



Business Perception Survey Report

Q2 2023

August 21, 2023



CENTRALE BANK VAN ARUBA

Cover design:

Mangroves are hotspots of biodiversity, connecting life on land with life below water. These 'forests of the sea' are essential to the health and vibrancy of our coastal ecosystems, including our community livelihoods. They provide a vital habitat for marine life, help to protect against coastal erosion and storm surges, as well as filter pollutants from the sea. Mangroves are one of nature's most effective tools in the fight against climate change and are integral to nature.



BUSINESS SENTIMENTS ON ECONOMIC GROWTH POSTED A MODEST GAIN IN THE SECOND QUARTER OF 2023

Summary report
Results for the second quarter of 2023

The Central Bank of Aruba (CBA) concluded its Business Perception Survey (BPS) for the second quarter of 2023. The BPS assesses the economic sentiments of local businesses.

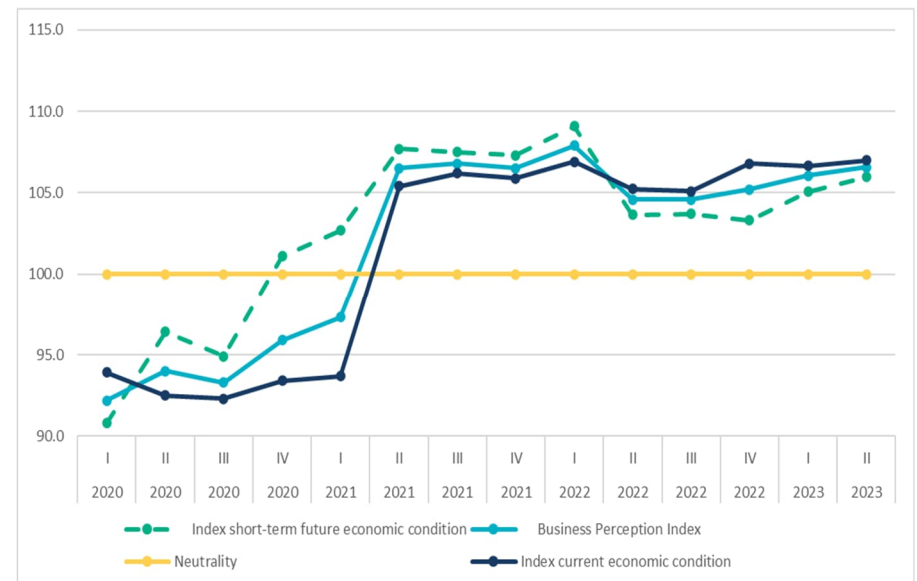
In the second quarter of 2023, the Business Perception Index (BPI), comprising the current and short-term economic conditions, inched up from 106.0 to 106.6. This outcome resulted from an increase in both the short-term economic conditions and the current economic conditions index (See Chart 1)¹.

Economic Conditions

The *short-term future economic condition* index strengthened by 0.9 index point to 106.0, up from 105.1 in the first quarter of 2023. The *current economic condition* index expanded to 107.0 in the second quarter of 2023 (See annex 1). Half of respondents expected a flat economic growth in the next 12 months. This is an increase of 11.8 percentage points compared to previous quarter. The percentage of respondents anticipating positive economic growth in the next 12 months decreased by 5.3 percentage points to 38.3 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

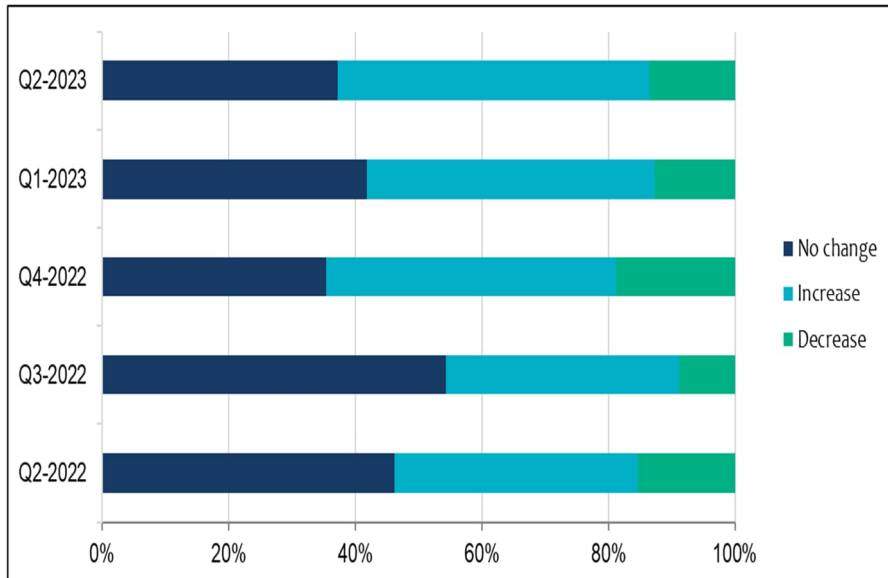
Employment and Wages

In the second quarter of 2023, the percentage of respondents reporting 'no change' in the number of employees who work for their company decreased, i.e., by 4.5 percentage points to 37.3 percent in

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 quarter under review, down from 41.8 percent in the first quarter of 2023. Meanwhile, the percentage of respondents indicating that there was an 'increase' in the number of employees expanded by 3.7 percentage points, while the percentage of respondents indicating that there was a 'decrease' fell 0.9 percentage point (See Chart 2).

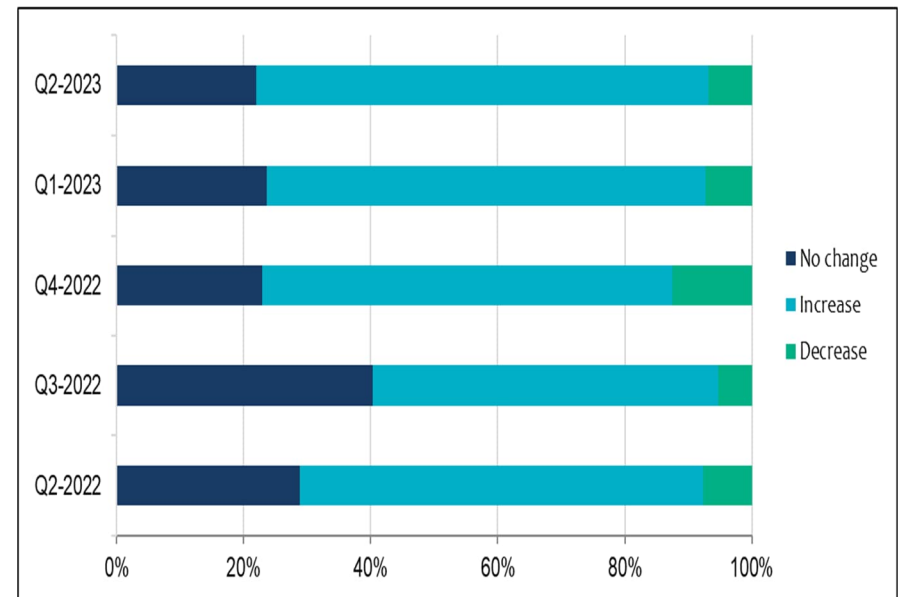
Chart 2: Perceived developments in employment



Source: Centrale Bank van Aruba

With reference to average wages, the percentage of respondents reporting 'improvement' in the average wage cost grew by 2.1 percentage points, i.e., from 69.1 percent in the first quarter of 2023 to 71.2 percent in the quarter under review. Meanwhile, the percentage recording 'no change' in wage conditions shrank by 1.6 percentage points to 22.0 percent (See Chart 3).

Chart 3: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the second quarter of 2023, the percentage of respondents reporting a profit rose by 4.2 percentage points to 91.5 percent, whereas the respondents reporting an upswing in sales decreased by 4.2 percentage point to 57.7 percent. The respondents registering 'decreases' in sales grew by 3.9 percentage points to 22.1 percent, while the respondents registering "no change" in sales went up slightly by 0.3 percentage point to 20.3 percent during second quarter of 2023 (See Table 1).

Table 1: Perceived developments in profitability and sales (in % of all respondents)

	2022				2023	
	I	II	III	IV	I	II
PROFITABILITY - PROFITS (%)						
1. No change	20.0	11.5	19.3	14.6	16.4	18.6
2. Increase	49.0	51.9	40.4	54.1	58.2	62.7
3. Decrease	16.4	19.2	22.8	14.7	12.7	10.2
Total	85.5	82.7	82.5	83.3	87.3	91.5
PROFITABILITY - LOSSES (%)						
1. No change	5.5	5.8	5.3	4.2	5.5	0.0
2. Increase	1.8	7.7	5.3	8.4	5.4	5.1
3. Decrease	7.3	3.8	7.0	4.2	1.8	3.4
Total	14.5	17.3	17.5	16.7	12.7	8.5
SALES (%)						
1. No change	23.6	17.3	22.8	16.7	20.0	20.3
2. Increase	58.2	63.5	64.9	62.6	61.9	57.7
3. Decrease	18.3	19.2	12.3	20.9	18.2	22.0
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 2023, the percentage of respondents indicating an ‘improvement’ in *current economic investment activities* fell by 1.0 percentage point to 39.0 percent. The percentage of respondents signaling ‘no change’ in investment conditions rose by 7.2 percentage points to 50.8 percent, while the percentage of respondents indicating ‘worsening’ investments conditions declined by 6.2 percentage points to 10.2 percent (See Table 2).

With regard to *expected short-term investment activities*, during the second quarter of 2023, 35.6 percent of the respondents foresaw that the short-term investment conditions would improve during the next 6 months, an upturn of 2.9 percentage points compared to the first quarter of 2023. In the quarter under review, 6.8 percent of respondents reported a ‘worsening’ in short-term investment conditions. Meanwhile, the percentage of respondents indicating ‘no change’ increased by 4.9 percentage points to 57.6 percent (See Table 2).

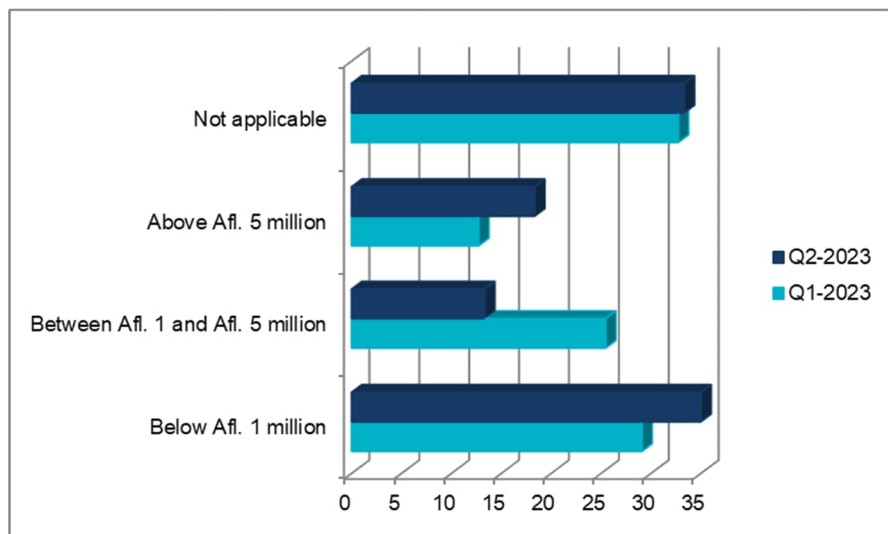
Table 2: Business Perception Survey: general results

