



CENTRALE BANK VAN ARUBA

BUSINESS SENTIMENT IMPROVE AGAIN FOR A THIRD TIME IN A ROW IN THE FIRST QUARTER OF 2021

Summary report

Results for the first quarter of the year 2021

The Central Bank of Aruba (CBA) recently concluded its Business Perception Survey (BPS) for the first quarter of 2021. 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.

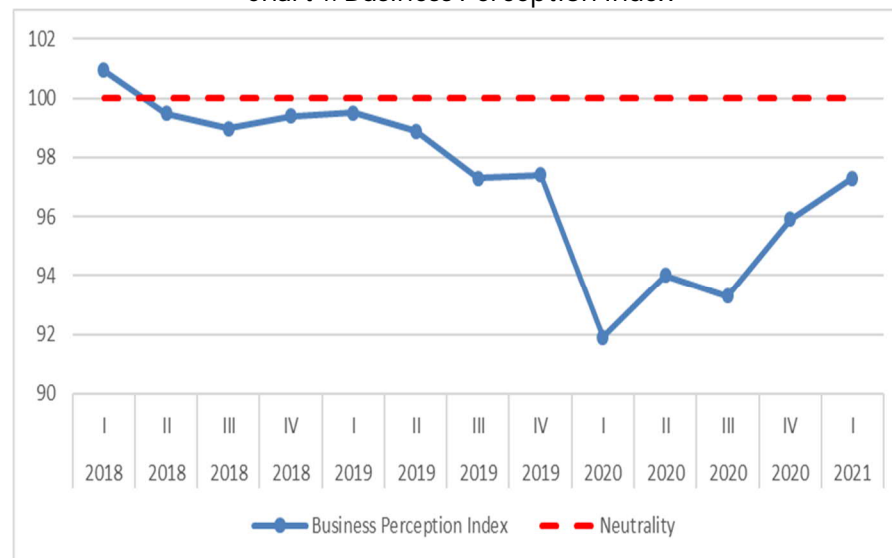
The Business Perception Index (BPI), comprising the current and short-term economic conditions, grew by 1.4 index points to 97.3 during the first quarter of 2021. The overall BPI remains below 100, despite a further improvement in business sentiments, compared to last quarter (See Chart 1)¹. The boost in business sentiments resulted from a battlement in both current and short-term future economic conditions.

Economic Conditions

The current economic condition index noted an expansion of 0.3 index point to 93.7, up from 93.4 in the fourth quarter of 2020. The short-term future economic condition index strengthened by 1.6 index points, i.e., from 101.1 in the fourth quarter of 2020 to 102.7 in the first quarter of 2021 (See annex 1). The percentage of respondents expecting positive economic growth in the next 12 months grew substantially, i.e., by 10.8 percentage points to 26.5 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

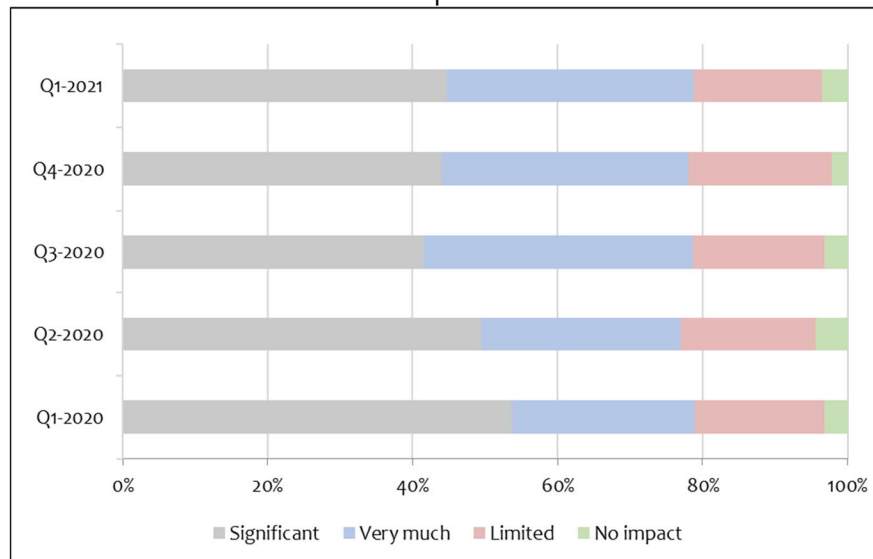
In terms of the impact of the COVID-19 pandemic, the expanded Business Perception Survey also assessed the expected impact on business sales, the need for applying for emergency business funds, and the anticipated economic recovery period.

