

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 conditions of the retail businesses, which sector is directly affected by the economic recession caused by changes of consumer perception and buying patterns.

In the Consumer Trends section AIB's quarterly consumer survey highlights the confidence of the consumer regarding the state of the economy and the trend of the consumer confidence based on the Consumer Confidence measured each quarter.

In the Economic Trends section, the current development in tourism, inflation, trade, taxes as well as the economic performance is displayed.

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

Aruba, November 2009 AIB EIT Issue 9

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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 2.9% per annum, with tourism receipts increasing on average approximately 8.5% 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 were 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 in housing projects, condominium projects and commercial centers. 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. The average inflation during the period 2002 to 2008 was 4.4%, which has increased due to the higher international oil prices registered in the first half of the year 2008, resulting in an increase of 9% for 2008 on a 12-month average basis. The 12-month average inflation up to October 2009 show a deflation of 2.6%. Noteworthy to mention is that 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 RETAIL SECTOR IN ARUBA

Introduction

AIB EFS conducted an indicative retail survey during the month of August and September of 2009. The total retail participants were 33. Because of the indicative nature of the survey, the respondents approached included the largest businesses in the retail sector.

Retail sector overview

The retail sector (including wholesale) accounts for 26.9% of all companies on the island based on average distribution from 1999 to 2008. The wholesale and retail trade declined since 1999 from 849 companies to 696, which is a relative decline of 18%, in absolute numbers this is 153 companies less. According to data from the Social Security Bank of Aruba, the wholesale and retail trade sector accounts for 18.1% of all employees on payroll, which is the second highest after the hotels and restaurants sector.



Retail Survey Results

Regional distribution

The 33 respondents were distributed by region with 59% located in Oranjestad, 25% located in Noord, 13% in San Nicolas and 3% in Savaneta. However, the region entries are based on one specific region (which is the main establishment), as many of the respondents have more than one establishment at different locations. The only region with no data from any retailers is Paradera.

Retail structure

The majority of respondents are family businesses with 76% having their business under family ownership, while 24% were not related to such. The majority of respondents have been operating for a long term already in Aruba, with 61% operating about equal or longer than 16 years, 18% have been established between 0 to 5 years, 15% between 6 to 10 years and 6% have been established between 11 to 15 years.

The respondents were widespread in terms of their size based on number of employees, 36% have 0 to 5 employees, 15% have between 6 and 10 employees, 24% have between 11 and 25 employees and 24% have more than 25 employees. It can be concluded that the respondents classified by size is able to provide a wide picture of the situation from small to medium size retailers.

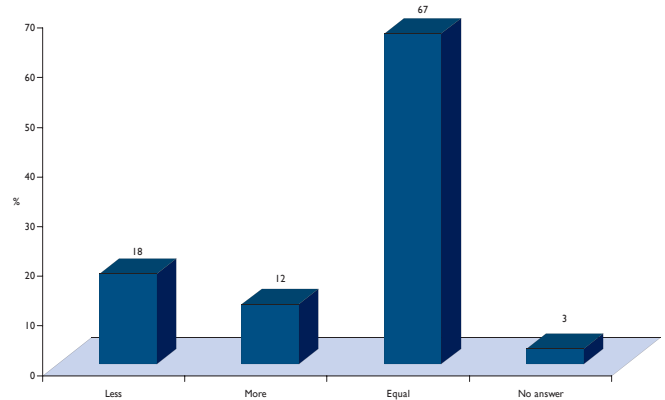
Effect of the economy on number of employees

The respondents were asked to compare the current number of employees in August 2009 with the number of employees in August 2008; 67% of respondents indicated the number of employees to be equal to last year, 18% indicated to be less, 12% indicated to have at the present more employees and 3% left the question unanswered.



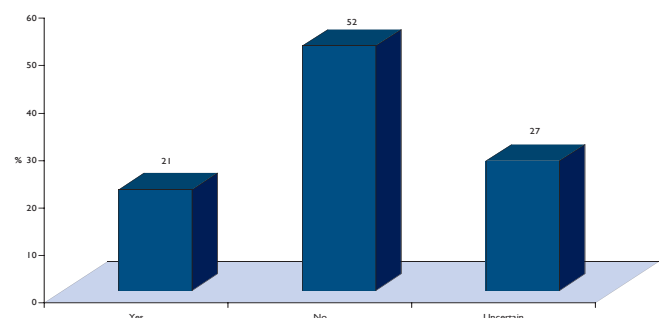
The respondents were asked if they are planning to hire new staff in the upcoming six months; 52% answered negative to this question, while 21% indicated a plan to hire new staff and 27% were still uncertain. The number of employees that are planned to be hired averaged 2.

