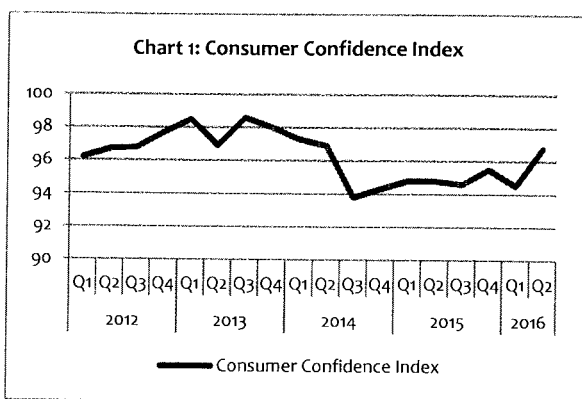




Consumer confidence rebounds in the second quarter of 2016

Press Release¹

Consumer confidence improved in the second quarter of 2016, reaching its highest level since the second quarter of 2014. While still negative, the Consumer Confidence Index stood at 96.8 in the second quarter of 2016, an improvement of 2.3 index points compared to the first quarter of 2016 (see Chart 1)². This upswing is most likely related to the announcement of the re-opening of the refinery during the second quarter of 2016. The Present Situation Index increased from 93.2 to 95.3, while the Expectations Index rose from 95.1 to 100.2, reaching an optimistic level for the first time since the fourth quarter of 2013.



Consumers were more optimistic on the short-term outlook in the second quarter 2016. The share of consumers expecting their personal financial conditions to improve rose from 20.1 percent to 37.0 percent, the highest since the fourth quarter of 2013. This was also evident from their sentiments of, respectively, future business conditions (from 17.3 percent to 29.8 percent), as well as of the governments' future financial position (from 12.5 percent to 21.8 percent). Consumers' labor market outlook also was more positive, as 17.5 percent of the

respondents stated that future job expectations will improve, the highest recorded results since the inception of the survey in 2012.

An estimated 23.8 percent of respondents (8.5 percentage points higher than in the previous quarter) indicated that personal financial conditions were "better" than six months ago. Furthermore, 48.3 percent stated that business conditions worsened, 1.1 percentage points lower than the previous quarter with respondents indicating better conditions increasing by 6.2 percentage points. Conversely, the share of consumers indicating that the government's financial position deteriorated, decreased by 6.4 percentage points to 48.5 percent, while 11.3 percent indicated an improvement. Additionally, 65.0 percent of respondents indicated that current job expectations deteriorated (down from 70.4 percent in the previous quarter).

The indices on price expectations and consumer purchase habits improved marginally. The Price Expectations Index edged up from 90.7 in the first quarter of 2016 to 91.0 in the current period of review. The share of consumers stating that prices were lower than six months ago rose from 2.8 percent to 3.5 percent. Finally, the Consumption Habits Index improved somewhat from 96.0 to 96.4. However, the majority of consumers still believed it was unsuitable to purchase a car (66.5 percent), major appliances (48.5 percent), to take out a loan (70.9 percent) or a mortgage (75.3 percent). More than half of respondents (51.0 percent) stated that it was suitable to go on vacation.

¹ The English text prevails.

² The index can vary between 90 and 110. Between 90 and 100 indicates a situation of pessimism. An index of exactly 100 indicates that consumers are neither pessimistic nor optimistic, but are neutral in regards to their thoughts about economic developments in Aruba. Between 100 and 110 indicates a situation of optimism in consumer sentiments.

In summary, the increase in consumer confidence was largely attributed to an increase of both consumers' current conditions and short-term outlook, the latter being optimistic. There was also a small improvement in their consumption habits perceptions contributing to consumer confidence. The complete survey results are available on CBA's website. For further information, please contact Mr. Jonathan Upegui, Economist at the Research Department, at j.uegui@cbaruba.org.

Centrale Bank van Aruba
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