More than 40 percent of the respondents (44.7 percent) pointed out that the COVID-19 pandemic continued to have a significant impact on their

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.

business sales, i.e., 0.7 percentage point more compared to the fourth quarter (See Chart 2).

Chart 2: COVID-19 impact on business sales



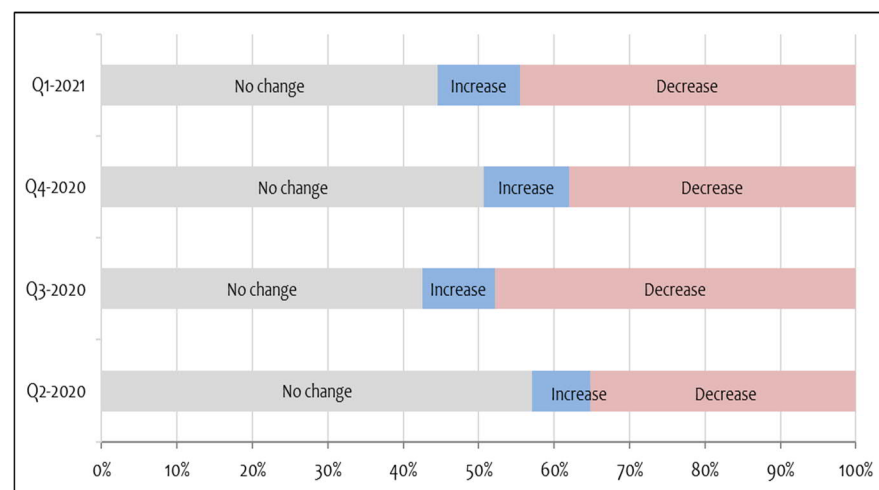
Source: Centrale Bank van Aruba

Approximately 38 percent of the respondents (37.7 percent) expect the recovery of the Aruban economy due to the COVID-19 pandemic to take between 2 to 3 years. As for the need for applying for emergency business funds provided by the Government of Aruba, 40.0 percent of the respondents applied for this funding during the first quarter, compared to 29.7 percent that applied during the fourth quarter.

Employment and Wages

In the first quarter of 2021, the percentage of respondents reporting 'no change' in the number of employees decreased by 6.0 percentage points, i.e., from 50.6 percent in the fourth quarter of 2020 to 44.6 percent in the quarter under review. Meanwhile, the percentage indicating 'improvement' in employment conditions fell by 0.7 percentage point, whereas those reporting 'worsening' employment conditions rose by 6.5 percentage points (See Chart 3).

Chart 3: Perceived developments in employment

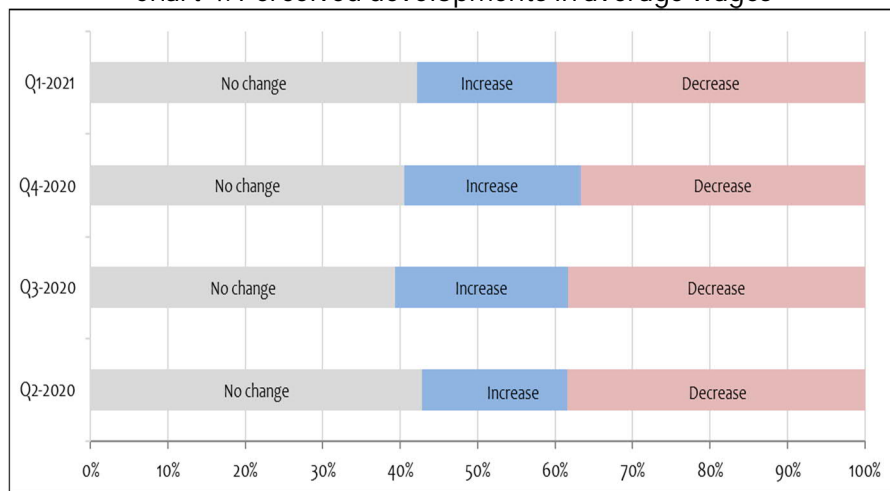


Source: Centrale Bank van Aruba

With reference to average wages during the first quarter of 2021, the percentage of respondents reporting 'no change' in the average wage cost grew by 1.7 percentage points, i.e., from 40.5 percent in the fourth quarter of 2020 to 42.2 percent in the quarter under review. Meanwhile, the percentage recording 'improvement' in wage conditions contracted

