



CENTRALE BANK VAN ARUBA

BUSINESS SENTIMENTS REMAIN UPBEAT IN THE FOURTH QUARTER OF 2021

Summary report

Results for the fourth quarter of 2021

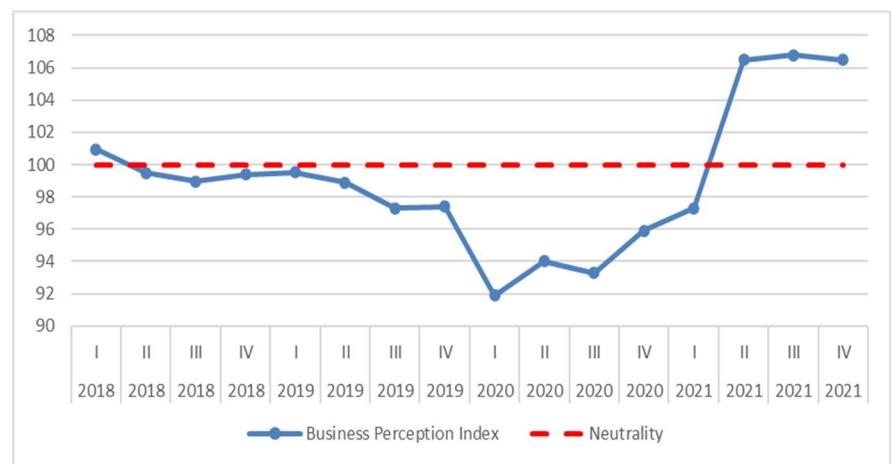
The Central Bank of Aruba (CBA) concluded its Business Perception Survey (BPS) for the fourth quarter of 2021. The BPS assesses the economic sentiments of local businesses, as well as the impact of the COVID-19 pandemic on their business activities.

In the fourth quarter of 2021, the Business Perception Index (BPI), comprising the current and short-term economic conditions, fell by 0.3 index point to 106.5, reflecting a slight decrease in business sentiments, yet still optimistic (See Chart 1)¹. The dip in business sentiments resulted from a contraction in both current and short-term future economic conditions.

Economic Conditions

The current economic condition index noted a decline of 0.3 index point to 105.9, down from 106.2 in the third quarter of 2021. The short-term future economic condition index fell by 0.2 index point, i.e., from 107.5 in the third quarter of 2021 to 107.3 in the fourth quarter of 2021 (See annex 1). The percentage of respondents expecting positive economic growth in the next 12 months dropped by 5.3 percentage points to 43.9 percent. Meanwhile, the expectations of a flat economic growth in the next 12 months grew by 11.2 percentage points to 45.6 percent, up from 34.4 percent in the third quarter of 2021 (See annex 2).

Chart 1: Business Perception Index



Source: Centrale Bank van Aruba

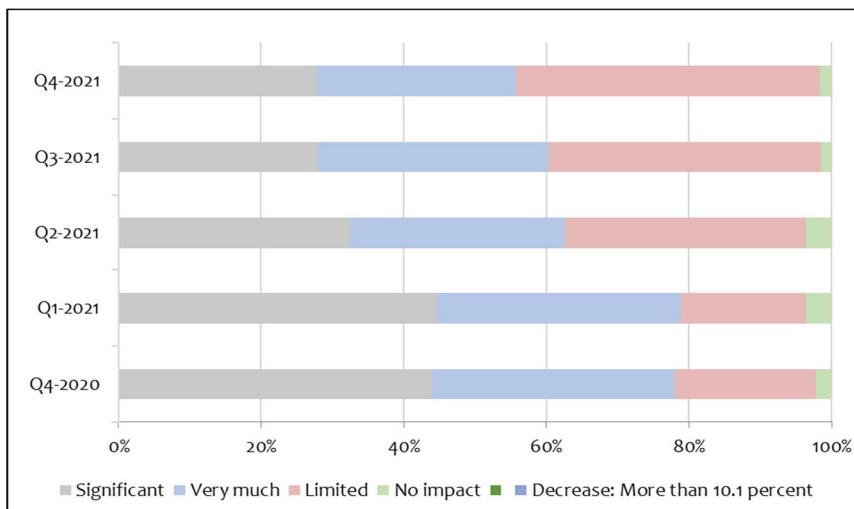
In terms of the impact of the COVID-19 pandemic, the expanded Business Perception Survey also assessed the expected impact on business sales and the need for applying for emergency business funds in the fourth quarter of 2021.

