

Business Tendency Survey

April 2019

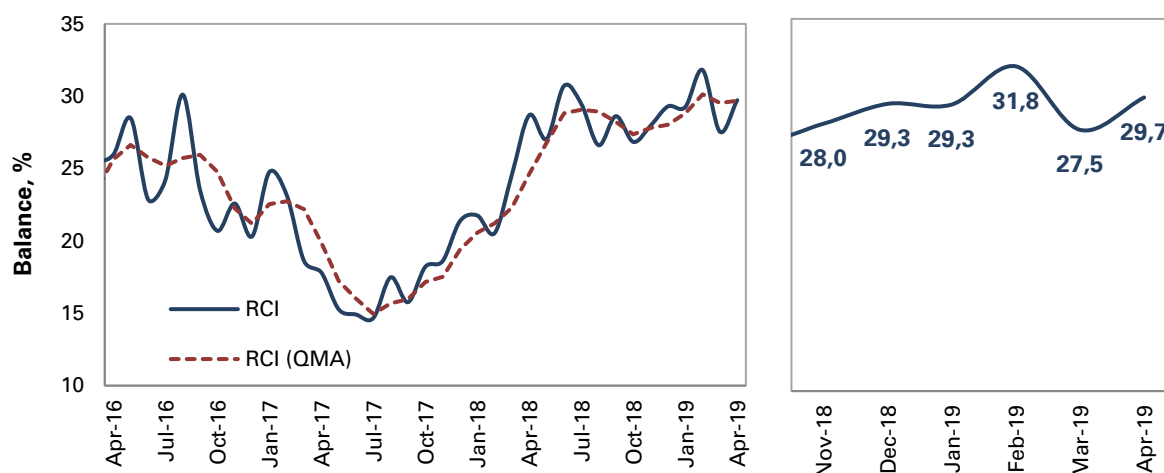


In April, both Retail Confidence Index and the Industrial Confidence Index increased compared to the previous month and one year ago. In the other hand, industrialists' perception of exported value decreased while export activity profitability increased relative to previous measurement. Finally, both exports expectations and export orders decreased relative to previous measurement and a year ago.

Retail Confidence Index – RCI

In April, the Retail Confidence Index (RCI) was 29,7%, which represents an increase of 2,2 percentage points (pps) compared to previous month and an increase of 1,0 pps compared to April 2018 (Graph 1).

Graph 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The RCI brings together three elements: **perception about business current economic situation, level of stocks and expectations about the economic situation for the next semester**. The results for April of the last two years are summarized in Table 1.

Table 1. Evolution of RCI components

Component (Balance, %)	2018	2019	
	April	March	April
Business current situation	39.6	39.5	44.0
Level of stocks	1.0	3.6	4.6
Business expectations for the next 6 months	47.5	46.7	49.7
Retail Confidence Index - RCI	28.7	27.5	29.7

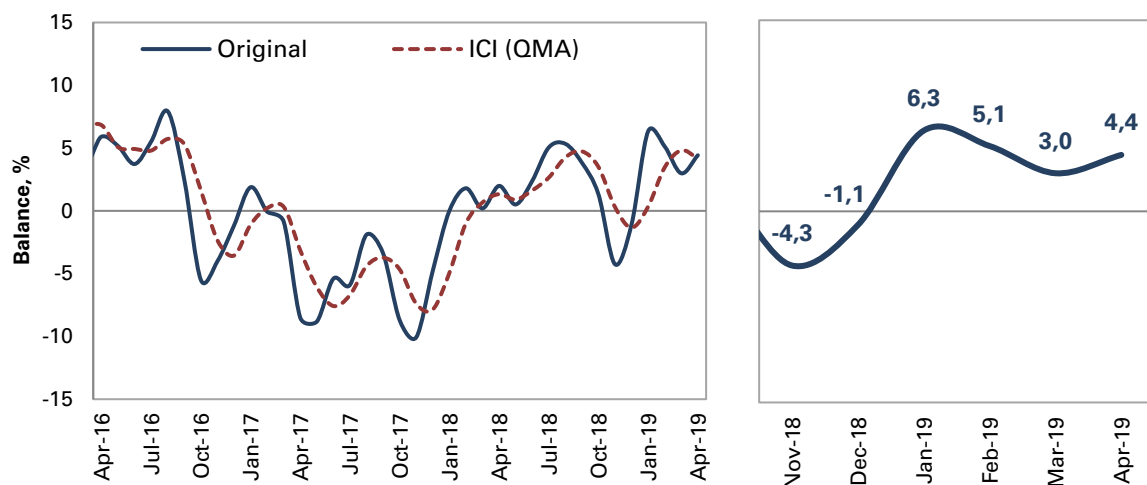
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In April, the improvement in retailer’s confidence relative to previous month was due to the 4,5 pps increase in the current economic situation component and the of 3,0 pps improvement in business expectations indicator. On the other hand, the improvement compared to April 2018 was due to the 4.4 pps and 2.3 pps increase in the current economic situation and expectations index, respectively. Meanwhile, the level of stocks index increased relative to both periods of analysis.

Industrial Confidence Index – ICI

In April, the Industrial Confidence Index (ICI) stood at 4.4%, which represents an improvement of 1.4 pps compared to March 2019 and an increase of 2.4 pps relative to April 2018. On the other hand, its quarterly moving average was 4.2%, which represents a reduction of 0.6 pps compared to last month.

Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current volume of orders, level of stocks¹ and production expectations for the next three months**. The increase in industrial confidence with respect to April 2018 was mainly due to the 8.0 pps increase in the current volume of orders index and, to a lesser extent, to the 1.6 pps improvement in the expected production indicator. However, his result was limited by the 2.2 pps increase in the level of stocks component (Table 2).

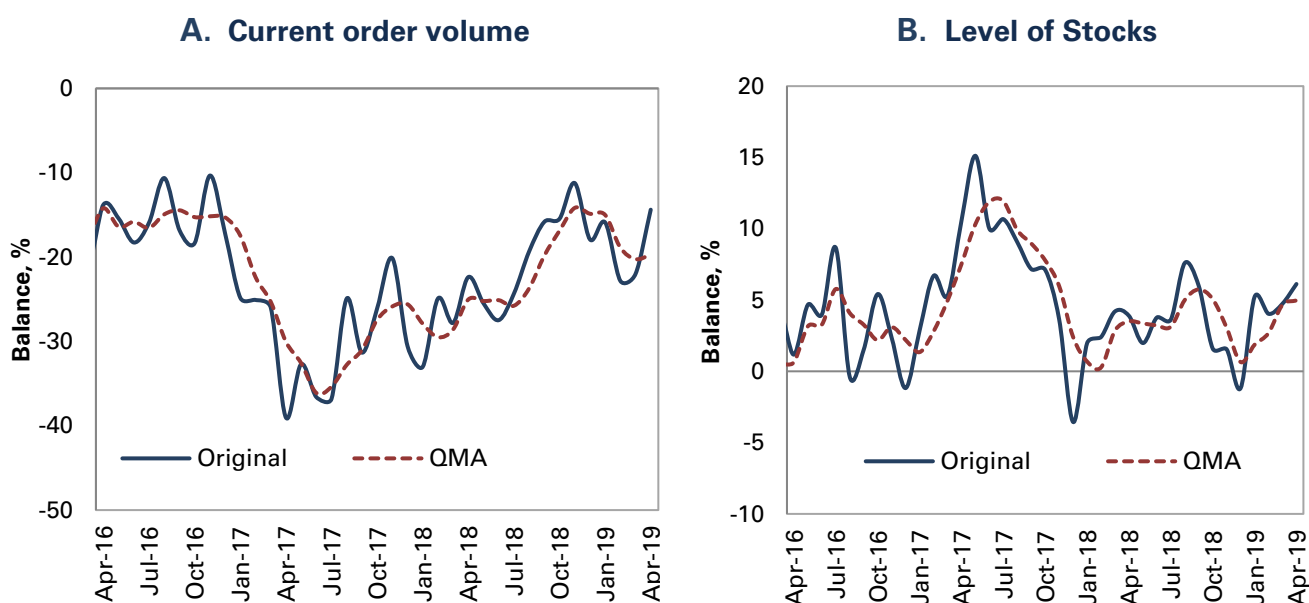
Table 2. Evolution of ICI components

Component (Balance, %)	2018		2019
	Abril	Marzo	Abril
Stocks of finished goods at the end of this month	3.9	4.7	6.1
Current volume of orders	-22.4	-22.0	-14.4
Expected production in the next three months	32.2	35.7	33.8
Industrial Confidence Index - ICI	2.0	3.0	4.4

Source: Business Tendency Survey (BTS) – Fedesarrollo.

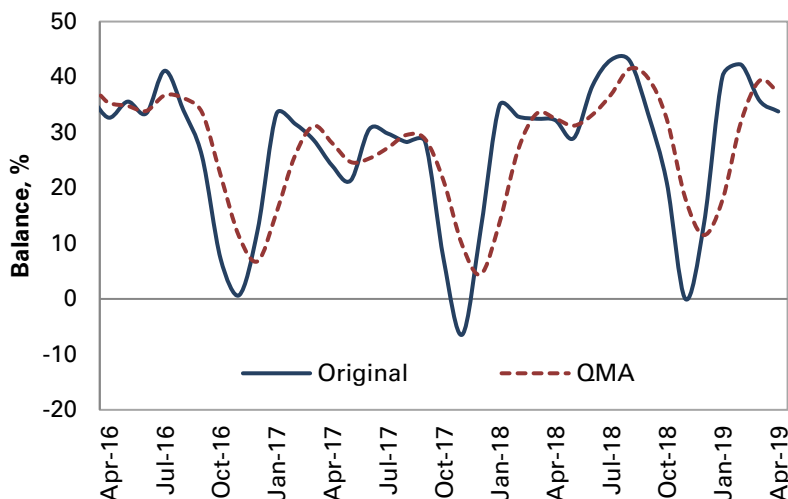
In the original series, the improvement in April of the ICI compared to previous month was due to the 7.6 pps increase in the current volume of orders indicator, which was limited by 1.9 pps reduction in the production expectations indicator and the 1.4 pps increase in the level of stocks index. However, isolating seasonal variations, there were slight increases in the current volume of orders and in the level of stocks, while there was a reduction in expected production for the next quarter indicator (Graph 3).

Graph 3. ICI Components



¹ Both industrial producers and retailers are asked if the level of stocks is high, low or normal and the balance is the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement, since employers perceive lower levels of inventories.

C. Production expectations for the next three months

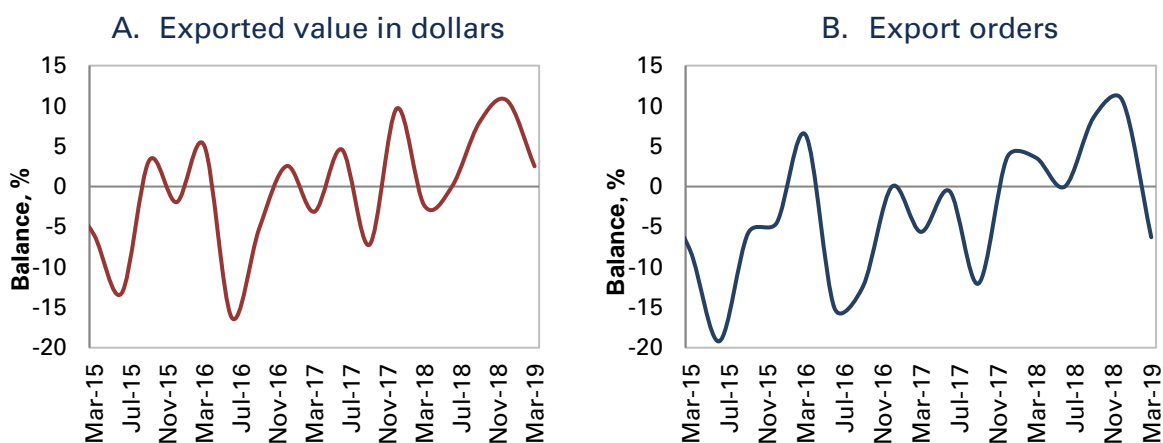


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Exports²

During the first quarter of 2019, the balance of answers about exported value in dollars was 2.5%. This result implies that the percentage of respondents with increasing exports relative to the previous quarter was greater than the percentage with decreasing exports. This result represents a deterioration of 8.2 pps compared to previous quarter and an increase of 4.9 pps compared to a year ago. On the other hand, the balance of export orders was -6.3%, which implies a 17.0 pps reduction relative to previous quarter and a 9.9 pps decrease relative to the same quarter of 2018 (Graph 4).

Graph 4. Exported value in dollars and export orders in the first quarter of 2019 compared to the same quarter of the previous year

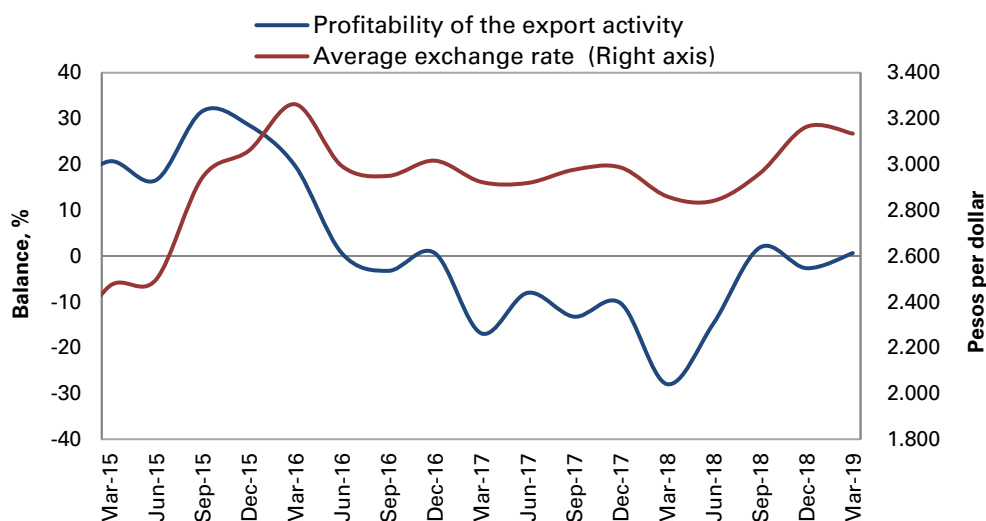


Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

²On a quarterly basis, the Business Tendency Survey includes a special module for the industrial sector, which inquires about the expectations and the perception of industrialists about the value exported in dollars and export orders.

Regarding the perception about exports profitability the balance stood at 0.6%, which is equivalent to a 3.3 pps increase compared to previous quarter and a 28.6 pps increase relative to the same quarter of 2018. The balance of exports profitability is directly related to the behavior of the exchange rate (Graph 5).

Graph 5. Profitability exports activity and exchange rate



Source: Business Tendency Survey (BTS) – Fedesarrollo and Central Bank of Colombia.

For the first quarter of 2019, the most unfavorable factors were production costs and internal transportation in Colombia, whose balances were -29.6% and -27.7%, respectively. However, only some factors such as production costs and the peso-dollar exchange rate deteriorated compared to the previous measurement. In particular, the dollar-currency exchange rate of the buyer country and export procedures in Colombia increased the most relative to previous quarter.

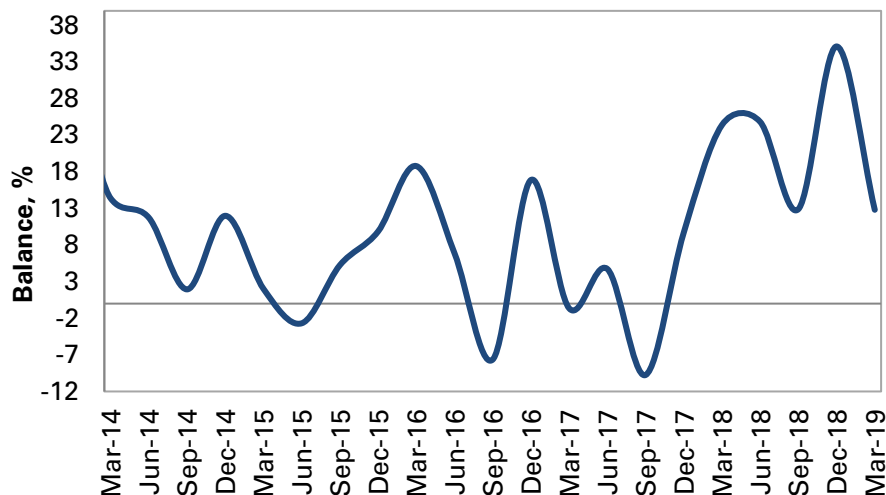
Table 3. Main factors that affected the export activity

Factor (Balance, %)	2018 - I	2018 - IV	2019 - I
Production costs	-19.6	-17.3	-29.6
Internal transportation in Colombia	-31.0	-37.0	-27.7
Competitive position in the target markets	-1.2	-21.3	-17.0
Trade policies of the purchasing countries	-14.9	-16.0	-13.8
International transport	-7.1	-9.3	-5.7
Port services in Colombia	-19.0	-8.0	-2.5
Economic situation of the purchasing country	0.0	-10.7	-2.5
Export procedures in Colombia	-9.5	-9.3	5.7
Dollar-currency exchange rate of the buyer country	-18.5	-8.0	9.4
Peso-dollar exchange rate	-42.9	17.3	15.1

Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

The balance of exporter’s expectations about the performance of their activity in the next three months was 12.8%, which is equivalent to a 22.3 pps deterioration compared to previous measurement and a 11.6 pps decrease relative to the first quarter of 2018 (Graph 6). In this measurement, 30.1% of respondents said that their exports will increase in the next three months, while 17.3% believe that their exports will decrease, and 52.6% expect them to remain the same.

Graph 6. Three-month expectations of exported value in dollars



Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo)



Contact us if you would like to have access to disaggregated results by region, industrial sector and other survey questions

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