



Business Perception Survey Report

Q4 2023

March 15, 2024



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 MORE OPTIMISTIC IN THE FOURTH QUARTER OF 2023

Summary report
Results for the fourth quarter of 2023

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

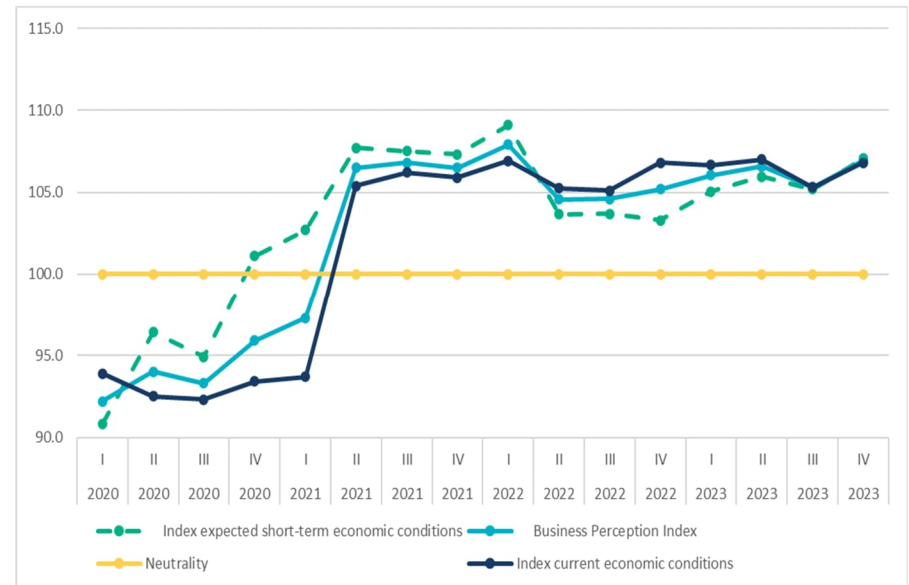
In the fourth quarter of 2023, the Business Perception Index (BPI), comprising the current and expected short-term economic conditions, rose from 105.3 in previous quarter to 106.9. This outcome resulted from increases in both the expected short-term economic conditions and the current economic conditions indices (See Chart 1)¹.

Economic Conditions

The *expected short-term economic conditions* index rose by 1.9 index points to 107.1, up from 105.2 in the third quarter of 2023. The *current economic conditions* index increased to 106.8 in the fourth quarter of 2023 (See annex 1). In terms of economic growth expectations, about 59.1 percent of business respondents expected a positive economic growth in the next 12 months. This is an increase of 22.4 percentage points compared to the previous quarter. The percentage of business respondents anticipating negative economic growth in the next 12 months decreased by 15.9 percentage points to 4.6 percent, while the percentage of business respondents anticipating a flat economic growth declined by 6.5 percentage points (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

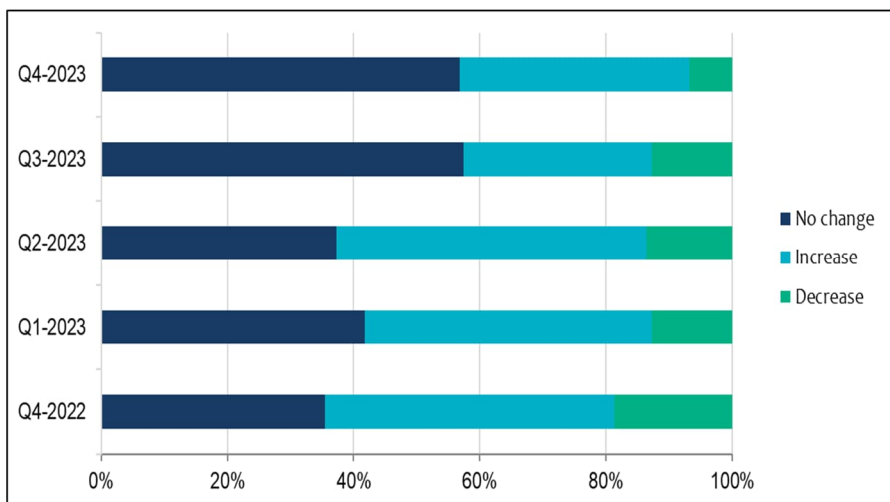
Employment and Wages

In the fourth quarter of 2023, the percentage of business respondents indicating that there was an 'increase' in employment expanded by

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.