by 4.7 percentage points to 18.0 percent from 22.7 percent and those reporting 'worsening' wage conditions increased by 2.9 percentage points to 39.7 percent (See Chart 4).

Chart 4: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the first quarter of 2021, the percentage of respondents reporting a profit dropped by 5.6 percentage points to 59.0 percent. Almost 75 percent of the respondents saw a decrease in sales. The respondents registering 'increases' in sales strengthened by 2.0 percentage points to 10.8 percent during the first quarter of 2020 (See Table 1), compared to 8.8 percent during the fourth quarter.

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

	2020			2021
	II	III	IV	I
PROFITABILITY - PROFITS (%)				
1. No change	6.6	7.4	11.4	7.2
2. Increase	6.6	7.4	11.4	7.2
3. Decrease	50.6	46.8	41.8	44.6
Total	63.7	61.7	64.6	59.0
PROFITABILITY - LOSSES (%)				
1. No change	2.2	5.3	5.1	7.2
2. Increase	19.8	18.1	20.3	18.1
3. Decrease	14.3	14.9	10.1	15.7
Total	36.3	38.3	35.4	41.0
SALES (%)				
1. No change	12.1	9.6	12.7	14.5
2. Increase	7.7	8.5	8.8	10.8
3. Decrease	80.2	81.9	78.5	74.7
Total	100.0	100.0	100.0	100.0
In percentages of all respondents				

Source: Centrale Bank van Aruba

Investment and Financing Activity

During the first quarter of 2021, the respondents continued to indicate a worsening in investments in their business, as the percentage of respondents indicating 'worsening' investment conditions registered 48.2 percent, a decrease of 11.3 percentage points, from 59.5 percent in the fourth quarter of 2020. The percentage of respondents signaling 'improvement' fell by 7.9 percentage points to 6.0 percent, while the percentage of respondents indicating 'no change' in investments increased by 19.2 percentage points to 45.8 percent (See Table 2).

With regard to expected short-term investment activities, during the first quarter of 2021, most of the respondents (56.6 percent) foresaw that the current conditions will not change during the next 6 months. Those reporting 'worsening' in short-term investment conditions contracted by 9.3 percentage points, from 17.7 percent in the fourth quarter of 2020 to 8.4 percent in the quarter under review. At the same time, the percentage of respondents indicating 'improvement' picked up by 13.4 percentage points (See Table 2).

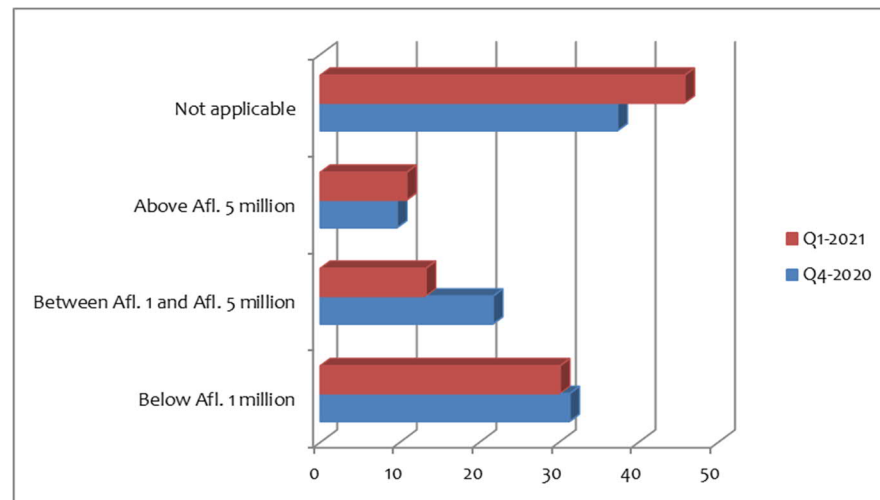
Table 2: Business Perception Survey : general results