Number of employees in August 2009 compared to August 2008



Regarding the planning to lay-off staff; 52% of all respondents indicated no plans to lay off any member of their staff, while 42% is still uncertain. It can be concluded from both questions, whether they are planning to hire or lay off people that the retailers are still uncertain about the future. However, the conclusion is that only 6% are actually currently planning to lay off employees. This might imply that in general the retailers are not seeking for dramatic changes in employment as was experienced with some other business sectors. In the last six months, only 9% of all respondents had to lay off member(s) of their staff, while the majority (91%) was not confronted with any lay offs in the last 6 months. The relative low number of lay offs could also be due to the fact that many of the retailers are relatively small and they have therefore less room for high number of dismissals. This

Do you plan to hire new staff within the upcoming 6 months

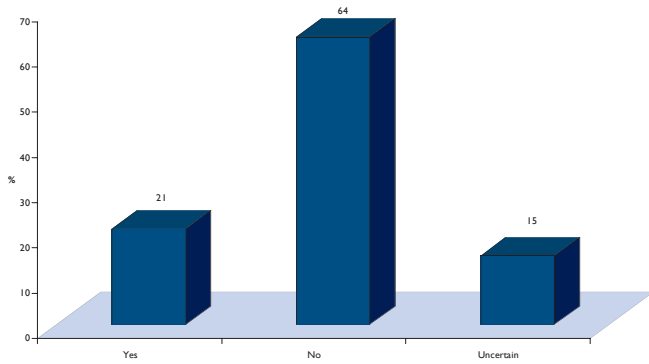


can also be supported based on a cross reference conducted on the size of the retailers, which indicates whether the lay offs are experienced in smaller (0 to 5 employees) retailers or by large retailers with a number of employees above 10; 66.66% (2 out of 3) were retailers with more than 25 employees.

Investments

Capital investments is still taking place by certain retailers; however 64% are not planning any capital investment in the upcoming 6 months, 15% are still uncertain and 21% are planning an investment. The planned capital investments averaged Afl. 141,429. The results indicate clearly that retailers are holding investment plans, however not all retailers are looking at the crisis as a period of halt and observe, some are looking rather at possible opportunities or preparation for when the recession is over. If investments of this year up to August 2009 and last year 2008 are compared with 2007, it can be deduced that investments decreased for 36% of all respondents. Even so, increase of investments took place for certain retailers; with 18% of respondents indicating an increase of investment.

Do you plan to make a capital investment in the upcoming 6 months



Sales

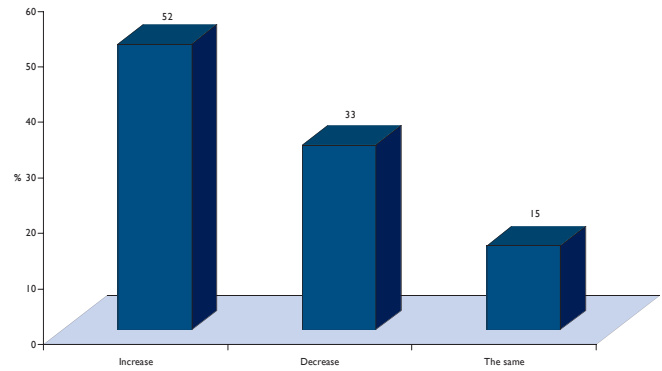
The respondents were asked to indicate the standing of their sales in 2008 compared to 2007 and also for 2009 compared to 2008.

2008 versus 2007

From all respondents, 52% indicated an increase during the year 2008, while 33% experienced a decrease and 15% indicated their sales to remain equal to the previous year. From those indicating an increase; 41% indicated an increase of sales in 2008 compared to 2007 between 5% and 10%, 18% indicated an increase of more than 25%. Thus, all together the great majority experienced a great increase of sales in 2008. The reason for the increase of sales are amongst others; investments that took place between 2008 and 2007, such as the opening of new establishments at new locations. Furthermore, there were also retailers for which 2008 was their first year of full operation, which explains the increase of sales in comparison with the year 2007. Others attribute the increase of sales to the improvement of their stock and price strategy implemented (such as the increasing of pricing). Those targeting the tourist market, attributed their sales increase to a growth of Venezuelans visitors who were the main contributors of their sales. It can be concluded that the great majority of retailers that experienced an increase in their sales is mostly owed to their strategy implemented in order to cope with the economic distress, which started to show mid-year 2008. From those who indicated a decrease in sales; 36% pointed toward a decrease of less than 5%, 27% indicated a decrease between 5% and 10%, 18% experienced a decrease of sales of more than 25%, 9% indicated a decrease between 16% and 20%, and another 9% indicated a

decrease between 21% and 25%.

Did your sales in 2008 compared to 2007;



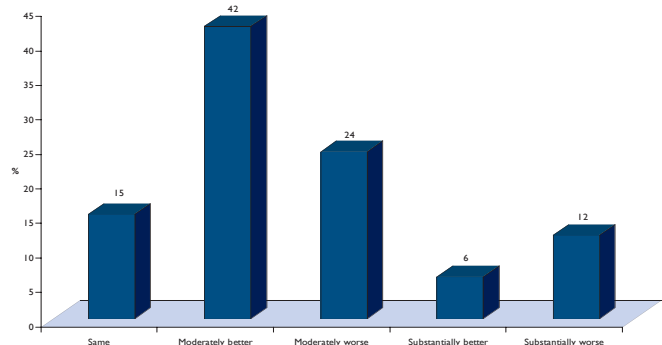
2009 versus 2008

The year 2009, up to June, was however not as successful as the year 2008; 64% of all respondents indicated a decrease of sales, while 30% indicated an increase and only 6% indicated their sales to be equal. From those who indicated an increase, 40% pointed towards an increase of less than 5%, 40% indicated an increase between 5% and 10%, 10% indicated a sales increase between 16% and 20% and the remaining 10% indicated an increase of more than 25%. From those indicating a decrease of sales for the first half of 2009, indicated their decrease as follows; 38% indicated a decrease between 5% and 10%, 19% indicated less than 5%, 19% indicated a decrease between 11% and 15% and another 19% indicated a sales decrease of more than 25%.