	Improvement (%)		No change (%)		Worsening (%)	
	2023		2023		2023	
	I	II	I	II	I	II
A. Current economic condition	56.8	57.6	31.8	32.2	11.4	10.2
1. The economic conditions in Aruba	65.5	66.1	27.3	27.1	7.3	6.8
2. The activities of your business	58.2	57.6	34.5	32.2	7.3	10.2
3. The investments of your business	40.0	39.0	43.6	50.8	16.4	10.2
4. The number of employees that work for your company	63.6	67.8	21.8	18.6	14.5	13.6
B. Expected short-term economic conditions	31.8	38.6	57.7	51.7	10.5	9.7
1. The economic conditions in Aruba	32.7	42.4	56.4	42.4	10.9	15.3
2. The activities of your business	32.7	42.4	56.4	50.8	10.9	6.8
3. The investments of your business	32.7	35.6	52.7	57.6	14.5	6.8
4. The number of employees that work for your company	29.1	33.9	65.5	55.9	5.5	10.2

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of respondents with investment plans over the next 12 months noted a decrease of 0.7 percentage point to 66.6 percent in the second quarter of 2023 (See Chart 4).

Chart 4: Investment plans over the next 12 months reported in Q2 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

Those respondents indicating tightened terms and conditions for obtaining business financing during the second quarter of 2023 contracted by 2.2 percentage points to 23.3 percent. Respondents indicating that the terms and conditions remained the same fell by 0.9 percentage point to 70.0 percent, while those indicating that they eased expanded by 3.1 percentage points to 6.7 percent, in the quarter under review (See annex 2).

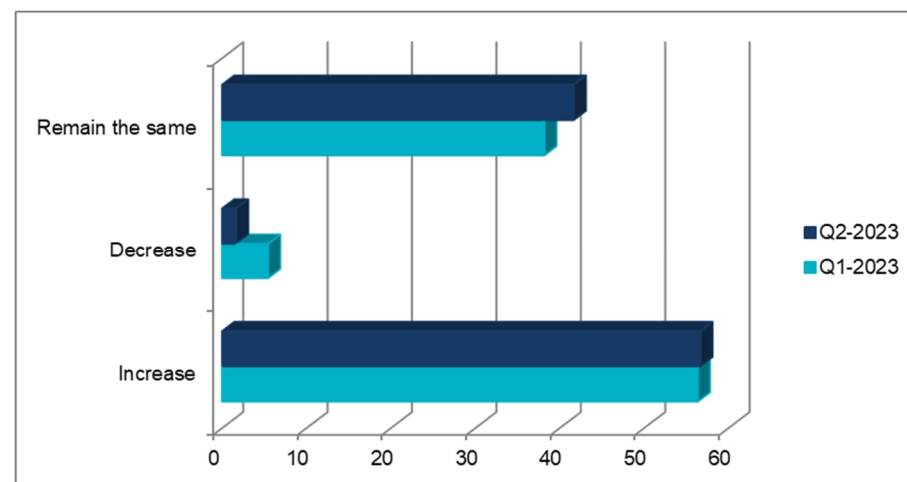
During the second quarter of 2023, 73.3 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 81.8 percent in the first quarter of 2023. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, expanded from 5.5 percent to 15.0 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 58.3 percent of the respondents anticipated inflation to be above 3 percent, meanwhile 25.0 percent expected 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, 56.7 percent of the respondents expected price accelerations, i.e., an upturn of 0.3 percentage point. Those that anticipated that the prices for products and services would remain the same increased by 3.5 percentage points to 41.7 percent. According to 1.7 percent of respondents, the prices for products and services would decrease (Chart 5).

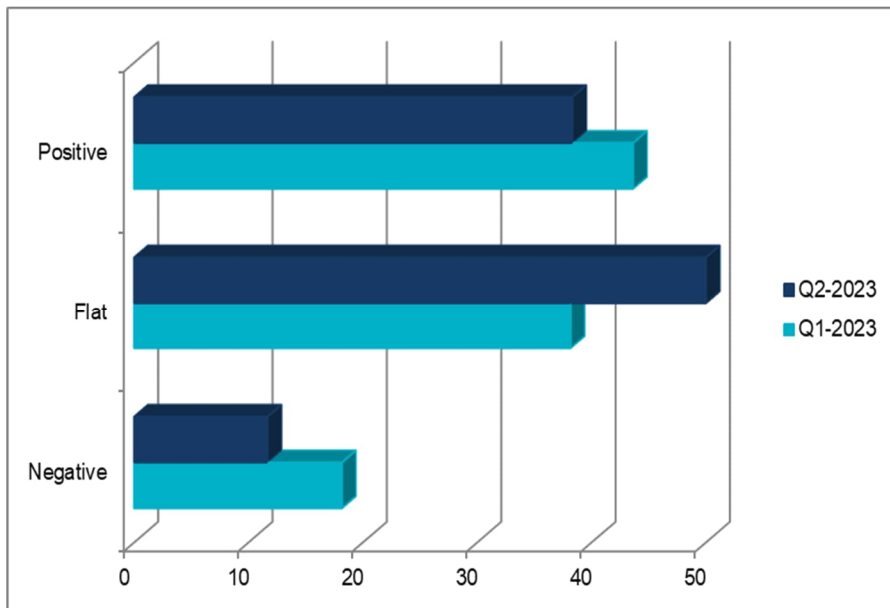
Chart 5: Prices for products and services over the next 12 months reported in Q2 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

In terms of economic growth expectations over the next 12 months, the percentage of respondents presuming a flat growth widened by 11.8 percentage points to 50.0 percent. The percentage of respondents anticipating a negative and positive economic growth decreased by 6.5 percentage points to 11.7 percent and 5.3 percentage points to 38.3 percent, respectively (Chart 6).

Chart 6: Economic growth (GDP) over the next 12 months reported in Q2 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

Annex 1: Business perception Survey by sectors

	Q1-2023	Q2-2023
1. Index current economic condition	106.7	107.0
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	108.6
c. Construction	110.0	90.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	103.0	106.9
e. Hotels and restaurants	109.3	108.5
f. Transport, storage and communication	102.5	110.0
g. Financial intermediation	108.6	107.4
h. Real estate and other business activities	98.6	110.0
i. Health, other community and personal service activities	106.9	102.0
2. Index short-term future economic condition	105.1	106.0
a. Manufacturing (excl. manufacture of refined petroleum products)	100.0	90.0
b. Electricity, gas and water supply	110.0	108.2
c. Construction	110.0	90.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	106.7	106.9
e. Hotels and restaurants	107.6	107.6
f. Transport, storage and communication	90.0	110.0
g. Financial intermediation	107.5	108.1
h. Real estate and other business activities	106.0	110.0
i. Health, other community and personal service activities	102.5	102.2
3. Business Perception Index	106.0	106.6
a. Manufacturing (excl. manufacture of refined petroleum products)	106.0	102.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	110.0	108.4
c. Construction	110.0	90.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	103.8	106.9
e. Hotels and restaurants	108.7	108.2
f. Transport, storage and communication	101.1	110.0
g. Financial intermediation	108.2	107.7
h. Real estate and other business activities	101.7	110.0
i. Health, other community and personal service activities	104.8	102.1

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q1-2023	Q2-2023
A. Inflation		
Below 0 percent	1.8	0.0
Between 0 and 1 percent	1.8	5.0
Between 1 and 2 percent	14.6	11.7
Between 2 and 3 percent	18.2	25.0
Above 3 percent	63.6	58.3
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	29.1	35.0
2. Between Afl. 1 and Afl. 5 million	25.5	13.3
3. Above Afl. 5 million	12.7	18.3
4. Not applicable	32.7	33.3
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	10.9	10.0
2. Between 5 and 8 percent	81.8	73.3
3. Between 8 and 12 percent	5.5	15.0
4. Above 12 percent	1.8	1.7
Total	100.0	100.0
D. Product and/or service pricing		
Increase	56.4	56.7
Decrease	5.5	1.7
Remain the same	38.2	41.7
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	18.2	11.7
Flat	38.2	50.0
Positive	43.6	38.3
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	25.5	23.3
Remained the same	70.9	70.0
Eased	3.6	6.7
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans

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