



CENTRALE BANK VAN ARUBA

BUSINESS SENTIMENTS IMPROVED IN THE FOURTH QUARTER OF 2020

Summary report

Results for the fourth quarter of the year 2020

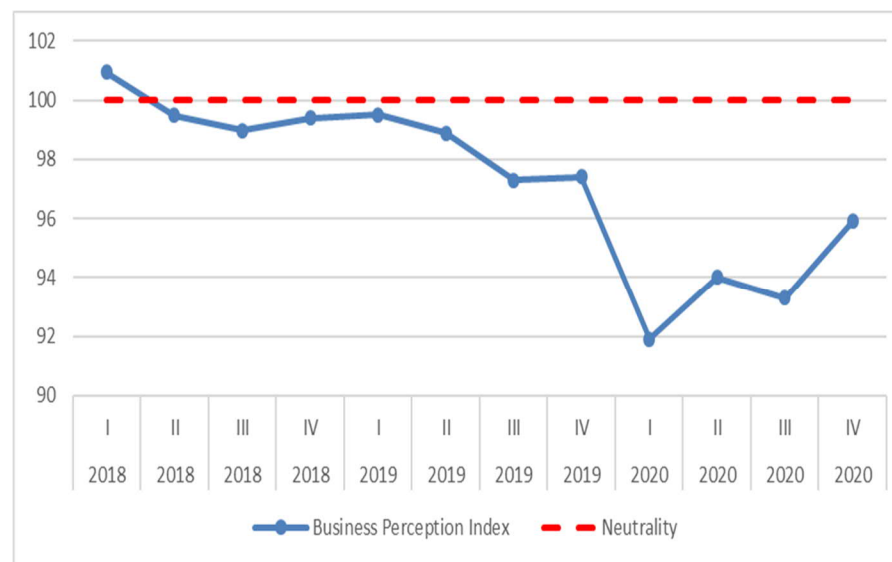
The Central Bank of Aruba (CBA) recently concluded its Business Perception Survey (BPS) for the fourth quarter of 2020. The BPS assesses the economic perceptions and sentiments of local businesses as well as the continued impact of the COVID-19 pandemic on economic conditions and business activities.

The Business Perception Index (BPI), comprising the current and short-term economic conditions, rose by 2.6 index points to 95.9 during the fourth quarter of 2020. The overall BPI remains pessimistic despite an improvement in sentiments, compared to last quarter (See Chart 1)¹. The positive change in sentiments resulted from an improved perception on both current and short-term future economic conditions.

Economic Conditions

The current economic condition index noted an expansion of 1.1 index points to 93.4, up from 92.3 in the third quarter of 2020. The short-term future economic condition index grew significantly by 6.2 index points, i.e., from 94.9 in the third quarter of 2020 to 101.1 in the fourth quarter of 2020 (See annex 1). The percentage of respondents expecting negative economic growth in the next 12 months, dropped by 12.4 percentage points to 57.8 percent (See annex 2).

Chart 1: Business Perception Index



Source: Centrale Bank van Aruba

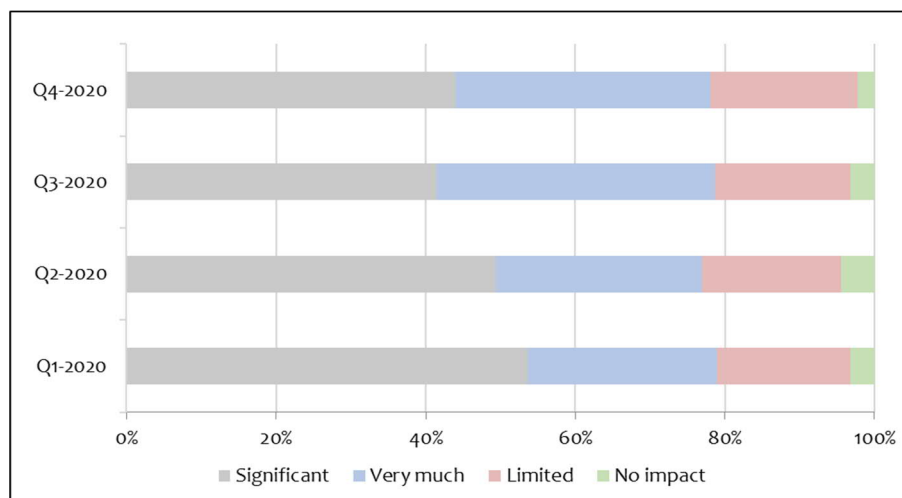
In terms of the impact of the COVID-19 pandemic, the expanded Business Perception Survey also assessed its expected impact on business sales, the need for applying for emergency business funds, and the anticipated views on economic effect.

