



Results Business Cycle Survey 2023

The purpose of this Business Cycle Survey is to collect up-to-date information on business and economic developments across industries and the business sector as a whole. Additionally, it seeks to gather opinions on entrepreneurs' confidence regarding economic developments and the investment climate.

Introduction

The Central Bureau of Statistics (CBS) conducts annual business cycle surveys, distributing questionnaires to companies in Curaçao. The primary objective of the survey collected comprehensive data on economic parameters and business developments. This report provides a detailed analysis of the survey results.

The data obtained from companies, including limited liability companies and sole proprietorships with balance sheets and profit & loss accounts, covers diverse range of topics. The content of this report includes:

- Economic confidence
- Future outlook confidence
- Opinion on the investment climate
- Turnover changes
- Business cycle index
- Business performance

The business cycle index was developed to track economic trends. By aggregating data on future outlook confidence, investment climate perceptions, and turnover changes, the index provides a composite view of economic development.

The survey analyzed confidence metrics across different company sizes, comparing current data with trends from the previous two years. Graphical representations accompany these comparisons to enhance data interpretation.

Methodology

The business cycle survey is conducted annually to gather information on businesses, economic parameters, and business developments. This data offers insights into business outlooks, opinions, and trends in the economy, employment opportunities, and the investment climate. Conducted between November and December, the survey provides the Central Bureau of Statistics (CBS) with valuable insights for the year. To enhance efficiency and optimize resources, the survey is now fully conducted online.

The research encompasses all companies with ten or more employees, while a representative sample is drawn from companies with three to ten employees. The business cycle index is, therefore, partly based on sampled data. Companies are categorized by size as small (up to 10 employees), medium (10 to 50 employees), and large (50 or more employees).

The sampling for companies with three to ten employees assumes a reliability of 95 percent, with a 5% margin of error and a z-value of 1.96. Based on the entire population of companies with 3 to 10 employees, this amounts to a total of about 330 companies at the time of the sample draw. The sample will be drawn proportionately, considering the number of companies per sector.

As outlined above, indicators such as confidence in the future, perceptions of the investment climate, and changes in turnover offer valuable insights into business trends based on company size. These subjects are compared with data from earlier periods. Starting in 2022, the survey is conducted once per year.



The business cycle index presented is a composite index, based on data from the following indicators:

- confidence in the future.
- perception of the investment climate.
- changes in turnover.

These indicators are unweighted, aggregated, and presented graphically. The index uses 2010 as the base year, with an interval scale starting at '100.' The aim is to provide readers with an understanding of the economic cycle's trajectory, not in absolute terms but in relative terms. By focusing on these three factors, the index visualizes trends in the business cycle in a straightforward and accessible way.

Investment Barriers

Investing in renewal or replacement of assets is crucial for the sustainability and maintenance of a company. To generate and sustain profitability, companies should prioritize making regular investments. Consequently, barriers to investment play a critical role in shaping business operations and decisions regarding funding these initiatives.

In 2023, over 60% of surveyed companies reported making investments, reflecting a notable increase of nearly 20 percentage points compared to 2022. However, 19% of companies indicated encountering obstacles to investment, representing a slight uptick from the 18% recorded in 2022.

Confidence in the Economy

Confidence in the economy is a vital economic concept that serves as a cohesive force within society. High confidence fosters consumption and spending among individuals, encourages entrepreneurs to engage in business ventures, and motivates established businesses to invest and take calculated risks. In contrast, low confidence leads to cautious behavior, with individuals and businesses demanding greater certainty and reducing their activities. A lack of economic confidence can slow down growth, resulting in adverse outcomes.

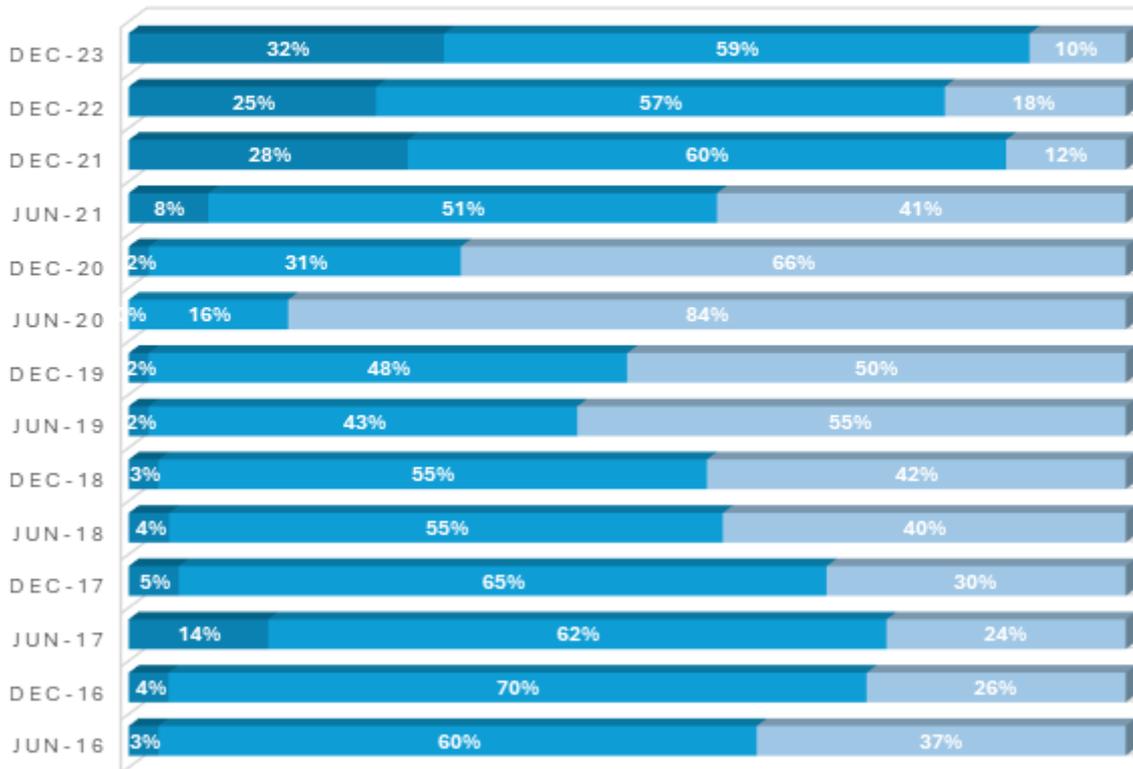
Entrepreneurs and businesses reported a notable improvement in economic confidence during 2023 compared to previous years. The proportion of companies experiencing a decline in confidence dropped notably from 18 percent to 10 percent, marking an all-time low (see Figure 1). Meanwhile, the percentage of businesses indicating unchanged economic confidence increased slightly, rising from 57 percent in 2022 to 59 percent in 2023.

Furthermore, the proportion of companies reporting an improvement in economic confidence rose from 25 percent to 32 percent over the same period. This data indicates a growing sense of optimism among businesses regarding the economic outlook. Most survey participants in 2023 expressed greater confidence in the economy compared to the pre-COVID and COVID-19 periods. Historically, the highest reported confidence level was 14 percent in the first half of 2017, whereas post-COVID, these figures have risen significantly, reaching 25 percent or higher.



CONFIDENCE IN THE ECONOMY PERIOD 2016-2023

■ Improved ■ No Change ■ Declined



Confidence in the Future

Although the confidence in the future is weaker than confidence in the economy, confidence in the future also improved in 2023. The percentage of companies expressing confidence in the future increased from 62 to more than 73 percent compared to 2022. Moreover, the proportion of companies reporting no confidence in the future has fallen from 12 to 8 percent. Additionally, fewer companies reported having no opinion on the question, with this figure decreasing from 26 percent to 19 percent compared to 2022.

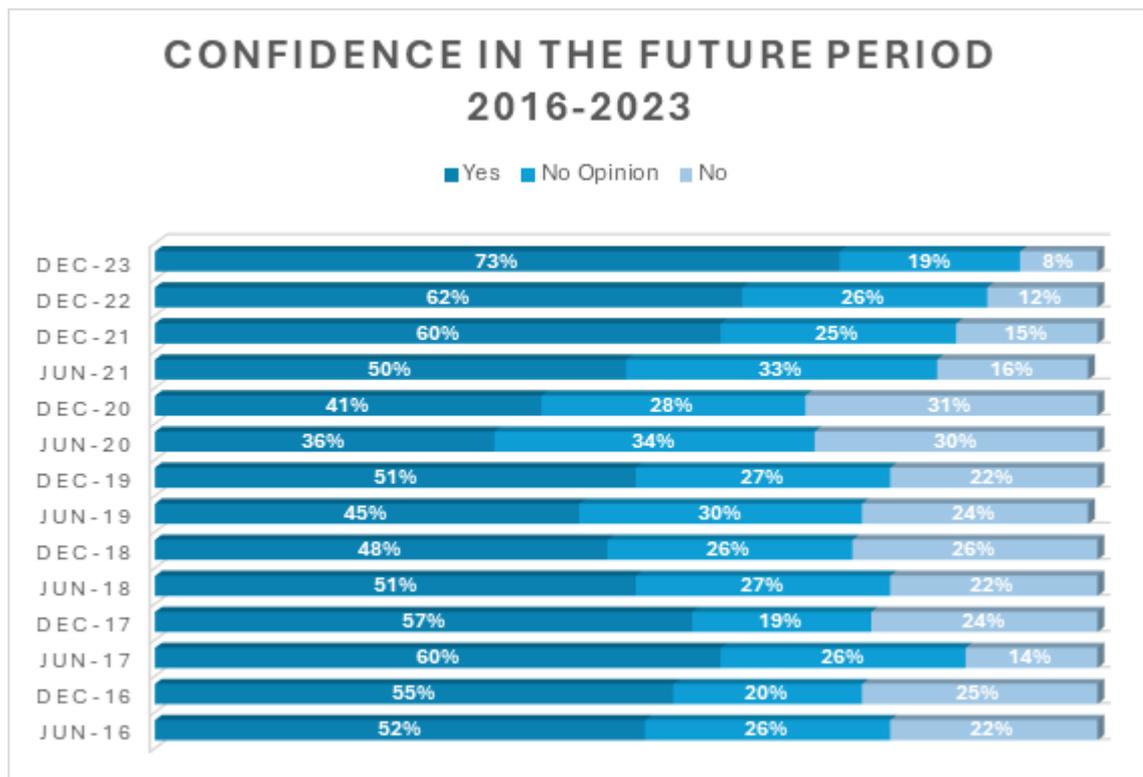


Figure 2: Confidence in the future

Confidence in the Future based on company size.

Confidence in the future is evaluated based on company size, divided into three groups: small (fewer than 10 employees), medium (10 to 50 employees), and large (50 or more employees). Larger companies (ten or more employees) typically exhibit greater confidence in the future compared to smaller firms (see Figure 3). While the gap between these groups remained steady in 2023, there was an overall increase in confidence. Notably, confidence among small companies declined, whereas medium-sized and large companies reported higher levels of confidence.

Confidence among small businesses fell from 60 percent to 54 percent. In contrast, medium-sized companies saw an increase in confidence, from 61 percent to 74 percent, while 79 percent of large companies are now confident about the future, up from 73 percent in 2022.

In contrast, more companies have indicated a lack of confidence in the future. Among small businesses, this percentage increased from 13 percent in December 2022 to 26 percent in 2023. However, medium-



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sized and large companies experienced declines in those lacking confidence, with percentages falling to 7 percent and 4 percent, respectively, compared to 13 percent and 7 percent in 2022.