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.

For two consecutive quarters, close to 28 percent of the respondents (27.9 percent) pointed out that the COVID-19 pandemic continued to have a significant impact on their business sales (See Chart 2).

Chart 2: COVID-19 impact on business sales



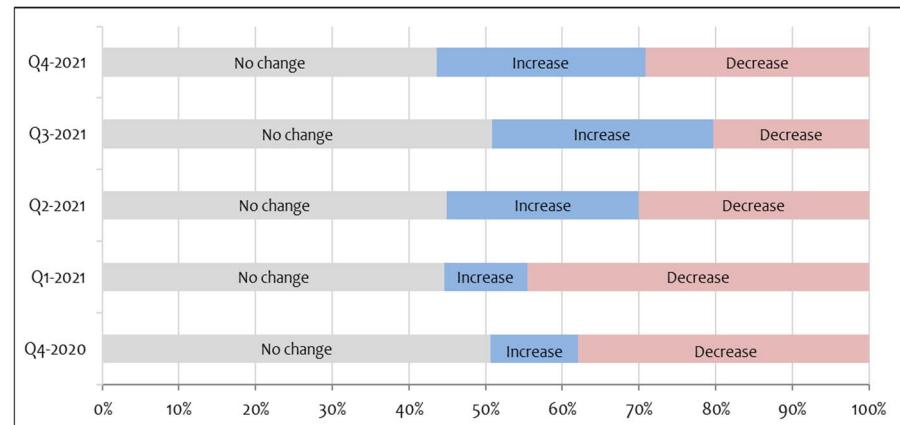
Source: Centrale Bank van Aruba

According to 29.5 percent of the respondents, the expected recovery of the Aruban economy due to the COVID-19 pandemic will take between 2 to 3 years. As for the need for applying for emergency business funds provided by the Government of Aruba, 23.0 percent of the respondents applied for this funding during the fourth quarter, compared to 38.2 percent in the third quarter of 2021. Note that since November 2021, the government of Aruba no longer grants emergency funding to businesses.

Employment and Wages

In the fourth quarter of 2021, the percentage of respondents reporting 'no change' in the number of employees decreased, i.e., by 7.2 percentage points to 43.6 percent in the quarter under review, down from 50.8 percent in the third quarter of 2021. Meanwhile, the percentage of respondents indicating 'improvement' in employment conditions fell by 1.5 percentage points, whereas those reporting 'worsening' employment conditions increased by 8.7 percentage points (See Chart 3).

Chart 3: Perceived developments in employment

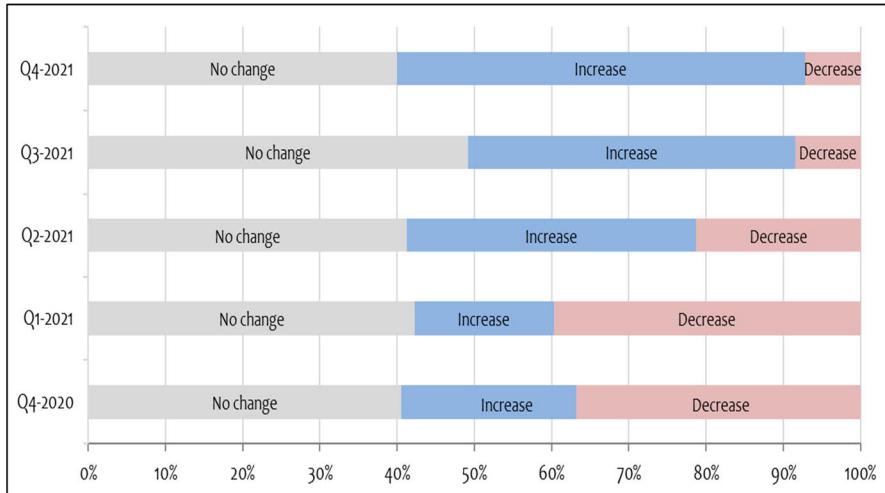


Source: Centrale Bank van Aruba

With reference to average wages during the fourth quarter of 2021, the percentage of respondents reporting 'no change' in the average wage cost dipped by 9.2 percentage points, i.e., from 49.2 percent in the third quarter of 2021 to 40.0 percent in the quarter under review. Meanwhile, the percentage recording 'improvement' in wage conditions grew by 10.5