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

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.

More than 40 percent of the respondents (44.0 percent) pointed out that the COVID-19 pandemic continued to have a significant impact on their business sales, i.e., 2.5 percentage points more compared to the third quarter (See Chart 2). Between the first and fourth quarter of 2020, the number of respondents indicating that the COVID-19 pandemic had a significant or high impact on their business sales dropped by 0.9 percentage point, thus, suggesting a sluggish business recovery.

Chart 2: COVID-19 impact on business sales



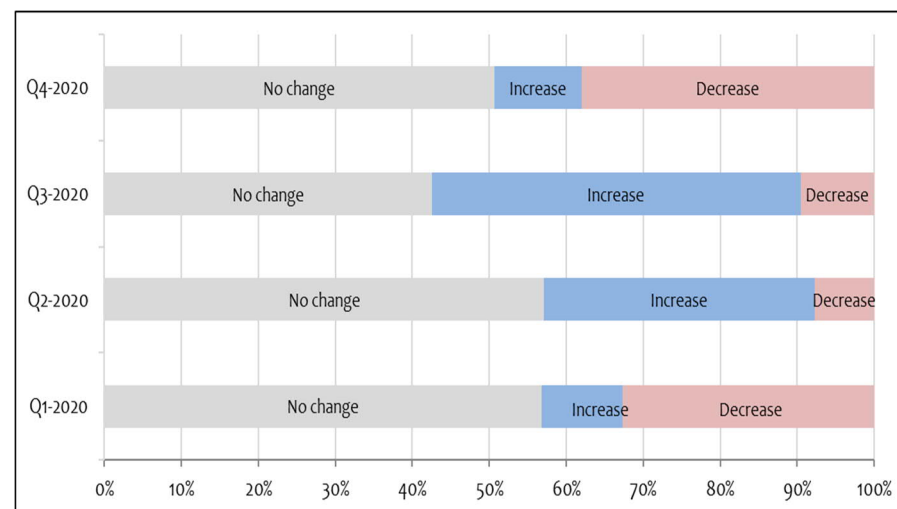
Source: Centrale Bank van Aruba

Approximately 62 percent of the respondents (61.5 percent) expected the impact of the COVID-19 pandemic on the Aruban economy to last more than 12 months. As for the need for applying for emergency business funds provided by the Government of Aruba, 29.7 percent of the respondents applied for this funding during the fourth quarter, compared to 33.0 percent that applied during the third quarter.

Employment and Wages

In the fourth quarter of 2020, the percentage of respondents reporting 'no change' in the number of employees increased by 8.0 percentage points, i.e., from 42.6 percent in the third quarter of 2020 to 50.6 percent in the quarter under review. Meanwhile, the percentage indicating 'improvement' in employment conditions rose by 2.0 percentage points, whereas those reporting 'worsening' employment conditions dropped by 9.9 percentage points (See Chart 3).

Chart 3: Perceived developments in employment

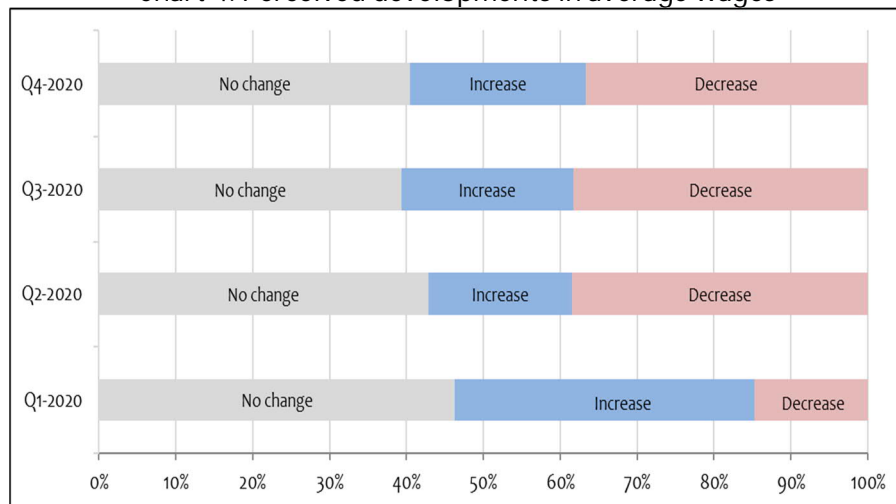


Source: Centrale Bank van Aruba

With reference to average wages during the fourth quarter of 2020, the percentage of respondents reporting 'no change' in the average wage cost grew by 1.1 percentage points, i.e., from 39.4 percent in the third quarter of 2020 to 40.5 percent in the quarter under review. Meanwhile,

the percentage recording 'improvement' in wage conditions edged up by 0.4 percentage point to 22.7 percent from 22.3 percent, and those reporting 'worsening' wage conditions contracted by 1.5 percentage points to 36.8 percent (See Chart 4).

Chart 4: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the fourth quarter of 2020, the percentage of respondents reporting a profit grew by 2.9 percentage points to 64.6 percent. Almost 79 percent of the respondents saw a decrease in sales. The respondents registering 'increases' in sales picked up slightly by 0.3 percentage point to 8.8 percent during the fourth quarter of 2020 (See Table 1), compared to 8.5 percent during the third quarter.

Table 1: Perceived developments in profitability and sales in percentage of all respondents

	2019				2020			
	I	II	III	IV	I	II	III	IV
PROFITABILITY - PROFITS (%)								
1. No change	13.5	11.8	6.1	17.9	8.4	6.6	7.4	11.4
2. Increase	54.1	35.3	30.3	28.6	12.6	6.6	7.4	11.4
3. Decrease	0.0	23.5	39.4	35.7	52.6	50.6	46.8	41.8
Total	67.6	70.6	75.8	82.1	73.7	63.7	61.7	64.6
PROFITABILITY - LOSSES (%)								
1. No change	5.4	8.8	3.0	3.6	3.2	2.2	5.3	5.1
2. Increase	0.0	5.9	6.1	10.7	10.5	19.8	18.1	20.3
3. Decrease	27.0	14.7	15.2	3.6	12.6	14.3	14.9	10.1
Total	32.4	29.4	24.2	17.9	26.3	36.3	38.3	35.4
SALES (%)								
1. No change	16.2	8.8	15.2	21.4	14.7	12.1	9.6	12.7
2. Increase	45.9	50.0	39.4	42.9	23.2	7.7	8.5	8.8
3. Decrease	37.8	41.2	45.5	35.7	62.1	80.2	81.9	78.5
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 2020, the respondents continued to indicate a worsening in investments in their business, as the percentage of respondents indicating 'worsening' investment conditions registered 59.5 percent, an increase of 6.3 percentage points, from 53.2 percent in the third quarter of 2020. The percentage of respondents signaling 'improvement' grew by 3.3 percentage points to 13.9 percent, while the percentage of respondents indicating 'no change' in investments fell by 9.6 percentage points to 26.6 percent (See Table 2).

With regard to expected short-term investment activities, during the fourth quarter of 2020, most of the respondents (60.8 percent) foresaw that the current conditions will not change during the next 6 months. Those reporting 'worsening' in short-term investment conditions contracted by 19.5 percentage points, from 37.2 percent in the third quarter of 2020 to 17.7 percent in the quarter under review. At the same time, the percentage of respondents indicating 'improvement' rose by 7.7 percentage points (See Table 2).

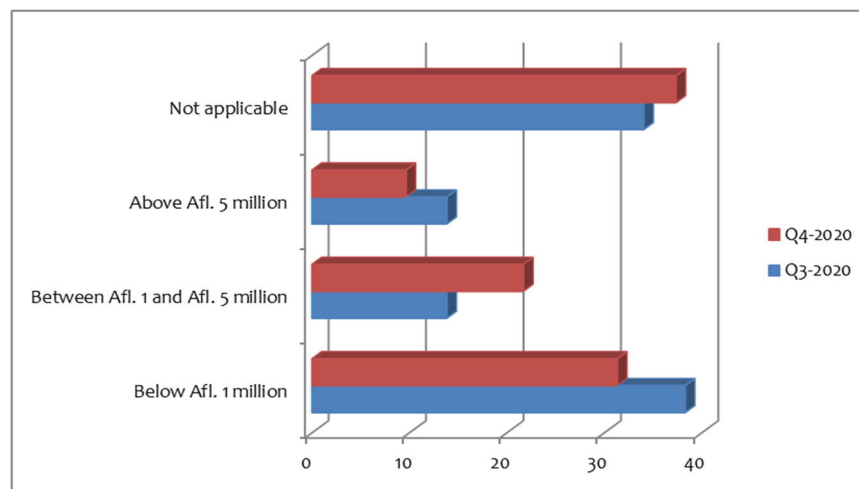
Table 2: Business Perception Survey : general results

	Q4-2020		
	Improvement (%)	No change (%)	Worsening (%)
A. Current economic condition	13.9	17.1	69.0
1. The economic conditions in Aruba	3.8	7.6	88.6
2. The activities of your business	6.3	17.7	75.9
3. The investments of your business	13.9	26.6	59.5
4. The number of employees that work for your company	31.6	16.5	51.9
B. Expected short-term economic conditions	22.5	59.5	18.0
1. The economic conditions in Aruba	29.1	44.3	26.6
2. The activities of your business	27.8	58.2	13.9
3. The investments of your business	21.5	60.8	17.7
4. The number of employees that work for your company	11.4	74.7	13.9

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 3.3 percentage points to 62.6 percent in the fourth quarter of 2020 (See Chart 5).

Chart 5: Investment plans over the next 12 months reported in Q4 2020
(In % of all respondents)



Source: Centrale Bank van Aruba

According to 48.9 percent of respondents, the terms and conditions for obtaining business financing tightened during the fourth quarter of 2020, from 52.1 percent during the third quarter of 2020. Those indicating that the terms and conditions remained the same increased by 2.0 percentage points to 47.7 percent in the quarter under review (See annex 2).

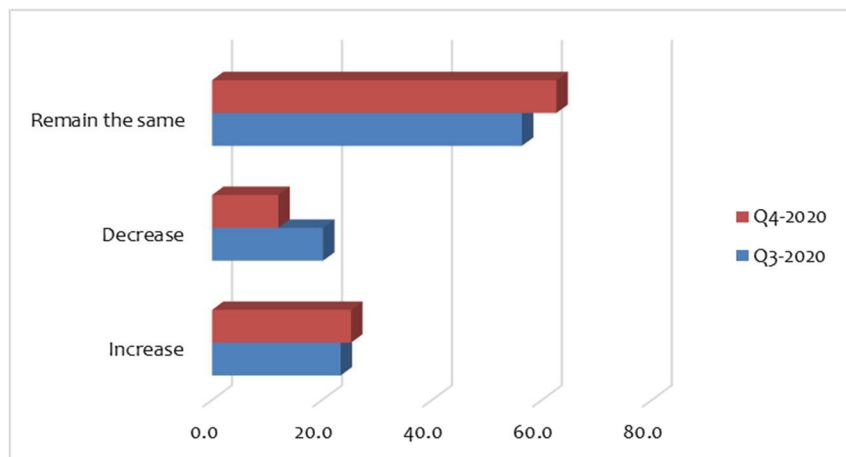
During the fourth quarter of 2020, 67.5 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 70.2 percent in the third quarter of 2020. Those foreseeing the annual effective financing rate to be less than 5 percent, grew from 13.8 percent to 19.3 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 37.4 percent of the respondents expected inflation to be between 2 and 3 percent, while 30.1 percent foresaw the inflation rate to be between 1 percent and 2 percent (See annex 2).

With regard to the prices for products and services over the next 12 months, 62.7 percent of the respondents anticipated prices to remain the same. Those with expectations of price increases noted an upturn of 1.9 percentage points to 25.3 percent. The respondents expecting a decrease in prices declined by 8.1 percentage points to 12.1 percent (Chart 6).