6.6 percentage points, while the percentage of business respondents indicating that there was a 'decrease' fell by 5.9 percentage points. Meanwhile, the percentage of business respondents reporting 'no change' in employment went down, i.e., by 0.6 percentage point to 56.8 percent, down from 57.4 percent in the third quarter of 2023 (See Chart 2).

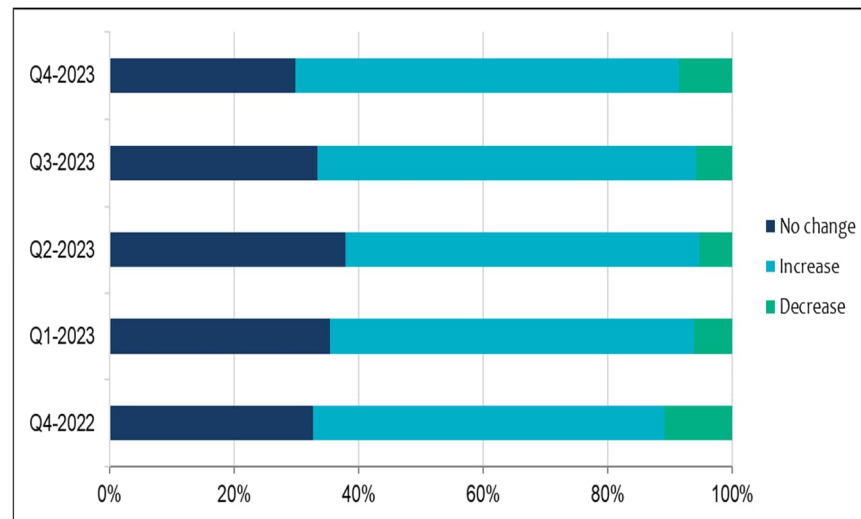
Chart 2: Perceived developments in employment



Source: Centrale Bank van Aruba

With reference to average wages, the percentage of business respondents recording 'no change' in wage conditions dropped by 2.7 percentage points to 25.0 percent and the percentage recording 'deterioration' in wage conditions grew by 2.6 percentage points to 9.1 percent. Meanwhile, the percentage of business respondents reporting 'improvement' in the average wage cost shrank by 0.1 percentage point, i.e., from 66.0 percent in the third quarter of 2023 to 65.9 percent in the quarter under review (See Chart 3).

Chart 3: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the fourth quarter of 2023, the percentage of business respondents reporting a profit increased by 7.7 percentage points to 88.6 percent, whereas the business respondents reporting an upswing in sales also grew by 7.8 percentage points to 56.8 percent. The percentage of business respondents registering 'decreases' in sales contracted by 5.4 percentage points to 15.9 percent, while the business respondents registering "no change" in sales went down by 2.5 percentage points to 27.3 percent during the fourth 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	IV
PROFITABILITY - PROFITS (%)								
1. No change	20.0	11.5	19.3	14.6	16.4	18.6	23.4	20.5
2. Increase	49.0	51.9	40.4	54.1	58.2	62.7	38.3	54.6
3. Decrease	16.4	19.2	22.8	14.7	12.7	10.2	19.2	13.6
Total	85.5	82.7	82.5	83.3	87.3	91.5	80.9	88.6
PROFITABILITY - LOSSES (%)								
1. No change	5.5	5.8	5.3	4.2	5.5	0.0	6.4	4.5
2. Increase	1.8	7.7	5.3	8.4	5.4	5.1	10.6	4.6
3. Decrease	7.3	3.8	7.0	4.2	1.8	3.4	2.1	2.3
Total	14.5	17.3	17.5	16.7	12.7	8.5	19.1	11.4
SALES (%)								
1. No change	23.6	17.3	22.8	16.7	20.0	20.3	29.8	27.3
2. Increase	58.2	63.5	64.9	62.6	61.9	57.7	49.0	56.8
3. Decrease	18.3	19.2	12.3	20.9	18.2	22.0	21.3	15.9
Total	100.0	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 fourth quarter of 2023, the percentage of business respondents indicating an ‘improvement’ in *current economic investment activities* fell by 8.8 percentage points to 29.5 percent. The percentage of business respondents signaling ‘no change’ in investment conditions rose by 3.8 percentage points to 59.1 percent, while the percentage of business respondents indicating ‘worsening’

investments conditions increased by 5.0 percentage points to 11.4 percent (See Table 2).

With regard to *expected short-term economic investment activities*, during the fourth quarter of 2023, 40.9 percent of the business respondents foresaw that the short-term investment conditions would improve during the next 6 months, an upturn of 11.1 percentage points compared to the third quarter of 2023. In the quarter under review, the percentage of business respondents reporting a ‘worsening’ in short-term investment conditions declined by 6.2 percentage points to 2.3 percent, while the percentage of business respondents indicating ‘no change’ decreased by 4.9 percentage points to 56.8 percent (See Table 2).

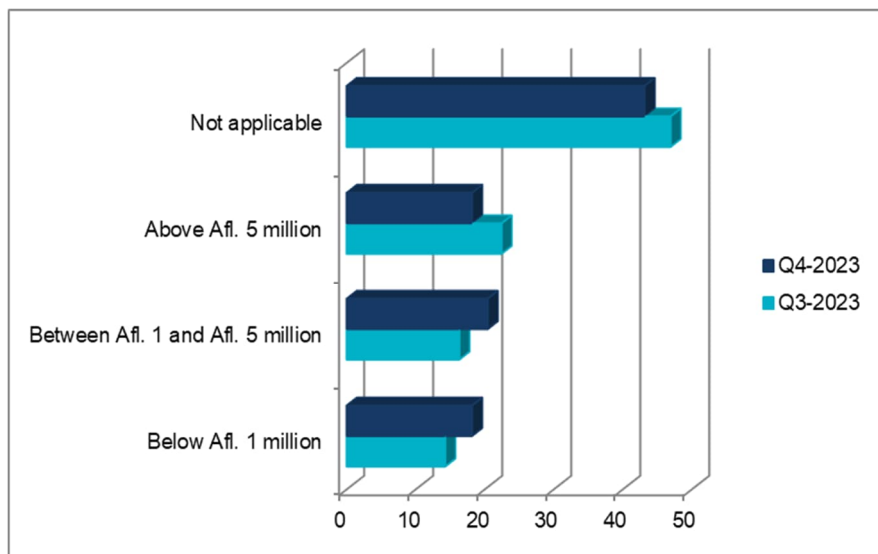
Table 2: Business Perception Survey: general results

	Improvement (%)		No change (%)		Worsening (%)	
	2023		2023		2023	
	III	IV	III	IV	III	IV
A. Current economic conditions	35.1	47.7	54.8	43.2	10.1	9.1
1. The economic conditions in Aruba	31.9	52.3	55.3	43.2	12.8	4.5
2. The activities of your business	40.4	52.3	51.1	43.2	8.5	4.5
3. The investments of your business	38.3	29.5	55.3	59.1	6.4	11.4
4. The number of employees that work for your company	29.8	56.8	57.4	27.3	12.8	15.9
B. Expected short-term economic conditions	31.9	36.4	58.0	57.4	10.1	6.3
1. The economic conditions in Aruba	29.8	38.6	57.4	50.0	12.8	11.4
2. The activities of your business	38.3	38.6	55.3	59.1	6.4	2.3
3. The investments of your business	29.8	40.9	61.7	56.8	8.5	2.3
4. The number of employees that work for your company	29.8	27.3	57.4	63.6	12.8	9.1

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of business respondents with investment plans over the next 12 months noted an increase of 3.7 percentage points to 56.8 percent in the fourth quarter of 2023 (See Chart 4).

Chart 4: Investment plans over the next 12 months reported in Q4 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

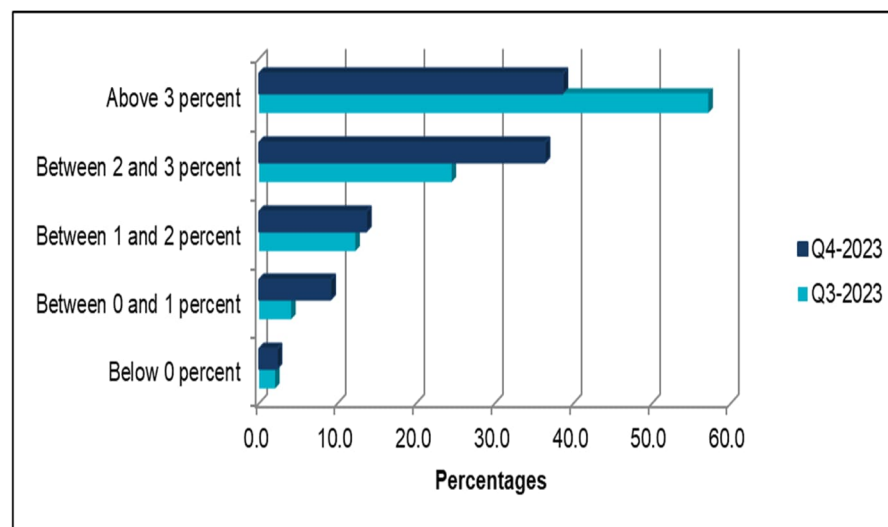
Those business respondents indicating tightened terms and conditions for obtaining business financing during the fourth quarter of 2023 contracted by 8.9 percentage points to 13.6 percent. Business respondents indicating that the terms and conditions remained the same and eased expanded by 8.6 percentage points to 84.1 percent and 0.2 percentage point to 2.3 percent, respectively in the quarter under review (See annex 2).

During the fourth quarter of 2023, 77.3 percent of the business respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 79.6 percent in the third quarter of 2023. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, fell from 14.3 percent to 9.1 percent, while those foreseeing the annual financing rate to be below 5 percent increased to 11.4 percent (See annex 2).

Inflation and prices for products and services

In terms of long-term economic conditions over the next 12 months, 38.6 percent of the business respondents anticipated inflation to be above 3 percent, while 36.4 percent expected the inflation rate to range between 2 and 3 percent (Chart 5).

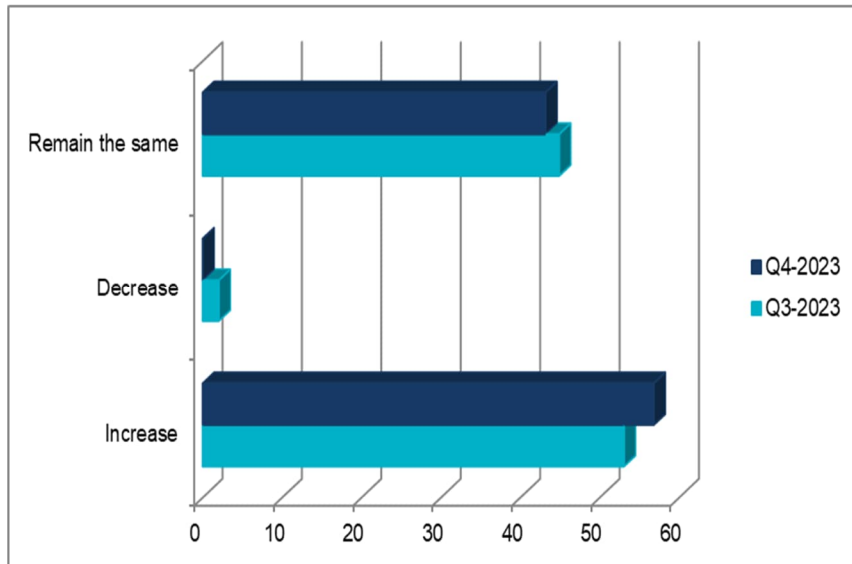
Chart 5: Inflation over the next 12 months reported in Q4 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

With regard to the prices for products and services over the next 12 months, 56.8 percent of the business respondents expected price accelerations, i.e., an upturn of 3.7 percentage points. Those that anticipated that the prices for products and services would remain the same dropped by 1.7 percentage points to 43.2 percent (Chart 6).

Chart 6: Prices for products and services over the next 12 months reported in Q4 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

Annex 1: Business perception Survey by sectors

	Q3-2023	Q4-2023
1. Index current economic condition	105.5	106.8
a. Manufacturing (excl. manufacture of refined petroleum products)	0.0	0.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	106.0	110.0
c. Construction	110.0	103.3
d. Wholesale and retail trade, repair of motor vehicles and household goods	104.1	106.7
e. Hotels and restaurants	109.1	108.9
f. Transport, storage and communication	100.0	110.0
g. Financial intermediation	104.7	108.6
h. Real estate and other business activities	100.0	103.3
i. Health, other community and personal service activities	103.3	105.7
2. Index short-term future economic condition	105.2	107.1
a. Manufacturing (excl. manufacture of refined petroleum products)	0.0	0.0
b. Electricity, gas and water supply	110.0	100.0
c. Construction	110.0	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	105.6	106.5
e. Hotels and restaurants	108.5	110.0
f. Transport, storage and communication	110.0	110.0
g. Financial intermediation	106.3	105.7
h. Real estate and other business activities	100.0	103.3
i. Health, other community and personal service activities	100.5	107.8
3. Business Perception Index	105.4	106.9
a. Manufacturing (excl. manufacture of refined petroleum products)	0.0	0.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	106.7	110.0
c. Construction	110.0	106.4
d. Wholesale and retail trade, repair of motor vehicles and household goods	104.9	106.6
e. Hotels and restaurants	108.9	109.3
f. Transport, storage and communication	105.0	110.0
g. Financial intermediation	105.1	107.1
h. Real estate and other business activities	100.0	103.3
i. Health, other community and personal service activities	101.8	106.6

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities 1)

	Q3-2023	Q4-2023
A. Inflation		
Below 0 percent	2.0	2.3
Between 0 and 1 percent	4.1	9.1
Between 1 and 2 percent	12.2	13.6
Between 2 and 3 percent	24.5	36.4
Above 3 percent	57.1	38.6
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	14.3	18.2
2. Between Afl. 1 and Afl. 5 million	16.3	20.5
3. Above Afl. 5 million	22.5	18.2
4. Not applicable	46.9	43.2
Total	100.0	100.0
C. Annual effective financing rate 2)		
1. Below 5 percent	6.1	11.4
2. Between 5 and 8 percent	79.6	77.3
3. Between 8 and 12 percent	14.3	9.1
4. Above 12 percent	0.0	2.3
Total	100.0	100.0
D. Product and/or service pricing		
Increase	53.1	56.8
Decrease	2.0	0.0
Remain the same	44.9	43.2
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	20.4	4.6
Flat	42.9	36.4
Positive	36.7	59.1
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	22.5	13.6
Remained the same	75.5	84.1
Eased	2.0	2.3
Total	100.0	100.0

Source: Centrale Bank van Aruba

1) During the next 12 months

2) 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
© Centrale Bank van Aruba 2022
All rights reserved.

