

Business Perception Survey Report

Third Quarter of 2022

November 9, 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 REMAINED PRACTICALLY UNCHANGED IN THE THIRD QUARTER OF 2022

Summary report
Results for the third quarter of 2022

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

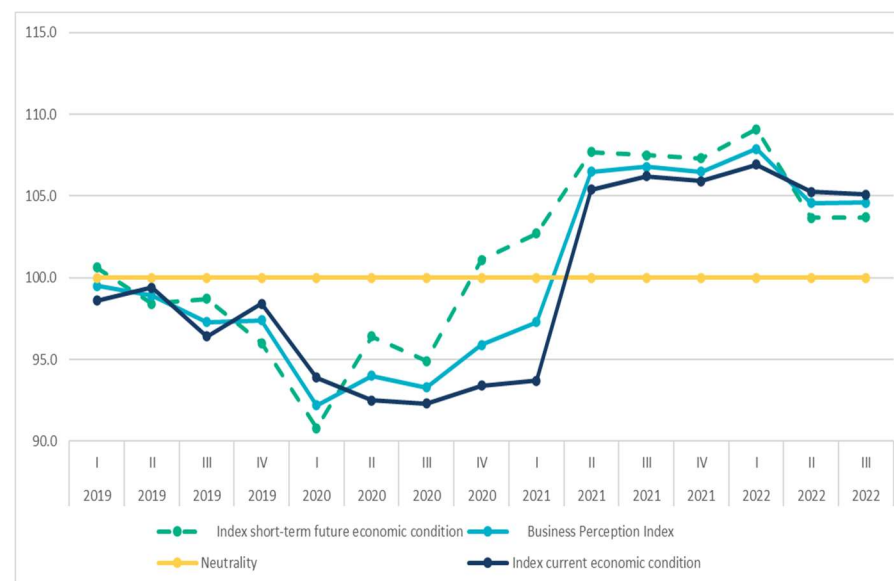
In the third quarter of 2022, the Business Perception Index (BPI), comprising the current and short-term economic conditions, remained unchanged at 104.6. This outcome resulted from a slight decrease in the current economic conditions (See Chart 1)¹.

Economic Conditions

The *current economic condition* index withered by 0.1 index point to 105.1, down from 105.2 in the second quarter of 2022. The *short-term future economic condition* index remained unchanged at 103.7 in the third quarter of 2022 (See annex 1). The percentage of respondents expecting positive economic growth in the next 12 months increased by 9.3 percentage points to 43.9 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

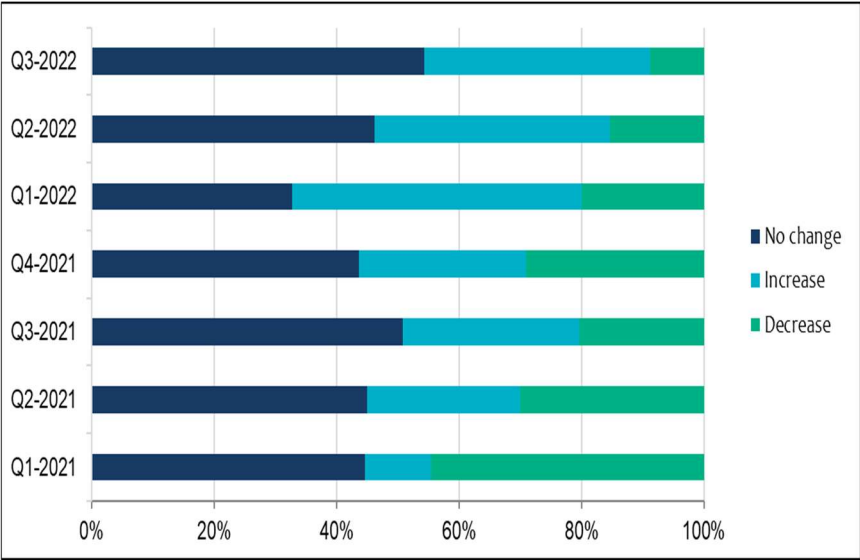
Employment and Wages

In the third quarter of 2022, the percentage of respondents reporting 'no change' in the number of employees increased, i.e., by 8.2 percentage points to 54.4 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.

46.2 percent in the second quarter of 2022. Meanwhile, the percentage of respondents indicating ‘improvement’ in employment conditions dipped by 1.7 percentage points (See Chart 2).

