



CENTRALE BANK VAN ARUBA

BUSINESS SENTIMENTS STRENGTHENED AGAIN IN THE THIRD QUARTER OF 2021

Summary report

Results for the third quarter of 2021

The Central Bank of Aruba (CBA) recently concluded its Business Perception Survey (BPS) for the third quarter of 2021. The BPS assesses the economic sentiments of local businesses, as well as the impact of the COVID-19 pandemic on their business activities.

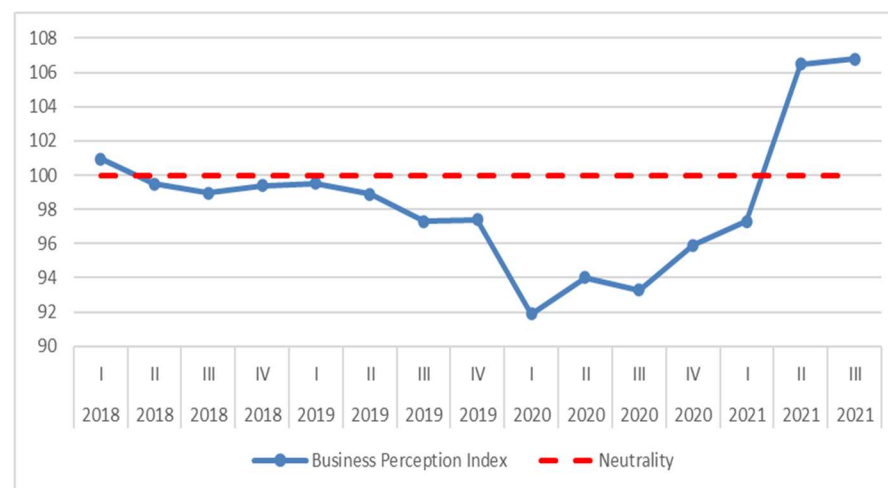
In the third quarter of 2021, the Business Perception Index (BPI), comprising the current and short-term economic conditions, edged up by 0.3 index point to 106.8, reflecting the continued improvement in business sentiments (See Chart 1)¹. The boost in business sentiments resulted from a strengthening in both current and short-term future economic conditions.

Economic Conditions

The *current economic condition* index noted an expansion of 0.8 index point to 106.2, up from 105.4 in the second quarter of 2021. The *short-term future economic condition* index declined by 0.2 index point, i.e., from 107.7 in the second quarter of 2021 to 107.5 in the third quarter of 2021 (See annex 1). The percentage of respondents expecting positive economic growth in the next 12 months dropped, i.e., by 12.1 percentage points to 49.2 percent. Meanwhile, the expectations of a flat economic growth in the next 12 months grew by 11.9 percentage points to 34.4

percent, up from 22.6 percent in the second quarter of 2021 (See annex 2).

Chart 1: Business Perception Index



Source: Centrale Bank van Aruba

In terms of the impact of the COVID-19 pandemic, the expanded Business Perception Survey also assessed the expected impact on business sales,

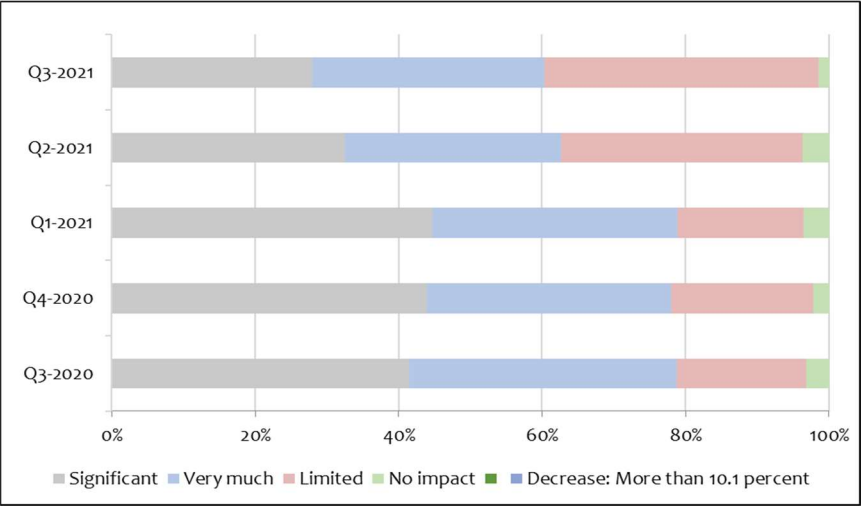
¹ The index can vary between 90 and 110. Between 90 and 100 indicates a situation of pessimism. An index of exactly 100 indicates that businesses are neither pessimistic nor

optimistic but are neutral with regard to their thoughts about economic developments in Aruba. Between 100 and 110 indicates a situation of optimism in business sentiments.

the need for applying for emergency business funds, and the anticipated economic recovery period.