Future expectations

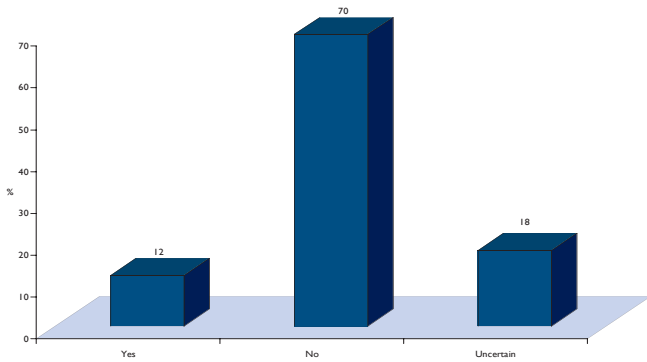
The respondents were asked to provide their insight for the upcoming business situation and the results were as follows; 42% expected moderately better times in the upcoming 6 months, 24% expected moderately worse times, 15% believes the situation will remain the same, 12% believes that the situation will be even worse and only 6% believe the situation will become to large extent better.

In the upcoming 6 months, do you think overall business situation will be;



In order to assess the degree of the negative effect caused by the economic recession, the retailers were asked if they are planning to sell their business in the near future, 12% indicated to have plans to sell their business, 50% of them are groceries' oriented retailers and the other 50% are specialized retailers. However, 70% of respondents are not planning to sell their business; even so 18% from all respondents are still uncertain.

Are you planning to sell the business in the near future?



Conclusion

Overall the survey reflects great uncertainty toward the future outlook, while it is obvious that 2009 was a difficult year for most. However, no drastic changes toward employment were experienced in the surveyed retailers yet. The resilience of the retailers toward the decline of 2009 is what will determine their future. It is unknown how much retailers can endure in general, as this needs to be assessed on a case by case basis, where each retailer has different reserves and capital resources to aid them in a moment of decline. Upon improvement of the market, a building of a reserve might be advisable to retailers in order to be able to absorb future shocks. In general retail business is a direct reflection of the consumer market and the retail survey reflects the consumer insecurities in 2009 and the economy in general.

Companies and employees in the Wholesale and Retail Industry (as per end of December 2008)

	Companies	Employees
Whole and retail sale of nonspecialized goods	78	1,112
Whole and retail sale of pharmaceutical & medical goods	29	435
Whole and retail sale of textiles, clothing, footwear etc	136	1,060
Whole and retail sale of household appliance, articles and equipment	48	508
Whole and retail sale of hardware, glass and paint	24	527
Whole and retail sale of books & office supplies	9	273
Whole and retail sale of all other specialized goods	151	1,166

Source: Economic Profile Q4 2008, Central Bureau of Statistics

Regional growth of number of companies and regional distribution

Region	1999	2008	Growth	Distribution
Noord/ Tanki Leendert	437	477	9.2%	18.5%
Oranjestad East	899	772	-14.1%	29.9%
Oranjestad West	813	731	10.1%	28.3%
Paradera	134	135	0.7%	5.2%
San Nicolas North	86	55	-36.0%	2.1%
San Nicolas South	173	124	-28.3%	4.8%
Santa Cruz	216	178	-17.6%	6.9%
Savaneta	124	111	-10.5%	4.3%
Unknown	5	0		

Source: Statistical Yearbook 2008 CBS

"No matter what your product is, you are ultimately in the education business. Your customers need to be constantly educated about the many advantages of doing business with you, trained to use your products more effectively, and taught how to make never-ending improvement in their lives" by Robert G. Allen.

CONSUMER SHOPPING BEHAVIOR

Introduction

Consumer confidence is an indicator designed to measure the degree of optimism on the current state of the economy expressed by the consumer. 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. Oranjestad was the area with most respondents totaling 30% of respondents in quarter 2 and 29% in quarter 3, Noord with 20% in quarter 2 and 24% in quarter 3, Santa Cruz with 15% in quarter 2 and 10% in quarter 3, Savaneta and Paradera with 12% in quarter 2 and 11% in quarter 3. The regional distribution of respondents falls very similar to the distribution of the population based on the latest census. Furthermore, both distributions of the respondents of both quarters are almost the same. Therefore, the survey can be considered representative based on regional distribution of the population.

The groups of respondents were similarly structured based on age with '55 or older' being the largest group; 62% of the respondents of the second quarter survey were 55 years or older and 56% of the respondents of the third quarter survey falls in this age group. Between 35 and 54 years, 35% of the respondents of the second quarter falls in this category and of the third quarter survey, 38% falls in the same category. In the second quarter survey, 3% were younger than 35 and in the third quarter this was 6%. It can be concluded that the distribution of respondents based on age is for both quarters practically the same.

The respondents were categorized based on total household income; 15% of the respondents of the second quarter had a gross income of less than Afl. 1,500.00, 33% of respondents between Afl. 1,500.00 and Afl. 3,000.00, 16% between Afl. 3,000.00 and Afl.

In the previous edition, clear signs of improvement were experienced accordingly with the same trends of improvement taking place in the U.S.. However, these improvements were not strong enough to indicate continuous progress in the upcoming months. Even so, these short improvements in the economy are positive, since it indicates the possibility for further progress in the upcoming months. Based on the survey conducted in the second and third quarter, the current conditions were analyzed once more to determine if the improvement in the previous quarter continued or if it can only be defined as a diminutive improvement in the economy.

4,500.00, 14% had an income between Afl. 4,500 and Afl. 6,000 and another 14% had an income between Afl. 6,000.00 and Afl. 7,500, while 9% received an income above Afl. 7,500. These result in an average household income of around Afl. 4,553, which is not far from the average household income as measured in the income and expenditure survey 2006, which is Afl. 4,227. For the third quarter survey, the income distribution was as follows; 15% had an income lower than Afl. 1,500, 28% had an income between Afl. 1,500 and Afl. 3,000, 19% had an income between Afl. 3,000 and Afl. 4,500, 14% had an income between Afl. 4,500 and Afl. 6,000, 7% had an income between Afl. 6,000 and 7,500, and 14% had an income above Afl. 7,500. The higher income bracket (income higher than Afl. 6,000) is substantially more in the third quarter.

Table 1: Regional distribution of survey participants

	Q309	Q209
Noord	24%	20%
Oranjestad	29%	30%
San Nicolas	15%	11%
Santa Cruz	10%	15%
Paradera	11%	12%
Savaneta	11%	12%
Total	100%	100%

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

	Q309	Q209
< 1,500	15%	15%
1,500 - 3,000	28%	33%
3,000 - 4,500	19%	16%
4,500 - 6,000	14%	14%
6,000 - 7,500	7%	5%
> 7,500	14%	9%
n/a	3%	8%
Total	100%	100%

Survey analysis: Consumer Behavior

All change is not growth, as all movement is not forward

The results of the second and third quarter for the year 2009 indicates that the shopping behavior remained almost the same since the first quarter of 2009, 32% in the second quarter indicated no change in their shopping behavior and in the third quarter this was 34%. This can also be highlighted by the lower percentage of respondents indicating a change for worse in contrast with the respondents indicating no change. However, the reason for a possible change in shopping behavior in the second and third quarter differs somewhat from the first quarter. During the second and third quarter survey, the respondents indicated the change to be attributed not only to external factors, but also internal factors in combination with external factors,

while the first quarter change in behavior is only attributed to external factors. Conditions of employment were one of the aspects considered under internal factors.

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

	Q309	Q209
Change because buying less as before	65%	68%
Change because buying more as before	1%	0%
Not change	34%	32%
Total	100%	100%

“One month doesn't make a story. But it's certainly very encouraging, especially with the market worried about inflation” by Anthony Chan.

Expenditures rise to meet income

The respondents were asked to indicate their ability of their income to cover their monthly fixed expenses. The results of the second and third quarter indicate a slight worsening of the situation. For the first months of 2009, 10% indicated the situation to be better, covering their fixed expenses, while in the second and third quarter this dropped to 5%. In the first quarter, 4% indicated their ability to be less, without being able to cover their monthly fixed expenses, which increased to 13% in the second quarter and 9% in the third quarter respectively.

Current menu options; "take it or leave it", the cause of distress

There is a clear trend on the receipts paid for groceries, utilities and non-essential expenses according to the surveys conducted in 2008 and the three first quarters of 2009. The utilities bills were much lower during the first months of the year 2009. The drop in the first quarter of 2009 compared to the previous quarter, explains the more positive outlook that resulted from the first quarter survey. However, this relief did not continue much longer, as the average utilities bills increased again in the third quarter of 2009. The drastic leap of the average utilities bill for the third quarter of 2009 might be an explanation also why the income's ability is less. Not only did the average utilities expenses increase immensely during the third quarter, but also the average grocery receipts show an increase since the first quarter of 2009. The increase of non-essential expenses for the third quarter of 2009, might be attributed to the fact that the third quarter is known to be a vacation period and to buy new school supplies. Additionally, the survey was conducted during the month of October and November, which timing is known to be the commencement of the holiday season, which might explain the increase

Average bill receipts in Afl.	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Groceries	889	830	789	868
Utilities	695	436	447	557
Non-essential	261	118	167	109

in spending for non-essential items.

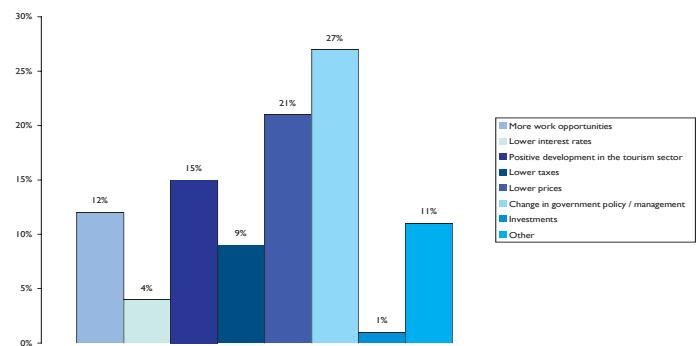
Fixed housing expenses vs. other expenses

