



Business Perception Survey Report Q3 2023

December 20, 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 LESS OPTIMISTIC IN THE THIRD QUARTER OF 2023

Summary report
Results for the third quarter of 2023

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

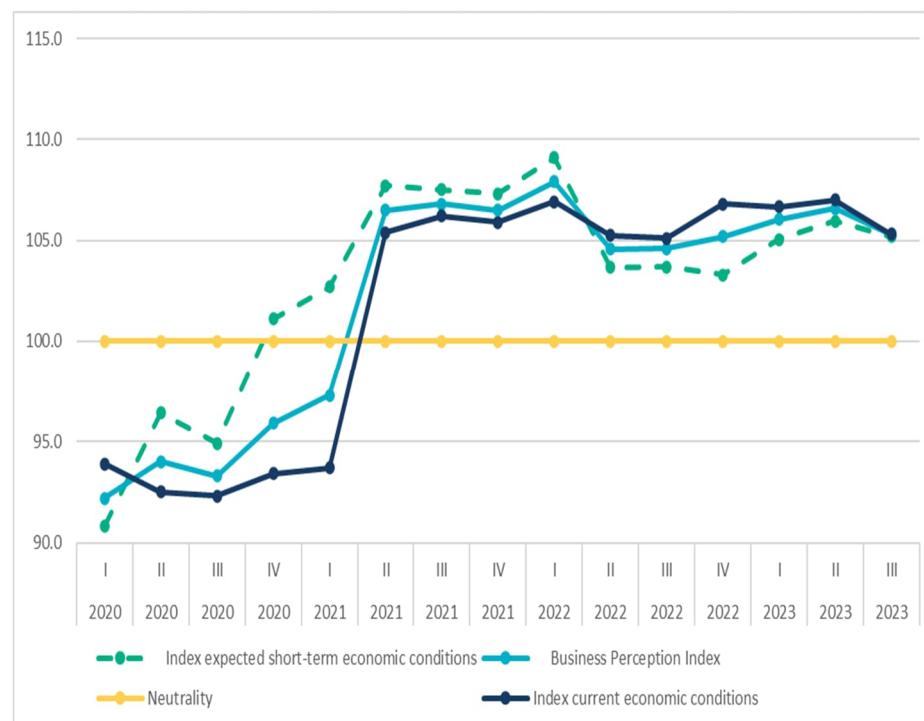
In the third quarter of 2023, the Business Perception Index (BPI), comprising the current and expected short-term economic conditions, fell from 106.6 in previous quarter to 105.3. This outcome resulted from decreases in both the expected short-term economic conditions and the current economic conditions indices (See Chart 1)¹.

Economic Conditions

The *expected short-term economic conditions* index weakened by 0.8 index point to 105.2, down from 106.0 in the second quarter of 2023. The *current economic conditions* index dropped to 105.3 in the third quarter of 2023 (See annex 1). In terms of economic growth expectations, about 42.9 percent of respondents expected a flat economic growth in the next 12 months. This is a decrease of 7.1 percentage points compared to the previous quarter. The percentage of respondents anticipating positive economic growth in the next 12 months decreased by 1.6 percentage points to 36.7 percent, while the percentage of respondents anticipating negative economic growth increased by 8.7 percentage points to 20.4 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



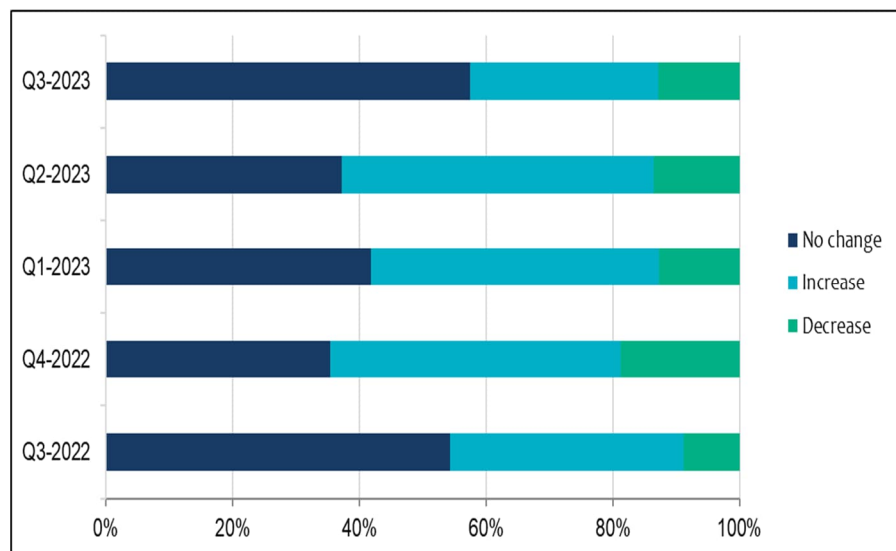
Source: Centrale Bank van Aruba

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.

Employment and Wages

In the third quarter of 2023, the percentage of respondents reporting 'no change' in employment expanded, i.e., by 20.1 percentage points to 57.4 percent, up from 37.3 percent in the second quarter of 2023. Meanwhile, the percentage of respondents indicating that there was an 'increase' in employment went down by 19.4 percentage points, while the percentage of respondents indicating that there was a 'decrease' fell by 0.8 percentage point (See Chart 2).

Chart 2: Perceived developments in employment

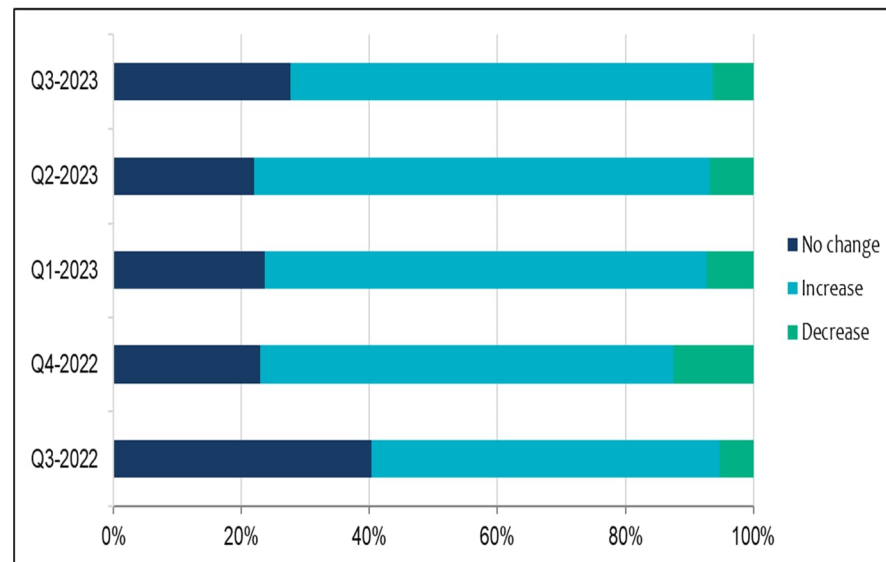


Source: Centrale Bank van Aruba

With reference to average wages, the percentage of respondents reporting 'improvement' in the average wage cost shrank by 5.2 percentage points, i.e., from 71.2 percent in the second quarter of 2023 to 66.0 percent in the quarter under review. Meanwhile, the

percentage recording 'no change' in wage conditions grew by 5.7 percentage points to 27.7 percent (See Chart 3).

Chart 3: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the third quarter of 2023, the percentage of respondents reporting a profit dropped by 10.6 percentage points to 80.9 percent, whereas the respondents reporting an upswing in sales decreased by 8.7 percentage points to 49.0 percent. The percentage of respondents registering 'decreases' in sales contracted by 0.8 percentage point to 21.3 percent, while the respondents registering "no change" in sales went up by 9.5 percentage points to 29.8 percent during third 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	III
PROFITABILITY - PROFITS (%)							
1. No change	20.0	11.5	19.3	14.6	16.4	18.6	23.4
2. Increase	49.0	51.9	40.4	54.1	58.2	62.7	38.3
3. Decrease	16.4	19.2	22.8	14.7	12.7	10.2	19.2
Total	85.5	82.7	82.5	83.3	87.3	91.5	80.9
PROFITABILITY - LOSSES (%)							
1. No change	5.5	5.8	5.3	4.2	5.5	0.0	6.4
2. Increase	1.8	7.7	5.3	8.4	5.4	5.1	10.6
3. Decrease	7.3	3.8	7.0	4.2	1.8	3.4	2.1
Total	14.5	17.3	17.5	16.7	12.7	8.5	19.1
SALES (%)							
1. No change	23.6	17.3	22.8	16.7	20.0	20.3	29.8
2. Increase	58.2	63.5	64.9	62.6	61.9	57.7	48.9
3. Decrease	18.3	19.2	12.3	20.9	18.2	22.0	21.3
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 2023, the percentage of respondents indicating an ‘improvement’ in *current economic investment activities* fell by 0.7 percentage point to 38.3 percent. The percentage of respondents signaling ‘no change’ in investment conditions rose by 4.5 percentage points to 55.3 percent, while the percentage of respondents indicating ‘worsening’ investments conditions declined by 3.8 percentage points to 6.4 percent (See Table 2).

With regard to *expected short-term economic investment activities*, during the third quarter of 2023, 29.8 percent of the respondents foresaw that the short-term investment conditions would improve during the next 6 months, a downturn of 5.8 percentage points compared to the second quarter of 2023. In the quarter under review, 8.5 percent of respondents reported a ‘worsening’ in short-term investment conditions. Meanwhile, the percentage of respondents indicating ‘no change’ increased by 4.1 percentage points to 61.7 percent (See Table 2).

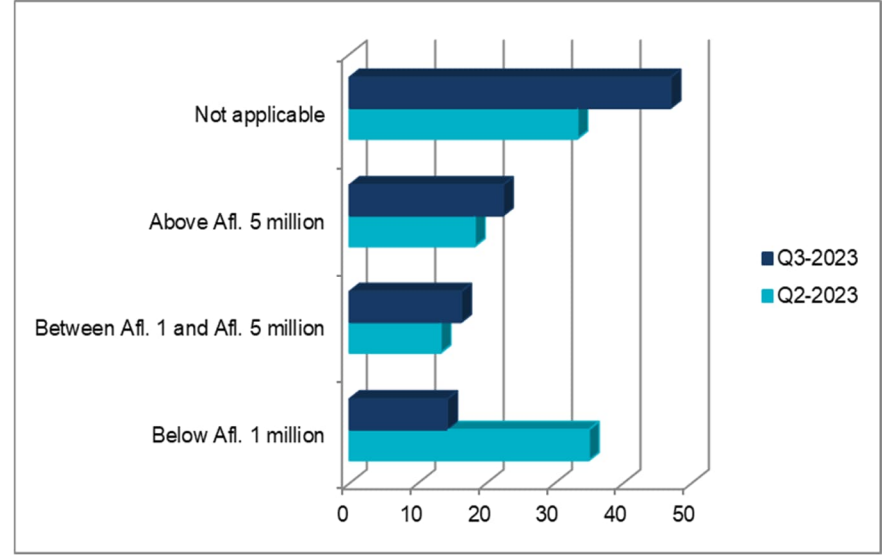
Table 2: Business Perception Survey: general results

	Improvement (%)		No change (%)		Worsening (%)	
	2023		2023		2023	
	II	III	II	III	II	III
A. Current economic conditions	57.6	39.9	32.2	47.9	10.2	12.2
1. The economic conditions in Aruba	66.1	31.9	27.1	55.3	6.8	12.8
2. The activities of your business	57.6	40.4	32.2	51.1	10.2	8.5
3. The investments of your business	39.0	38.3	50.8	55.3	10.2	6.4
4. The number of employees that work for your company	67.8	48.9	18.6	29.8	13.6	21.3
B. Expected short-term economic conditions	38.6	31.9	51.7	58.0	9.7	10.1
1. The economic conditions in Aruba	42.4	29.8	42.4	57.4	15.3	12.8
2. The activities of your business	42.4	38.3	50.8	55.3	6.8	6.4
3. The investments of your business	35.6	29.8	57.6	61.7	6.8	8.5
4. The number of employees that work for your company	33.9	29.8	55.9	57.4	10.2	12.8

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of respondents with investment plans over the next 12 months noted a decrease of 13.5 percentage points to 53.1 percent in the third quarter of 2023 (See Chart 4).

Chart 4: Investment plans over the next 12 months reported in Q3 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

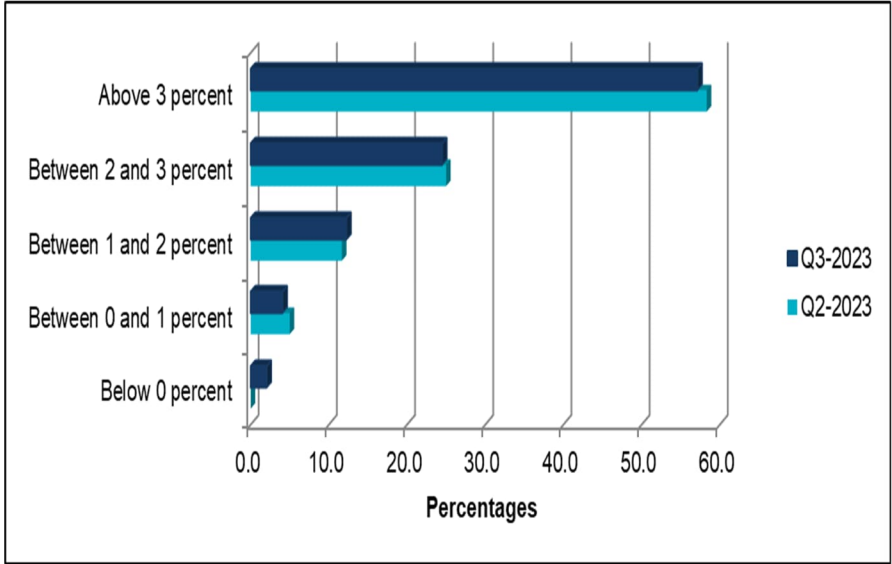
Those respondents indicating tightened terms and conditions for obtaining business financing during the third quarter of 2023 contracted by 0.8 percentage point to 22.5 percent. Respondents indicating that the terms and conditions remained the same expanded by 5.5 percentage points to 75.5 percent, while those indicating that they eased fell by 4.7 percentage points to 2.0 percent, in the quarter under review (See annex 2).

During the third quarter of 2023, 79.6 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 73.3 percent in the second quarter of 2023. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, fell from 15.0 percent to 14.3 percent (See annex 2).

Inflation and prices for products and services

In terms of long-term economic conditions over the next 12 months, 57.1 percent of the respondents anticipated inflation to be above 3 percent, meanwhile 24.5 percent expected the inflation rate to range between 2 and 3 percent (Chart 5).

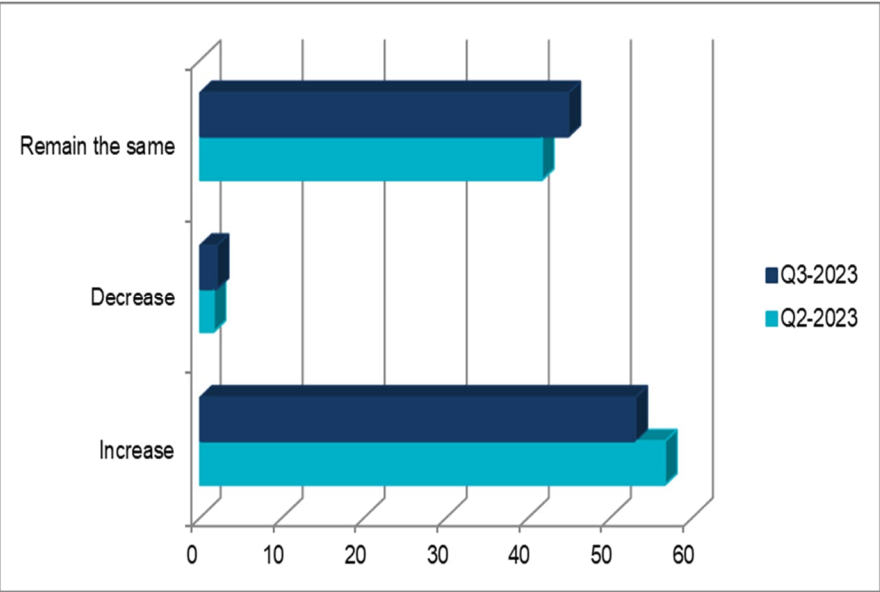
Chart 5: Inflation over the next 12 months reported in Q3 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

With regard to the prices for products and services over the next 12 months, 53.1 percent of the respondents expected price accelerations, i.e., a downturn of 3.6 percentage points. Those that anticipated that the prices for products and services would remain the same increased by 3.2 percentage points to 44.9 percent. According to 2.0 percent of respondents, the prices for products and services would decrease (Chart 6).

Chart 6: Prices for products and services over the next 12 months reported in Q3 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

Annex 1: Business perception Survey by sectors

	Q2-2023	Q3-2023
1. Index current economic condition	107.0	105.3
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	0.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	108.6	106.0
c. Construction	90.0	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	106.9	103.3
e. Hotels and restaurants	108.5	108.5
f. Transport, storage and communication	110.0	110.0
g. Financial intermediation	107.4	103.7
h. Real estate and other business activities	110.0	90.0
i. Health, other community and personal service activities	102.0	104.2
2. Index short-term future economic condition	106.0	105.2
a. Manufacturing (excl. manufacture of refined petroleum products)	90.0	0.0
b. Electricity, gas and water supply	108.2	110.0
c. Construction	90.0	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	106.9	105.6
e. Hotels and restaurants	107.6	108.5
f. Transport, storage and communication	110.0	110.0
g. Financial intermediation	108.1	106.3
h. Real estate and other business activities	110.0	100.0
i. Health, other community and personal service activities	102.2	100.5
3. Business Perception Index	106.6	105.3
a. Manufacturing (excl. manufacture of refined petroleum products)	102.0	0.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	108.4	106.7
c. Construction	90.0	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	106.9	104.4
e. Hotels and restaurants	108.2	108.5
f. Transport, storage and communication	110.0	110.0
g. Financial intermediation	107.7	104.6
h. Real estate and other business activities	110.0	90.0
i. Health, other community and personal service activities	102.1	102.4

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities 1)

	Q2-2023	Q3-2023
A. Inflation		
Below 0 percent	0.0	2.0
Between 0 and 1 percent	5.0	4.1
Between 1 and 2 percent	11.7	12.2
Between 2 and 3 percent	25.0	24.5
Above 3 percent	58.3	57.1
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	35.0	14.3
2. Between Afl. 1 and Afl. 5 million	13.3	16.3
3. Above Afl. 5 million	18.3	22.5
4. Not applicable	33.3	46.9
Total	100.0	100.0
C. Annual effective financing rate 2)		
1. Below 5 percent	10.0	6.1
2. Between 5 and 8 percent	73.3	79.6
3. Between 8 and 12 percent	15.0	14.3
4. Above 12 percent	1.7	0.0
Total	100.0	100.0
D. Product and/or service pricing		
Increase	56.7	53.1
Decrease	1.7	2.0
Remain the same	41.7	44.9
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	11.7	20.4
Flat	50.0	42.9
Positive	38.3	36.7
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	23.3	22.5
Remained the same	70.0	75.5
Eased	6.7	2.0
Total	100.0	100.0

Source: Centrale Bank van Aruba

1) During the next 12 months

2) Annual effective financing rate for business loans

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