

# Business Perception Survey Report

Fourth Quarter of 2022

February 27, 2023



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 MORE OPTIMISTIC IN THE FOURTH QUARTER OF 2022

Summary report  
Results for the fourth quarter of 2022

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

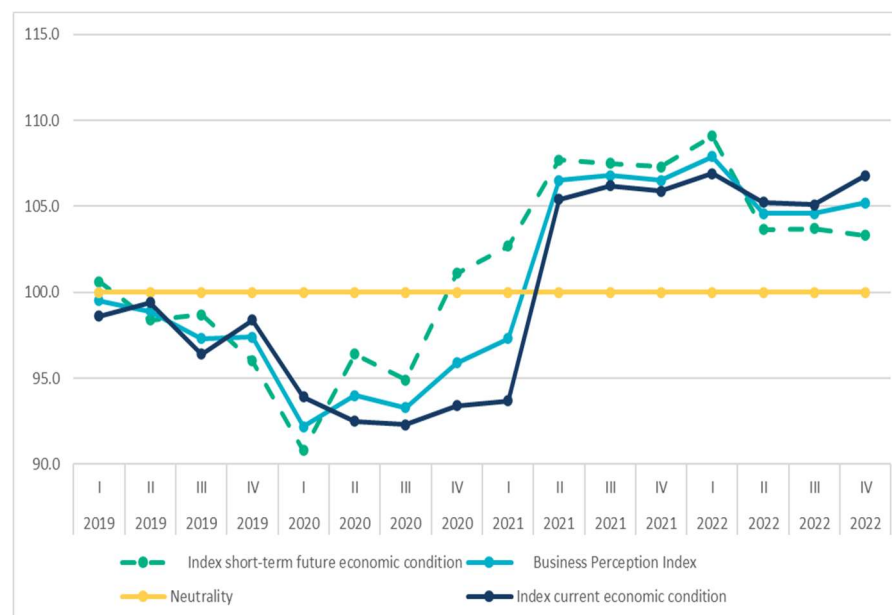
In the fourth quarter of 2022, the Business Perception Index (BPI), comprising the current and short-term economic conditions, strengthened to 105.2. This outcome resulted from an increase in the current economic conditions index, while the short-term economic conditions index reported a decrease (See Chart 1)<sup>1</sup>.

## Economic Conditions

The *current economic condition* index edged up by 1.7 index points to 106.8, up from 105.1 in the third quarter of 2022. The *short-term future economic condition* index dropped to 103.3 in the fourth quarter of 2022 (See annex 1). The percentage of respondents expecting positive economic growth in the next 12 months decreased slightly by 0.1 percentage point to 43.8 percent (See annex 2).

<sup>1</sup> 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

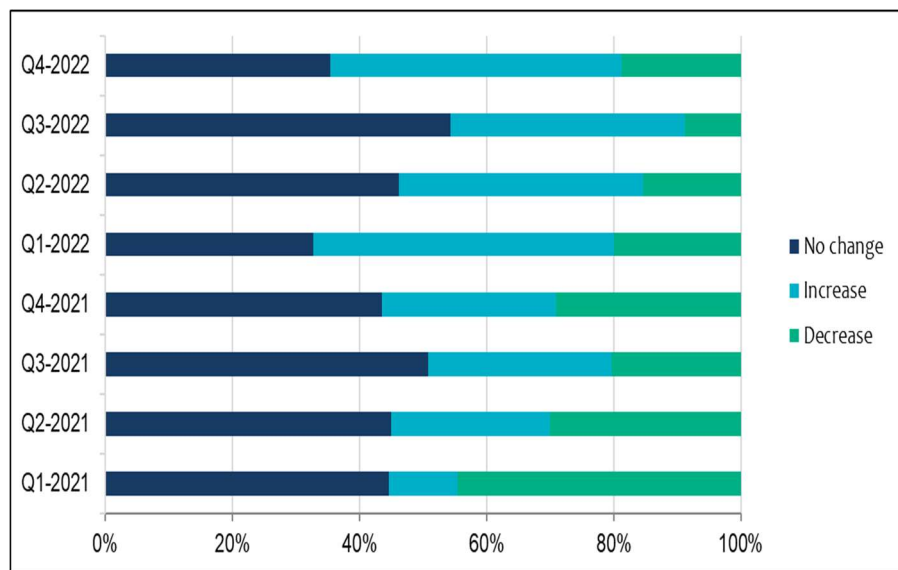
## Employment and Wages

In the fourth quarter of 2022, the percentage of respondents reporting 'no change' in the number of employees that work for their company

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.

dropped, i.e., by 19.0 percentage points to 35.4 percent in the quarter under review, down from 54.4 percent in the third quarter of 2022. Meanwhile, the percentage of respondents indicating that there was a 'decrease' and 'increase' in the number of employees grew by 9.9 percentage points and 9.1 percentage points, respectively (See Chart 2).

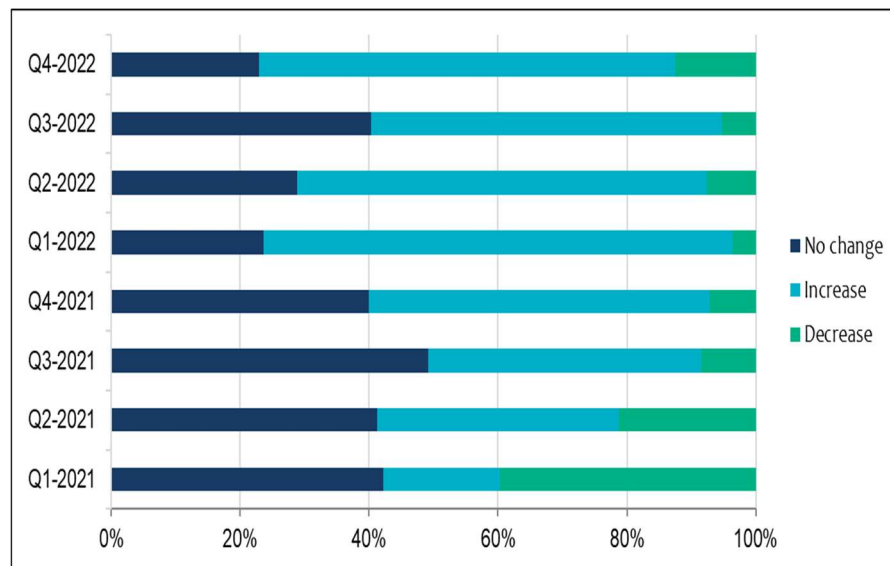
**Chart 2: Perceived developments in employment**



Source: Centrale Bank van Aruba

With reference to average wages, the percentage of respondents reporting 'no change' in the average wage cost fell by 17.5 percentage points, i.e., from 40.4 percent in the third quarter of 2022 to 22.9 percent in the quarter under review. Meanwhile, the percentage recording 'improvement' in wage conditions grew by 10.3 percentage points to 64.6 percent (See Chart 3).

**Chart 3: Perceived developments in average wages**



Source: Centrale Bank van Aruba

## Profitability and Sales

During the fourth quarter of 2022, the percentage of respondents reporting a profit improved by 0.8 percentage point to 83.3 percent, whereas the respondents reporting an upswing in sales fell by 2.3 percentage points to 62.6 percent. The respondents registering 'decreases' in sales increased by 8.6 percentage points to 20.9 percent, while the respondents registering "no change" in sales decreased by 6.1 percentage points to 16.7 percent during fourth 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	IV
<b>PROFITABILITY - PROFITS (%)</b>								
1. No change	7.2	8.8	13.6	12.7	20.0	11.5	19.3	14.6
2. Increase	7.2	48.8	47.5	54.6	49.0	51.9	40.4	54.1
3. Decrease	44.6	17.6	17.0	14.5	16.4	19.2	22.8	14.7
<b>Total</b>	<b>59.0</b>	<b>75.0</b>	<b>78.0</b>	<b>81.8</b>	<b>85.5</b>	<b>82.7</b>	<b>82.5</b>	<b>83.3</b>
<b>PROFITABILITY - LOSSES (%)</b>								
1. No change	7.2	2.5	0.0	3.6	5.5	5.8	5.3	4.2
2. Increase	18.1	10.1	10.2	5.4	1.8	7.7	5.3	8.4
3. Decrease	15.7	12.5	11.9	9.1	7.3	3.8	7.0	4.2
<b>Total</b>	<b>41.0</b>	<b>25.0</b>	<b>22.0</b>	<b>18.2</b>	<b>14.5</b>	<b>17.3</b>	<b>17.5</b>	<b>16.7</b>
<b>SALES (%)</b>								
1. No change	14.5	16.3	13.6	14.5	23.6	17.3	22.8	16.7
2. Increase	10.8	52.6	61.0	58.1	58.2	63.5	64.9	62.6
3. Decrease	74.7	31.4	25.5	27.2	18.3	19.2	12.3	20.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
In percentages of all respondents								