	Q1-2021		
	Improvement (%)	No change (%)	Worsening (%)
A. Current economic condition	13.3	27.4	59.3
1. The economic conditions in Aruba	13.3	16.9	69.9
2. The activities of your business	8.4	32.5	59.0
3. The investments of your business	6.0	45.8	48.2
4. The number of employees that work for your company	25.3	14.5	60.2
B. Expected short-term economic conditions	24.6	61.2	14.2
1. The economic conditions in Aruba	7.2	75.9	16.9
2. The activities of your business	44.6	44.6	10.8
3. The investments of your business	34.9	56.6	8.4
4. The number of employees that work for your company	20.5	65.1	14.5

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 8.4 percentage points to 54.2 percent in the first quarter of 2021 (See Chart 5).

Chart 5: Investment plans over the next 12 months reported in Q1 2021
(In % of all respondents)



Source: Centrale Bank van Aruba

According to 53.0 percent of respondents, the terms and conditions for obtaining business financing tightened during the first quarter of 2021, from 50.6 percent during the fourth quarter of 2020. Those indicating that the terms and conditions remained the same increased by 0.2 percentage point to 45.8 percent in the quarter under review (See annex 2).

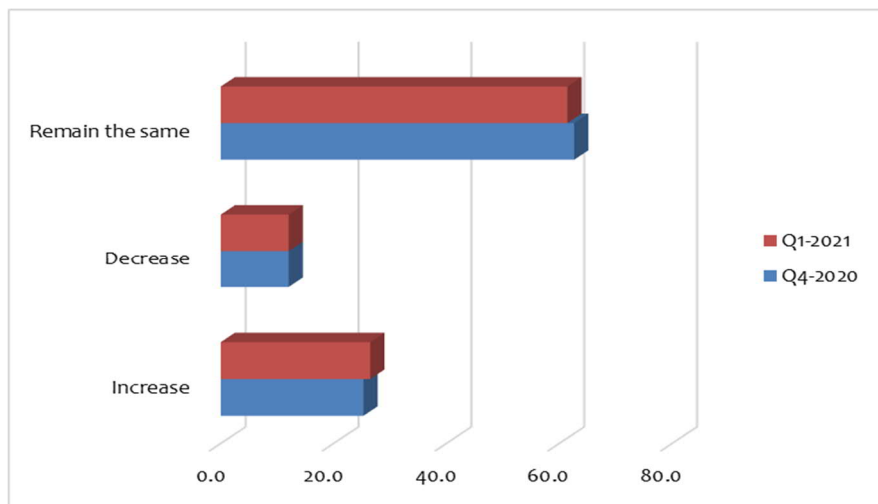
During the first quarter of 2021, 77.1 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 67.5 percent in the fourth quarter of 2020. Those foreseeing the annual effective financing rate to be less than 5 percent, fell from 19.3 percent to 10.8 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 36.1 percent of the respondents expected inflation to be between 2 and 3 percent, while 26.5 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, 61.5 percent of the respondents expected prices to remain the same. Those with expectations of price increases noted an upturn of 1.2 percentage points to 26.5 percent. The respondents expecting a decrease in prices remained unchanged at 12.1 percent (Chart 6).