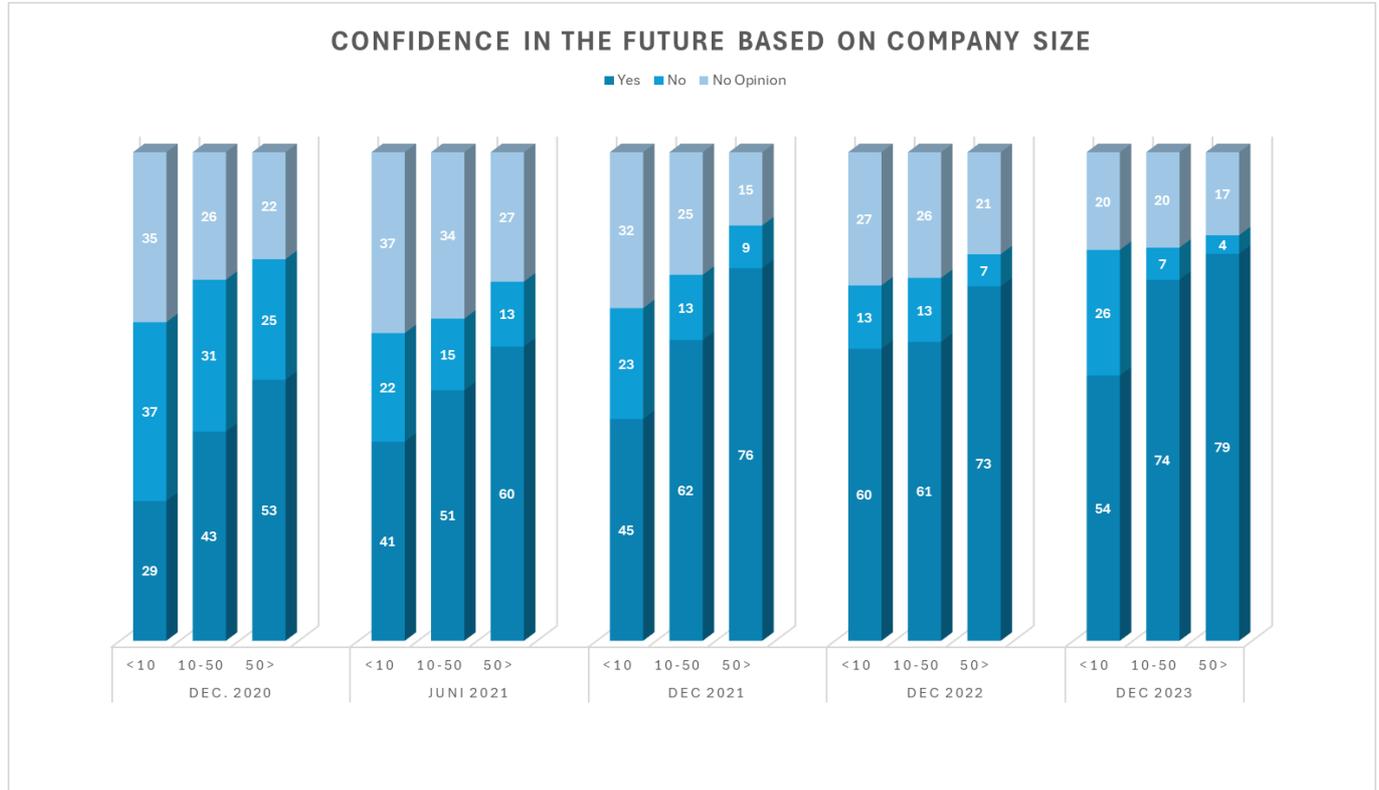


Figure 3: Confidence in the Future based on Company Size

Perception on Investment Climate

The investment climate, or business climate, is a critical determinant of whether investors choose to invest in a company. Factors such as trust, legal certainty, government effectiveness, stable financial and political policies, labor laws, corruption levels, and the availability and quality of infrastructure and resources significantly influence this climate. A negative investment climate can deter investment, reduce economic activity and limit job creation.

The share of companies viewing the investment climate positively increased from 14 percent to 27 percent, the highest rate since 2016. However, due to fluctuations between companies with poor and good perceptions of the climate, the proportion considering it "moderate" decreased slightly by 3 points to 62 percent, returning to 2019 levels.

The perception of the investment climate improved notably since December 2022 (see Figure 4). The percentage of companies viewing the climate as poor declined from 21 percent to 11 percent in 2023. This marks a significant improvement compared to previous years, especially following the COVID-19 period.



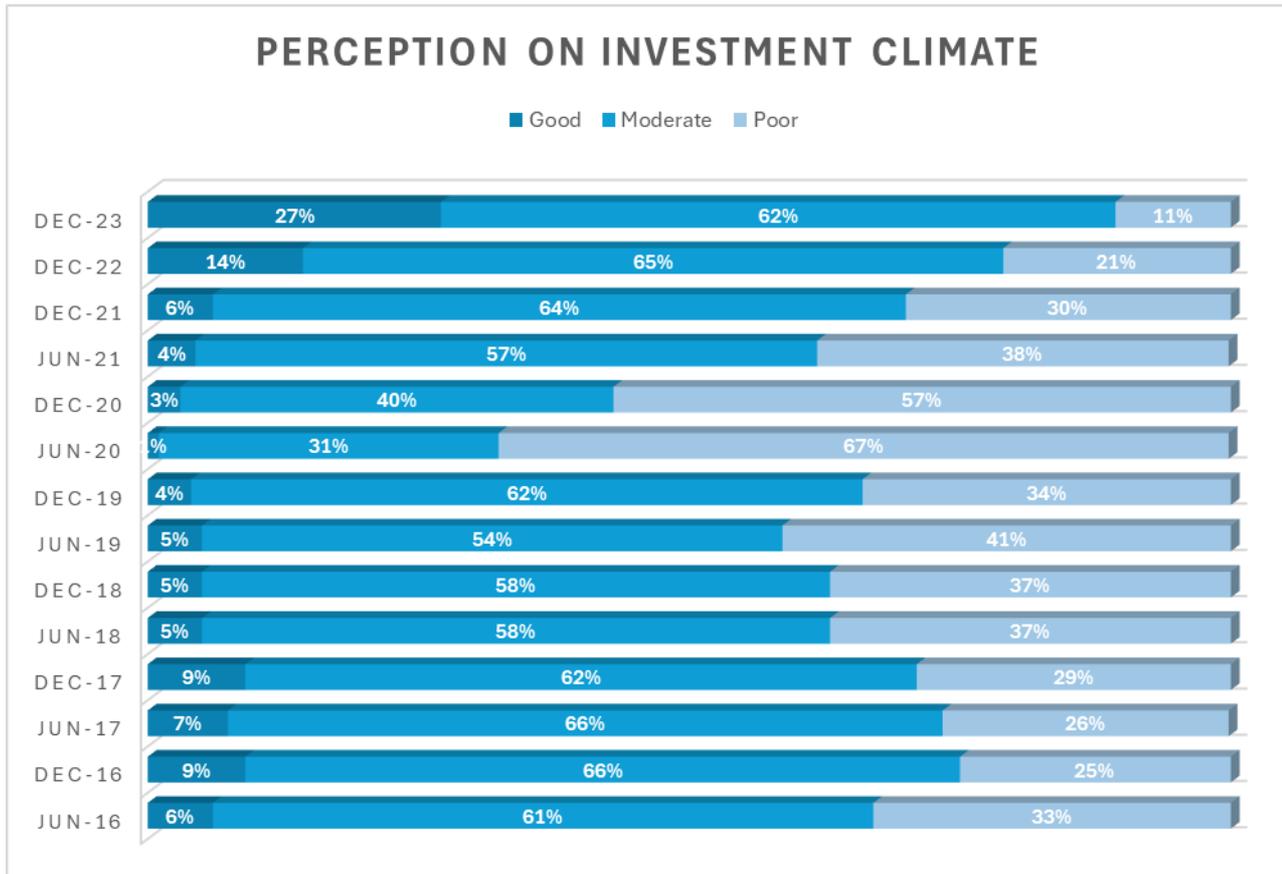


Figure 4: Perception on investment climate

Opinion on investment climate by company size

The perception of the investment climate, segmented by the number of employees, shows an improvement and clear differences between company sizes, similar to the trend in future confidence. Trust has increased across all company sizes, with the most substantial improvement observed among large companies.

Among small businesses (fewer than 10 employees), 69 percent indicated that the investment climate is moderate, up from 57 percent in 2022 (see Figure 5). Fewer small businesses now perceive the climate as poor, with this figure decreasing from 30 percent to 20 percent. However, only 11 percent of small companies view the climate positively, a 2 percent decline compared to 2022.

For medium-sized firms, the situation has stabilized. The proportion of companies viewing the investment climate as "moderate" decreased from 68.8 percent to 61 percent, while the percentage considering it poor also dropped, from 21 percent to 11 percent. Additionally, 28 percent now view the climate as good, a solid increase from 11 percent in 2022.

Large companies (50 or more employees) also reported sizable improvements in their perception of the investment climate. In 2023, only 2 percent viewed the climate as poor, down from 13 percent in 2022.