Source: Centrale Bank van Aruba

## Investment and Financing Activity

During the fourth quarter of 2022, the percentage of respondents indicating 'improvement' in investment conditions decreased by 0.3 percentage point to 31.3 percent. The percentage of respondents signaling 'worsening' investment conditions declined slightly by 0.1 percentage point to 10.4 percent, while the percentage of respondents indicating 'no change' in investments rose by 0.4 percentage point to 58.3 percent (See Table 2).

With regard to *expected short-term investment activities*, during the fourth quarter of 2022, 25.0 percent of the respondents foresaw that the short-term investment conditions would improve during the next 6 months, an upturn of 2.2 percentage points compared to the third quarter of 2022. In the quarter under review, 14.6 percent of respondents reported 'worsening' in short-term investment conditions. Meanwhile, the percentage of respondents indicating 'no change' decreased by 4.5 percentage points to 60.4 percent (See Table 2).

**Table 2: Business Perception Survey: general results**

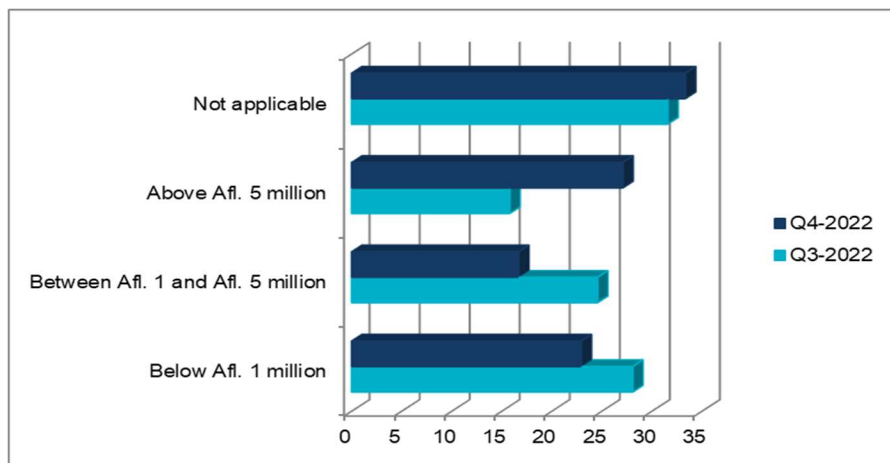
	Improvement (%)		No change (%)		Worsening (%)	
	2022	2022	2022	2022	2022	2022
	III	IV	III	IV	III	IV
A. Current economic condition	47.8	55.2	36.8	34.4	15.4	10.4
1. The economic conditions in Aruba	59.6	68.8	26.3	22.9	14.0	8.3
2. The activities of your business	54.4	58.3	38.6	37.5	7.0	4.2
3. The investments of your business	31.6	31.3	57.9	58.3	10.5	10.4
4. The number of employees that work for your company	45.6	62.5	24.6	18.8	29.8	18.8
B. Expected short-term economic conditions	28.5	36.5	58.3	45.3	13.2	18.2
1. The economic conditions in Aruba	28.1	45.8	47.4	27.1	24.6	27.1
2. The activities of your business	38.6	41.7	52.6	45.8	8.8	12.5
3. The investments of your business	22.8	25.0	64.9	60.4	12.3	14.6
4. The number of employees that work for your company	24.6	33.3	68.4	47.9	7.0	18.8

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of respondents with investment plans over the next 12 months noted a drop of 1.8 percentage points to 66.7 percent in the fourth quarter of 2022 (See Chart 4).



**Chart 4: Investment plans over the next 12 months reported in Q4 2022 (In % of all respondents)**



Source: Centrale Bank van Aruba

Those indicating tightened terms and conditions for obtaining business financing during the fourth quarter of 2022 remained unchanged at 33.3 percent of respondents. Respondents indicating that the terms and conditions remained the same contracted by 3.1 percentage points to 58.3 percent, while those indicating that they eased increased by 3.0 percentage points to 8.3 percent, in the quarter under review (See annex 2).

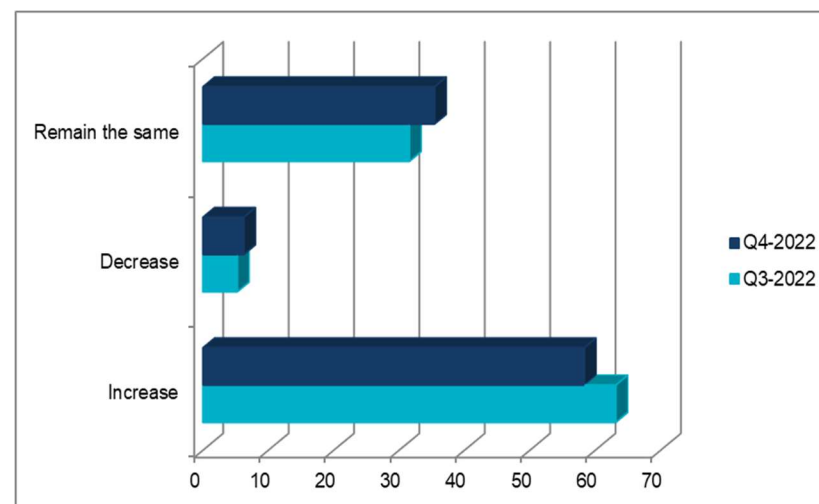
During the fourth quarter of 2022, 75.0 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 73.7 percent in the third quarter of 2022. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, grew from 14.0 percent to 18.8 percent (See annex 2).

## Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 77.1 percent of the respondents anticipated inflation to be above 3 percent, 12.5 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, 58.3 percent of the respondents expected price accelerations, a downturn of 4.9 percentage points. Those that anticipated that the prices for products and services would remain the same increased by 3.8 percentage points to 35.4 percent. According to 6.3 percent of respondents, the prices for products and services would decrease (Chart 5).

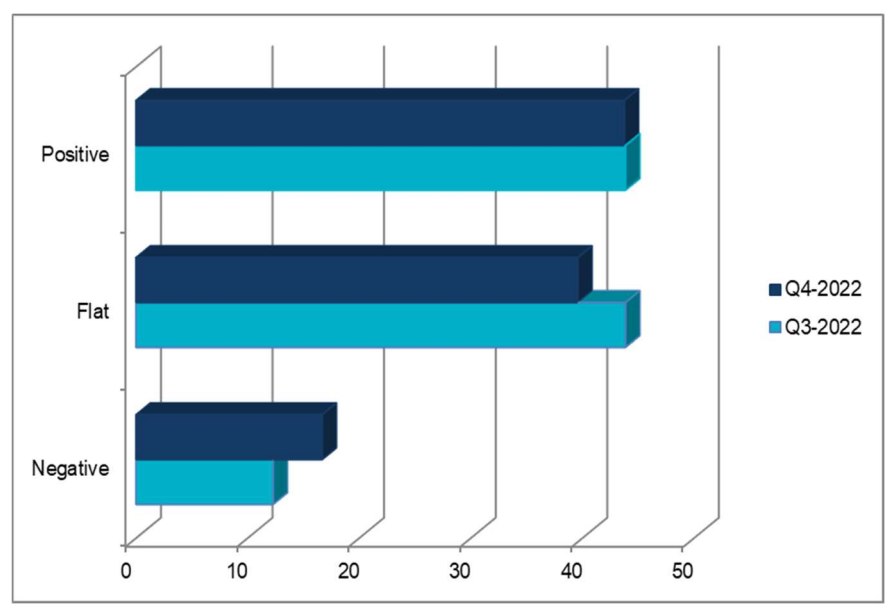
**Chart 5: Prices for products and services over the next 12 months reported in Q4 2022 (In % of all respondents)**