Close to 28 percent of the respondents (27.9 percent) pointed out that the COVID-19 pandemic continued to have a significant impact on their business sales, i.e., 4.6 percentage points less compared to the second quarter (See Chart 2).

Chart 2: COVID-19 impact on business sales



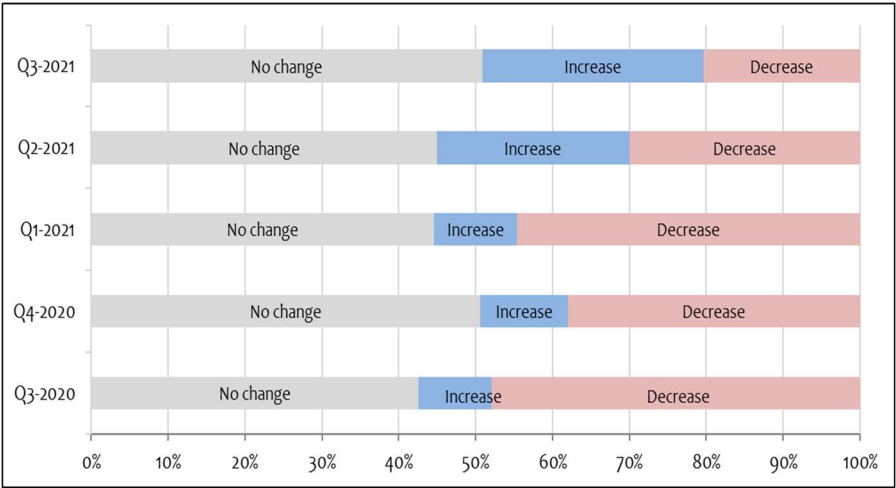
Source: Centrale Bank van Aruba

According to 45.6 percent of the respondents, the expected recovery of the Aruban economy due to the COVID-19 pandemic will take between 1 to 2 years. As for the need for applying for emergency business funds provided by the Government of Aruba, 38.2 percent of the respondents applied for this funding during the third quarter, compared to 37.4 percent in the second quarter of 2021.

Employment and Wages

In the third quarter of 2021, the percentage of respondents reporting ‘no change’ in the number of employees improved, i.e., by 5.8 percentage points to 50.8 percent in the quarter under review, up from 45.0 percent in the second quarter of 2021. Meanwhile, the percentage of respondents indicating ‘improvement’ in employment conditions amplified by 3.7 percentage points, whereas those reporting ‘worsening’ employment conditions fell by 9.6 percentage points (See Chart 3).

Chart 3: Perceived developments in employment

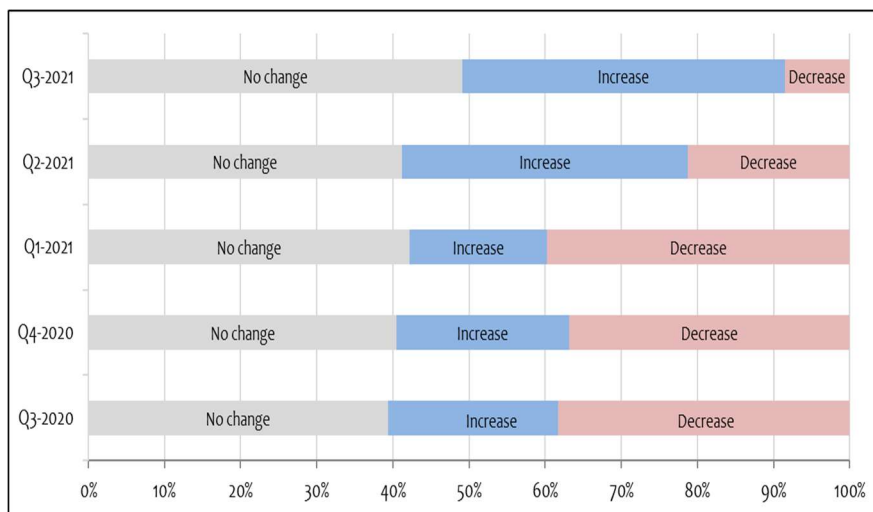


Source: Centrale Bank van Aruba

With reference to average wages during the third quarter of 2021, the percentage of respondents reporting ‘no change’ in the average wage cost increased by 7.9 percentage points, i.e., from 41.3 percent in the second quarter of 2021 to 49.2 percent in the quarter under review.

