

BUSINESS PERCEPTION SURVEY REPORT

FIRST QUARTER OF 2022

May 6, 2022



CENTRALE BANK VAN ARUBA

BUSINESS SENTIMENTS MORE OPTIMISTIC IN THE FIRST QUARTER OF 2022

Summary report

Results for the first quarter of 2022

The Central Bank of Aruba (CBA) concluded its Business Perception Survey (BPS) for the first quarter of 2022. The BPS assesses the economic sentiments of local businesses.

In the first quarter of 2022, the Business Perception Index (BPI), comprising the current and short-term economic conditions, rose further by 1.4 index points to 107.9, reflecting more optimistic business sentiments. The upsurge in business sentiments resulted from increases in both current and short-term future economic conditions (See Chart 1)¹.

Economic Conditions

The *current economic condition* index noted an increase of 1.0 index point to 106.9, up from 105.9 in the fourth quarter of 2021. The *short-term future economic condition* index grew by 1.8 index points, i.e., from 107.3 in the fourth quarter of 2021 to 109.1 in the first quarter of 2022 (See annex 1). The percentage of respondents expecting positive economic growth in the next 12 months increased by 6.1 percentage points to 50.0 percent. (See annex 2).

Chart 1: Business Perception Index



Source: Centrale Bank van Aruba

Employment and Wages

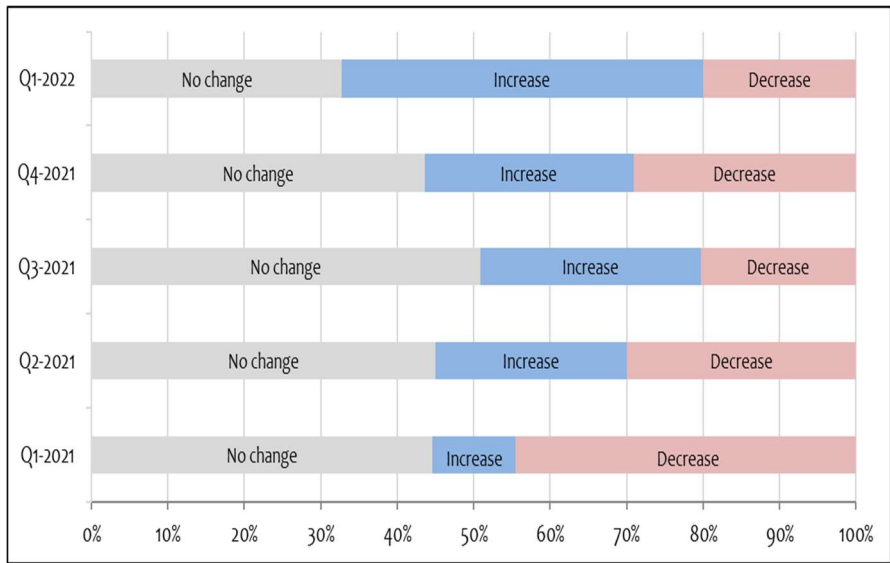
In the first quarter of 2022, the percentage of respondents reporting 'no change' in the number of employees decreased, i.e., by 10.9 percentage points to 32.7 percent in the quarter under review, down from 43.6 percent in the fourth quarter of 2021. Meanwhile, the percentage of

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.

respondents indicating ‘improvement’ in employment conditions grew by 20.0 percentage points (See Chart 3).

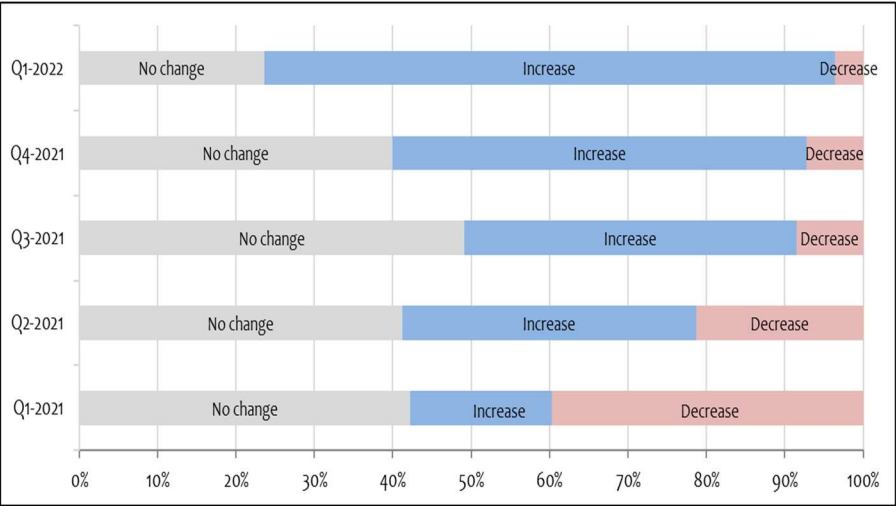
Chart 3: Perceived developments in employment



Source: Centrale Bank van Aruba

With reference to average wages during the first quarter of 2022, the percentage of respondents reporting ‘no change’ in the average wage cost dipped by 16.4 percentage points, i.e., from 40.0 percent in the fourth quarter of 2021 to 23.6 percent in the quarter under review. Meanwhile, the percentage recording ‘improvement’ in wage conditions grew by 20.0 percentage points to 72.8 percent (See Chart 4).

Chart 4: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the first quarter of 2022, the percentage of respondents reporting a profit strengthened by 3.7 percentage points to 85.5 percent whereas the respondents reporting an upswing in sales grew by 0.1 percentage point to 58.2 percent. The respondents registering ‘decreases’ in sales fell by 8.9 percentage points to 18.3 percent during the first quarter of 2022 (See Table 1).

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

	2021				2022
	I	II	III	IV	I
PROFITABILITY - PROFITS (%)					
1. No change	7.2	8.8	13.6	12.7	20.0
2. Increase	7.2	48.8	47.5	54.6	49.0
3. Decrease	44.6	17.6	17.0	14.5	16.4
Total	59.0	75.0	78.0	81.8	85.5
PROFITABILITY - LOSSES (%)					
1. No change	7.2	2.5	0.0	3.6	5.5
2. Increase	18.1	10.1	10.2	5.4	1.8
3. Decrease	15.7	12.5	11.9	9.1	7.3
Total	41.0	25.0	22.0	18.2	14.5
SALES (%)					
1. No change	14.5	16.3	13.6	14.5	23.6
2. Increase	10.8	52.6	61.0	58.1	58.2
3. Decrease	74.7	31.4	25.5	27.2	18.3
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 first quarter of 2022, the percentage of respondents indicating ‘improvement’ in investment conditions remained unchanged at 29.1 percent. The percentage of respondents signaling ‘worsening’ fell by 5.4 percentage points to 7.3 percent, while the percentage of respondents indicating ‘no change’ in investments rose by 5.4 percentage points to 63.6 percent (See Table 2).

With regard to *expected short-term investment activities*, during the first quarter of 2022, 47.3 percent of the respondents foresaw that the short-term investment conditions would improve during the next 6 months, an increase of 1.8 percentage points compared to the fourth quarter of 2021. No one reported ‘worsening’ in short-term investment conditions in the quarter under review. Meanwhile, the percentage of respondents indicating ‘no change’ increased by 3.6 percentage points to 52.7 percent (See Table 2).

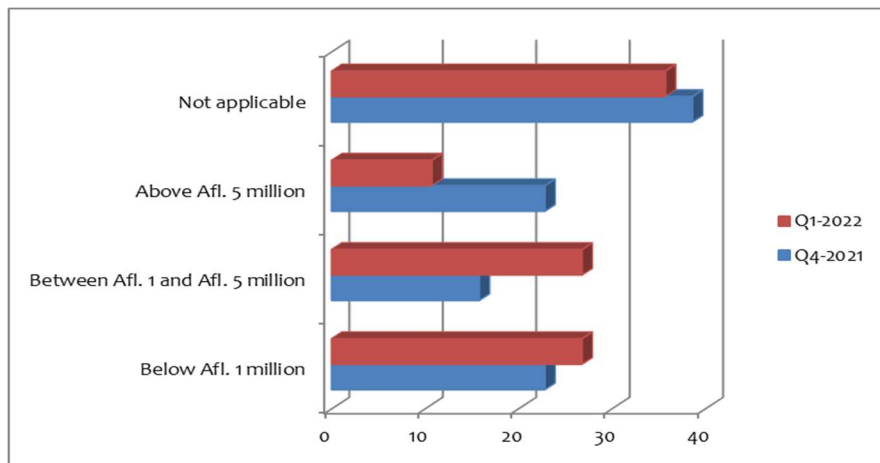
Table 2: Business Perception Survey : general results

	Improvement (%)		No change (%)		Worsening (%)	
	2021	2022	2021	2022	2021	2022
	IV	I	IV	I	IV	I
A. Current economic condition	52.7	52.3	33.6	38.2	13.6	9.5
1. The economic conditions in Aruba	61.8	69.1	27.3	27.3	10.9	3.6
2. The activities of your business	60.0	60.0	32.7	36.4	7.3	3.6
3. The investments of your business	29.1	29.1	58.2	63.6	12.7	7.3
4. The number of employees that work for your company	60.0	50.9	16.4	25.5	23.6	23.6
B. Expected short-term economic conditions	40.0	48.2	53.6	49.5	6.4	2.3
1. The economic conditions in Aruba	50.9	60.0	43.6	34.5	5.5	5.5
2. The activities of your business	47.3	54.5	47.3	43.6	5.5	1.8
3. The investments of your business	45.5	47.3	49.1	52.7	5.5	0.0
4. The number of employees that work for your company	16.4	30.9	74.5	67.3	9.1	1.8

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of respondents with investment plans over the next 12 months noted a rise of 2.9 percentage point to 64.3 percent in the first quarter of 2022 (See Chart 5).

**Chart 5: Investment plans over the next 12 months reported in Q1 2022
(In % of all respondents)**



Source: Centrale Bank van Aruba

According to 10.7 percent of respondents, the terms and conditions for obtaining business financing tightened during the first quarter of 2022, down from 22.0 percent during the fourth quarter of 2021. Those indicating that the terms and conditions remained the same and those indicating that they eased widened by 3.9 percentage points to 76.8 percent and 7.4 percentage points to 12.5 percent, respectively, in the quarter under review (See annex 2).

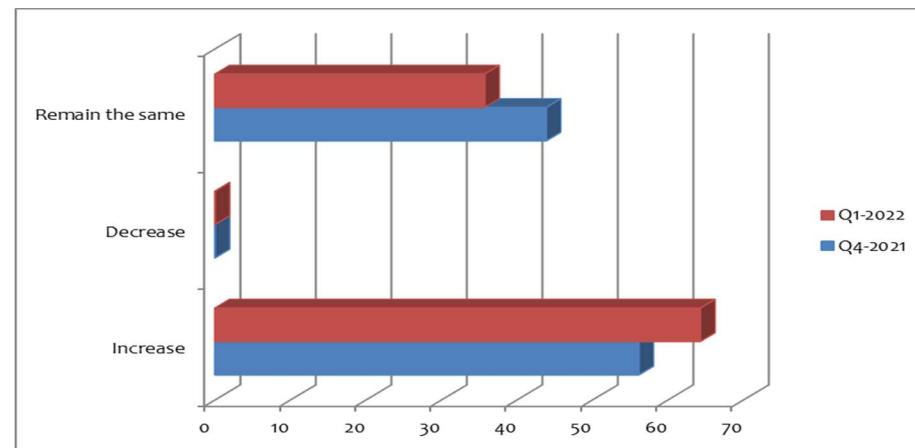
During the first quarter of 2022, 71.4 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 77.2 percent in the fourth quarter of 2021. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, grew from 7.0 percent to 10.7 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 73.2 percent of the respondents anticipated inflation to be above 3 percent, 12.5 percent foresaw the inflation rate to be between 2 and 3 percent and 8.9 percent expected inflation to be between 1 and 2 percent (See annex 2).

With regard to the prices for products and services over the next 12 months, 64.3 percent of the respondents expect price accelerations, an upturn of 8.2 percentage points. Those that anticipated that the prices for products and services would remain the same dropped by 8.2 percentage points to 35.7 percent. The respondents expecting a decrease in prices remained unchanged at zero percent (Chart 6).

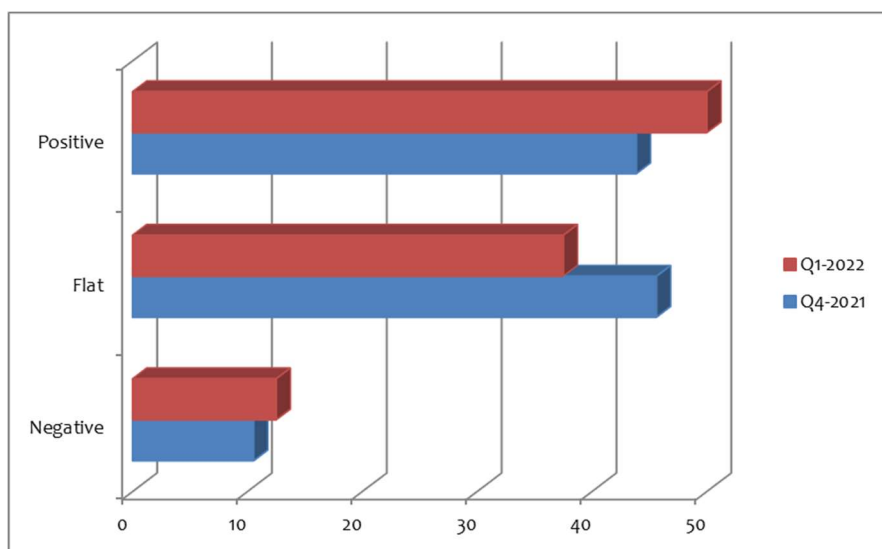
**Chart 6: Prices for products and services over the next 12 months
reported in Q1 2022 (In % of all respondents)**



Source: Centrale Bank van Aruba

In terms of economic growth expectations over the next 12 months, the percentage of respondents anticipating a positive and negative economic growth increased by 6.1 percentage points to 50.0 percent and 2.0 percentage points to 12.5 percent, respectively. The percentage of respondents presuming a flat growth decreased by 8.1 percentage points to 37.5 percent (Chart 7).

Chart 7: Economic growth (GDP) over the next 12 months reported in Q1 2022 (In % of all respondents)



Source: Centrale Bank van Aruba

Annex 1: Business perception Survey by sectors

	Q4-2021	Q1-2022
1. Index current economic condition	105.9	106.9
a. Manufacturing (excl. manufacture of refined petroleum products)	106.7	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	104.3	110.0
c. Construction	93.3	105.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	107.4	107.7
e. Hotels and restaurants	106.7	108.0
f. Transport, storage and communication	108.0	90.0
g. Financial intermediation	106.3	107.0
h. Real estate and other business activities	110.0	110.0
i. Health, other community and personal service activities	104.8	105.5
2. Index short-term future economic condition	107.3	109.1
a. Manufacturing (excl. manufacture of refined petroleum products)	105.0	110.0
b. Electricity, gas and water supply	103.3	110.0
c. Construction	95.0	107.1
d. Wholesale and retail trade, repair of motor vehicles and household goods	108.9	109.2
e. Hotels and restaurants	110.0	109.0
f. Transport, storage and communication	110.0	100.0
g. Financial intermediation	108.9	110.0
h. Real estate and other business activities	110.0	110.0
i. Health, other community and personal service activities	105.0	108.8
3. Business Perception Index	106.5	107.9
a. Manufacturing (excl. manufacture of refined petroleum products)	106.0	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	103.8	110.0
c. Construction	94.0	106.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	108.0	108.3
e. Hotels and restaurants	107.9	108.4
f. Transport, storage and communication	108.9	90.0
g. Financial intermediation	107.4	108.2
h. Real estate and other business activities	110.0	110.0
i. Health, other community and personal service activities	104.9	107.2

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q4-2021	Q1-2022
A. Inflation		
Below 0 percent	1.8	1.8
Between 0 and 1 percent	5.3	3.6
Between 1 and 2 percent	21.1	8.9
Between 2 and 3 percent	17.5	12.5
Above 3 percent	54.4	73.2
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	22.8	26.8
2. Between Afl. 1 and Afl. 5 million	15.8	26.8
3. Above Afl. 5 million	22.8	10.7
4. Not applicable	38.6	35.7
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	15.8	17.9
2. Between 5 and 8 percent	77.2	71.4
3. Between 8 and 12 percent	7.0	10.7
4. Above 12 percent	0.0	0.0
Total	100.0	100.0
D. Product and/or service pricing		
Increase	56.1	64.3
Decrease	0.0	0.0
Remain the same	43.9	35.7
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	10.5	12.5
Flat	45.6	37.5
Positive	43.9	50.0
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	22.0	10.7
Remained the same	72.9	76.8
Eased	5.1	12.5
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans



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