Meanwhile, the percentage considering the climate moderate rose slightly from 63 percent to 65 percent. The proportion viewing the investment climate as good increased from 24 percent to 33 percent in 2023.

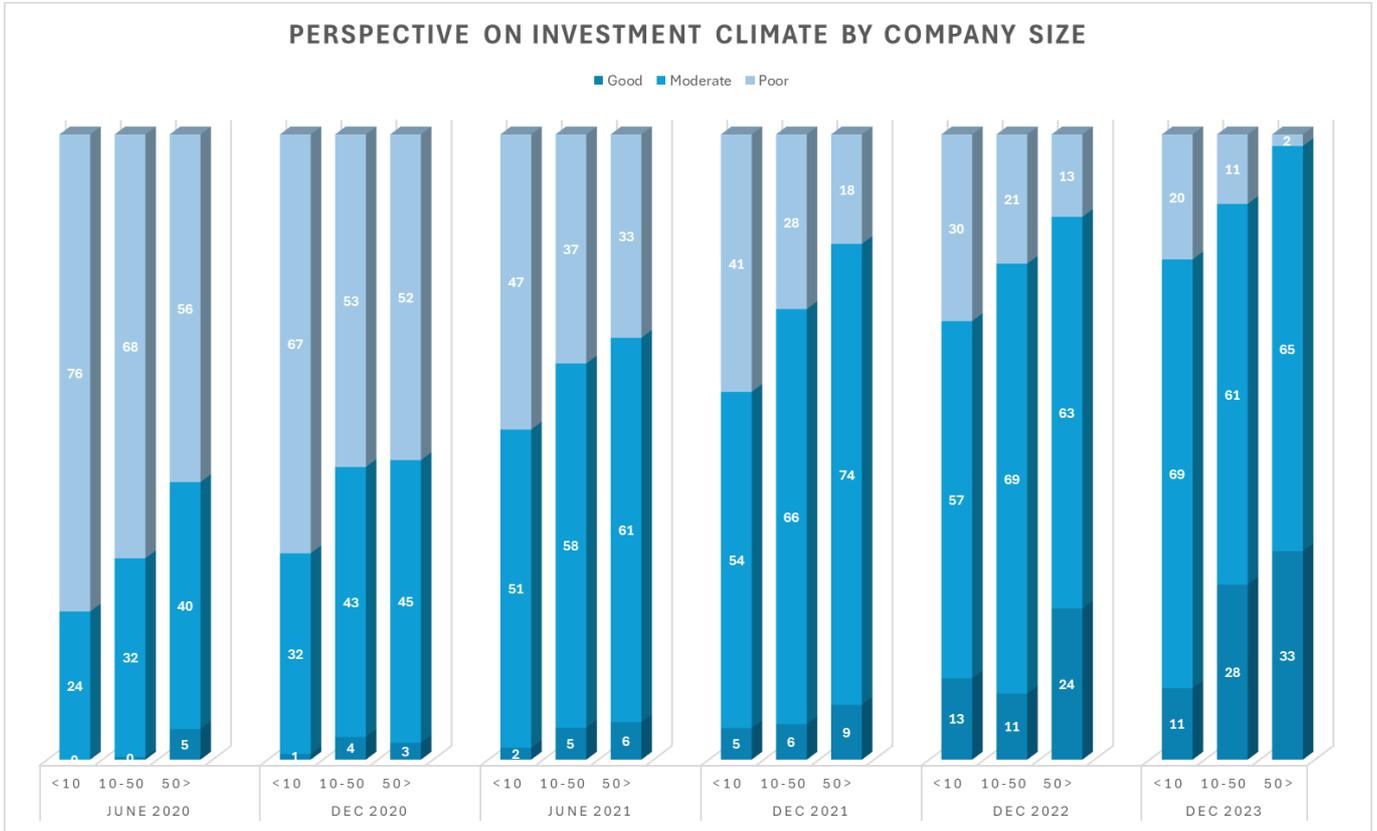


Figure 5: Perspective on Investment Climate by Company Size

Turnover changes

The change in turnover provides valuable insight into how company performance has evolved compared to previous years. Companies reported whether their turnover had increased or decreased (see Figure 6). Compared to 2022, the percentage of companies reporting a decrease in turnover rose from 23 percent to 33 percent. Conversely, the percentage of companies experiencing an increase in turnover declined from 59 percent to 48 percent.