Meanwhile, the percentage recording ‘improvement’ in wage conditions grew by 4.7 percentage points to 42.3 percent, and those reporting ‘worsening’ wage conditions contracted by 12.8 percentage points to 8.5 percent (See Chart 4).

Chart 4: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the third quarter of 2021, the percentage of respondents reporting a profit strengthened by 3.0 percentage points to 78.0 percent, 61 percent of the respondents reported an upswing in sales. The respondents registering ‘decreases’ in sales fell by 5.9 percentage points to 25.5 percent during the third quarter of 2021 (See Table 1), compared to 31.4 percent during the second quarter.

Table 1: Perceived developments in profitability and sales in percentage of all respondents

	2020		2021		
	III	IV	I	II	III
PROFITABILITY - PROFITS (%)					
1. No change	7.4	11.4	7.2	8.8	13.6
2. Increase	7.4	11.4	7.2	48.8	47.5
3. Decrease	46.8	41.8	44.6	17.5	16.9
Total	61.7	64.6	59.0	75.0	78.0
PROFITABILITY - LOSSES (%)					
1. No change	5.3	5.1	7.2	2.5	0.0
2. Increase	18.1	20.3	18.1	10.0	10.2
3. Decrease	14.9	10.1	15.7	12.5	11.9
Total	38.3	35.4	41.0	25.0	22.0
SALES (%)					
1. No change	9.6	12.7	14.5	16.3	13.6
2. Increase	8.5	8.8	10.8	52.6	61.0
3. Decrease	81.9	78.5	74.7	31.4	25.5
Total	100.0	100.0	100.0	100.0	100.0
In percentages of all respondents					

Source: Centrale Bank van Aruba

Investment and Financing Activity

During the third quarter of 2021, the respondents reported a drop in their business investments, as the percentage of respondents indicating ‘improvement’ investment conditions registered 30.5 percent, a decrease of 3.3 percentage points, down from 33.8 percent in the second quarter of 2021. The percentage of respondents signaling ‘worsening’ fell by 2.2 percentage points to 15.3 percent, while the percentage of respondents indicating ‘no change’ in investments rose by 5.4 percentage points to 54.2 percent (See Table 2).

With regard to *expected short-term investment activities*, during the third quarter of 2021, most of the respondents (62.7 percent) foresaw that the current conditions would improve during the next 6 months, contracted by 2.3 percentage points compared to the second quarter of 2021. Those reporting ‘worsening’ in short-term investment conditions grew by 0.4 percentage point, up from 1.3 percent in the second quarter of 2021 to 1.7 percent in the quarter under review. At the same time, the percentage of respondents indicating ‘no change’ rose by 1.8 percentage points to 35.6 percent (See Table 2).

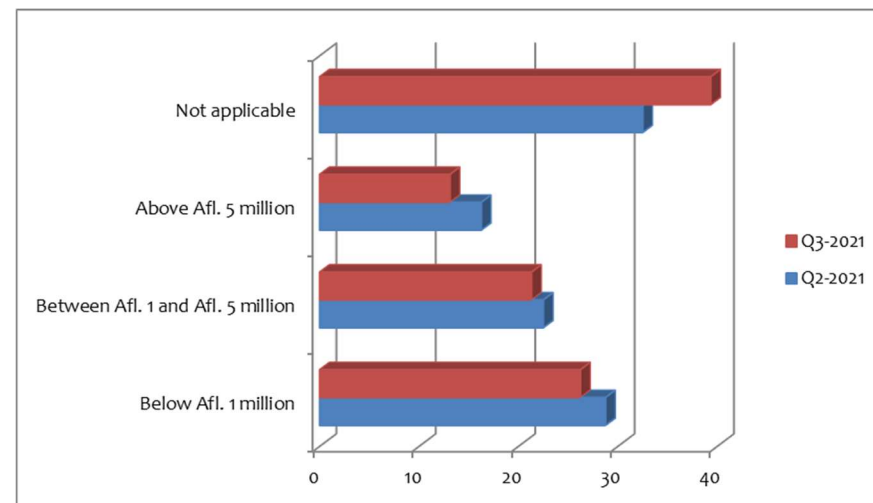
Table 2: Business Perception Survey : general results

