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World

There will be no more talks of Greece leaving the Eurozone after harsh bailout talks in which the European Council have gotten Greece's prime minister, Mr. Tsipras to accept a worse deal than before to avoid an even bigger crisis in Greece. However, one should ask, how fair is the bailout deal anyway? The IMF warned German chancellor Angela Merkel that Greece has an unsustainable debt and that some debt relief must be granted. Even more so, the IMF said it could not participate in the next Greek bailout unless Greece's other creditors agree to anotherⁱ round of debt relief. Anonymous officials at the European Central Bank agree with the IMFⁱⁱ. Until all reforms are in place, the EC will probably not discuss debt relief. Fair or not fair, the bailout deal Greece has struck will probably not be

Time to ditch microbeads! New research shows that the plastic microbeads in your beauty products (toothpaste, face and body scrubs) are not biodegradable, and are too small to be filtered by water plants. The microbeads may end up in water, but mostly end up on your plate, in your fish. Bon Appétit!

the last one as it is not enough. The Greek economy will sink much lower before it starts to recover. While some Europeans may believe that the Greeks are wasting the money they are receiving, the fact is that most of the money does not go to Greece, but is meant to pay creditors, most of which are Greek banks and creditors that come from the European

countries offering bailout to Greece. As such, while the Greek economy is staggering, the rest of Europe is seemingly growing according to Markit's PMI (52.4 on August 3; any number above 50 indicates economic growth)ⁱⁱⁱ. Greece's Markit PMI was 30.2, signaling a huge contraction in its economy^{iv}.

The Iran deal is historical, and yet it is under much scrutiny and the reasons for this are certainly understandable. Let us start by explaining what the Iran deal entails before getting into why it is being criticized so much. The main reason for even starting to negotiate for this deal is that the P5+1 nations

ⁱ Debt relief was already given in the form of lower interest rates and longer repayment period.

want to prevent Iran from making a nuclear weapon, or at least increase the time it will take for Iran to be able to make one^v. The latter was achieved by reaching a compromise in which Iran is allowed to continue to enrich uranium under strict limitations and heavy supervision to ensure that Iran does not cheat, if it does, all former sanctions will be reinstated immediately. Iran's gain from the deal is that the sanctions imposed on the country will be lifted, allowing Iran to export oil and gas to more countries, import technology and make use of SWIFT again. Iran's compromise is that all sanctions will not be removed immediately, but gradually on the basis of good faith implementation of the deal. The deal does not cover any issues related to Iran's behavior regarding human-rights issues, support of terrorism, and the country's ballistic-missile program. Obama however, can only suspend sanctions that Congress has legislated.

This rather simple explanation of the Iran deal makes the deal sound good, so why all the commotion? The Israeli prime minister, Netanyahu, thinks this deal will certainly result in Iran making a nuclear bomb and attacking Israel. The Republicans do not want a deal with Iran that does not address their behavior especially as terrorist sponsors (Hizbullah e.g. in Lebanon). Iran has also not been compliant on a number of occasions, also lying about not having more nuclear facilities that were later discovered. Iranian officials making anti-American outcries after the deal was struck is also a reason for concern, even for John Kerry. Iranian Supreme leader Ali Khamenei vowed to defy American policies in the region despite the nuclear deal. The problem with all the critics is that they offer no plausible or attractive alternative.

Latin America

As congressional elections near in Venezuela, all credible opposition leaders are being either barred from running (e.g. María Corina Machado) or imprisoned (e.g. Leopoldo López). The U.S. urged Venezuela's National Electoral Council and the country's comptroller general to permit Ms. Machado and other barred candidates to participate in the elections on December 6th of this year. Ms. Machado has also been accused of plotting to assassinate current president Mr. Maduro. Mr. López was incarcerated for the same accusation, although it is unclear whether these accusations are valid^{vi}. According to news outlets it seems that people who are critical of Mr. Maduro's policies are subject to accusations that may lead them to be prosecuted. Judges and prosecutors are seemingly bending to his will like "obedient soldiers"^{vii} according to the Human Rights Watch. The Human Rights Watch stated that free speech is under threat in Venezuela.

Caribbean

Box I. Puerto Rico in Default

Puerto Rico has defaulted on August 4th 2015 for the very first time after missing a final deadline for a \$58 million payment; only \$628,000 was paid as the government simply has no more money. The total default amounts to \$72 billion, equal to the island's GNP. Puerto Rico is a commonwealth of the United States and is not recognized as a state. As such, Puerto Rico is not covered by the 'Chapter Nine', which is a bankruptcy code in the U.S. that for example helped Detroit recover after defaulting in 2013. Because Puerto Rico is not a country, it cannot request financial help from the IMF. Just as for Greece, the IMF is recommending austerity measures to curb the situation. This presents a conundrum again because austerity measures will leave tax payers with less spending capital and may also decrease the number of tax payers, which in the end results in less income for the government, thus less capacity to pay up debts. Puerto Rico cannot print money to repay its debts either as it falls under the Federal Reserve Bank. Furthermore, the IMF believes that the island needs a debt relief haircut of at least 35%. Unable to print money, austerity recommendations and debt relief recommendation by the IMF are the only comparisons we can make between Puerto Rico and Greece, no more!

How did Puerto Rico get to this point? The island allowed a debt crisis to creep slowly while the economy was booming by lending too much money. Creditors lent the island money, and were banking on an implicit guarantee from the U.S., a guarantee that does in fact not exist. Another reason for purchasing bonds from Puerto Rico was that they were "triple tax exempt". This means that the holder of the bonds do not pay state, federal, or city income taxes. Puerto Rico is not subject to federal income tax in general, which is also a reason why they are not an official State. While the island has a member in congress, he has no voting power which is why proposals to give Puerto Rico bankruptcy powers remain stuck. Bankruptcy can help the island restructure its debt and receive bailout help from the U.S. and so avoid chaos.

Source^{viii}

The Relationship between Cuba and the U.S. is improving and fast. More and more people from the U.S. are visiting Cuba, the Cuban flag was raised in Washington^x, and Hillary Clinton is campaigning to lift the embargo on Cuba^x. Cuba's foreign minister called for the removal of the economic, commercial and financial blockade the U.S. imposed on Cuba which he claims are hurting the Cubans. He also called for the return of Guantanamo and respect for the sovereignty of Cuba. The U.S.'s stance has always been for Cuba to become democratic, and that only then the embargo would be lifted. The embargo is not working, and many Americans believe that relations with Cuba need to be normalized. There is much to gain for both countries and perhaps due to indirect American influence (from constant American visitors), Cuba might one day become more democratic. The U.S. is particularly interested in the medical scientific progress that Cuba has made all on its own^{xi}. Infant mortality rate is lower in Cuba than in the U.S. Cuban medics have also found a vaccine for diabetic foot ulcers, a reason why as many as 80,000 Americans need to amputate each year. In Cuba amputations decreased by 70 percent as a result of this vaccine. Cuban researchers also discovered CimaVax, a vaccine that effectively helps people with lung cancer to live longer and have better quality lives during those extra years. On the other hand, Cuba lacks basic medical needs, such as hospital bed sheets, bandages, etc. Thus, the U.S. also has much to offer the medical world of Cuba.

The Curacao Tourism Master Plan 2015 lays down the new strategy for Curacao in their approach to tourism on the island. Currently more than 50% of visitors going to Curacao do not stay in hotel, while according to statistics hotel visitors spend at least a third more than visitors who do not stay in hotels. The reason why most visitors do not stay in hotels is because most visitors are European (Venezuelan visitors also largely do not stay in hotels) visitors who visit with their whole families and prefer to stay in cheaper accommodations (mostly Dutch visitors). Curacao's plan is to start focusing on the American market and focus to become the best destination in the Caribbean, and thus directly competing with Aruba. The focus of marketing will be in New York, Delaware, Maryland, Pennsylvania, and New Jersey. Their strategic goals are to first educe economic growth, then job creation, and third premier hospitality.

Trip advisor ratings for May 2015 show that Aruba received a total of 4,193 reviews that produced an average score of 4.4 out of 5!

The Master plan calls for increased occupancy rate (80%) and 15% increase of the Revpar, both in 2 years time. Increase airlift, acquire more branded hotels, service improvement, human capital inclusion. Via a Tourist Investment Program (TIP) Curacao wishes to increase investment in its products with \$30 million via import duty free incentives in 3 or 4 years time.

- i. A success story for Curacao in 5 years time would look like this:
- ii. 2% economic growth
- iii. A minimum of 2000 jobs created
- iv. Allocation of 30% of the new jobs to the youth
- v. Increase in benefits to most vulnerable sector
- vi. One major airline carrier as a secured partner
- vii. One major luxury hotel as a secured partner
- viii. Mitigate the low season by 30% in cruise business
- ix. Secure funding for business intelligence that assesses the market alignment within the competitive set
- x. Integrate non traditional actors in the funding system
- xi. Create 1 incentive window for refurbishing of any existing facility within the tourism system
- xii. Approve regulation to develop Oostpunt by determining the highest green development standards and by defining value expectations for supporting products (hotels, restaurants, retail, residential, etc)
- xiii. Overall increase in number of visitors amounts to 146,089.

Surprisingly only 54% of the local population believes in the tourism promise, or in other words that tourism is the way to bring back economic growth in Curacao.

Airbnb

What is Airbnb? For those of you who are unfamiliar with this company, it is an online room-sharing service that connects travelers with available homes, apartments, spare bedrooms, and the like. Airbnb has grown immensely since its launch 7 years ago and the hotel industry sees it as a threat to their business. Based solely on pricing, Airbnb offers the cheaper alternative. However, cheaper price comes at cheaper service, as Airbnb offers practically no service other than connecting people and an online screening process. Airbnb has no health, safety and disability compliance standards, and “tenants” do not pay a whole of insurance costs that hotels are subject to. If proper regulations are not put in place, then guests and the people living near an Airbnb rented house cannot be protected. The government of Aruba should take notice of an undesirable trend occurring in New York; landlords are buying affordable homes (that citizens could otherwise purchase), and renting them on Airbnb, because generates greater profit than long-term rental. This reduces the supply of homes (and the like) in the market, which could further raise real estate prices on the island, making it harder for the citizens of Aruba to own their own place. Airbnb is quite excellent, however misuse of the service should be prevented through regulation.

Source^{xii}

Box 2. Aruba

The CBA published the first quarterly report for 2015 in July which shows that the GDP of Aruba expanded by 3% in nominal terms and 1.2% in real terms as compared to 2013. This was in line with their last forecast monitor of 2015. Both tourism receipts and stay-over visitors increased by 7.3% and 9.5% respectively. According to the CBA, an average inflation in Aruba for 2014 was 0.4% and 0.7% for 2015, the introduction of the health tax has yet to have its full inflationary pressure in the inflation figure. The transaction tax is not included in the inflation forecast of 2015, but the drop for oil prices is. GDP is expected to grow with 5.1% in 2015 in nominal terms, 2.4% in real terms. Until official 2014 GDP figures are known, all these numbers are subject to change.

Tourism

The ATA monthly stay-over statistics show a 5.7% increase in stay-over visitors in June 2015 compared to June 2014. During the first half of 2015 we can note an increase of 16.2% of stay-over visitors. Visitors from Venezuela alone increased with 20.6% in June 2015 compared to June 2014. Note that a great number of visitors from Venezuela are using Aruba as a hub to travel to the U.S. or to Europe and stay for just 1 night. About 5.7% of all Venezuelans who visited Aruba in June are thought to be in transit. Venezuelans who are using “other accommodations” to stay other than hotels have increased from 61.2% in June 2014 to 74.3% in June 2015.

Cruise passengers have increased with 12.3% in June 2015 compared to the same period the previous year. However, over the first half of 2015, the number of cruise passengers fell by 15.8%. The number of cruise passengers is predicted to decline with 5% to 10% overall in 2015 compared to 2014. This number can rise to up to 15% if certain cruise calls which have been scheduled get cancelled.

AHATA predicts that for 2015 the average room occupancy on Aruba will be between 76%-78%, while the average daily rate and Revpar are expected to grow by between 5%-10%.

The World Travel and Tourism Council issued a new report on Aruba in which they show that of 184 countries, Aruba ranks number one when it comes to “travel & tourism’s total contribution to GDP (%)”. 88.4% of Aruba’s GDP stems directly and indirectly from travel and tourism. The direct contribution to GDP is 28.6% (rank nr. 4). Travel and tourism’s direct and indirect contribution to employment on Aruba are 32.5% (rank nr. 3) and 90.8% (rank nr. 4), respectively. This shows how heavily dependent the economy of Aruba is on tourism industry.

While, travel and tourism’s contribution to GDP is forecasted to grow with 2.7% per annum between now and 2025, contribution to employment is forecasted to decline with 0.4% per annum. Whether or not prospective hotel developments were included remains a question mark. In any case, this trend signals that employees are becoming more productive, and/or that more jobs in the tourism sector are subject to automation.

Publications

EFS

- Real Estate Report I
- ALCO Aruba May 15
- ALCO Curacao April 15

CBA

- Monthly bulletin May '15
- Monetary Policy April '15
- Statistical Tables Q1 '15
- Economic forecast monitor April '15
- Chart & trends July '15
- Economic outlook 2014 and 2015

CBS

- CPI April
- Inflation May
- Quarterly demographic bulletin 2014
- Tourist profile 2013
- Population projection 2010-2030

APA

- Compass news March '15

IMF

- Concluding Statement of the 2015 Article IV Mission
- Revisiting Tourism Flows to the Caribbean: What is driving arrivals?

World Travel and Tourism Council

- Travel & Tourism Economic Impact 2015 Aruba

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- ^{xii} <http://www.hotelnewsnow.com/Article/16233/Hoteliers-should-be-concerned-about-Airbnb>

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Purple box source

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