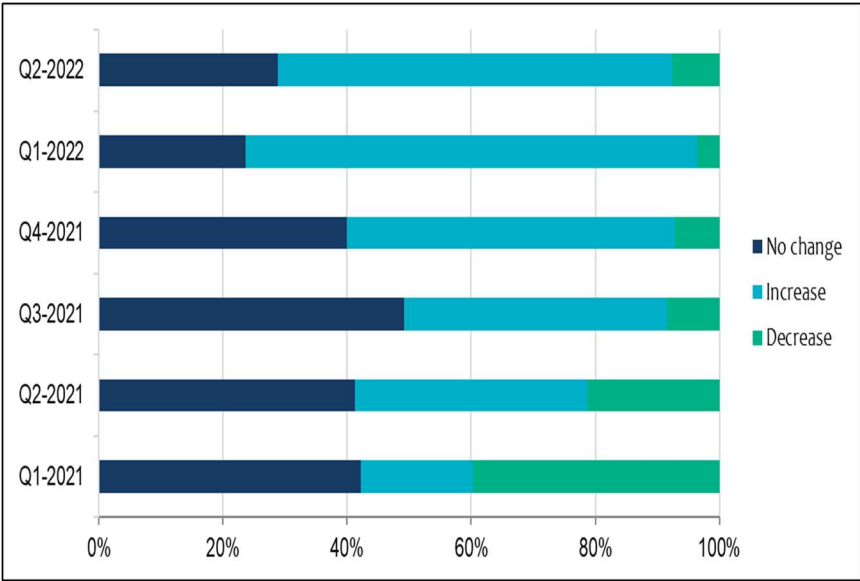
Chart 2: Perceived developments in employment



Source: Centrale Bank van Aruba

With reference to average wages during the third quarter of 2022, the percentage of respondents reporting ‘no change’ in the average wage cost grew by 11.6 percentage points, i.e., from 28.8 percent in the second quarter of 2022 to 40.4 percent in the quarter under review. Meanwhile, the percentage recording ‘improvement’ in wage conditions fell by 9.1 percentage points to 54.4 percent (See Chart 3).

Chart 3: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the third quarter of 2022, the percentage of respondents reporting a profit weakened by 0.2 percentage point to 82.5 percent, whereas the respondents reporting an upswing in sales grew by 1.4 percentage points to 64.9 percent. The respondents registering ‘decreases’ in sales decreased by 6.9 percentage points to 12.3 percent during third 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	III
PROFITABILITY - PROFITS (%)							
1. No change	7.2	8.8	13.6	12.7	20.0	11.5	19.3
2. Increase	7.2	48.8	47.5	54.6	49.0	51.9	40.4
3. Decrease	44.6	17.6	17.0	14.5	16.4	19.2	22.8
Total	59.0	75.0	78.0	81.8	85.5	82.7	82.5
PROFITABILITY - LOSSES (%)							
1. No change	7.2	2.5	0.0	3.6	5.5	5.8	5.3
2. Increase	18.1	10.1	10.2	5.4	1.8	7.7	5.3
3. Decrease	15.7	12.5	11.9	9.1	7.3	3.8	7.0
Total	41.0	25.0	22.0	18.2	14.5	17.3	17.5
SALES (%)							
1. No change	14.5	16.3	13.6	14.5	23.6	17.3	22.8
2. Increase	10.8	52.6	61.0	58.1	58.2	63.5	64.9
3. Decrease	74.7	31.4	25.5	27.2	18.3	19.2	12.3
Total	100.0	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 third quarter of 2022, the percentage of respondents indicating 'improvement' in investment conditions decreased by 12.6 percentage points to 31.6 percent. The percentage of respondents signaling 'worsening' dropped by 1.0 percentage point to 10.5 percent, while the percentage of respondents indicating 'no change' in investments rose by 13.7 percentage points to 57.9 percent (See Table 2).

With regard to *expected short-term investment activities*, during the third quarter of 2022, 22.8 percent of the respondents foresaw that

the short-term investment conditions would improve during the next 6 months, a downturn of 11.8 percentage points compared to the second quarter of 2022. In the quarter under review, 12.3 percent of respondents reported 'worsening' in short-term investment conditions. Meanwhile, the percentage of respondents indicating 'no change' increased by 11.1 percentage points to 64.9 percent (See Table 2).