percentage points to 52.8 percent, and those reporting 'worsening' wage conditions contracted by 1.3 percentage points to 7.2 percent (See Chart 4).

Chart 4: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the fourth quarter of 2021, the percentage of respondents reporting a profit strengthened by 3.8 percentage points to 81.8 percent whereas 58.2 percent of the respondents reported an upswing in sales. The respondents registering 'decreases' in sales grew by 1.7 percentage points to 27.2 percent during the fourth quarter of 2021 (See Table 1), compared to 25.5 percent during the third quarter.

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

	2020	2021			
	IV	I	II	III	IV
PROFITABILITY - PROFITS (%)					
1. No change	11.4	7.2	8.8	13.6	12.7
2. Increase	11.4	7.2	48.8	47.5	54.5
3. Decrease	41.8	44.6	17.5	16.9	14.5
Total	64.6	59.0	75.0	78.0	81.8
PROFITABILITY - LOSSES (%)					
1. No change	5.1	7.2	2.5	0.0	3.6
2. Increase	20.3	18.1	10.0	10.2	5.5
3. Decrease	10.1	15.7	12.5	11.9	9.1
Total	35.4	41.0	25.0	22.0	18.2
SALES (%)					
1. No change	12.7	14.5	16.3	13.6	14.5
2. Increase	8.8	10.8	52.6	61.0	58.2
3. Decrease	78.5	74.7	31.4	25.5	27.2
Total	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 2021, the percentage of respondents indicating 'improvement' in investment conditions registered 29.1 percent, a decrease of 1.4 percentage points, down from 30.5 percent in the third quarter of 2021. The percentage of respondents signaling 'worsening' fell by 2.6 percentage points to 12.7 percent, while the percentage of respondents indicating 'no change' in investments rose by 4.0 percentage points to 58.2 percent (See Table 2).

With regard to expected short-term investment activities, during the fourth quarter of 2021, 45.5 percent of the respondents foresaw that the current conditions would improve during the next 6 months, an increase of 9.9 percentage points compared to the third quarter of 2021. Those reporting 'worsening' in short-term investment conditions grew by 0.4 percentage point, up from 5.1 percent in the third quarter of 2021 to 5.5 percent in the quarter under review. At the same time, the percentage of respondents indicating 'no change' declined by 10.2 percentage points to 49.1 percent (See Table 2).

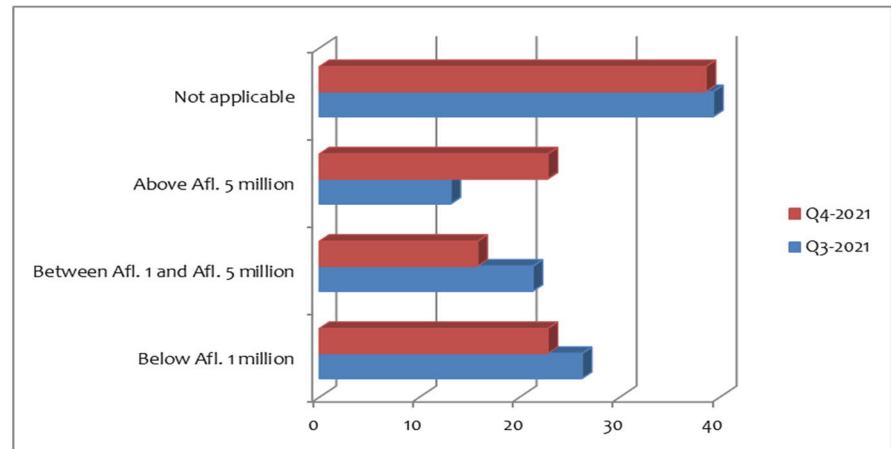
Table 2: Business Perception Survey : general results