Source: Centrale Bank van Aruba

In terms of economic growth expectations over the next 12 months, the percentage of respondents anticipating a flat and positive economic growth decreased by 4.3 percentage points to 39.6 percent and 0.1 percentage point to 43.8 percent, respectively. The percentage of respondents presuming a negative growth increased by 4.4 percentage points to 16.7 percent (Chart 6).

**Chart 6: Economic growth (GDP) over the next 12 months reported in Q4 2022 (In % of all respondents)**



Source: Centrale Bank van Aruba

### Annex 1: Business perception Survey by sectors

	Q3-2022	Q4-2022
1. Index current economic condition	105.1	106.8
a. Manufacturing (excl. manufacture of refined petroleum products)	105.0	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	95.0	102.0
c. Construction	100.0	94.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	104.4	110.0
e. Hotels and restaurants	106.0	109.4
f. Transport, storage and communication	103.3	105.0
g. Financial intermediation	105.9	106.5
h. Real estate and other business activities	105.0	106.7
i. Health, other community and personal service activities	107.3	105.4
2. Index short-term future economic condition	103.7	103.3
a. Manufacturing (excl. manufacture of refined petroleum products)	100.0	90.0
b. Electricity, gas and water supply	110.0	105.0
c. Construction	105.6	105.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	100.5	109.0
e. Hotels and restaurants	103.0	106.8
f. Transport, storage and communication	106.0	90.0
g. Financial intermediation	110.0	98.3
h. Real estate and other business activities	90.0	98.6
i. Health, other community and personal service activities	102.6	104.0
3. Business Perception Index	104.6	105.2
a. Manufacturing (excl. manufacture of refined petroleum products)	105.0	100.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	101.4	103.3
c. Construction	102.9	98.9
d. Wholesale and retail trade, repair of motor vehicles and household goods	102.9	109.5
e. Hotels and restaurants	104.8	108.4
f. Transport, storage and communication	105.0	98.6
g. Financial intermediation	107.0	103.7
h. Real estate and other business activities	102.0	102.3
i. Health, other community and personal service activities	105.1	104.6

Source: Centrale Bank van Aruba

### Annex 2: Future expectations and activities

	Q3-2022	Q4-2022
<b>A. Inflation</b>		
Below 0 percent	0.0	0.0
Between 0 and 1 percent	3.5	6.3
Between 1 and 2 percent	3.5	4.2
Between 2 and 3 percent	10.5	12.5
Above 3 percent	82.5	77.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>B. Investment plans</b>		
1. Below Afl. 1 million	28.1	22.9
2. Between Afl. 1 and Afl. 5 million	24.6	16.7
3. Above Afl. 5 million	15.8	27.1
4. Not applicable	31.6	33.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>C. Annual effective financing rate *</b>		
1. Below 5 percent	12.3	6.3
2. Between 5 and 8 percent	73.7	75.0
3. Between 8 and 12 percent	14.0	18.8
4. Above 12 percent	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>D. Product and/or service pricing</b>		
Increase	63.2	58.3
Decrease	5.3	6.3
Remain the same	31.6	35.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>E. Annual rate of Economic growth (GDP growth)</b>		
Negative	12.3	16.7
Flat	43.9	39.6
Positive	43.9	43.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>F. Terms for obtaining financing</b>		
Tightened	33.3	33.3
Remained the same	61.4	58.3
Eased	5.3	8.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Centrale Bank van Aruba

\* Annual effective financing rate for business loans





**CENTRALE BANK VAN ARUBA**

J.E. Irausquin Blvd 8  
P.O. Box 18  
Oranjestad, Aruba  
Phone: (+297) 5252 100  
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