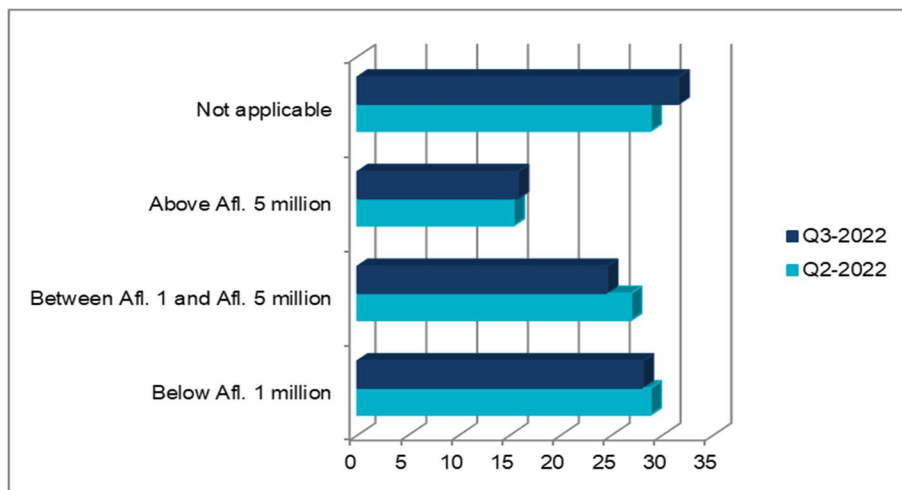
Table 2: Business Perception Survey: general results

	Improvement (%)		No change (%)		Worsening (%)	
	2022	2022	2022	2022	2022	2022
	II	III	II	III	II	III
A. Current economic condition	52.4	47.8	31.3	36.8	16.3	15.4
1. The economic conditions in Aruba	55.8	59.6	28.8	26.3	15.4	14.0
2. The activities of your business	50.0	54.4	34.6	38.6	15.4	7.0
3. The investments of your business	44.2	31.6	44.2	57.9	11.5	10.5
4. The number of employees that work for your company	59.6	45.6	17.3	24.6	23.1	29.8
B. Expected short-term economic conditions	34.1	28.5	50.0	58.3	15.9	13.2
1. The economic conditions in Aruba	30.8	28.1	32.7	47.4	36.5	24.6
2. The activities of your business	36.5	38.6	51.9	52.6	11.5	8.8
3. The investments of your business	34.6	22.8	53.8	64.9	11.5	12.3
4. The number of employees that work for your company	34.6	24.6	61.5	68.4	3.8	7.0

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 2.7 percentage points to 68.5 percent in the third quarter of 2022 (See Chart 4).

Chart 4: Investment plans over the next 12 months reported in Q3 2022 (In % of all respondents)



Source: Centrale Bank van Aruba

According to 33.3 percent of respondents, the terms and conditions for obtaining business financing tightened during the third quarter of 2022, up from 19.2 percent during the second quarter of 2022. Those indicating that the terms and conditions remained the same and those indicating that they eased contracted by 11.7 percentage points to 61.4 percent and 2.4 percentage points to 5.3 percent, respectively, in the quarter under review (See annex 2).

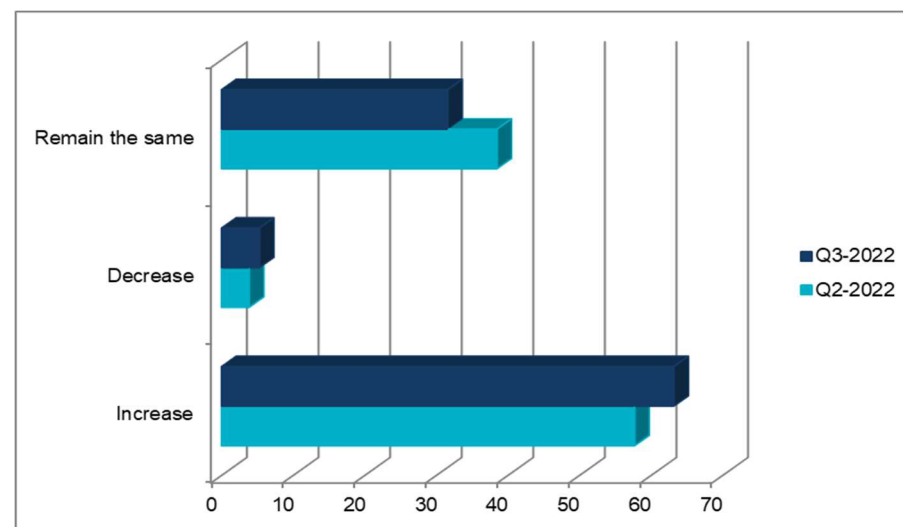
During the third quarter of 2022, 73.7 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 65.4 percent in the second quarter of 2022. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, dropped from 17.3 percent to 14.0 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 82.5 percent of the respondents anticipated inflation to be above 3 percent, 10.5 percent foresaw the inflation rate to range between 2 and 3 percent (See annex 2).

With regard to the prices for products and services over the next 12 months, 63.2 percent of the respondents expected price accelerations, an upturn of 5.5 percentage points. Those that anticipated that the prices for products and services would remain the same decreased by 6.9 percentage points to 31.6 percent. According to 5.3 percent of respondents, the prices for products and services would decrease (Chart 5).

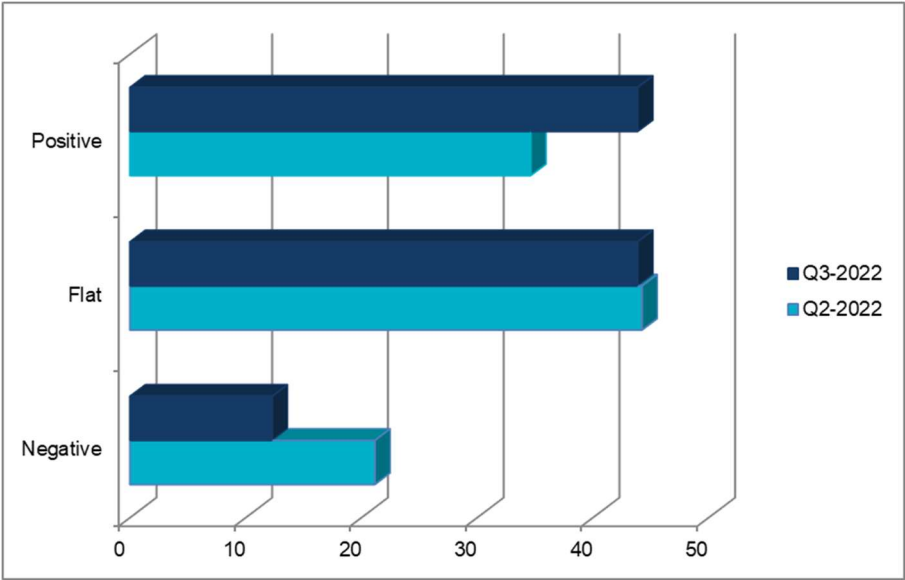
Chart 5: Prices for products and services over the next 12 months reported in Q3 2022 (In % of all respondents)



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 decreased by 8.9 percentage points to 12.3 percent and 0.3 percentage point to 43.9 percent, respectively. The percentage of respondents presuming a positive growth increased by 9.3 percentage points to 43.9 percent (Chart 6).

Chart 6: Economic growth (GDP) over the next 12 months reported in Q3 2022 (In % of all respondents)



Source: Centrale Bank van Aruba

Annex 1: Business perception Survey by sectors

	Q2-2022	Q3-2022
1. Index current economic condition	105.2	105.1
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	105.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	100.0	95.0
c. Construction	102.0	100.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	109.0	104.4
e. Hotels and restaurants	108.8	106.0
f. Transport, storage and communication	110.0	103.3
g. Financial intermediation	103.6	105.9
h. Real estate and other business activities	107.5	105.0
i. Health, other community and personal service activities	101.8	107.3
2. Index short-term future economic condition	103.7	103.7
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	100.0
b. Electricity, gas and water supply	104.3	110.0
c. Construction	90.0	105.6
d. Wholesale and retail trade, repair of motor vehicles and household goods	104.0	100.5
e. Hotels and restaurants	108.2	103.0
f. Transport, storage and communication	100.0	106.0
g. Financial intermediation	105.2	110.0
h. Real estate and other business activities	103.3	90.0
i. Health, other community and personal service activities	95.6	102.6
3. Business Perception Index	104.6	104.6
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	105.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	101.8	101.4
c. Construction	98.6	102.9
d. Wholesale and retail trade, repair of motor vehicles and household goods	106.5	102.9
e. Hotels and restaurants	108.5	104.8
f. Transport, storage and communication	110.0	105.0
g. Financial intermediation	104.3	107.0
h. Real estate and other business activities	105.7	102.0
i. Health, other community and personal service activities	99.6	105.1

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q2-2022	Q3-2022
A. Inflation		
Below 0 percent	3.9	0.0
Between 0 and 1 percent	0.0	3.5
Between 1 and 2 percent	5.8	3.5
Between 2 and 3 percent	19.2	10.5
Above 3 percent	71.2	82.5
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	28.9	28.1
2. Between Afl. 1 and Afl. 5 million	26.9	24.6
3. Above Afl. 5 million	15.4	15.8
4. Not applicable	28.9	31.6
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	17.3	12.3
2. Between 5 and 8 percent	65.4	73.7
3. Between 8 and 12 percent	17.3	14.0
4. Above 12 percent	0.0	0.0
Total	100.0	100.0
D. Product and/or service pricing		
Increase	57.7	63.2
Decrease	3.9	5.3
Remain the same	38.5	31.6
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	21.2	12.3
Flat	44.2	43.9
Positive	34.6	43.9
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	19.2	33.3
Remained the same	73.1	61.4
Eased	7.7	5.3
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans



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