	Improvement (%)		No change (%)		Worsening (%)	
	2021		2021		2021	
	III	IV	III	IV	III	IV
A. Current economic condition						
1. The economic conditions in Aruba	56.8	52.7	30.1	33.6	13.1	13.6
2. The activities of your business	72.9	61.8	22.0	27.3	5.1	10.9
3. The investments of your business	62.7	60.0	33.9	32.7	3.4	7.3
4. The number of employees that work for your company	30.5	29.1	54.2	58.2	15.3	12.7
B. Expected short-term economic conditions						
1. The economic conditions in Aruba	40.7	40.0	53.6	53.6	5.8	6.4
2. The activities of your business	67.8	50.9	27.1	43.6	5.1	5.5
3. The investments of your business	62.7	47.3	35.6	47.3	1.7	5.5
4. The number of employees that work for your company	35.6	45.5	59.3	49.1	5.1	5.5
	61.0	60.0	10.2	16.4	28.8	23.6
	27.1	16.4	64.4	74.5	8.5	9.1

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of respondents with investment plans over the next 12 months noted a rise of 0.8 percentage point to 61.4 percent in the fourth quarter of 2021 (See Chart 5).

Chart 5: Investment plans over the next 12 months reported in Q4 2021
(In % of all respondents)



Source: Centrale Bank van Aruba

According to 22.0 percent of respondents, the terms and conditions for obtaining business financing tightened during the fourth quarter of 2021, down from 29.9 percent during the third quarter of 2021. Those indicating that the terms and conditions remained the same widened by 7.2 percentage points to 72.9 percent in the quarter under review (See annex 2).

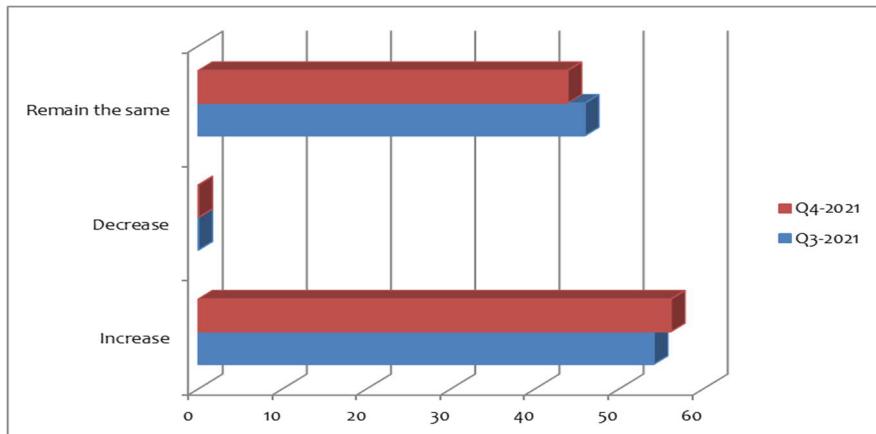
During the fourth quarter of 2021, 77.2 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 75.4 percent in the third quarter of 2021. Those foreseeing the annual effective financing rate to be less than 5 percent, grew from 11.5 percent to 15.8 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 54.4 percent of the respondents anticipated inflation to be above 3 percent, 21.1 percent foresaw the inflation rate to be between 1 and 2 percent and 17.5 percent expected inflation to be between 2 and 3 percent (See annex 2).

With regard to the prices for products and services over the next 12 months, 43.9 percent of the respondents anticipated prices to remain the same. Those with expectations of price accelerations noted an upturn of 2.0 percentage points to 56.1 percent. The respondents expecting a decrease in prices remained unchanged at zero percent (Chart 6).