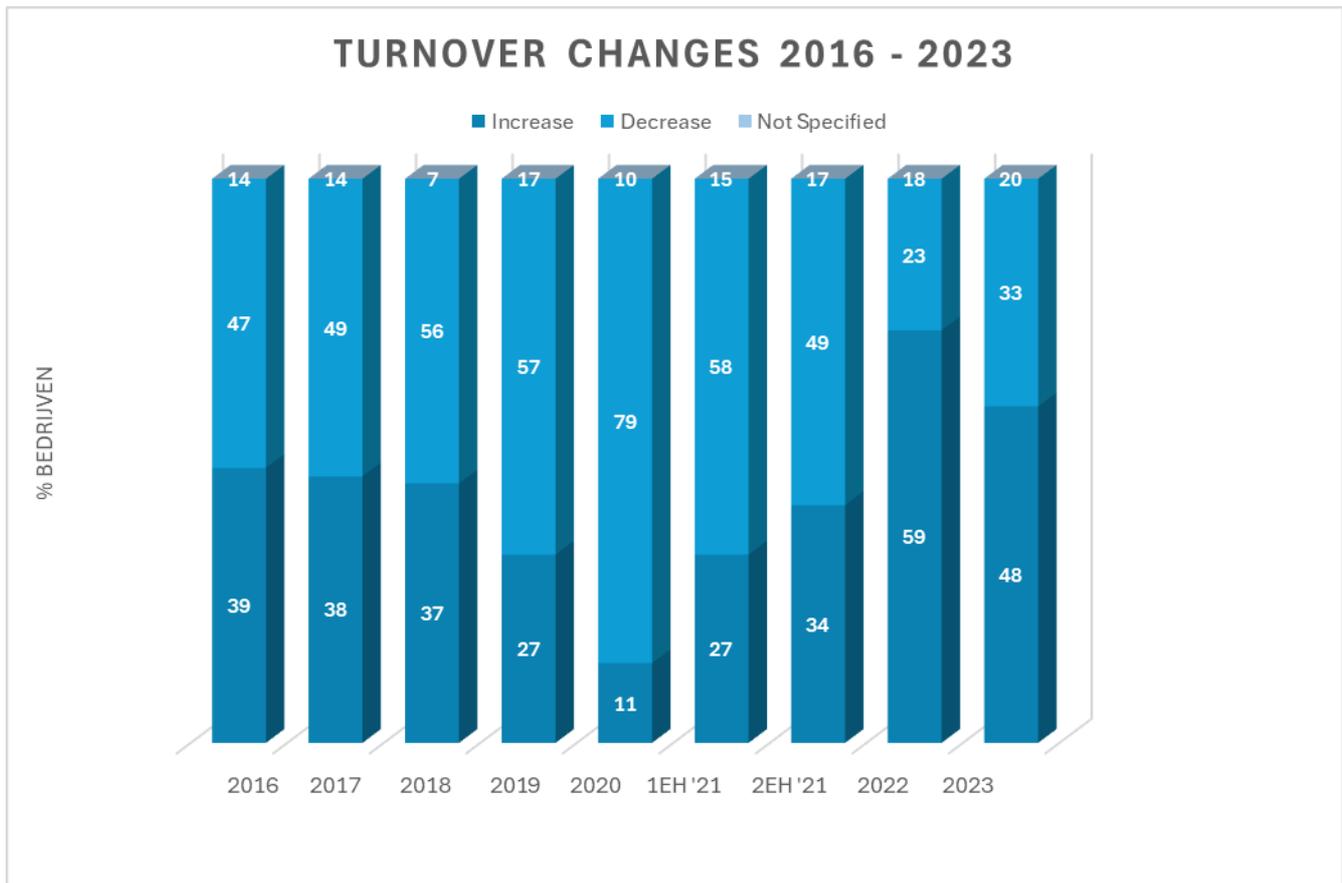


Figure 6: turnover changes 2016-2023

Turnover changes in construction, trade, and hospitality

Figure 6b illustrates the turnover trends in 2023 for three key sectors: construction, trade, and hospitality. These sectors are highlighted because they represent a major portion of businesses in Curaçao. In 2023, an increase in turnover was reported in all three sectors compared to 2022.

The hospitality sector, the percentage of companies that experienced an increase in turnover decrease in 2023. This sector has seen a sharp decrease compared to 2022, falling from 86 percent to 55 percent. More companies experienced a decline in turnover, with this percentage rising from 6 percent to 26 percent. This increase in companies reporting a decrease is likely attributed to the post-COVID-19 economic stabilization between 2022 and 2023.

In the trade sector, the percentage of companies reporting an increase in turnover dropped from 58 percent to 43 percent in 2023. Simultaneously, the percentage of companies experiencing a decline in turnover increased to 34 percent, up from 26 percent in 2022.

In the construction sector, the percentage of companies reporting an increase in turnover fell from 56 percent to 47 percent in 2023. The percentage of companies experiencing a decrease in turnover is 35 percent.



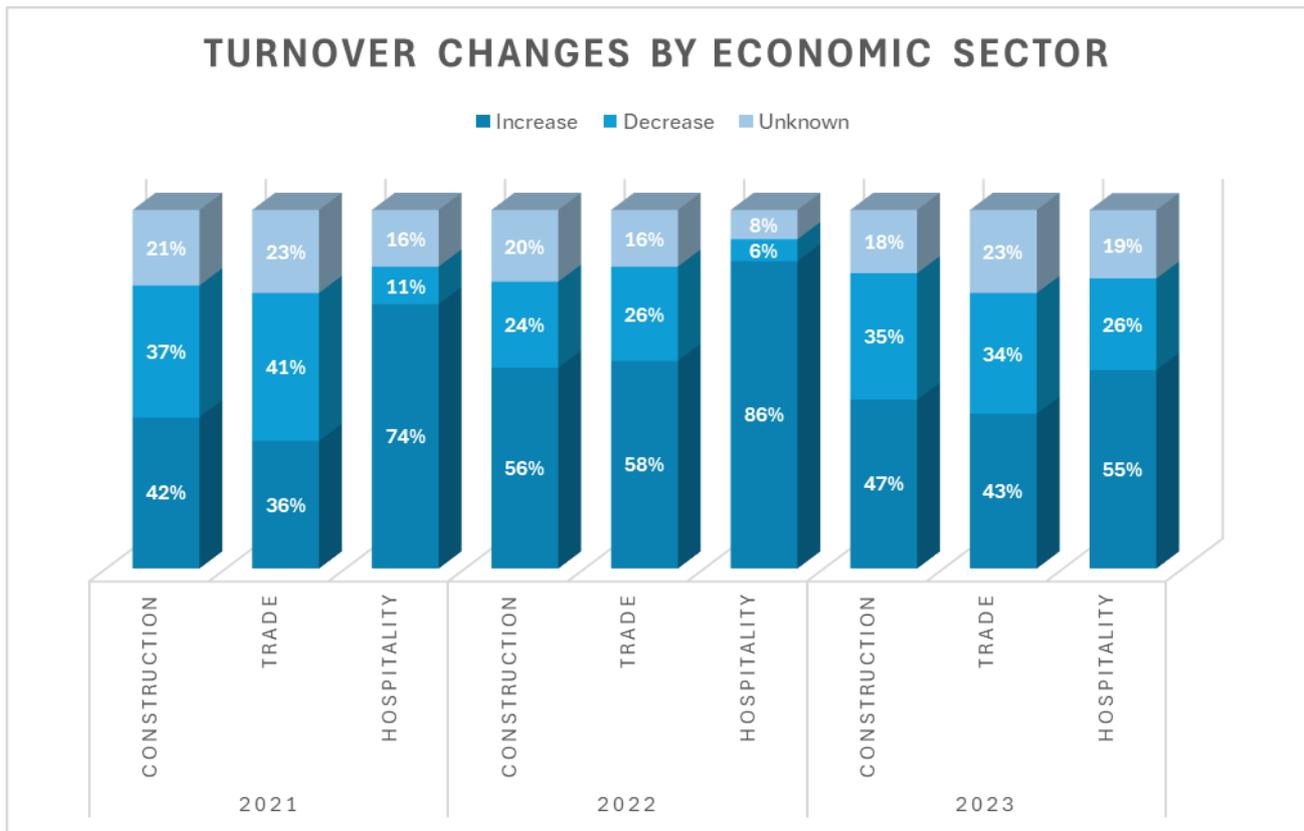


Figure 6b Turnover changes by economic sectors.

Compared to 2022, turnover trends varied significantly across different company sizes, particularly among large companies (see Figure 7).

For medium-sized companies, the situation has stabilized. In 2023, 46 percent reported an increase in sales, a decline from 59 percent, while 34 percent experienced a decrease, up from 24 percent in 2022.

For large companies with more than 50 employees, the changes were less pronounced. The percentage of companies reporting an increase in turnover rose slightly to 15 percent, up from 13 percent. Additionally, the percentage of companies experiencing a decline in turnover improved, decreasing from 75 percent to 72 percent in the same period.



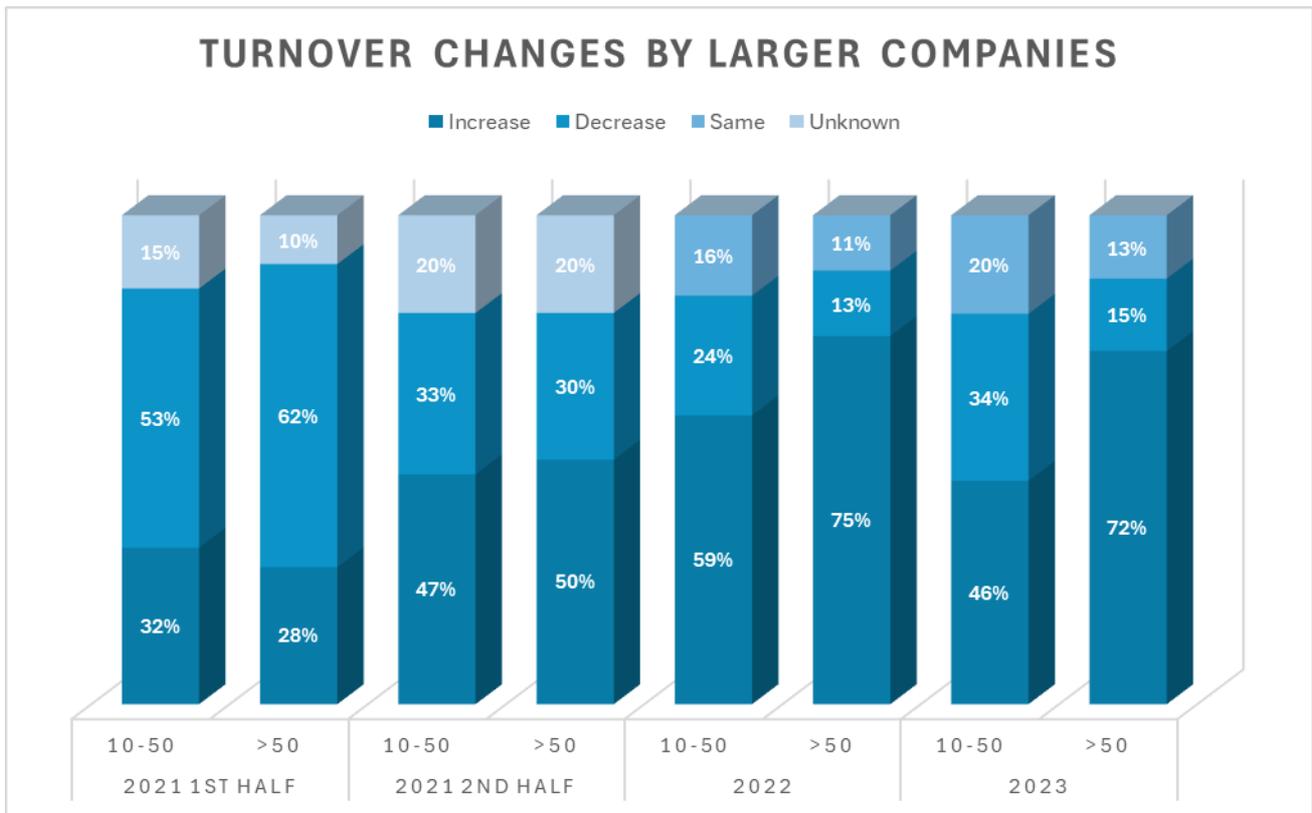


Figure 7: Turnover changes by company size

Business cycle index

Business cycle index provide an overview of the state of the economy, constructed from various indicators. For the business index of Curaçao, this is based on data related to confidence in the future, the perception of the investment climate, and changes in turnover. These indicators are aggregated into a composite index, with a starting point of one hundred.

The results of this analysis are presented graphically in Figure 8. The goal is to illustrate the development of the business cycle in relative terms, rather than absolute terms. This approach enables a clear visualization of the trend in the business cycle.

Since the end of 2010, the business index has shown a gradual upward trend after an initial sharp decline to 51 points in 2013. Following this, the index fluctuated before eventually declining to 53 points by December 2019, after several cycles of rises and falls. During the COVID-19 pandemic and lockdown, the index dropped sharply from 53 to 30 points by June 2020, compared to December 2019. Fortunately, the second half of 2020 saw no further decline, due to relaxed COVID measures and a subsequent increase in business activity.



Post-COVID, the Business Cycle Index made significant gains, starting at an index of 72 in 2021, followed by 101 in 2022, and 114 in 2023. These values are based on the year 2010 as the base year. The current index reflects a better economic situation compared to the past 22 years.

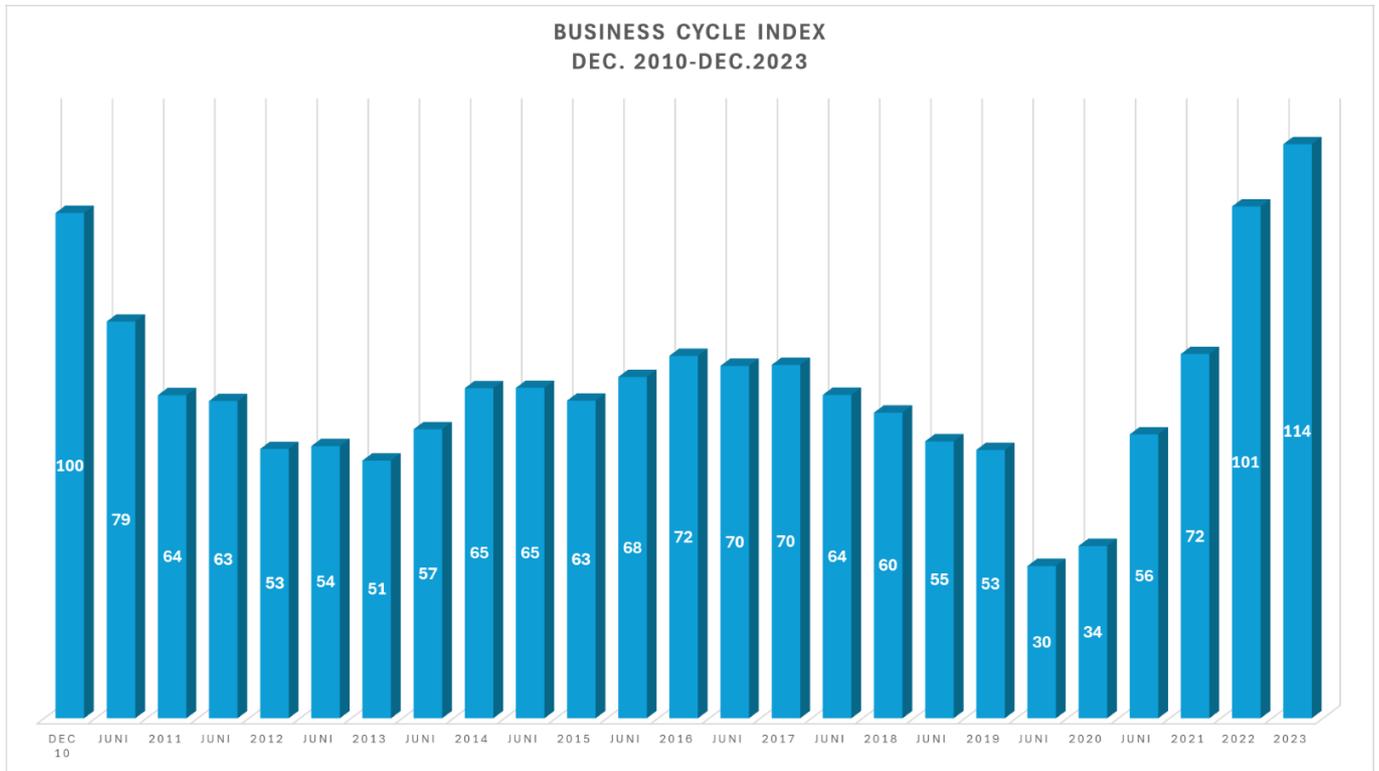


Figure 8: Business Cycle Index

Business results

In 2023, 69 percent of companies reported achieving a positive business result. This represents a 5 percent increase from 2022 (64 percent) and a 12 percent rise compared to 2021 (57 percent) (see Figure 9). Additionally, 31 percent of the surveyed companies expect to report a negative business result, a decrease of 3 percent from 2022 (34 percent).

While there has been moderate improvement from the challenging conditions of 2020, a large percentage of companies have recovered and are positioned to make a profit. It is important to note that these percentages do not provide insight into the magnitude of business results or potential bankruptcies.



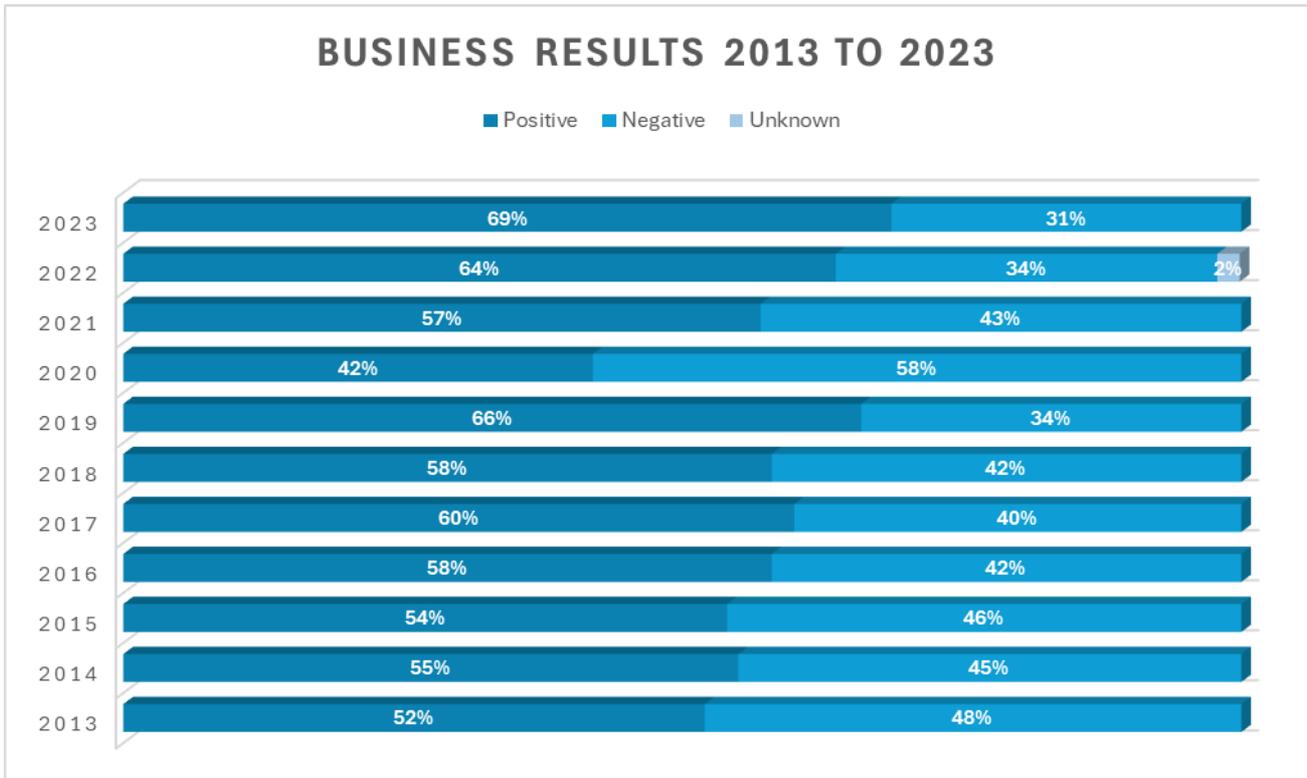


Figure 9: business results from 2013 to 2023

Business results based on company size.

The results based on company size show an overall improvement, with differences between company sizes similar to other parameters. Perception has improved across all company sizes, with small businesses seeing a slight improvement, while medium-sized companies experienced the most significant change.

Among small businesses (up to ten employees), 43 percent expect to make a profit, down slightly from 45 percent in 2022 (see Figure 10). For medium-sized companies (up to 50 employees), 70 percent expect a gross profit, showing a slight increase from 69 percent in 2022

For large companies with more than fifty employees, the situation has improved more noticeably, with 81 percent expecting to make a profit in 2023, an improvement of 9 percent compared to December 2022, which is the biggest improvement compared to small and medium-sized companies.



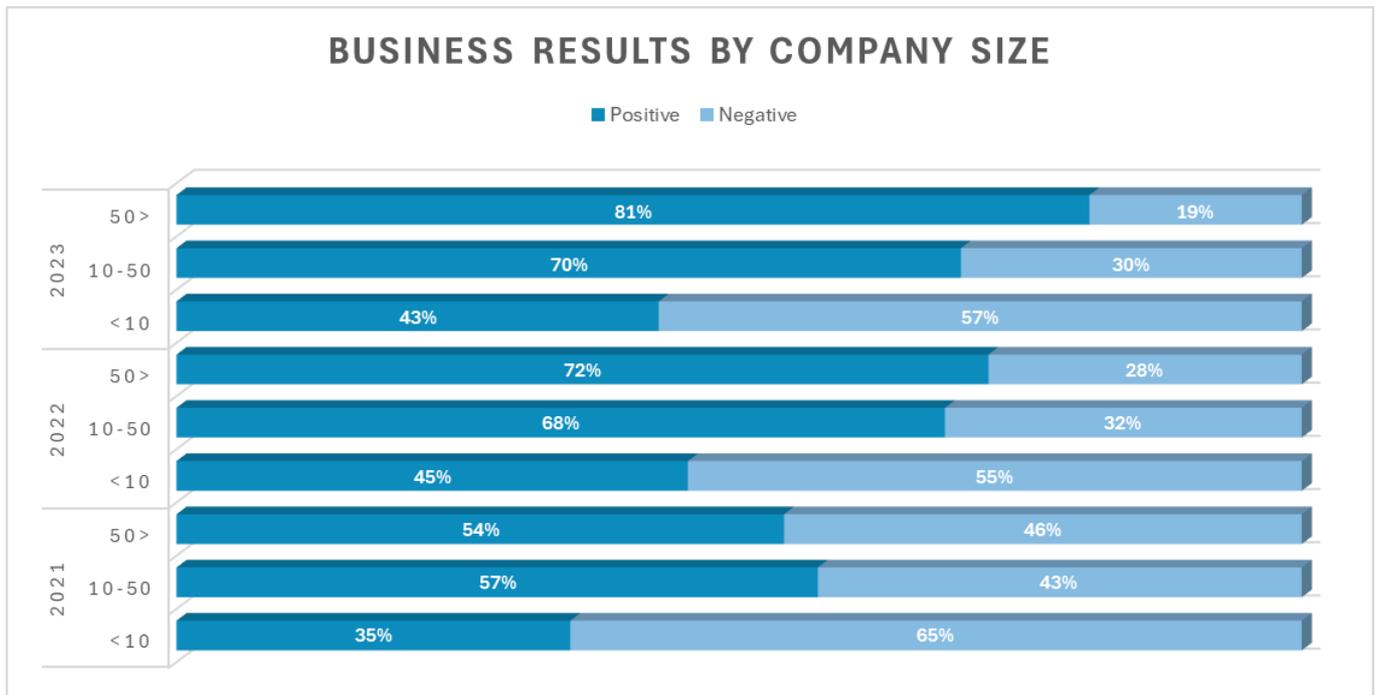


Figure 10: business results by company size

Business results in construction, trade, and hospitality

The expected results for the construction, trade, and hospitality sectors in 2023 show some notable developments (see Figure 10b).

In the construction sector, 65 percent of companies expect positive results, meaning only 35 percent anticipate a decrease in operating results. This is an increase of 7 percent compared to 2022.

In the hospitality, expected positive operating results decreased by 1 percent compared to 2022. Correspondingly, the decline in expected operating results has increased by 1 percent in this sector compared to 2022.

The trade sector shows a 4 percent increase in positive operating results in 2023. Additionally, negative operating results also fell by 4 percent compared to 2022.



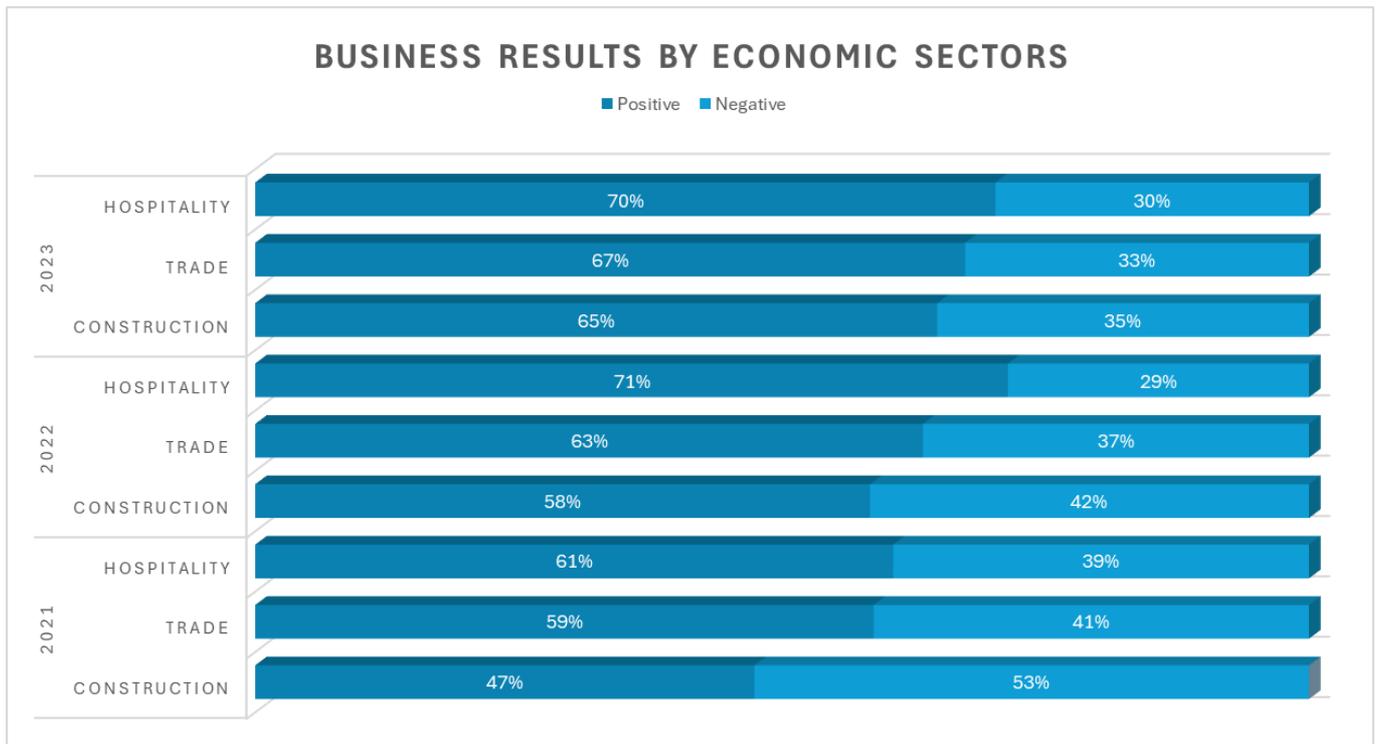


Figure10b: Business results by economic sectors

Summary remarks

As with the surveys conducted in 2020 and beyond, the survey from 2022 took place during the economically challenging time after the coronavirus pandemic. However, the situation has improved drastically due to easing of measures and the end of lockdowns. This improvement is reflected in increased activity and confidence, and partial stabilization of the figures and graphs shown.

Although smaller companies (those with fewer than 10 employees) have seen a marginal increase and in some cases, declines. Larger companies have seen an increase in the percentage of reporting profits. While the situation has shown a considerable improvement compared to 2020, it has also contributed to the highest business cycle index to date.

Confidence in the economy notably improved in 2023. The percentage of companies reporting decreased confidence climbed from 12 percent in 2021 to 18 percent in 2022 and fell 9.6 percent 2023, which is an improvement from 2021, marking an improvement from 2021, when COVID measures were eased.

Entrepreneurs and businesses also reported increased confidence in the future. The percentage of companies confident about the future increased from 62 percent to 73 percent compared to 2022.

Opinions on the investment climate showed clear improvement in 2023. Fewer companies rated the climate as bad, with the percentage dropping from 30 percent in 2021 to 11 percent in 2023. The percentage rating it as 'good' increased from 14 percent to 27 percent.



Compared to the year 2022, the percentage of companies reporting a decrease in turnover rose from 23 percent in 2022 to 33 percent in 2023. Even though it is an increase in percentage, it is still the second lowest since 2014. While this represents an increase, it is still the second-lowest percentage since 2014. Meanwhile, the percentage of companies reporting increased turnover decreased from 59 percent to 48 percent.

The business cycle index showed a clear recovery in 2023, climbing from 71 in 2021 to 101 in 2022, a 30 percent increase, and from 2022 to 2023 an increase of 13 percent.





Central Bureau of Statistics Curaçao