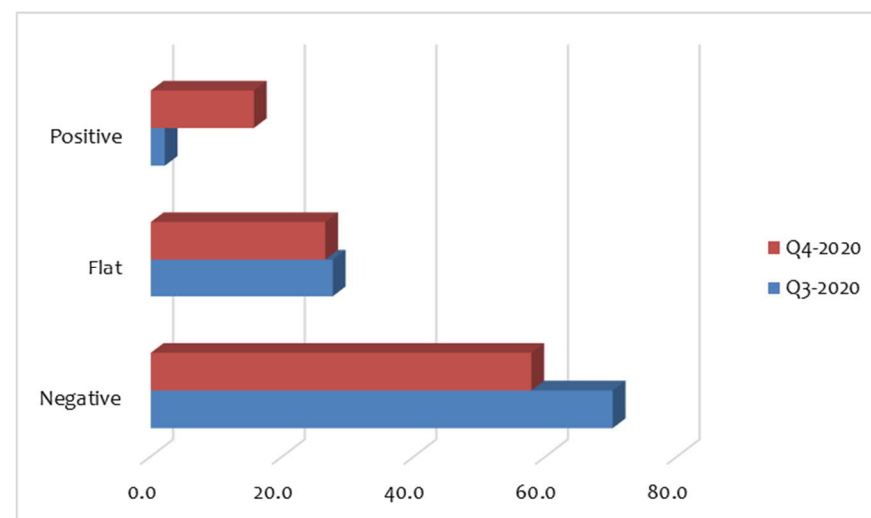
Chart 6: Prices for products and services over the next 12 months reported in Q4 2020 (In % of all respondents)



Source: Centrale Bank van Aruba

In terms of economic growth expectations over the next 12 months, the percentage of respondents presuming negative and flat economic growth contracted by 12.4 and 1.2 percentage points to 57.8 and 26.5 percent, respectively. The percentage of respondents anticipating a positive economic growth, grew by 13.6 percentage points to 15.7 percent (Chart 7).

Chart 7: Economic growth (GDP) over the next 12 months reported in Q4 2020 (In % of all respondents)



Source: Centrale Bank van Aruba

Centrale Bank van Aruba

February 25, 2021

Annex 1: Business perception Survey by sectors

	Q3-2020	Q4-2020
1. Index current economic condition	92.3	93.4
a. Manufacturing (excl. manufacture of refined petroleum products)	98.0	92.5
b. Electricity, gas and water supply, manufacture of refined petroleum products	93.5	94.0
c. Construction	92.1	92.6
d. Wholesale and retail trade, repair of motor vehicles and household goods	91.6	92.2
e. Hotels and restaurants	92.4	93.9
f. Transport, storage and communication	92.5	93.7
g. Financial intermediation	93.8	93.8
h. Real estate and other business activities	90.0	94.0
i. Health, other community and personal service activities	91.1	91.7
2. Index short-term future economic condition	94.9	101.1
a. Manufacturing (excl. manufacture of refined petroleum products)	90.0	90.0
b. Electricity, gas and water supply	94.3	95.0
c. Construction	102.0	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	91.4	102.6
e. Hotels and restaurants	94.3	101.4
f. Transport, storage and communication	99.1	102.9
g. Financial intermediation	95.9	99.7
h. Real estate and other business activities	90.0	95.7
i. Health, other community and personal service activities	91.9	103.3
3. Business Perception Index	93.3	95.9
a. Manufacturing (excl. manufacture of refined petroleum products)	95.0	92.2
b. Electricity, gas and water supply, manufacture of refined petroleum products	93.9	94.3
c. Construction	96.5	96.2
d. Wholesale and retail trade, repair of motor vehicles and household goods	91.5	95.8
e. Hotels and restaurants	93.1	96.4
f. Transport, storage and communication	94.6	96.8
g. Financial intermediation	94.6	96.0
h. Real estate and other business activities	90.0	94.5
i. Health, other community and personal service activities	92.4	95.6

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q3-2020	Q4-2020
A. Inflation		
Below 0 percent	2.1	3.6
Between 0 and 1 percent	17.0	10.8
Between 1 and 2 percent	19.2	30.1
Between 2 and 3 percent	24.5	37.4
Above 3 percent	37.2	18.1
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	38.3	31.3
2. Between Afl. 1 and Afl. 5 million	13.8	21.7
3. Above Afl. 5 million	13.8	9.6
4. Not applicable	34.0	37.4
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	13.8	19.3
2. Between 5 and 8 percent	70.2	67.5
3. Between 8 and 12 percent	13.8	12.1
4. Above 12 percent	2.1	1.2
Total	100.0	100.0
D. Product and/or service pricing		
Increase	23.4	25.3
Decrease	20.2	12.1
Remain the same	56.4	62.7
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	70.2	57.8
Flat	27.7	26.5
Positive	2.1	15.7
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	52.1	48.9
Remained the same	45.7	47.7
Eased	2.1	3.4
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans