

Business Perception Survey Report

First Quarter of 2023

May 17, 2023



CENTRALE BANK VAN ARUBA

Cover design:

Our golden tree, our Kibrahacha. Resilient, firmly rooted, and gives a beautiful bloom.

It offers us shade and protection if needed. When it breaks out, it displays an overwhelming yellow, illustrating a brighter and bolder future.

The full text of this report is available on the CBA website.

BUSINESS SENTIMENTS MORE OPTIMISTIC IN THE FIRST QUARTER OF 2023

Summary report
Results for the first quarter of 2023

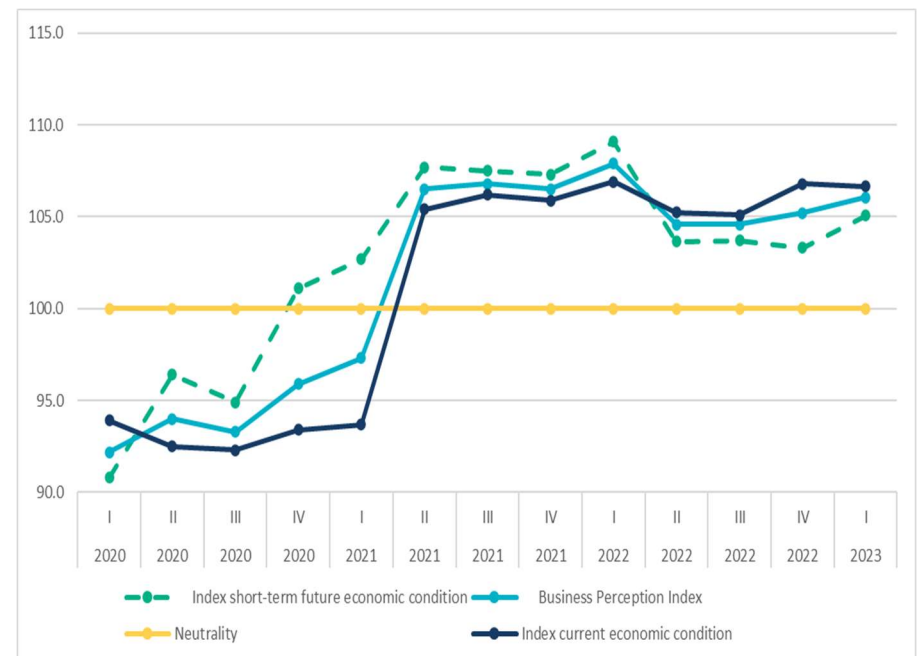
The Central Bank of Aruba (CBA) concluded its Business Perception Survey (BPS) for the first quarter of 2023. The BPS assesses the economic sentiments of local businesses.

In the first quarter of 2023, the Business Perception Index (BPI), comprising the current and short-term economic conditions, strengthened from 105.2 to 106.0. This outcome resulted from an increase in the short-term economic conditions index, while the current economic conditions index reported a slight decrease (See Chart 1)¹.

Economic Conditions

The *short-term future economic condition* index strengthened by 1.8 index points to 105.1, up from 103.3 in the fourth quarter of 2022. The *current economic condition* index dropped slightly to 106.7 in the first quarter of 2023 (See annex 1). The percentage of respondents expecting positive economic growth in the next 12 months decreased slightly by 0.2 percentage point to 43.6 percent (See annex 2).

Chart 1: Business Perception Index



Source: Centrale Bank van Aruba

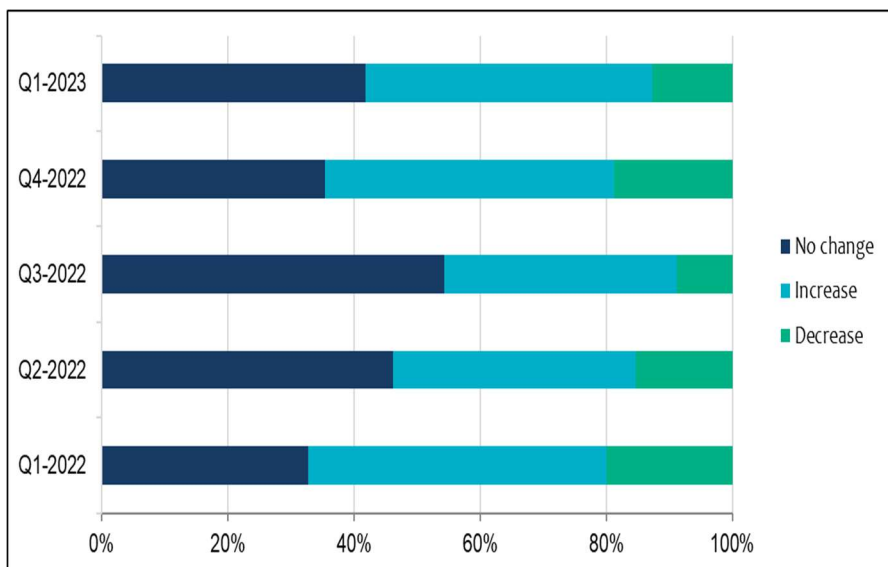
¹ The index can vary between 90 and 110. Between 90 and 100 indicates a situation of pessimism. An index of exactly 100 indicates that businesses are neither pessimistic nor

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.

Employment and Wages

In the first quarter of 2023, the percentage of respondents reporting ‘no change’ in the number of employees who work for their company increased, i.e., by 6.4 percentage points to 41.8 percent in the quarter under review, up from 35.4 percent in the fourth quarter of 2022. Meanwhile, the percentage of respondents indicating that there was a ‘decrease’ and ‘increase’ in the number of employees dropped by 6.1 percentage points and 0.3 percentage point, respectively (See Chart 2).

Chart 2: Perceived developments in employment

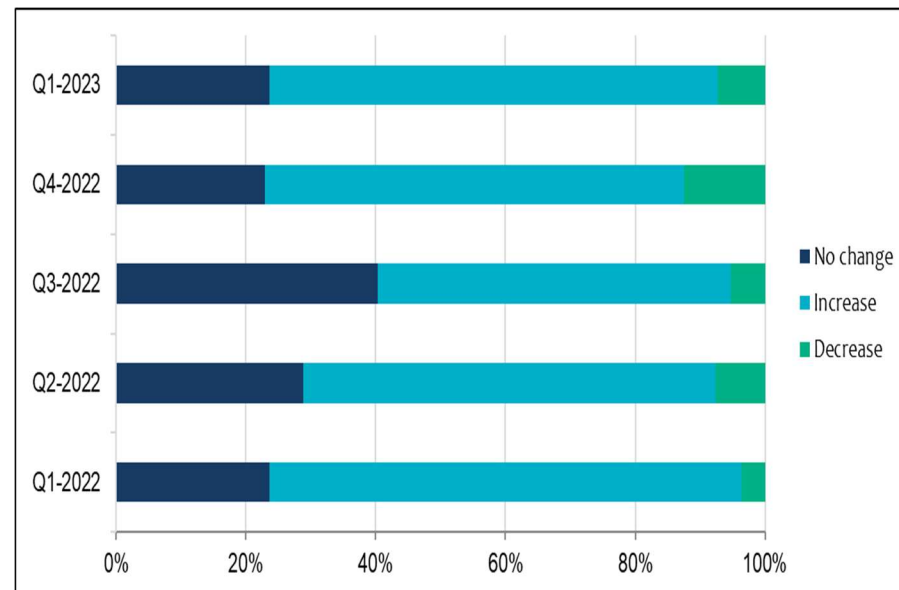


Source: Centrale Bank van Aruba

With reference to average wages, the percentage of respondents reporting ‘no change’ in the average wage cost grew by 0.7 percentage point, i.e., from 22.9 percent in the fourth quarter of 2022

to 23.6 percent in the quarter under review. Meanwhile, the percentage recording ‘improvement’ in wage conditions expanded by 4.5 percentage points to 69.1 percent (See Chart 3).

Chart 3: Perceived developments in average wages



Source: Centrale Bank van Aruba

Profitability and Sales

During the first quarter of 2023, the percentage of respondents reporting a profit improved by 4.0 percentage points to 87.3 percent, whereas the respondents reporting an upswing in sales fell by 0.7 percentage point to 61.9 percent. The respondents registering ‘decreases’ in sales fell by 2.7 percentage points to 18.2 percent, while the respondents registering “no change” in sales increased by 3.3 percentage points to 20.0 percent during first 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
PROFITABILITY - PROFITS (%)					
1. No change	20.0	11.5	19.3	14.6	16.4
2. Increase	49.0	51.9	40.4	54.1	58.2
3. Decrease	16.4	19.2	22.8	14.7	12.7
Total	85.5	82.7	82.5	83.3	87.3
PROFITABILITY - LOSSES (%)					
1. No change	5.5	5.8	5.3	4.2	5.5
2. Increase	1.8	7.7	5.3	8.4	5.4
3. Decrease	7.3	3.8	7.0	4.2	1.8
Total	14.5	17.3	17.5	16.7	12.7
SALES (%)					
1. No change	23.6	17.3	22.8	16.7	20.0
2. Increase	58.2	63.5	64.9	62.6	61.9
3. Decrease	18.3	19.2	12.3	20.9	18.2
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 first quarter of 2023, the percentage of respondents indicating ‘improvement’ in *current economic investment activities* expanded by 8.7 percentage points to 40.0 percent. The percentage of respondents signaling ‘no change’ in investment conditions declined by 14.7 percentage points to 43.6 percent, while the percentage of respondents indicating ‘worsening’ investments conditions rose by 6.0 percentage points to 16.4 percent (See Table 2).

With regard to *expected short-term investment activities*, during the first quarter of 2023, 32.7 percent of the respondents foresaw that the short-term investment conditions would improve during the next 6 months, an upturn of 7.7 percentage points compared to the fourth quarter of 2022. In the quarter under review, 14.5 percent of respondents reported ‘worsening’ in short-term investment conditions. Meanwhile, the percentage of respondents indicating ‘no change’ decreased by 7.7 percentage points to 52.7 percent (See Table 2).

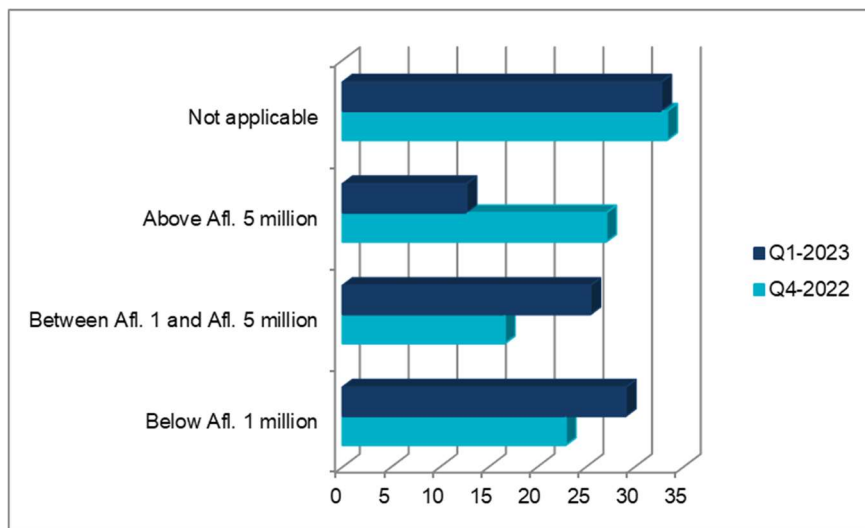
Table 2: Business Perception Survey: general results

	Improvement (%)		No change (%)		Worsening (%)	
	2022	2023	2022	2023	2022	2023
	IV	I	IV	I	IV	I
A. Current economic condition	55.2	56.8	34.4	31.8	10.4	11.4
1. The economic conditions in Aruba	68.8	65.5	22.9	27.3	8.3	7.3
2. The activities of your business	58.3	58.2	37.5	34.5	4.2	7.3
3. The investments of your business	31.3	40.0	58.3	43.6	10.4	16.4
4. The number of employees that work for your company	62.5	63.6	18.8	21.8	18.8	14.5
B. Expected short-term economic conditions	36.5	31.8	45.3	57.7	18.2	10.5
1. The economic conditions in Aruba	45.8	32.7	27.1	56.4	27.1	10.9
2. The activities of your business	41.7	32.7	45.8	56.4	12.5	10.9
3. The investments of your business	25.0	32.7	60.4	52.7	14.6	14.5
4. The number of employees that work for your company	33.3	29.1	47.9	65.5	18.8	5.5

Source: Centrale Bank van Aruba

During the quarter under review, the percentage of respondents with investment plans over the next 12 months noted an increase of 0.6 percentage point to 67.3 percent in the first quarter of 2023 (See Chart 4).

Chart 4: Investment plans over the next 12 months reported in Q1 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

Those respondents indicating tightened terms and conditions for obtaining business financing during the first quarter of 2023 contracted by 7.8 percentage points to 25.5 percent. Respondents indicating that the terms and conditions remained the same expanded by 12.6 percentage points to 70.9 percent, while those indicating that they eased decreased by 4.7 percentage points to 3.6 percent, in the quarter under review (See annex 2).

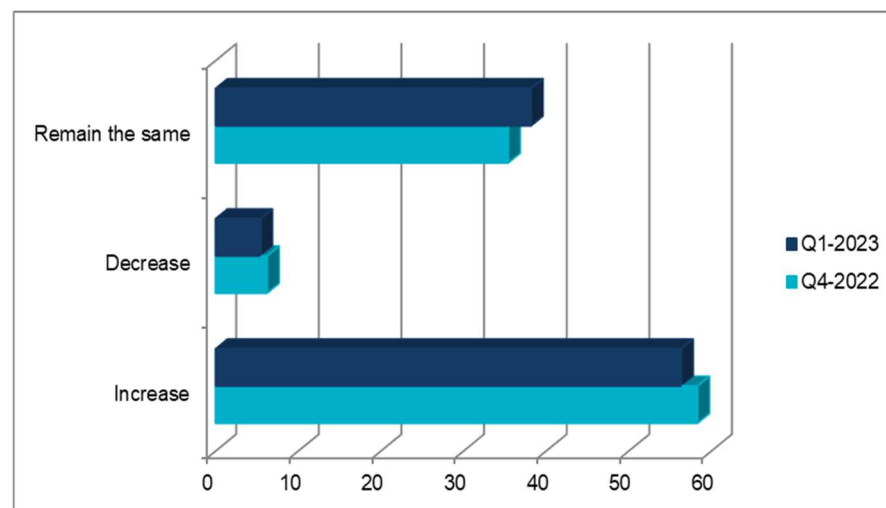
During the first quarter of 2023, 81.8 percent of the respondents expected the annual effective financing rate to be between 5 percent and 8 percent, compared to 75.0 percent in the fourth quarter of 2022. Those foreseeing the annual effective financing rate to be between 8 percent and 12 percent, dropped from 18.8 percent to 5.5 percent (See annex 2).

Inflation and Economic Growth

In terms of long-term economic conditions over the next 12 months, 63.6 percent of the respondents anticipated inflation to be above 3 percent, 18.2 percent foresaw the inflation rate to range between 2 and 3 percent (See annex 2).

With regard to the prices for products and services over the next 12 months, 56.4 percent of the respondents expected price accelerations, a downturn of 1.9 percentage points. Those that anticipated that the prices for products and services would remain the same increased by 2.8 percentage points to 38.2 percent. According to 5.5 percent of respondents, the prices for products and services would decrease (Chart 5).

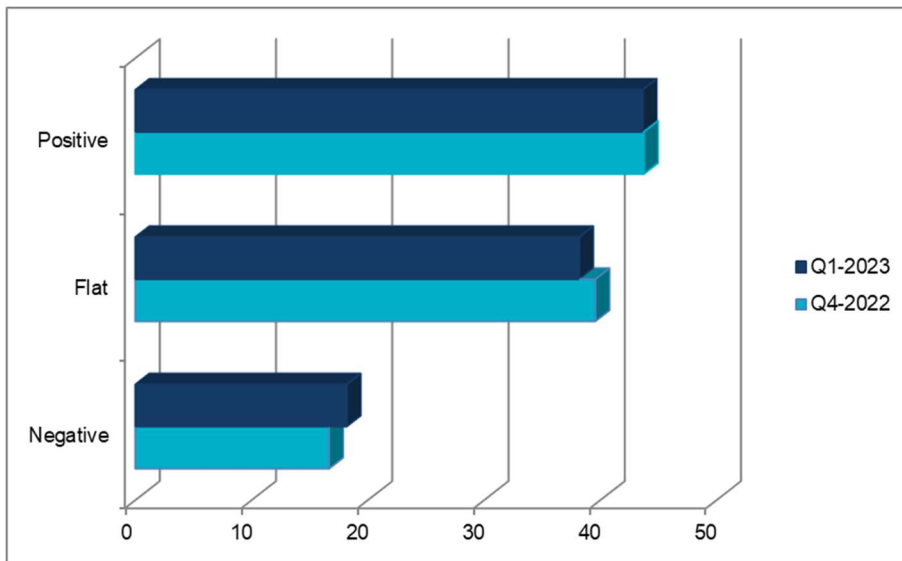
Chart 5: Prices for products and services over the next 12 months reported in Q1 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

In terms of economic growth expectations over the next 12 months, the percentage of respondents anticipating a flat and positive economic growth decreased by 1.4 percentage points to 38.2 percent and 0.2 percentage point to 43.6 percent, respectively. The percentage of respondents presuming a negative growth increased by 1.5 percentage points to 18.2 percent (Chart 6).

Chart 6: Economic growth (GDP) over the next 12 months reported in Q1 2023 (In % of all respondents)



Source: Centrale Bank van Aruba

Annex 1: Business perception Survey by sectors

	Q4-2022	Q1-2023
1. Index current economic condition	106.8	106.7
a. Manufacturing (excl. manufacture of refined petroleum products)	110.0	110.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	102.0	110.0
c. Construction	94.0	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	110.0	103.0
e. Hotels and restaurants	109.4	109.3
f. Transport, storage and communication	105.0	102.5
g. Financial intermediation	106.5	108.6
h. Real estate and other business activities	106.7	98.6
i. Health, other community and personal service activities	105.4	106.9
2. Index short-term future economic condition	103.3	105.1
a. Manufacturing (excl. manufacture of refined petroleum products)	90.0	100.0
b. Electricity, gas and water supply	105.0	110.0
c. Construction	105.0	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	109.0	106.7
e. Hotels and restaurants	106.8	107.6
f. Transport, storage and communication	90.0	90.0
g. Financial intermediation	98.3	107.5
h. Real estate and other business activities	98.6	106.0
i. Health, other community and personal service activities	104.0	102.5
3. Business Perception Index	105.2	106.0
a. Manufacturing (excl. manufacture of refined petroleum products)	100.0	106.0
b. Electricity, gas and water supply, manufacture of refined petroleum products	103.3	110.0
c. Construction	98.9	110.0
d. Wholesale and retail trade, repair of motor vehicles and household goods	109.5	103.8
e. Hotels and restaurants	108.4	108.7
f. Transport, storage and communication	98.6	101.1
g. Financial intermediation	103.7	108.2
h. Real estate and other business activities	102.3	101.7
i. Health, other community and personal service activities	104.6	104.8

Source: Centrale Bank van Aruba

Annex 2: Future expectations and activities

	Q4-2022	Q1-2023
A. Inflation		
Below 0 percent	0.0	1.8
Between 0 and 1 percent	6.3	1.8
Between 1 and 2 percent	4.2	14.6
Between 2 and 3 percent	12.5	18.2
Above 3 percent	77.1	63.6
Total	100.0	100.0
B. Investment plans		
1. Below Afl. 1 million	22.9	29.1
2. Between Afl. 1 and Afl. 5 million	16.7	25.5
3. Above Afl. 5 million	27.1	12.7
4. Not applicable	33.3	32.7
Total	100.0	100.0
C. Annual effective financing rate *		
1. Below 5 percent	6.3	10.9
2. Between 5 and 8 percent	75.0	81.8
3. Between 8 and 12 percent	18.8	5.5
4. Above 12 percent	0.0	1.8
Total	100.0	100.0
D. Product and/or service pricing		
Increase	58.3	56.4
Decrease	6.3	5.5
Remain the same	35.4	38.2
Total	100.0	100.0
E. Annual rate of Economic growth (GDP growth)		
Negative	16.7	18.2
Flat	39.6	38.2
Positive	43.8	43.6
Total	100.0	100.0
F. Terms for obtaining financing		
Tightened	33.3	25.5
Remained the same	58.3	70.9
Eased	8.3	3.6
Total	100.0	100.0

Source: Centrale Bank van Aruba

* 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
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