from the larger gasoline consuming US sport utility vehicles to the much more fuel efficient choices the competitors were offering. The rise in oil prices increased the cost of producing the vehicles as well. In addition, the US automobile makers also suffered from considerably higher wages due to unionized employees which resulted in a much higher cost of employees related to salaries, benefits, healthcare and pensions. The higher labour costs are the main reason why the Big Three (Ford, GM, and Chrysler) neglected the development of passenger vehicles and focused mainly on the production of light trucks where they were able to avoid these high labour costs. The global financial crisis and credit crunch in 2008 worsened the position of especially the Big Three US auto making companies further as the demand by consumers decreased drastically. The financial situation of many of the competitors of the Big Three in Europe and Asia are not experiencing the global economic crisis as devastating. Therefore, the US government has offered the Big Three financial help to avoid bankruptcy. The help offered came in the form of government bailout in the case of GM and Chrysler and a secured line of credit for Ford in case they would require a bridge loan, but the companies would need to undergo major restructuring to sanitize their financial position to thereby increase their competitive position.

Some effects on the main auto making countries and their automobile brands

The US

The US has 51 light vehicle plants. It is estimated that approximately 200,000 will lose their jobs in the coming years as half of the plants are projected to close. The Government bailouts will entitle the companies to file for bankruptcy in order to make them able to restructure their companies, including selling off parts of their assets, breaking distribution contracts, cutting labour costs, etc.



Japan

With large automobile making companies such as Toyota, Nissan, Honda and Mitsubishi, Japan's export will surely be affected by the decrease in demand. All of the Japanese auto makers have decreased production since the beginning of 2009 due to large decrease in demand. In December 2008, both Toyota and Honda announced drops in sales of thirty plus percent. Companies such as Toyota, have shifted their production to mainly fuel efficient vehicles such as the Prius, Corolla and the Yaris which are high in demand. Mitsubishi would primarily cut its production cost by eliminating the night shift. Most of the companies will inevitably have to lay-off employees as well and reduce mainly the top salaries as well as retain bonuses. Honda is trying to sell its Formula One team.

Korea

Due to the affordability and fuel efficiency of many of the Korean vehicles, many of the Korean automobile companies have managed to attain profits even with the economic downturn. Hyundai-Kia managed to overtake Honda in mid 2008. However, in 2009 the Korean companies started to feel the effects of the decreasing demand and diminished their production and froze their wages as well. The Government of Korea has announced though that it has no plans to inject liquidity into these companies.

The Aruban automobile related sector

In total there were 89 companies in Aruba related to the automobile industry while approximately 891 people were employed in this sector. This represents approximately 2% of the total labour market in Aruba. The larger employment sectors in Aruba are the Hotel and Restaurant sector, the Public Administration and Defense, the Retail & Trade sector (excl. automobile sector) and the Construction with respectively 20%, 12%, 12% and 8%.

Between 2000 and 2001 the number of companies selling motor vehicles increased from 15 to 16, in 2002 this decreased by two companies. This was mainly due to the take-over of low performing companies by larger companies. In 2003 this was set forth. In 2004 and 2005 two new companies opened while in 2006 the number of companies selling motor vehicles once again decreased due to closing of companies and the taking-over of these companies. The same development occurred among the companies selling parts and accessories. On the other hand, the number of employees employed by distributors of motor vehicles increased by approximately 19% between 2000 and 2007. In 2008, however, the number of employees decreased by 3%. The cut back in personnel was mainly the consequence of decrease in sale of motor vehicles. The cut back in personnel of the companies providing maintenance and repair and selling motor vehicle parts and accessories was felt several years earlier. This was mainly as a consequence of cost reduction and increase of efficiency.

The set-back in the once blooming automobile sector of Aruba can also be deduced from the vehicle import figures. Between 2003 and 2008 the number of vehicles imported in to Aruba increased by a mere 0.4% while the value of the vehicles imported increased by 5.3% over this period of time. The import of motor vehicles in Aruba mainly affected the lower end of the market with both the value as well as the volume imported experiencing a decrease of 46.2% and 41.1% respectively between 2003 and 2008. The import value and volume of commercial vehicles into Aruba also experienced a significant decline of 65.3% and 62.4% respectively between 2003 and 2008. The main countries of import in Aruba in 2008 were Japan (38%), Korea (30%) and USA (18%). The import figures also show that the set-back of the automobile import took place in the last two years. However, the declines felt within the automobile sector in Aruba were not to be attributed only to the global issues influencing this industry. The local automobile market was also influenced by the changes in local tax policies, such as the introduction of BBO and the adjustment of import duties on private vehicles.

The same conclusion regarding the developments of the import of vehicles can be deduced from the figures of the number of license

plates sold by the Tax Department in the past few years as well.

Conclusion

The global economic crisis has affected the complete automobile industry, from manufacturers of vehicles and of parts & accessories, to distributors, and maintenance and repair companies. Especially the auto making companies needed to come up with immediate solutions to cut their costs. While some companies have been able to profit from the current crisis, companies in the US needed to receive financial Government assistance in order to survive. With the end of the crisis not yet in sight the auto making companies are desperately waiting for a turn-around in demand. Based on the representation of the total number of employees as percentage of the total economy of Aruba, the automobile industry might seem a bit insignificant. However, the sector as a total is a contributor of BBO tax, profit tax, and income tax. Furthermore, the sector is a significant contributor to import duties for the Government of Aruba. The international changes due to the set-back of the automobile industry in especially the US will have its effect on the Aruban auto sector as well. The increase in possible mergers or take-over might also increase in coming years.

Table I: Statistics Aruba Car Industry

Nr. of Companies (C)/ Employees (E)	2003		2004		2005		2006		2007		2008	
	C	E	C	E	C	E	C	E	C	E	C	E
Sale of motor vehicles	12	386	13	372	14	390	12	400	12	404	12	391
Maintenance and repair of motor vehicles	43	132	46	134	41	124	39	119	40	134	40	127
Sale of motor vehicle parts and accessories	21	101	22	106	18	97	19	94	19	105	20	109
Sale, mainten. and repair of motorcycles & rel. parts	3	8	4	12	4	14	2	15	2	21	2	24
Retail sale of automotive fuel	12	252	13	259	13	266	14	266	14	256	15	261
Total	91	879	98	883	90	891	86	894	87	920	89	912
% chng in value (V) and in number of vehicles imported (Nr)	2003		2004		2005		2006		2007		2008	
	V	Nr	V	Nr	V	Nr	V	Nr	V	Nr	V	Nr
Vehicles value of < Afl.10,000	32.7	44.5	9.1	5.0	-4.0	-5.0	-18.0	-19.3	-20.4	-19.8	-40.7	-36.9
Vehicles value of Afl.10,001 - 20,000	3.0	5.1	11.5	9.4	26.2	24.7	-8.7	-8.6	-18.6	-21.2	3.7	4.0
Vehicles value of > Afl.20,000	13.2	12.3	-4.7	-4.1	17.4	18	11.4	13.8	16.2	12.4	13.5	20.0
Commercial vehicles	-6.7	15.7	-9.4	-4.8	51.9	26.5	-5.2	-4.5	-56.1	-64.3	-35.2	-20.9
Total	4.3	14.2	0.1	2.8	28.4	18.9	-2.6	-5.4	-19.2	-24.6	-0.2	0.9
Total number of passenger cars (in thousands)	2003		2004		2005		2006		2007		2008	
			% chng		% chng		% chng		% chng		% chng	
Total number of passenger cars (in thousands)	45,2	47,0	4.0	49,5	5.3	51,7	4.4	49,9	-3.5	49,0	-1.7	
Total number of vehicles (in thousands)	52,0	54,0	3.9	56,8	5.3	59,6	4.9	57,5	-3.5	56,9	-1.0	
Volume Bus Passengers (in thousands)	2,489	2,580	3.7	2,729	5.7	2,641	-3.2	2,530	-4.2	2,724	7.7	
Population (in thousands)	96,2	99,1	3.0	102,1	3.1	103,5	1.3	104,5	1.0	106,1	1.5	
Nr. of passengers cars/ 1000 inhabitants	470	475		485		500		477		462		

Source: Tax Department, CBS

CONSUMER SHOPPING BEHAVIOR

Introduction

The Economic & Financial Services department of the AIB Bank conducts a research periodically amongst consumers to determine certain trends and behavior. Ever since the first months of 2008, the research has been focused on the consumer confidence based on the

reigning economic situation. The survey is conducted amongst one hundred respondents, who are randomly selected. The group respondents differ at each period and therefore results are merely an indication of a possible trend for the general population.

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 table 1. Noord was the area with most respondents totaling 23% of respondents, Oranjestad had 22% of respondents, Santa Cruz had 20%, San Nicolas had 17%, Savaneta 10% and Paradera had the fewest respondents totaling 8%. The regional distribution of respondents falls very similar to the distribution of the population based on the latest census. Therefore, the survey can be considered representative regarding the regional distribution of the population.

The groups of respondents were similarly structured based on age as compared to previous surveys with '55 or older' being the largest group; 58% of the respondents were 55 years or older, 35% were between 35 and 54 and only 7% were younger than 35.

The respondents were categorized based on total household income; 36% of respondents of the first quarter (2009) survey have a gross income between Afl. 1,500.00 and Afl. 3,000.00, 20% between Afl. 3,000.00 and Afl. 4,500.00 and 19% less than Afl. 1,500.00, 12%

have an income between Afl. 4,500 and Afl. 6,000 and another 12% have an income above Afl. 6,000.00. These result in an average household income of around Afl. 4,300, which is not far from the average household income as measured in the income and expenditure survey 2006.

Table 1: Regional distribution of survey participants

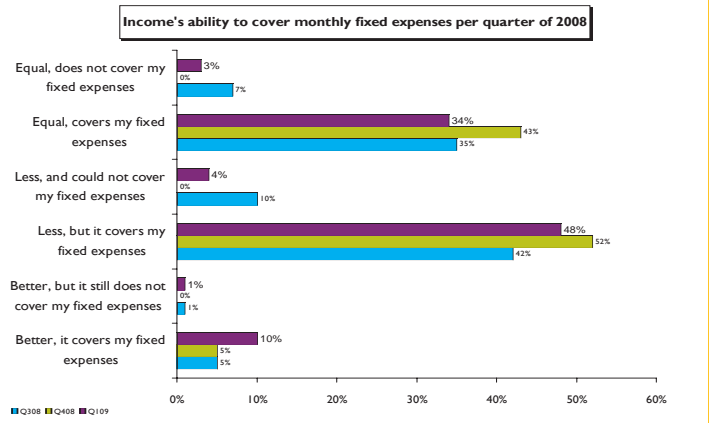
	Q109	Q108
Noord	23%	24%
Oranjestad	22%	21%
San Nicolas	17%	19%
Santa Cruz	20%	15%
Paradera	8%	17%
Savaneta	10%	4%
Total	100%	100%

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

	Q109	Q108
< 1,500	19%	15%
1,500 - 3,000	36%	32%
3,000 - 4,500	20%	23%
4,500 - 6,000	12%	12%
6,000 - 7,500	5%	8%
> 7,500	7%	6%
n/a	1%	4%
Total	100%	100%

Survey analysis: Consumer Behavior

The respondents were asked to indicate the ability of their income to cover their monthly fixed expenses. The results are as follows; 48% of respondents indicated their income's ability to be less, however still covering all their expenses, while 34% indicated their ability to be equal covering all their monthly expenses and 10% indicated their ability to be better and able to cover all expenses. According to this first quarter survey (2009) compared to the previous quarters, it provides a slight improvement of the ability of the income to cover the monthly fixed expenses. This can be explained also by the drastic decrease of the utilities' bill, of which the effects were felt in the end of 2008. Only, 8% of all respondents are not able to cover their monthly expenses.



According to 79% of respondents their shopping behavior changed, since they are now buying less than the previous quarter and only 3% are of the opinion that they are now buying much more than previous quarter. From the one hundred respondents, 18% indicated no change in their shopping behavior. The results of this first quarter for the year 2009 reflect almost no change of opinion compared to the previous survey conducted in 2008. The conclusion is still noticeable that the economic down turn has affected the shopping behavior of the consumer, as many are more reluctant to spend and therefore changed

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

	Q109	Q108
Change because buying less as before	79%	64%
Change because buying more as before	3%	6%
Not change	18%	30%
Total	100%	100%

from their usual shopping pattern. Many support this change with the increase of prices and the economy; 83% indicated external factors, such as increase of prices, as the main contributor to the heavy weight on each individual's wallet. Additionally, in the first quarter survey of 2009 there is a minor change in the responses concerning the cause for change of shopping behavior, which is based on the fact that some respondents answered not only external factors as the main reason, but also internal factors in combination with external influences. Under internal factors are understood also conditions of employment, illness and family structure.

Consumer Spending (Hold on to the receipt)

There is a clear trend on the bills paid for groceries, utilities and non-essential expenses based on all surveys conducted, since the beginning of 2008. According to the respondents, the utilities' bills are currently much lower than the previous quarters, which can be confirmed by the previous average bills provided during each quarterly survey. According to the results of the previous surveys conducted, the average utilities' bill is slowly showing a downward trend in the last quarter of 2008 and first quarter of 2009.

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

	Q108	Q208	Q308	Q408	Q109
Groceries	791	811	767	868	789
Utilities	545	621	651	557	447
Non-essentials	191	368	226	109	167

However, the groceries' bills have remained almost the same, while according to the respondents the prices have increased. This might indicate a more wary approach in grocery shopping where the spending money for this is capped, so they might be buying less for the same monthly bill. Many indicated food as one of the heaviest burden on their monthly purchases as compared to the respondents of the first three quarters of 2008 who were indicating utilities as their major concern. How true is the perception of the consumer regarding the actual adjustments of food prices? This can be supported by the consumer price index for the food section. As can be seen in table 5, the increase of food prices is a fact and is clearly indicated by the constant inflation, since June 2008. In table 6 the decrease

of utilities' prices in the end of 2008 and first months of 2009 is clearly indicated.

Table 5: CPI for Food

	CPI (12-month avg.)	Food (effect on CPI)
Jun-08	8.23	1.14
Jul-08	8.79	1.17
Aug-08	9.39	1.20
Sep-08	10	1.25
Oct-08	10.33	1.28
Nov-08	9.98	1.31
Dec-08	8.96	1.33
Jan-09	7.88	1.35
Feb-09	6.78	1.35
Mar-08	5.71	1.35

Table 6: Prices of crude oil, utilities, gasoline

	Crude Oil/ Barrel in USD	Fuel Surcharge Afl. cents per kWh	Electricity in Afl. avg. usage 725 kWh	Water in Afl. avg. usage 120.34m ³	Gasoline Afl. cents per lt.
Jun-08	128.06	30.43	334.84	167.98	256.7
Jul-08	133.52	33.48	356.97	176.85	266.2
Aug-08	115.86	38.55	393.75	188.52	256.7
Sep-08	98.52	36.52	379.02	187.21	247.3
Oct-08	73.95	32.46	349.57	174.22	256.6
Nov-08	50.90	24.35	290.73	147.38	185.8
Dec-08	39.71	14.20	217.09	116.13	156.8
Jan-09	39.93	14.20	217.09	116.13	141.4
Feb-09	41.23	14.20	217.09	116.30	153.8
Mar-08	45.19	15.42	225.94	120.24	156.8

As to the non-essential expenses, it can be deduced that people are still capping non-essential expenses due to the uncertainty regarding future expectations. Even though an improvement in non-essential expenses is noted compared to the last quarter of 2008, the level is still far below the other previous quarters surveyed. This slight improvement is in line with the consumer confidence of the corresponding quarter.

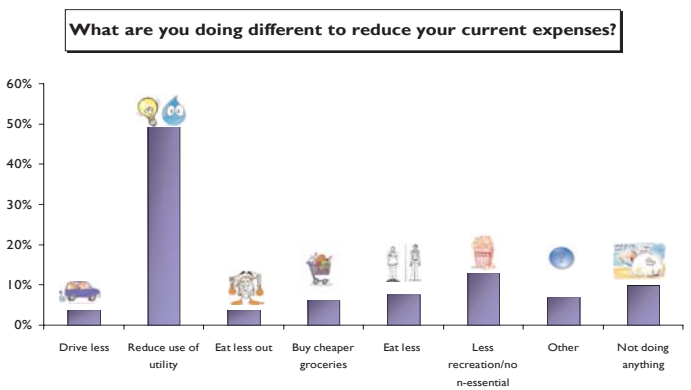
Fixed house expenses

From the one hundred respondents, 87% own their house, while 17% are renting. The average renting price paid by the 17 households is Afl. 802 per month and the mortgage payments average Afl. 1040. The respondents renting are mostly in the age between 35 and 54. Furthermore, 19% of the respondents paid off their mortgage, which is also related to the majority of respondents who are in the age of 55 years or older. If these fixed expenses are compared to the average expenses on groceries, the average expenses on groceries are only slightly less. This explains the distress of the respondents with regard to the continuous increase of groceries' prices.

Reconciling gross habits with net income

Respondents were asked to indicate what they have been doing in order to reduce costs at home; 49% of the chosen alternatives included reducing the 'use of water and electricity', followed by 13% 'spending less on recreation and on other non-essential expenses' and 8% choosing 'eating less'. However, 10% indicated not to be doing anything particular to reduce current expenses. The percent-

age choosing to 'eat less' is still not that significant, however the development of this should be further monitored. The respondents indicated management of utilities expenses to be less difficult than to manage the food expenses.



“As sure as the spring will follow the winter, prosperity and economic growth will follow recession”, by Bo Bennett.

Gleams of hope in consumer confidence

The Consumer Confidence Index (CCI) has reached the highest since the first quarter of 2008. The CCI in Aruba had improved considerably, registering for the first time in the last quarters above the 100 mark. When the CCI is above the 100, this indicates a positive outlook. The short-term outlook has improved significantly, while business conditions remain weak, which is mostly due to the negative news in the business sector, including the automotive, tourism and refinery sector. The most significant contribution to the CCI is the long term outlook, in which 36% of respondents indicated to expect better times in the longer term (1-3 years), while 18% indicated worse times and the majority, 46%, are

Table 7: Consumer Confidence Index

Base period Q1 2008	Q1 2009	Q4 2008
CCI	153.68	95.16
Present situation	152.68	91.08
Expectation	154.33	97.87

still uncertain. World-wide confidence is improving, however the confidence is still weak by historic situations internationally; even so consumers are more optimistic for a change in the future.

Present situation:

The current situation has improved with an increase of confidence to buy major household items, from 9% last quarter to 21% in the first quarter survey of 2009. However the financial situation is still practically the same, but not worse.

Expected situation:

As to short-term expectations, these have improved from 15% expecting better times to 24% this quarter. The expectation for the business climate however is still practically the same with a minor

improvement.

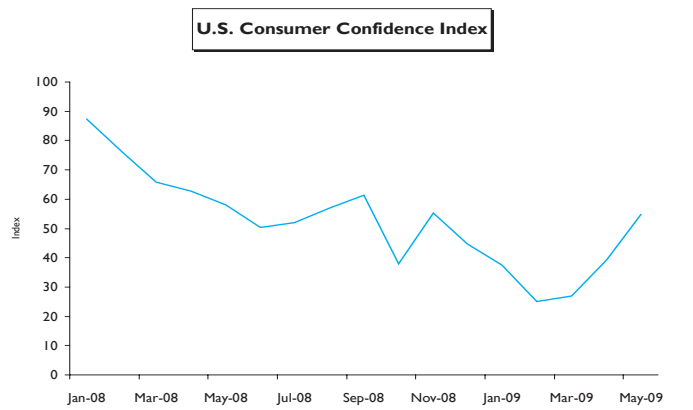
As mentioned earlier, the longer term expectations have improved considerably from 15% expecting better times to 36% this quarter, while a decrease from 57% to 46% was measured last quarter from respondents expecting period of unemployment and depression. However, 46% of respondents are still uncertain what the future will bring.

Conclusion

The consumer confidence is making significant leaps to a more positive outlook, which is also experienced in different countries around the world (however confidence is still weak by historic situations internationally). This demonstrates clearly how the economic issues are linked from country to country, showing similar patterns regarding the confidence of the world-wide consumer. In Aruba reasons to a more positive outlook lies on alleviation of the individual's wallet

based on a decrease of utilities' prices, however, the uncertainty still plays a major role due to the volatility of oil prices, uncertainty in the economic development and the recent news regarding the temporary shut down of the refinery. This latter news is due to the fact that refining margins are currently weak and demand for gasoline is down, and in the mean time some units will undergo maintenance. This is not leading precisely to negative expectations but rather to more uncertainty.

According to The Conference Board in the U.S., the consumer confidence has posted a slight increase in March and has improved considerably in April. Reports from The Conference Board indicate that consumers believe that the worst of the recession is now almost over. In Aruba, the consumer confidence is showing a similar trend. In the right graph an illustration is provided of the consumer confidence in the U.S., showing an increasing trend starting almost at the end of the first quarter with a tremendous increase in the following months.



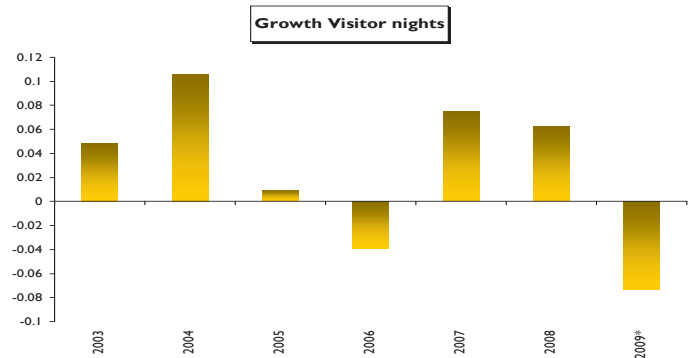
TOURISM DECLINING

Stay-over tourism, according to estimates from the Aruba Tourism Authority, increased with 53,064 to 825,137 tourists in 2008, an increase of 6.9% as compared to the same period a year ago. The increase was merely due to an increase in Venezuelan tourists, which increased with 20,172. Additionally, the US market grew by 15,199 stay-over visitors and 7,871 more Dutch visitors came to Aruba in 2008 as compared to a year ago. Other markets that showed significant growth compared to the same period last year were Canada with 6,972 additional visitors (27.2%), and Germany which grew with 3,295 visitors (104.8%). The declining trend however experienced in the last quarter of 2008, continued during the first months of 2009, as estimated from the foreign airport arrivals, resulting in an estimated overall decline of 6.0% up to May 2009 as compared to the corresponding period last year.



*Up to May 2009

Visitor nights in 2008 increased by 6.3%, the average length of stay at 7.6 nights remained unchanged as compared to the same period of the previous year. Up to April 2009 visitor nights decreased with an estimated 7.3% as compared to the same period a year ago, which is based on the room nights sold with an average occupancy of 3 persons per room (average since 2005). The average length of stay is estimated to have decreased slightly to 7.6 nights up to April 2009 from 7.7 nights measured up to April 2008. The total average occupancy rate decreased 0.7 percentage points to 76.6% for 2008 compared to 2007. For the first four months of 2009, as compared to the same period last year, the average occupancy is estimated to have decreased with 3.7 percentage points to 80.1%.



*Up to April 2009

Preliminary figures compiled by the World Tourism Organization for the first 2 months of 2009, indicate a continuation of the negative trend experienced in the second half of 2008, where international tourist arrivals decreased with 8% as compared to the corresponding first 2 very strong months reported in 2008. The overall volume of international tourist arrivals is currently at about the same level as recorded in the corresponding period in 2007. For the first months of 2009 in most of the Caribbean destinations, the stay-over tourists decreased, with the exception of two major destinations Jamaica and Cuba which experienced increases of respectively 0.2% and 2.0% up to March 2009 as compared to the same period a year ago.

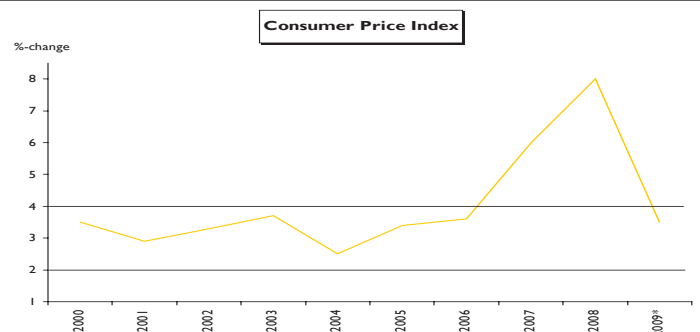
Cruise tourism in May 2009 decreased with 13.3% as compared to an already weak May recorded in 2008, while in the first five months of 2009 cruise tourism increased with 4.3% compared to corresponding period in 2008. Cruise ship calls, however, in that same period decreased with 7.3%. It is expected to turn around though in the second half of the year to an estimated increase in cruise ship calls of 5% in 2009. Current estimations for the cruise ship passengers indicate an increase of around 9.2% in 2009 as compared to 2008, based on an adjusted maximum capacity of the cruise ships scheduled to arrive at the Aruban port.

No newer data on **Tourism receipts** is available since our last publication besides a small revision in the 2008 tourism receipts which is revised up to an increase of 12.8% as compared to 12.5% previously reported.

CONSUMER PRICE DROPPING

Since January, 2009 various changes to the calculations of the **consumer price index (CPI)** have been implemented to keep measures on changes of the CPI as accurate as possible, which are as follows: 1. Introduction of a new classification system; CBS changed from a national classification system to an internationally agreed classification system for consumer expenditures and prices (COICOP= Classification Of Individual Consumption by Purpose). 2. New base period; in order to calculate consistent annual rates of the new classification the CPI has to be calculated retroactively for 2 years. Consequently, December 2006 has been chosen for the new base year. 3. Revised weights; occasionally, the weights for the elementary aggregates are revised to ensure that they reflect current expenditure patterns and consumer behavior. The weights have been adjusted as of January 2007, based on the household expenditure survey held in 2006. Subsequently, the CPI's for 2007 and 2008 have been revised.

The CPI decreased in May 2009 by 3.6% as compared to the same month a year ago, while on the 12-month average an increase of 3.5% was recorded as compared to the previous 12 months, reaching into



*Up to May 2009

the 2% to 4% range. The 12-month average increase is primarily influenced by an increase in Food & Non-alcoholic beverages which increased with 11.2%, primarily induced by an increase of 12.3% in the category Food. Additionally, Transport, Recreation & Culture and Household Operations increased with respectively 3.6%, 3.2% and 4.1% contributing respectively 0.64, 0.28 and 0.28 percentage points to the 12 month average increase in CPI, while the category Food & Non-alcoholic beverages contributed 1.39 percentage points.

VALUE and VOLUME DECLINING

Merchandise import decreased in value by Afl. 55.3 million, which translates into a decrease of 11.4% in the first quarter of 2009 as compared to the corresponding period in 2008. In volume a decrease of 8.8% was recorded for the first 3 months as compared to the same period of the previous year. The decrease in value was primarily due to the section Pearls & other precious stones and Optical instruments, apparatus & equipment, which decreased respectively with Afl. 14.0 and 12.8 million as compared to the same quarter a year ago. Additionally, the section Food products and the section Live animals & animal products decreased with respectively Afl. 6.8 and

7.5 million. Indicative of a slowdown in the construction sector are the decreases recorded in the sections Base metal, Wood and Works of stone decreasing respectively with Afl. 7.9, 2.4 and 2.3 million. Noteworthy to mention is the decline in imported vehicles of Afl. 5 million in the first quarter of 2009 as compared to the corresponding quarter a year ago, indicating a decline in the car industry.

Import duties in the first three months of 2009 decreased by 11.1% in nominal terms (Afl. 4.1 million) as compared to the same period of the previous year.

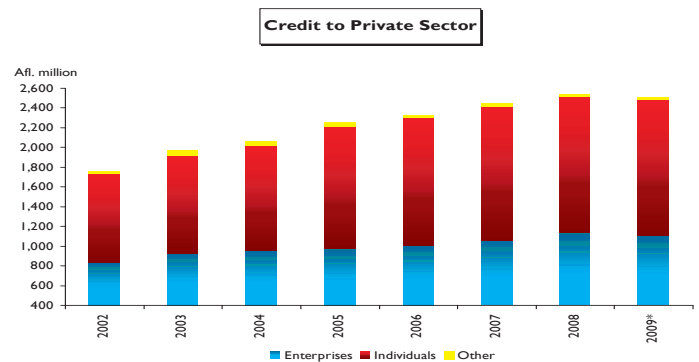
TAXES DECLINING

Government **tax revenue** (in nominal terms) decreased with 5.8% up to April 2009, as compared to the same period of the previous year, to Afl. 310.3 million from Afl. 329.4. The decrease is mainly attributed to a decline in wage tax revenues and income tax revenues which decreased respectively by Afl. 9.6 and Afl. 4.2 million up to the first four months of 2009. Additionally, the import duties and the turnover tax revenues decreased by respectively Afl. 6.1 and Afl. 2.5 million up to the first four months of 2009. On the other hand property taxes increased with Afl. 1.7 million and overall taxes on services increased with Afl. 0.5 million, of which gambling licenses increased with Afl. 2.2 million (20.0%), while room taxes decreased with Afl. 1.9 million (12.0%).

Statistics may be defined as "a body of methods for making wise decisions in the face of uncertainty", by W.A. Wallis.

BANK LOANS

Credit to the private sector decreased up to the third month of 2009 with 1.46% as compared to end of period 2008, which translates in an aggregated decrease of Afl. 37.1 million to Afl. 2,504.8. Credit to enterprises decreased with Afl. 25.6 million and individual credit decreased with Afl. 11.4 million, of which consumer credit decreased with Afl. 10.3 and mortgages decreased with Afl. 1.1 million.

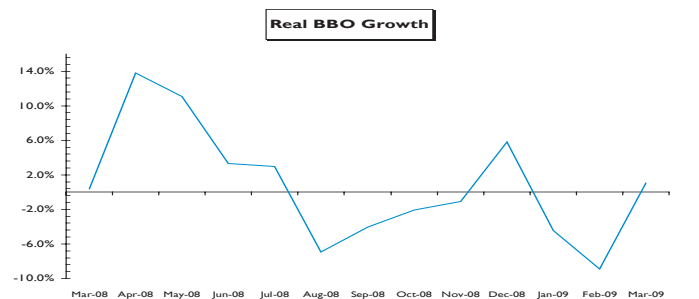


ECONOMIC PERFORMANCE

The Partial Economic Activity Index (PEAI) representing 68.7% of the economic activities on the island decreased in 2008 by 3.8% as compared to 2007, which was primarily due to a decrease reported in the Construction sector, which decreased by 15.6% following a decrease of 10% in 2007 as compared to 2006. Additionally Trade, Public Administration & Education and Utilities decreased respectively by 11.4%, 10.8% and 3.9%. On the other hand Transport, Hotels & Restaurants and Housing increased in 2008 with respectively 5.1%, 3.1% and 2.7%.

Another indicator which can be used as a leading indicator for the economic performance of Aruba is the turnover tax (BBO), which is levied over the gross revenues of each company in Aruba on a monthly basis. The BBO is adjusted for inflation (January 2007=100) to seize the real growth in the BBO proceeds. After 4 consecutive declines the real BBO increased by 5.8% in December 2008 as com-

pared to the same month of the previous year followed by decreases reported in January and February of respectively 4.5% and 8.9% as compared to the same month of the previous year. In March a slight increase of 1.1% was reported, while up to March 2009 the real BBO decreased with 4.1% as compared to the same period of the previous year.



“A business like an automobile, has to be driven, in order to get results”, by B. C. Forbes.



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 msw@aib-bank.com.

Eco Corner:

According to the Center for American Progress: "Spending \$100 billion within the domestic oil industry would create only about 542,000 jobs in the United States. A green infrastructure investment program would create nearly four times more jobs than spending the same amount of money on oil energy resources. And again, spending on oil offers no benefits in transitioning the U.S. economy toward a low-carbon future, while perpetuating the economic and national security vulnerabilities by continuing to rely on oil for the lifeblood of our economy."

China's clean economy strategy includes a stimulus investment of \$221 billion over the next two years which translates in an investment of \$12.6 million every hour to green their economy..... This massive stimulus plan will spend over 3 percent of China's 2008 gross domestic product annually in 2009 and 2010 on green investments, which is more than six times America's green stimulus spending as a percentage of our respective economies.

Something for your car?.....good maintenance!

According to American Automobile Association, "Good maintenance can keep your vehicle on the road for years to come and keep you safer on the road. Many drivers think maintenance equals oil changes. In fact, most people change oil more often than they need to but don't rotate their tires as frequently as they should. That's a big mistake. Proper rotation can add as much as 10,000 miles to the life of a set of tires. There's more you can do to keep your vehicle operating reliably:

- Keep maintenance records. They are good diagnostic tools and are proof you have cared for your vehicle, which can enhance its trade-in or resale value.
- Run your engine for a few minutes before powering up the heater, air conditioner, wipers and other accessories. Accelerating with a cold engine can cause premature engine failure.
- If your vehicle has fuel injection, keep the tank at least one-quarter full. Cornering with a nearly empty tank disrupts the flow to the fuel pump.
- Look for cracks or looseness in engine belts. Broken belts are a major reason for roadside breakdowns."

Summary Economic Indicators

As of and for the year ended December 31,

2003 2004 2005 2006 2007 2008 2009

(in millions of Afl. except percentages and where otherwise noted)

DOMESTIC SECTOR

Population	96,207	99,109	102,178	103,488	104,523	106,050	n.a.
Nominal GDP**	3,618	3,983	4,159	4,334	4,588	4,876	n.a.
Nominal GDP per Capita** (in Afl. per person)	37,606	40,188	40,703	41,879	43,895	45,978	n.a.
Percentage Change in Real GDP**	0.5	7.4	1.0	0.6	0.4	-2.5	n.a.
Inflation (percentage change in Consumer Price Index) ⁽³⁾	3.7	2.5	3.4	3.6	6.0	8.0	3.5
Unemployment Rate ⁽¹⁾ (percentage)	7.8	7.3	6.9	n.a.	5.7***	n.a.	n.a.

TOURISM

Tourism receipts ⁽²⁾	1,520.5	1,882.9	1,952.8	1,924.3	2,242.0	2,528.9	n.a.
Total Visitor Arrivals (in thousands) ⁽⁹⁾	1,184.2	1,304.5	1,285.3	1,285.8	1,253.8	1,381.2	693.7
Stay-over Visitors (in thousands) ⁽¹⁰⁾	641.9	728.2	732.5	694.4	772.1	825.1	337.5
Visitor nights (in thousands) ⁽¹¹⁾	5,097.6	5,639.9	5,692.7	5,470.5	5,879.9	6,249.5	2,099.2
Cruise Visitors (in thousands) ⁽³⁾	542.3	576.3	552.8	591.5	481.8	556.1	356.2

EXTERNAL SECTOR

Total exports (F.O.B.) (excluding oil sector exports) ⁽⁴⁾⁽¹³⁾	146.96	142.25	182.20	195.05	175.23	176.95	33.60
Total imports (C.I.F.) (excluding oil sector imports) ⁽⁵⁾⁽¹³⁾	1,515.18	1,563.59	1,840.88	1,863.99	1,993.84	1,989.04	463.45

PUBLIC FINANCE

Total Revenue ⁽³⁾	988.6	836.1	909.1	985.2	1,034.0	1,365.1	374.7*
Total Expenditure ⁽¹²⁾	919.3	1,180.4	1,034.0	1,097.6	1,084.2	1,290.5	1,231.10
Overall Surplus/(Deficit) ⁽⁶⁾⁽¹²⁾	172.6	-237.4	-174.7	-43.3	-111.7	182.3	-47.3
Overall Surplus/(Deficit) as a Percentage of GDP ⁽⁷⁾	4.8%	-6.0%	-4.2%	-1.0%	-2.4%	3.7%	

PUBLIC DEBT AND INTERNATIONAL RESERVE

Total Public Sector Debt ⁽⁸⁾	1,494.60	1,717.10	1,904.90	2,012.20	2,136.30	2,047.20	
Total Public sector Debt ⁽⁸⁾⁽¹²⁾ as a Percentage of GDP	41.1%	43.1%	45.8%	46.4%	46.6%	42.0%	43.5%
Net International Reserves in months of imports (12m avg.)	6.6	6.2	5.5	5.2	5.9	7.2	

PARTIAL ECONOMIC ACTIVITY INDEX (PEAI)

Utilities	97.3	100.8	105.7	104.4	103.8	99.8	n.a.
Construction	108.1	108.9	113.1	113.1	116.0	111.6	n.a.
Trade	106.3	99.2	145.2	141.2	127.1	107.3	n.a.
Hotels & Restaurants	81.2	84.2	80.4	77.4	84.4	74.8	n.a.
Transport	97.1	106.8	108.5	105.8	111.7	115.1	n.a.
Housing	92.4	101.0	98.4	97.8	97.2	102.2	n.a.
Public administration & Education	109.0	111.8	115.5	119.3	122.5	125.8	n.a.
	99.3	101.2	104.6	101.6	89.8	80.1	n.a.

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

* Budgeted revenues for 2009 Afl. 1,183.8

** GDP figures for 2007 and 2008 are preliminary estimates 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) Up to May 2009.

(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 May and estimated stay-over tourism up to May.

(10) Estimations by AIB EFS up to May 2009 based on foreign airport arrivals.

(11) Estimations by AIB EFS up to April 2009 based on occupied room nights assuming avg. occupancy per room of 3.0 tourists.

(12) The 2009 figures derive from the Government's Budget for 2009.

(13) Up to first quarter 2009.