From the one hundred respondents of the second quarter survey, 82% own their house, 15% rent a house and 1% provided no answer. For the third quarter survey this was respectively, 88% owners, 10% tenants and 2% non-response. The average renting price paid by the households interviewed for the second quarter survey was Afl. 598 per month and the mortgage payments averaged Afl. 688. For the third quarter survey, the average renting price was Afl. 839 per month and the mortgage payments averaged Afl. 1,679. If these fixed expenses are compared with the average grocery expenses, the average grocery expenses are surpassing the fixed house expenses paid by the respective respondents, which could explain the distress of the respondents with regard to the continuous increase of groceries' prices. *There is an obvious discrepancy between respondents in the 2nd quarter and the 3rd quarter related to their living conditions that have affected the overall average pricing of their housing facilities significantly. This is typical of smaller survey sizes, which is why this survey is considered merely as indicative.*

What it takes to boost confidence and spending

The respondents were asked what is more likely to increase their confidence in the Aruban economy and promptly stimulate their consumption. This question was asked in order to understand the circumstances or news events that could shock directly or indirectly the perception of the general audience regarding the current or future state of the economy. Important is to mention that this question was asked only during the second quarter survey, prior to the government election; 27% of respondents indicated a change of government or government policy. From the one hundred respondents, 21% indicated lowering of prices, which might explain the fact that the improvement of confidence is still not resulting into increase of consumption, since prices are not decreasing considerably. Positive development in the tourism sector was also mentioned as an important indicator that the economy is heading to a positive direction, with 15% of respondents indicating this. Work opportunities were also mentioned countless times, with 12% indicating more work

Aspects that are more likely to increase confidence in the economy



opportunities leading to a boost of confidence. Furthermore, 11% indicated other aspects, including the improvement of the U.S. or global economy. Lowering of interest rates was the least highlighted aspect.

“For those people hoping for a light at the end of the tunnel, this report reveals the tunnel is still under construction.” by Anthony Chan.

Consumer Confidence Aruba

In 2009, the consumer confidence index increased above the 100. This can be mainly attributed to the fact that consumers were becoming more aware and were adapting already to the situation, while in 2008 the economic crisis had just started. There is a clear correlation between the average bills and the consumer confidence. The average utilities bills in the first quarter of 2009 experienced a plunge, which contributed to such an increase of confidence with an index of 153.7 with Q1 of 2008 as the base period. In the second quarter of 2009, the index dropped again simultaneously with the increase of the average bills. The consumer confidence index for the third quarter increased again from 134.6 in the second quarter of 2009 to 159.1 in the third quarter, which is much higher than the improvement in the first quarter. The improvement of consumer

confidence for the third quarter might not be related to the bills, as the average bills kept increasing. However, it is mostly influenced by the expectation index for the future, which increased greatly. It is important to note that the positive expectations are mostly for short-term, while in the longer-term, the expectation index decreased from 169.70 in the second quarter to 101.33 in the third quarter.

Table 7: Consumer Confidence Index

Base period Q1 2008	Q3 2009	Q2 2009
CCI	159.1	134.6
Present situation	85.9	71.2
Expectation	207.9	131.9

Present situation:

The current perception for the first months of 2009 was clearly heading to a positive direction, however this did not continue any longer with a decline from 21% of people indicating a good time to buy major household items to 9% in the second quarter and 12% in the third quarter respectively. However, the financial situation compared to 6 months ago had almost no change, 43% indicated the same situation in quarter 2 and 38% indicated the same situation in quarter 3. Furthermore, for the second quarter 54% believes the situation is worse now compared to 6 months ago and 58% had the same thoughts for the third quarter.

Expected situation:

As to short-term expectations, these have moved to a more uncertain state between the first and third quarter of 2009, while it was notable that the short-term expectation improved in the third quarter 2009.

For the long-term the expectations were less positive for the third quarter with 37% expecting periods of unemployment and depression for the next 1 to 3 years. This negative expectation might be greatly related to the potential closing of Valero.

Income vs. Confidence

The respondents were asked to indicate if they are expecting their family's income to increase in the upcoming six months; 14% of respondents estimated their income to be higher; 74% the same and 12% is expecting their income to be lower. Notable is the fact that the majority expecting their income to be lower were working at the refinery. The high percentage who expects their income to remain the same is mostly attributed to the great majority of respondents being retirees. A great number of respondents are working or have a family member working at the refinery, which explains the high percentage of uncertainty and the tough consequences for the economy if the refinery is to be closed.

Conclusion - Putting the brakes on the economic downturn, when?

After a notable improvement during the first quarter of 2009, the consumer confidence made a turn around and headed again to its own corner of uncertainty. The May 2009 occurrence can be considered a temporary short-term recovery in the economy, which indicates the mechanisms that affects greatly the consumer confidence

to a positive direction, which were at the time the utilities' bills. However, there are other aspects highlighted by the respondents that could affect their confidence in the economy, which are the grocery prices and the uncertainty in the job market conditions. Currently, Aruba experiences job market challenges, which is also the case in the U.S.. The continuous increase of grocery prices and the uncertainty regarding the job market are two main areas causing distress and disallowing consumers to move forward into their normal consumption. It can be concluded that the consumers are willing to start up all over again, however these contractions are not building up. An example of an economic stimulus was the improvement of the U.S. consumer confidence, which was significantly linked to the USD 787 billion stimulus program Obama enacted within weeks of taking office, which has helped to put a brake on the recession. A stimulus option could be examined for Aruba as well. For Aruba, the stable market conditions and the improvement in the U.S. economy are contributors to the improvement of the consumer confidence, however this might not be sufficient as other local negative circumstances arise, including the potential closing of the Valero refinery. In the meantime, Aruba is still hoping for a real expansion in the economy.