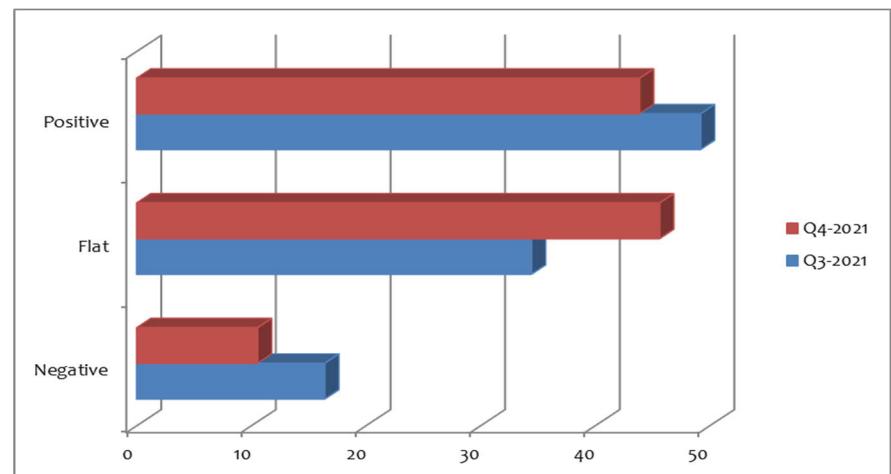
Chart 6: Prices for products and services over the next 12 months reported in Q4 2021 (In % of all respondents)



Source: Centrale Bank van Aruba

In terms of economic growth assumption over the next 12 months, the percentage of respondents anticipating a positive and negative economic growth contracted by 5.3 and 5.9 percentage points to 43.9 and 10.5 percent respectively. The percentage of respondents presuming a flat growth increased by 11.2 percentage points to 45.6 percent (Chart 7).

Chart 7: Economic growth (GDP) over the next 12 months reported in Q4 2021 (In % of all respondents)



Source: Centrale Bank van Aruba

Centrale Bank van Aruba

February 21, 2022

Annex 1: Business perception Survey by sectors

	Q3-2021	Q4-2021
1. Index current economic condition	106.2	105.9
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	106.7
b. Electricity, gas and water supply, manufacture of refined petroleum products	110.0	104.3
c. Construction	105.0	93.3
d. Wholesale and retail trade, repair of motor vehicles and household goods	105.6	107.4
e. Hotels and restaurants	105.4	106.7
f. Transport, storage and communication	106.7	108.0
g. Financial intermediation	105.2	106.3
h. Real estate and other business activities	106.0	110.0
i. Health, other community and personal service activities	107.8	104.8
2. Index short-term future economic condition	107.5	107.3
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	105.0
b. Electricity, gas and water supply	108.0	103.3
c. Construction	105.0	95.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	108.0	108.9
e. Hotels and restaurants	109.3	110.0
f. Transport, storage and communication	103.3	110.0
g. Financial intermediation	105.7	108.9
h. Real estate and other business activities	110.0	110.0
i. Health, other community and personal service activities	106.0	105.0
3. Business Perception Index	106.8	106.5
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	106.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	108.9	103.8
c. Construction	105.0	94.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	106.7	108.0
e. Hotels and restaurants	107.2	107.9
f. Transport, storage and communication	105.6	108.9
g. Financial intermediation	105.4	107.4
h. Real estate and other business activities	107.8	110.0
i. Health, other community and personal service activities	106.9	104.9

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q3-2021	Q4-2021
A. Inflation		
Below 0 percent	0.0	1.8
Between 0 and 1 percent	4.9	5.3
Between 1 and 2 percent	26.2	21.1
Between 2 and 3 percent	21.3	17.5
Above 3 percent	47.5	54.4
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	26.2	22.8
2. Between Afl. 1 and Afl. 5 million	21.3	15.8
3. Above Afl. 5 million	13.1	22.8
4. Not applicable	39.3	38.6
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	11.5	15.8
2. Between 5 and 8 percent	75.4	77.2
3. Between 8 and 12 percent	11.5	7.0
4. Above 12 percent	1.6	0.0
Total	100.0	100.0
D. Product and/or service pricing		
Increase	54.1	56.1
Decrease	0.0	0.0
Remain the same	45.9	43.9
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	16.4	10.5
Flat	34.4	45.6
Positive	49.2	43.9
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	29.9	22.0
Remained the same	65.7	72.9
Eased	4.5	5.1
Total	100.0	100.0

Source: Centrale Bank van Aruba

* Annual effective financing rate for business loans