	Improvement (%)		No change (%)		Worsening (%)	
	2021		2021		2021	
	II	III	II	III	II	III
A. Current economic condition						
1. The economic conditions in Aruba	56.9	56.8	25.9	30.1	17.2	13.1
2. The activities of your business	70.0	72.9	16.3	22.0	13.8	5.1
3. The investments of your business	65.0	62.7	27.5	33.9	7.5	3.4
4. The number of employees that work for your company	33.8	30.5	48.8	54.2	17.5	15.3
	58.8	61.0	11.3	10.2	30.0	28.8
B. Expected short-term economic conditions						
1. The economic conditions in Aruba	48.0	40.7	45.8	53.6	6.3	5.8
2. The activities of your business	7.5	10.2	80.0	81.4	12.5	8.5
3. The investments of your business	85.0	67.8	12.5	27.1	2.5	5.1
4. The number of employees that work for your company	65.0	62.7	33.8	35.6	1.3	1.7
	46.3	35.6	47.5	59.3	6.3	5.1

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of respondents with investment plans over the next 12 months noted a drop of 7.0 percentage points to 60.6 percent in the third quarter of 2021 (See Chart 5).

**Chart 5: Investment plans over the next 12 months reported in Q3 2021
(In % of all respondents)**



Source: Centrale Bank van Aruba

According to 29.9 percent of respondents, the terms and conditions for obtaining business financing tightened during the third quarter of 2021, down from 34.9 percent during the second quarter of 2021. Those indicating that the terms and conditions remained the same widened by 4.2 percentage points to 65.7 percent in the quarter under review (See annex 2).

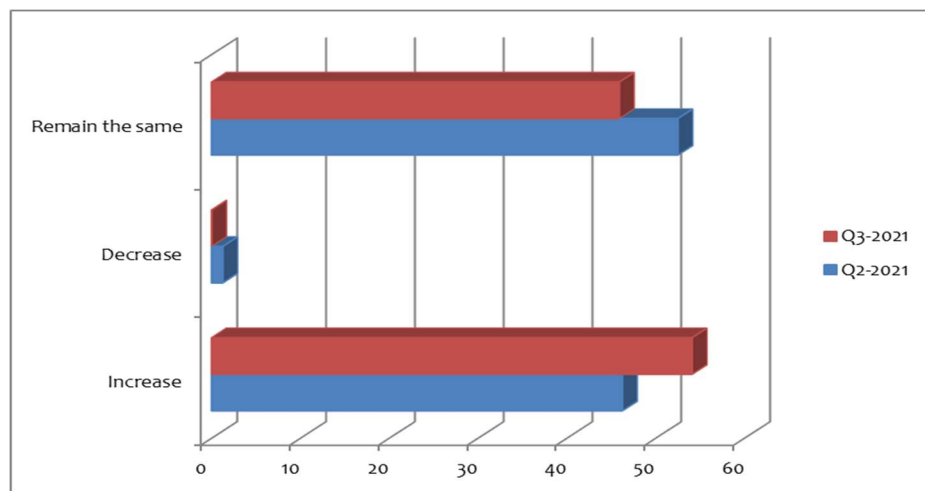
During the third quarter of 2021, 75.4 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 72.5 percent in the second quarter of 2021. Those foreseeing the annual effective financing rate to be less than 5 percent, fell from 17.5 percent to 11.5 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 21.3 percent of the respondents anticipated inflation to be between 2 and 3 percent, 26.2 percent foresaw the inflation rate to be between 1 and 2 percent and 47.5 percent expected inflation to be above 3 percent (See annex 2).

With regard to the prices for products and services over the next 12 months, 45.9 percent of the respondents anticipated prices to remain the same. Those with expectations of price accelerations noted an upturn of 7.8 percentage points to 54.1 percent. The respondents expecting a decrease in prices fell by 1.3 percentage points (Chart 6).

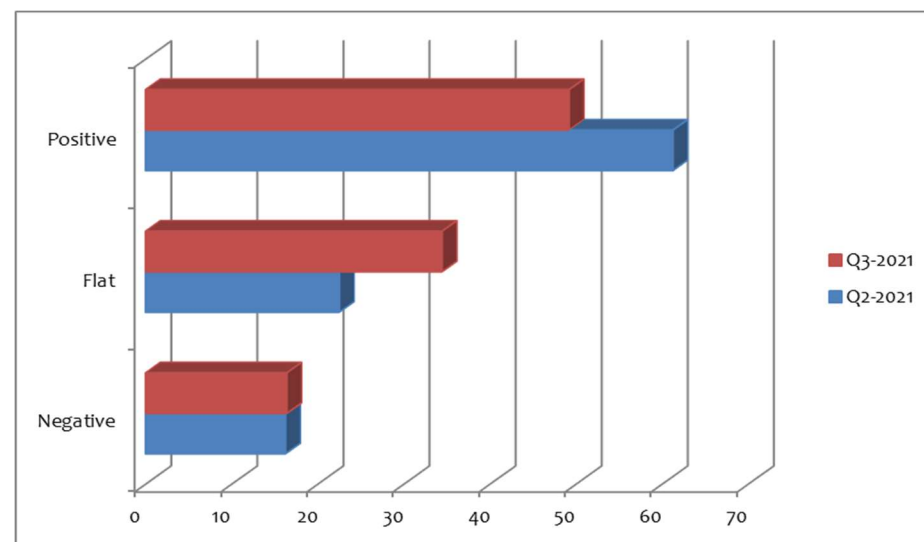
Chart 6: Prices for products and services over the next 12 months reported in Q3 2021 (In % of all respondents)



Source: Centrale Bank van Aruba

In terms of economic growth assumption over the next 12 months, the percentage of respondents presuming a positive economic growth contracted by 12.1 percentage points to 49.2 percent respectively. The percentage of respondents anticipating a flat and negative growth bounced by 11.9 and 0.1 percentage point to 34.4 and 16.4 percent, respectively (Chart 7).

Chart 7: Economic growth (GDP) over the next 12 months reported in Q3 2021 (In % of all respondents)



Source: Centrale Bank van Aruba

Centrale Bank van Aruba

November 2, 2021

Annex 1: Business perception Survey by sectors

	Q2-2021	Q3-2021
1. Index current economic condition	105.4	106.2
a. Manufacturing (excl. manufacture of refined petroleum products)	105.0	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	105.7	110.0
c. Construction	108.0	105.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	104.1	105.6
e. Hotels and restaurants	108.2	105.4
f. Transport, storage and communication	104.3	106.7
g. Financial intermediation	103.1	105.2
h. Real estate and other business activities	102.9	106.0
i. Health, other community and personal service activities	104.1	107.8
2. Index short-term future economic condition	107.7	107.5
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	110.0
b. Electricity, gas and water supply	107.1	108.0
c. Construction	105.0	105.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	104.8	108.0
e. Hotels and restaurants	110.0	109.3
f. Transport, storage and communication	102.5	103.3
g. Financial intermediation	109.3	105.7
h. Real estate and other business activities	110.0	110.0
i. Health, other community and personal service activities	106.5	106.0
3. Business Perception Index	106.5	106.8
a. Manufacturing (excl. manufacture of refined petroleum products)	107.1	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	106.4	108.9
c. Construction	106.4	105.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	104.4	106.7
e. Hotels and restaurants	109.1	107.2
f. Transport, storage and communication	103.3	105.6
g. Financial intermediation	106.1	105.4
h. Real estate and other business activities	106.2	107.8
i. Health, other community and personal service activities	105.3	106.9

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q2-2021	Q3-2021
A. Inflation		
Below 0 percent	1.3	0.0
Between 0 and 1 percent	12.5	4.9
Between 1 and 2 percent	26.3	26.2
Between 2 and 3 percent	35.0	21.3
Above 3 percent	25.0	47.5
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	28.8	26.2
2. Between Afl. 1 and Afl. 5 million	22.5	21.3
3. Above Afl. 5 million	16.3	13.1
4. Not applicable	32.5	39.3
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	17.5	11.5
2. Between 5 and 8 percent	72.5	75.4
3. Between 8 and 12 percent	10.0	11.5
4. Above 12 percent	0.0	1.6
Total	100.0	100.0
D. Product and/or service pricing		
Increase	46.3	54.1
Decrease	1.3	0.0
Remain the same	52.5	45.9
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	16.3	16.4
Flat	22.5	34.4
Positive	61.3	49.2
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	34.9	29.9
Remained the same	61.5	65.7
Eased	3.6	4.5
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans