

Business Perception Survey Report

Second Quarter of 2022

August 4, 2022



CENTRALE BANK VAN ARUBA

Cover design:

Our golden tree, our Kibrahacha. Resilient, firmly rooted, and gives a beautiful bloom.

It offers us shade and protection if needed. When it breaks out, it displays an overwhelming yellow, illustrating a brighter and bolder future.

The full text of this report is available on the CBA website.

BUSINESS SENTIMENTS LESS OPTIMISTIC IN THE SECOND QUARTER OF 2022

Summary report

Results for the second quarter of 2022

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

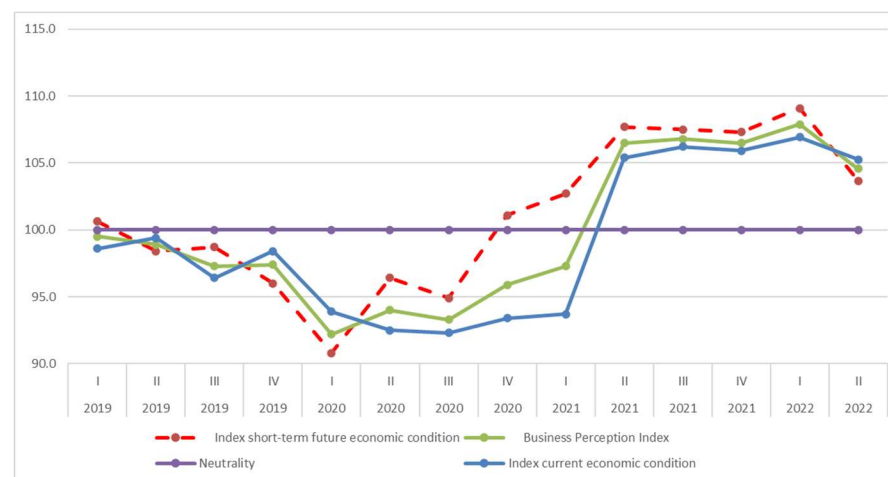
In the second quarter of 2022, the Business Perception Index (BPI), comprising the current and short-term economic conditions, dropped by 3.3 index points to 104.6, reflecting less optimistic business sentiments. The downturn in business sentiments resulted from decreases in both short-term future and current economic conditions (See Chart 1)¹.

Economic Conditions

The *current economic condition* index withered by 1.7 index points to 105.2, down from 106.9 in the first quarter of 2022. The *short-term future economic condition* index dropped by 5.4 index points, i.e., from 109.1 in the first quarter of 2022 to 103.7 in the second quarter of 2022 (See annex 1). Likewise, the percentage of respondents expecting positive economic growth in the next 12 months decreased by 15.4 percentage points to 34.6 percent (See annex 2).

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

Chart 1: Business Perception Index



Source: Centrale Bank van Aruba

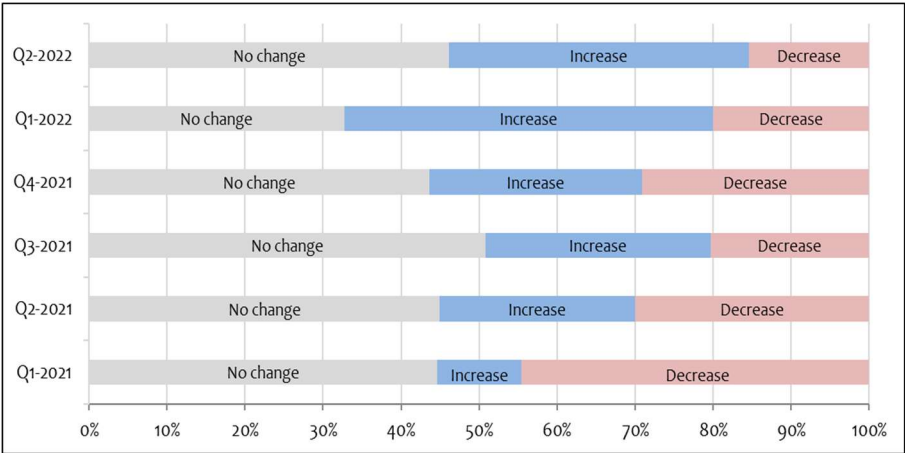
Employment and Wages

In the second quarter of 2022, the percentage of respondents reporting 'no change' in the number of employees increased, i.e., by 13.5 percentage points to 46.2 percent in the quarter under review, up from

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.

32.7 percent in the first quarter of 2022. Meanwhile, the percentage of respondents indicating ‘improvement’ in employment conditions dipped by 8.8 percentage points (See Chart 2).

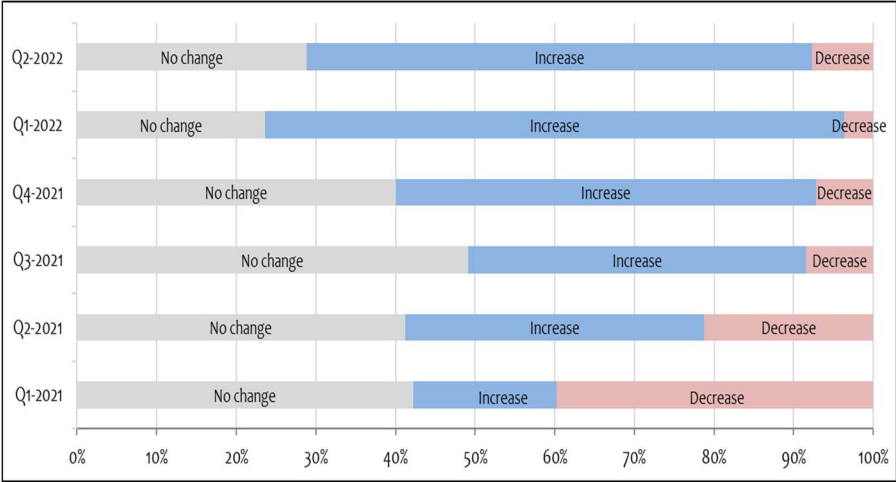
Chart 2: Perceived developments in employment



Source: Centrale Bank van Aruba

With reference to average wages during the second quarter of 2022, the percentage of respondents reporting ‘no change’ in the average wage cost grew by 5.2 percentage points, i.e., from 23.6 percent in the first quarter of 2022 to 28.8 percent in the quarter under review. Meanwhile, the percentage recording ‘improvement’ in wage conditions fell by 9.3 percentage points to 63.5 percent (See Chart 3).

Chart 3: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the second quarter of 2022, the percentage of respondents reporting a profit weakened by 2.8 percentage points to 82.7 percent, whereas the respondents reporting an upswing in sales grew by 5.3 percentage points to 63.5 percent. The respondents registering ‘decreases’ in sales increased by 0.9 percentage point to 19.2 percent during second 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	II
PROFITABILITY - PROFITS (%)						
1. No change	7.2	8.8	13.6	12.7	20.0	11.5
2. Increase	7.2	48.8	47.5	54.6	49.0	51.9
3. Decrease	44.6	17.6	17.0	14.5	16.4	19.2
Total	59.0	75.0	78.0	81.8	85.5	82.7
PROFITABILITY - LOSSES (%)						
1. No change	7.2	2.5	0.0	3.6	5.5	5.8
2. Increase	18.1	10.1	10.2	5.4	1.8	7.7
3. Decrease	15.7	12.5	11.9	9.1	7.3	3.8
Total	41.0	25.0	22.0	18.2	14.5	17.3
SALES (%)						
1. No change	14.5	16.3	13.6	14.5	23.6	17.3
2. Increase	10.8	52.6	61.0	58.1	58.2	63.5
3. Decrease	74.7	31.4	25.5	27.2	18.3	19.2
Total	100.0	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 second quarter of 2022, the percentage of respondents indicating ‘improvement’ in investment conditions increased by 15.1 percentage point to 44.2 percent. The percentage of respondents signaling ‘worsening’ rose by 4.2 percentage points to 11.5 percent, while the percentage of respondents indicating ‘no change’ in investments dropped by 19.4 percentage points to 44.2 percent (See Table 2).

With regard to *expected short-term investment activities*, during the second quarter of 2022, 34.6 percent of the respondents foresaw that the short-term investment conditions would improve during the next 6 months, a downturn of 12.7 percentage points compared to the first quarter of 2022. Compared to the first quarter of 2022, 11.5 percent of respondents reported ‘worsening’ in short-term investment conditions in the quarter under review. Meanwhile, the percentage of respondents indicating ‘no change’ increased by 1.1 percentage points to 53.8 percent (See Table 2).

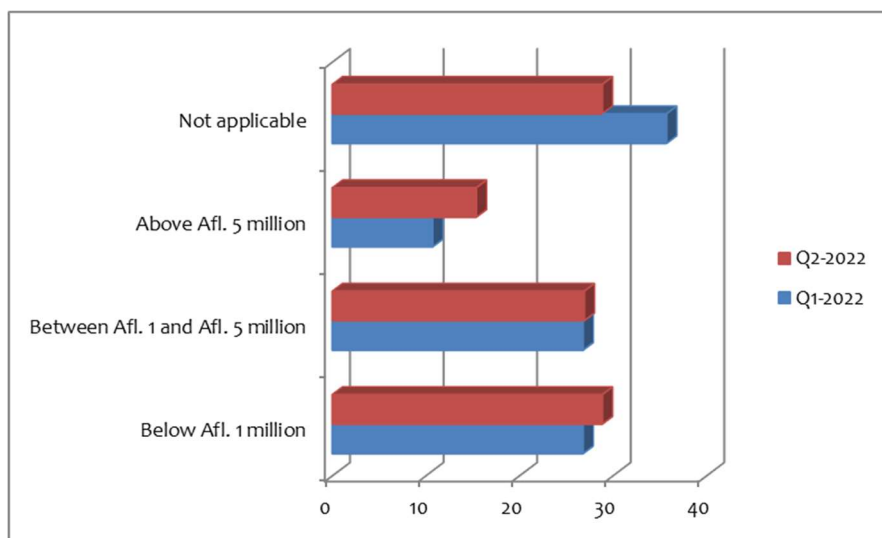
Table 2: Business Perception Survey: general results

	Improvement (%)		No change (%)		Worsening (%)	
	2021	2022	2021	2022	2021	2022
	I	II	I	II	I	II
A. Current economic condition						
1. The economic conditions in Aruba	52.3	52.4	38.2	31.3	9.5	16.3
2. The activities of your business	69.1	55.8	27.3	28.8	3.6	15.4
3. The investments of your business	60.0	50.0	36.4	34.6	3.6	15.4
4. The number of employees that work for your company	29.1	44.2	63.6	44.2	7.3	11.5
	50.9	59.6	25.5	17.3	23.6	23.1
B. Expected short-term economic conditions						
1. The economic conditions in Aruba	48.2	34.1	49.5	50.0	2.3	15.9
2. The activities of your business	60.0	30.8	34.5	32.7	5.5	36.5
3. The investments of your business	54.5	36.5	43.6	51.9	1.8	11.5
4. The number of employees that work for your company	47.3	34.6	52.7	53.8	0.0	11.5
	30.9	34.6	67.3	61.5	1.8	3.8

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 6.9 percentage points to 71.2 percent in the second quarter of 2022 (See Chart 4).

**Chart 4: Investment plans over the next 12 months reported in Q2 2022
(In % of all respondents)**



Source: Centrale Bank van Aruba

According to 19.2 percent of respondents, the terms and conditions for obtaining business financing tightened during the second quarter of 2022, up from 10.7 percent during the first quarter of 2022. Those indicating that the terms and conditions remained the same and those indicating that they eased contracted by 3.7 percentage points to 73.1

percent and 4.8 percentage points to 7.7 percent, respectively, in the quarter under review (See annex 2).

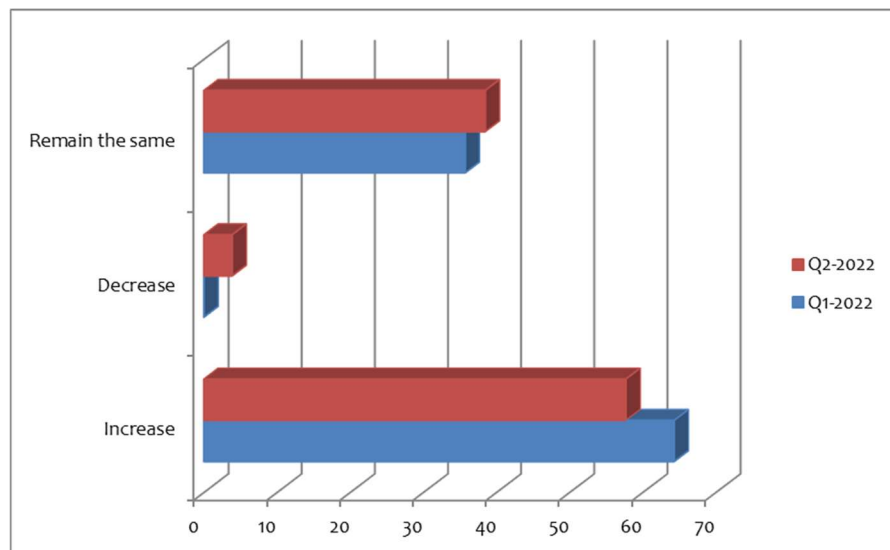
During the second quarter of 2022, 65.4 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 71.4 percent in the first quarter of 2022. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, grew from 10.7 percent to 17.3 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 71.2 percent of the respondents anticipated inflation to be above 3 percent, 19.2 percent foresaw the inflation rate to range between 2 and 3 percent, and 5.8 percent expected inflation to be between 1 and 2 percent (See annex 2).

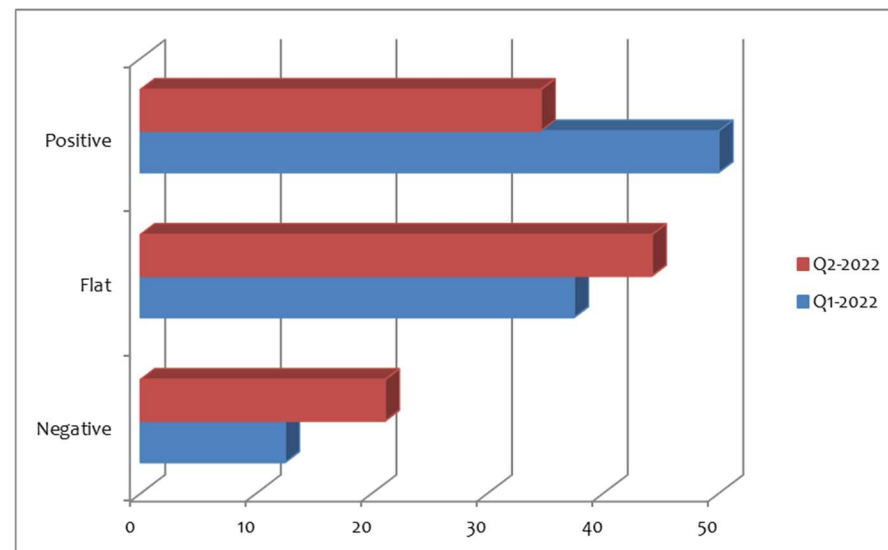
With regard to the prices for products and services over the next 12 months, 57.7 percent of the respondents expected price accelerations, a downturn of 6.5 percentage points. Those that anticipated that the prices for products and services would remain the same increased by 2.8 percentage points to 38.5 percent. According to 3.9 percent of respondents, the prices for products and services would decrease, compared to 0.0 percent in the first quarter of 2022 (Chart 5).

Chart 5: Prices for products and services over the next 12 months reported in Q2 2022 (In % of all respondents)



Source: Centrale Bank van Aruba

Chart 6: Economic growth (GDP) over the next 12 months reported in Q2 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 negative and flat economic growth increased by 8.7 percentage points to 21.2 percent and 6.7 percentage points to 44.2 percent, respectively. The percentage of respondents presuming a positive growth decreased by 15.4 percentage points to 34.6 percent (Chart 6).

Annex 1: Business perception Survey by sectors

	Q1-2022	Q2-2022
1. Index current economic condition	106.9	105.2
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	110.0	100.0
c. Construction	105.0	102.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	107.7	109.0
e. Hotels and restaurants	108.0	108.8
f. Transport, storage and communication	90.0	110.0
g. Financial intermediation	107.0	103.6
h. Real estate and other business activities	110.0	107.5
i. Health, other community and personal service activities	105.5	101.8
2. Index short-term future economic condition	109.1	103.7
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	110.0
b. Electricity, gas and water supply	110.0	104.3
c. Construction	107.1	90.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	109.2	104.0
e. Hotels and restaurants	109.0	108.2
f. Transport, storage and communication	100.0	100.0
g. Financial intermediation	110.0	105.2
h. Real estate and other business activities	110.0	103.3
i. Health, other community and personal service activities	108.8	95.6
3. Business Perception Index	107.9	104.6
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	110.0	101.8
c. Construction	106.0	98.6
d. Wholesale and retail trade, repair of motor vehicles and household goods	108.3	106.5
e. Hotels and restaurants	108.4	108.5
f. Transport, storage and communication	90.0	110.0
g. Financial intermediation	108.2	104.3
h. Real estate and other business activities	110.0	105.7
i. Health, other community and personal service activities	107.2	99.6

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q1-2022	Q2-2022
A. Inflation		
Below 0 percent	1.8	3.9
Between 0 and 1 percent	3.6	0.0
Between 1 and 2 percent	8.9	5.8
Between 2 and 3 percent	12.5	19.2
Above 3 percent	73.2	71.2
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	26.8	28.9
2. Between Afl. 1 and Afl. 5 million	26.8	26.9
3. Above Afl. 5 million	10.7	15.4
4. Not applicable	35.7	28.9
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	17.9	17.3
2. Between 5 and 8 percent	71.4	65.4
3. Between 8 and 12 percent	10.7	17.3
4. Above 12 percent	0.0	0.0
Total	100.0	100.0
D. Product and/or service pricing		
Increase	64.3	57.7
Decrease	0.0	3.9
Remain the same	35.7	38.5
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	12.5	21.2
Flat	37.5	44.2
Positive	50.0	34.6
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	10.7	19.2
Remained the same	76.8	73.1
Eased	12.5	7.7
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans



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