The consumer confidence in the U.S., showed an increasing trend starting almost at the end of the first quarter 2009 with a tremendous increase in the following months. However, in the beginning of the third quarter of 2009, specifically the month June and July, the consumer confidence faded again. The major concern or cause of this decline is the continuous job cuts. The economic indicators in the U.S. have been improving; however there hasn't been any meaningful improvement in the household finances. The drop in the U.S. Consumer Confidence Index is due to the decline in the Present Situation Index, which was caused primarily by a worsening job market.

TOURISM DECLINING

Stay-over tourism, according to data from the Aruba Tourism Authority, the first 3 months of 2009 continued with the declining trend experienced at the latter part of 2008. Noteworthy to mention however is, that the declines reported in the first 3 months of 2009 are compared to heightened levels of tourism in the first 3 months of 2008, while the levels of 2009 are higher than the levels reported in 2007. In April 2009, the tourist arrivals increased with 2.5% as compared to the same month of the previous year, due probably to the Easter Holiday which was in April this year. While May experienced again a decrease of 3.4% as compared to the same month of the year before, June and July experienced increases of respectively 2.8% and 6.4% resulting, in a year-to-date decrease of 3.2% (15,822 tourists) as compared to the same period of the previous year. The main cause for this decline is the decline of US tourists by 17,901 tourists, followed by a decline in Venezuela, Sweden and Germany of respectively 1,842, 1,584 and 1,571 tourists which was counterbalanced by increases in the UK and the Italian Market.



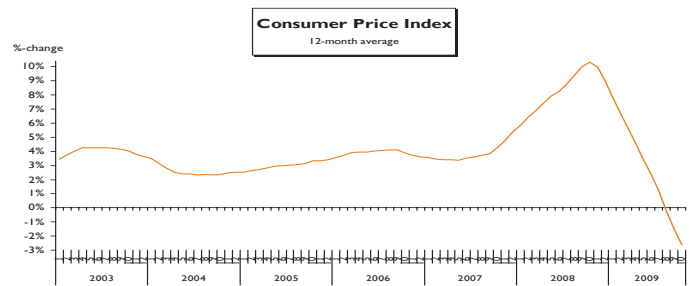
*Up to July 2009

Visitor nights up to July 2009 decreased by 3.7%, maintaining the average length of stay at 7.6 nights as compared to the same period of the previous year. The 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, for hotels and time-share units, is estimated to have decreased with 3.7 percentage points to 80.1%.

CONSUMER PRICE DROPPING

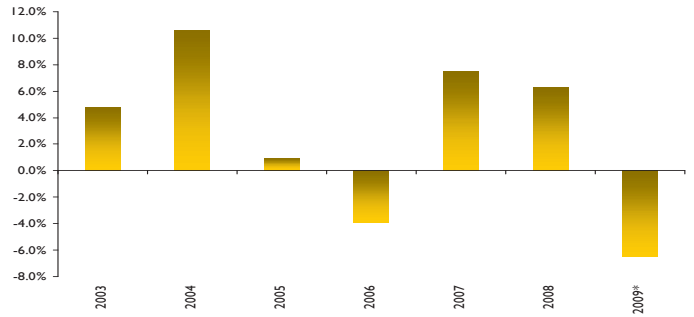
In October 2009 the Consumer Prices decreased with 0.4% as compared to the previous month of the same year. The 12-month average inflation up to October decreased with 2.6% as compared to the corresponding period of the previous year. The 12-month average decline is mainly influenced by the decrease in the category Housing, water & electricity. The latter is primarily due to the lowered water and electricity bills as compared to the same period of the previous year. Another decrease was measured in the category Transport due to a decline in price in the category Operation of Personal transport Equipment, while the purchasing of Vehicles became more expensive, with a recorded increase on the 12-month average inflation of 8.6%. A sector which recorded an increase in price over the 12-month average inflation is Food & Non-alcoholic beverages which increased with 7.1%, primarily induced by an increase of 7.4% in the category Food. Additionally, an increase of 8.1% was reported for the sector Hotels & Restaurants, mainly influenced by the increase in food

prices which is directly related to the Catering services, while the 12-month average prices for accommodations decreased with 9.6%.



*Up to October 2009

Growth Visitor nights



*Up to July 2009

Stay-over tourists decreased significantly in most of the Caribbean destinations in the first months of 2009. However, two major destinations Jamaica and Cuba seem to be resilient against the economic downturn, as both increased respectively with 3.4%, up to June 2009, and 3.1%, up to July 2009, as compared to the corresponding period in the previous year. In comparison Aruba is holding fairly well, in terms of stay-over visitors, with its decrease of 3.2% up to July 2009.

Cruise tourism in the first nine months of 2009, increased with 6.9% compared to the same period in 2008, while significant double digit increases were reported in August and September of respectively 36.4% and 40.7%. Cruise ship calls, up to September of 2009 increased with 2.9% as compared to the corresponding period of the previous year. Up to December an increase of 7.4% in cruise tourism is approximated, based on adjusted maximum capacity of the cruise ships to arrive at the shores of Aruba, while for December lower cruise visitors are expected than in the year before.

Tourism receipts according to the Central Bank of Aruba, decreased up to the second quarter of 2009 in nominal terms with 9.9% to Afl. 1,197.1 million from a high level of Afl. 1,329.2 as was registered up to the second quarter of 2008. Tourism receipts registered up to the second quarter of 2009 are higher than the level measured in 2007 for the same period.

VALUE and VOLUME DECLINING

Merchandise import decreased in value (nominal) by Afl. 13.0 million, which translates into a decrease of 3.3% in the second quarter of 2009 as compared to the corresponding quarter in 2008. Up to the second quarter merchandise import decreased with 7.8%, which is in value Afl. 68.7 million less imports. In volume, however, an increase of 20.5% was reported for the first 2 quarters as compared to the same period of the previous year. The decrease in value was influenced mostly by the construction materials like Wood, Works of Stone and Base Metals, which declined up to the first 6 months with respectively Afl. 3.6, 3.0 and 18.7 million as compared to the corre-

sponding period of the year before, indicating a slowdown in the construction sector. Additionally, the section Pearls & other precious stones reported a decline in value of Afl. 21.3 million up to the first 2 quarters as compared to the same period of the previous year, while in volume the Pearls & precious stones increased considerably.

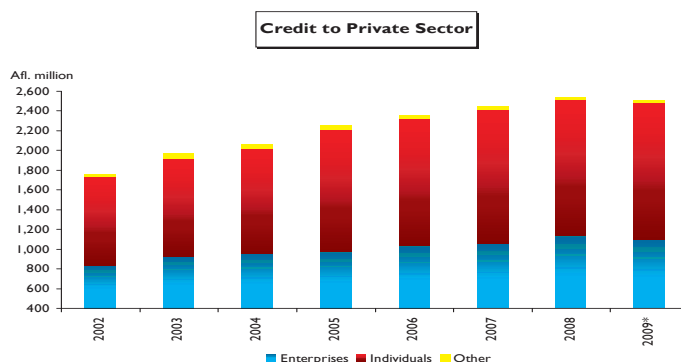
Import duties up to the first eight months of 2009 declined with 16.2% in nominal terms (Afl. 16.7 million) as compared to the same period of the previous year.

TAXES DECLINING

Government **tax** revenue (in nominal terms) decreased with 8.1% up to the first eight months of 2009, as compared to the same period of the previous year, which represents a decline of Afl. 53.7 million in the corresponding period. The decrease is mainly attributed to a decline in wage tax revenues and income tax revenues, which decreased respectively by Afl. 16.4 and Afl. 6.6 million up to the first eight months of 2009. Additionally, the import duties and the succession tax revenues decreased by respectively Afl. 16.7 and Afl. 14.8 million up to August 2009. The Turn Over Tax (BBO) increased up to August 2009 as compared to the corresponding period of the previous year with Afl. 5.2 million, however this is due to an incidental payment of Afl. 15 million from Valero to the Government related to its sales of January and February 2007. When subtracting this incidental payment the BBO decreased with Afl. 9.8 million or 8.5% compared to same period of last year. Tax revenues which increased in the period up to August 2009 include excises on beer and property taxes which increased with respectively Afl. 2.6 and Afl. 4.0 million as compared to the corresponding period of the previous year.

BANK LOANS

Credit to the private sector declined up to the first eight months of 2009 with 1.6% as compared to end of period 2008, which translates in an aggregated decrease of Afl. 40.2 million to Afl. 2,501.6. Credit to enterprises decreased with Afl. 34.9 million and individual credit decreased with Afl. 3.8 million, of which consumer credit decreased with Afl. 14.0 while mortgages increased with Afl. 10.2 million.



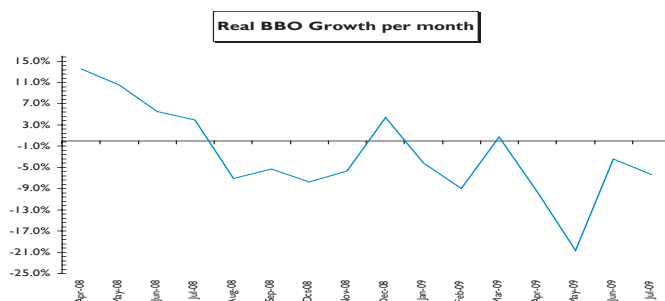
*Up to August 2009

ECONOMIC PERFORMANCE

The turnover tax (BBO), levied over the gross revenues of each company in Aruba, can be used as an indicator to measure economic performance on Aruba. In order to measure the real growth in the economic performance, the BBO proceeds are adjusted for inflation (January 2007=100). Additionally, the BBO proceeds have been corrected for an incidental BBO payment by Valero to the Government in the amount of Afl. 15 million. The real BBO declined up to July 2009 with 7.5% as compared to the same period of the previous year, indicating a slowdown in the Aruban Economy.

According to estimates by DEACI, the nominal growth in the Gross Domestic Product (GDP) will be approximately -2.7% for 2009, which results in a nominal GDP of Afl. 4,843 million and a real growth of -1.2%. It is expected that the drop in number of stay-over visitors is 3.5% less than was expected in the beginning of the year, resulting in a decline of 4% in stay-over visitors. The decrease of stay-over vis-

itors goes hand in hand with a fall in hotel prices and less spending by the tourists which results in a decrease of 10.2% in tourism receipts. The private investments are expected to decrease with 2.5% in 2009. These estimates by DEACI were prepared prior to full consideration of the closing (currently still temporary) of Valero, which would negatively influence the economy further.



“There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else” by Sam Walton.



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Eco Corner:

Green intelligence moving forward in the retail sector;

Two months ago, Wal-Mart made an announcement that could set off an ecological earthquake: The giant retailer disclosed it was cooperating with an academic consortium to develop a sustainability index for rating its hundreds of thousands of products, According to 'Sustainability North America'. This index will produce a sustainability rating label that retailers will post as a single number or symbol next to an item's price tag. This is envisioned as a possible new industrial standard in the future, one that is expected that many retailers will adopt beyond Wal-Mart (The largest retailer around the globe).

Such eco-rating systems will signify that retail products will not only be competing based on price and quality, but on their ecological impact as assessed based on the ratings. This will have an impact on the suppliers that will be delivering these retailers product that will also have to compete based on ecological superior products along with price and quality.

Wal Mart points out and focuses on creating this ecological strategy as their executives point to surveys data suggesting that younger people, those born from the 1980's on, are far more motivated to shop for a better planet.

Something to consider for your retail?.....

We are clearly in a grip of an economic storm, and very few or any retailers will escape untouched. However, considering that retailers are directly focused on consumers and consumers rein in spending, a downturn is likely not to be distributed equally among all retailers. The extent of the effect will depend greatly on the location of the stores, the product categories, the specific market segment and the life cycle state of the business. Despite the current economic conditions, retailers should continue to explore investments in technologies that provide an enhanced customer experience, improved customer service and optimize operational efficiencies. For this it is important to focus not only on short-term objectives, but also on long-term objectives during the economic downturn. Important is to keep in mind the changing of customer behavior and adapt your strategy to this behavior if necessary, this can be deduced by analyzing how and what your customers buy during the recession and work harder to promote these specific products. Furthermore, it is also important to look at the overall picture of what the majority is now buying and how they are buying and try to target this group. The key for retailers is to be aware of where your business is coming from during the recession and adapt to this accordingly. This can also be deduced from the retail survey conducted by the AIB EFS, in which retailers that have adapted themselves to the changing environment are still protecting their business from the severe effects of the downturn.

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	106,698
Nominal GDP**	3,618	3,983	4,159	4,334	4,574	4,978	4,843
Nominal GDP per Capita** (in Afl. per person)	37,606	40,188	40,703	41,879	43,761	46,940	45,390
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	-2.6
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	1,197.1
Total Visitor Arrivals (in thousands) ⁽⁹⁾	1,184.2	1,304.5	1,285.3	1,285.8	1,253.8	1,381.2	879.2
Stay-over Visitors (in thousands) ⁽¹⁰⁾	641.9	728.2	732.5	694.4	772.1	825.1	475.2
Visitor nights (in thousands) ⁽¹⁰⁾	5,097.6	5,639.9	5,692.7	5,470.5	5,879.9	6,249.5	3,608.5
Cruise Visitors (in thousands) ⁽¹¹⁾	542.3	576.3	552.8	591.5	481.8	556.1	403.9

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	85.25
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	894.14

PUBLIC FINANCE

Total Revenue ⁽¹⁴⁾	988.6	836.1	909.1	985.2	1,034.0	1,365.1	719.2
Total Expenditure ⁽¹³⁾	919.3	1,180.4	1,034.0	1,097.6	1,084.2	1,290.5	601.3
Overall Surplus/(Deficit) ^{(6) (13)}	172.6	-237.4	-174.7	-43.3	-111.7	182.3	-59.8
Overall Surplus/(Deficit) as a Percentage of GDP ⁽⁷⁾	4.8%	-6.0%	-4.2%	-1.0%	-2.4%	3.7%	-1.2%

PUBLIC DEBT AND INTERNATIONAL RESERVE

Total Public Sector Debt ^{(8) (13)}	1,494.6	1,717.1	1,904.9	2,012.2	2,136.3	2,047.2	2,176.4
Total Public sector Debt ⁽⁸⁾ as a Percentage of GDP	41.1%	43.1%	45.8%	46.4%	46.7%	41.1%	44.6%
Net International Reserves in months of imports (12m avg.) ⁽¹⁵⁾	6.6	6.2	5.5	5.2	5.9	7.2	9.8

PARTIAL ECONOMIC ACTIVITY INDEX (PEAI) ⁽¹²⁾

Utilities	108.1	108.9	113.1	113.1	116.0	111.6	-3.7
Construction	106.3	99.2	145.2	141.2	127.1	107.3	-14.5
Trade	81.2	84.2	80.4	77.4	84.4	74.8	-22.1
Hotels & Restaurants	97.1	106.8	108.5	105.8	111.7	115.1	-4.5
Transport	92.4	101.0	98.4	97.8	97.2	102.2	-2.4
Housing	109.0	111.8	115.5	119.3	122.5	125.8	3.3
Public administration & Education	99.3	101.2	104.6	101.6	89.8	80.1	10.9

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

** GDP figures for 2007, 2008 and 2009 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 up to the second quarter of 2009.

(3) Up to October 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 2009.

(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 September and stay-over tourism up to July.

(10) Up to July 2009

(11) Up to September 2009

(12) Percentage change of the first quarter of 2009 as compared to the same period of the previous year

(13) Up to second quarter 2009.

(14) Up to August 2009.

(15) Second quarter 2009.