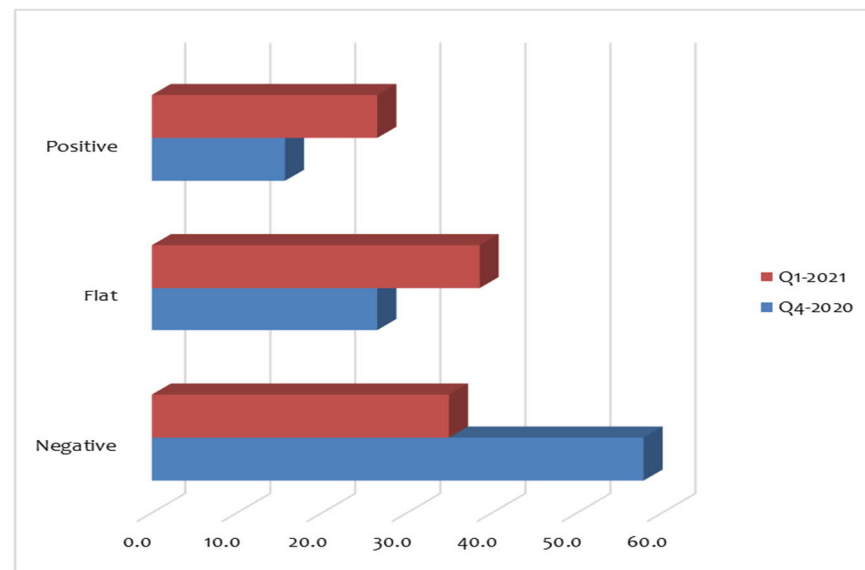
Chart 6: Prices for products and services over the next 12 months reported in Q1 2021 (In % of all respondents)



Source: Centrale Bank van Aruba

In terms of economic growth expectations over the next 12 months, the percentage of respondents presuming negative growth contracted by 22.9 percentage points to 34.9 percent. The percentage of respondents anticipating a flat and positive economic growth grew by 12.0 and 10.9 percentage points to 38.6 and 26.5 percent, respectively (Chart 7).

Chart 7: Economic growth (GDP) over the next 12 months reported in Q1 2021 (In % of all respondents)



Source: Centrale Bank van Aruba

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May 4, 2021

Annex 1: Business perception Survey by sectors

	Q4-2020	Q1-2021
1. Index current economic condition	93.4	93.7
a. Manufacturing (excl. manufacture of refined petroleum products)	92.5	96.7
b. Electricity, gas and water supply, manufacture of refined petroleum products	94.0	91.4
c. Construction	92.6	95.7
d. Wholesale and retail trade, repair of motor vehicles and household goods	92.2	94.2
e. Hotels and restaurants	93.9	92.7
f. Transport, storage and communication	93.7	92.4
g. Financial intermediation	93.8	94.6
h. Real estate and other business activities	94.0	93.5
i. Health, other community and personal service activities	91.7	93.8
2. Index short-term future economic condition	101.1	102.7
a. Manufacturing (excl. manufacture of refined petroleum products)	90.0	110.0
b. Electricity, gas and water supply	95.0	102.0
c. Construction	110.0	96.7
d. Wholesale and retail trade, repair of motor vehicles and household goods	102.6	99.1
e. Hotels and restaurants	101.4	108.3
f. Transport, storage and communication	102.9	103.3
g. Financial intermediation	99.7	98.8
h. Real estate and other business activities	95.7	105.0
i. Health, other community and personal service activities	103.3	98.6
3. Business Perception Index	95.9	97.3
a. Manufacturing (excl. manufacture of refined petroleum products)	92.2	100.8
b. Electricity, gas and water supply, manufacture of refined petroleum products	94.3	95.8
c. Construction	96.2	96.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	95.8	96.0
e. Hotels and restaurants	96.4	100.1
f. Transport, storage and communication	96.8	97.5
g. Financial intermediation	96.0	95.9
h. Real estate and other business activities	94.5	97.2
i. Health, other community and personal service activities	95.6	95.8

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q4-2020	Q1-2021
A. Inflation		
Below 0 percent	3.6	3.6
Between 0 and 1 percent	10.8	13.3
Between 1 and 2 percent	30.1	26.5
Between 2 and 3 percent	37.4	36.1
Above 3 percent	18.1	20.5
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	31.3	30.1
2. Between Afl. 1 and Afl. 5 million	21.7	13.3
3. Above Afl. 5 million	9.6	10.8
4. Not applicable	37.4	45.8
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	19.3	10.8
2. Between 5 and 8 percent	67.5	77.1
3. Between 8 and 12 percent	12.1	10.8
4. Above 12 percent	1.2	1.2
Total	100.0	100.0
D. Product and/or service pricing		
Increase	25.3	26.5
Decrease	12.1	12.1
Remain the same	62.7	61.5
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	57.8	34.9
Flat	26.5	38.6
Positive	15.7	26.5
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	50.6	53.0
Remained the same	45.6	45.8
Eased	3.8	1.2
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans