

# Business Tendency Survey

## February 2019

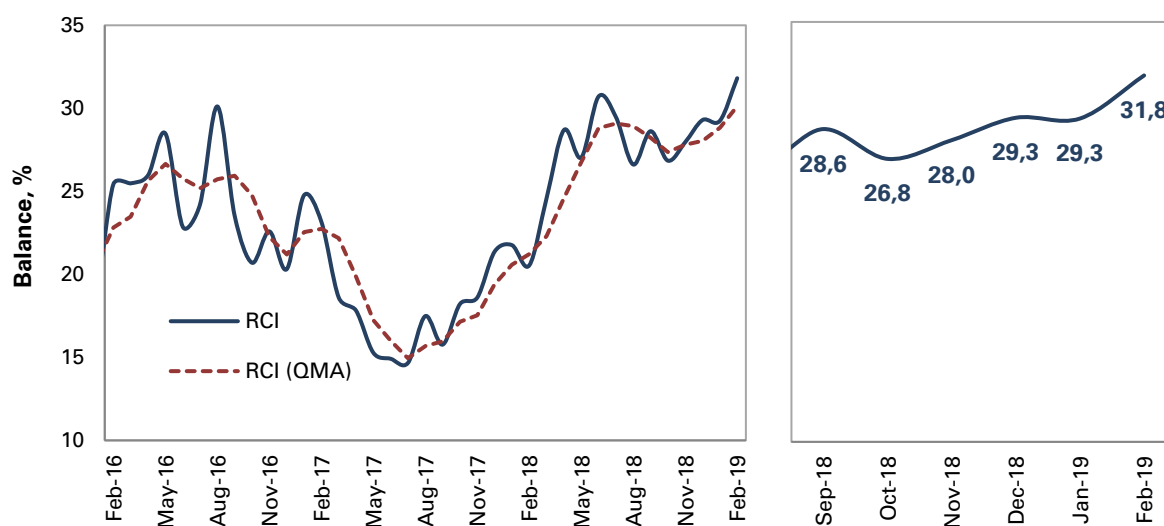


In February, the Commercial Confidence Index stood at 31.8%, improving with respect to previous month and February 2018. On the other hand, the Industrial Confidence Index, in its original series, declined with respect to previous month but improved relative to last year. Meanwhile, installed capacity utilization in February was 71.3%, implying a reduction compared to previous quarter and an increase relative to the same period in 2018. In February, business perception regarding the favorability of economic and socio-political conditions to invest improved compared to previous quarter. Finally, the pace of construction activity and construction businesses' perception of current sector's situation improved compared to the past measurement.

### Retail Confidence Index – RCI

In February, the Retail Confidence Index (RCI) was 31.8%, which represents an increase of 11.3 percentage points (pps) compared to February 2018 and an increase of 2.6 pps with respect to January 2019 (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 February of the last two years are summarized in Table 1.

**Table 1. Retail Confidence Index Components**

Component (Balance, %)	2018		2019
	February	January	February
Business current situation	37,0	47,0	50,5
Level of stocks	12,6	5,1	1,0
Business expectations for the next 6 months	37,2	45,8	46,0
<b>Retail Confidence Index - RCI</b>	<b>20,5</b>	<b>29,3</b>	<b>31,8</b>

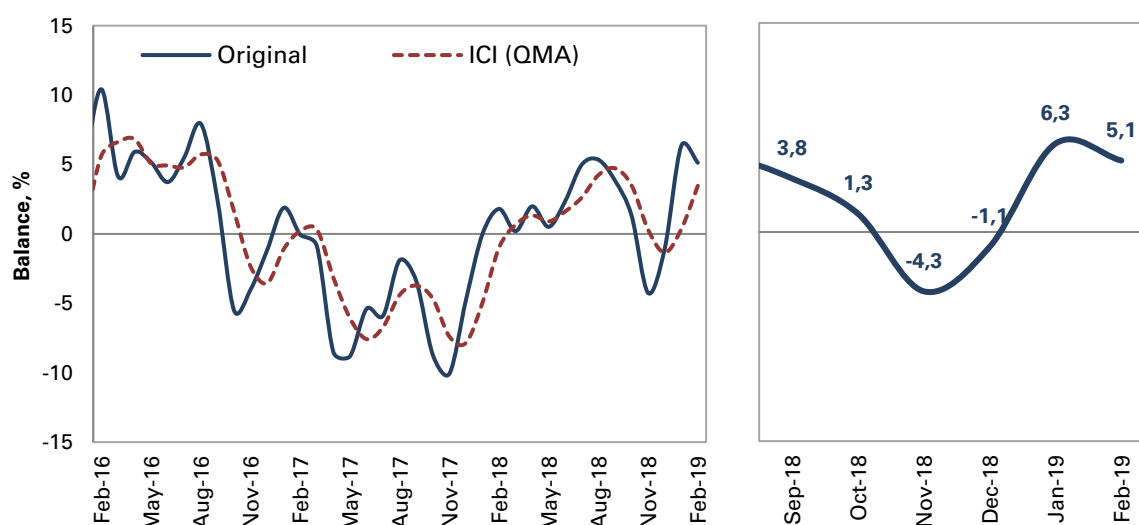
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In February, the increase in retailer’s confidence compared to the previous month is mainly due to the 3.5 pps increase in the current economic situation index and the 4.0 pps reduction in the level of stocks index. On the other hand, the best result compared to February 2018 is owed to the 11.5 pps decrease in the level of stocks indicator and the increases in 8.8 pps and 13.5 pps in the expectations and current economic situation indicators, respectively.

### Industrial Confidence Index – ICI

In February, the Industrial Confidence Index (ICI) stood at 5.1%, in its original series, which represents a fall of 1.2 pps compared to January and an increase of 3.3 pps relative to February 2018. On the other hand, its quarterly moving average reached 3.5%, which represents an increase of 3.1 pps compared to previous 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 stocks<sup>1</sup> and production expectations for the next three months**. The increase in industrial confidence with respect to February 2018 is due to the 9.3 pps improvement in production expectations and the 2.1 pps increase in the current volume of orders, while the level of stocks component experienced an increase of 1.6 pps (Table 2).

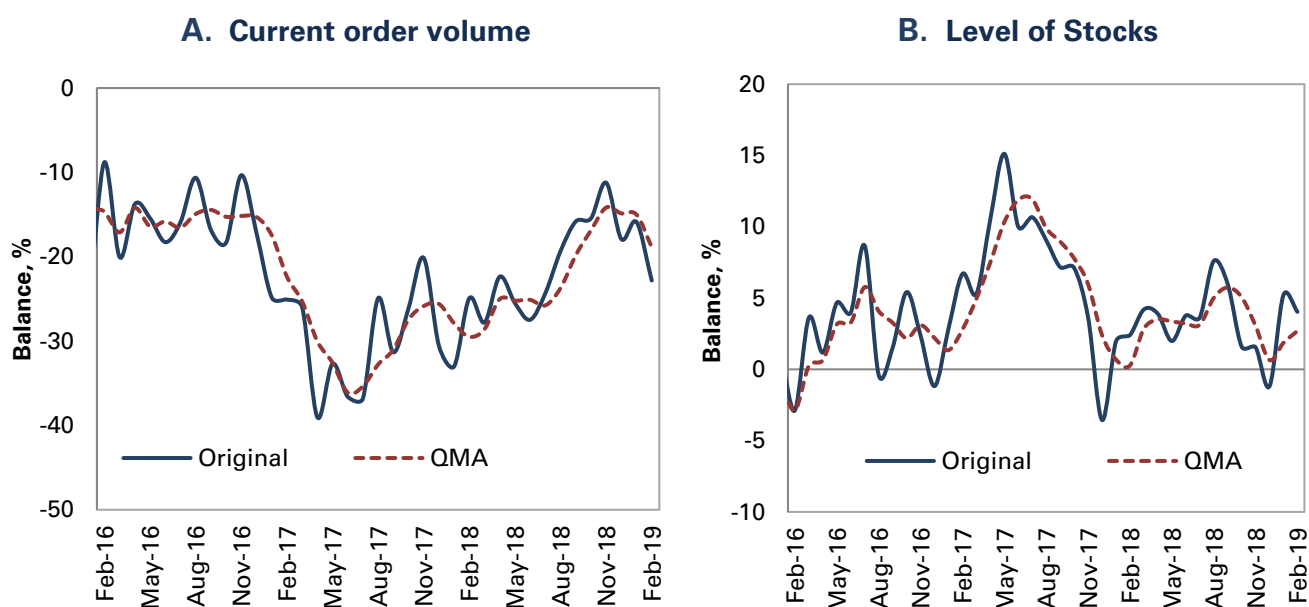
**Table 2. Evolution of ICI components**

Component (Balance, %)	2018		2019
	February	January	February
Stocks of finished goods at end of this month	2,4	5,2	4,0
Current volume of orders	-24,9	-15,9	-22,8
Expected production in the next three months	32,9	40,1	42,2
<b>Industrial Confidence Index - ICI</b>	<b>1,9</b>	<b>6,3</b>	<b>5,1</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo.

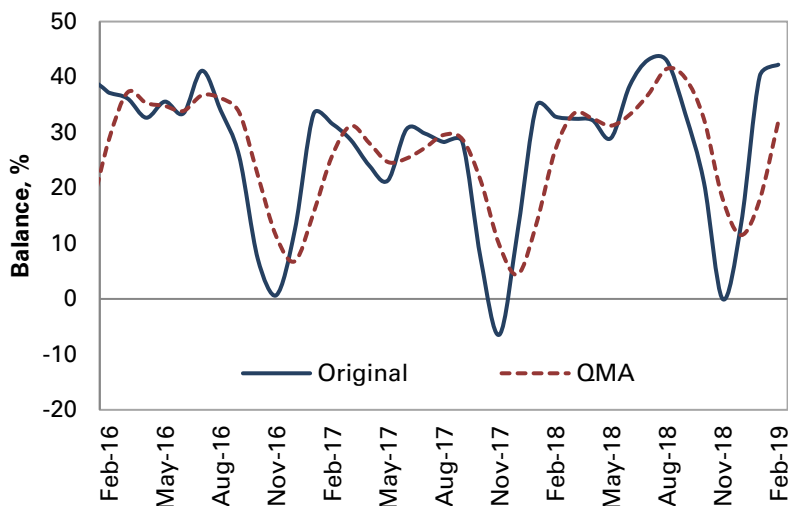
In the original series, the deterioration in February of the ICI compared to the previous month is due to the 6.9 pps reduction in the indicator of current volume of orders, which was not compensated by the 1.2 pps decrease in the level of stocks and the increase of 2.1 pps in production expectations. Isolating seasonal variations, compared to January there was a deterioration in the current volume of orders and an increase in the level of stocks and an improvement in production expectations for the next quarter (Graph 3).

**Graph 3. ICI Components**



<sup>1</sup> 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

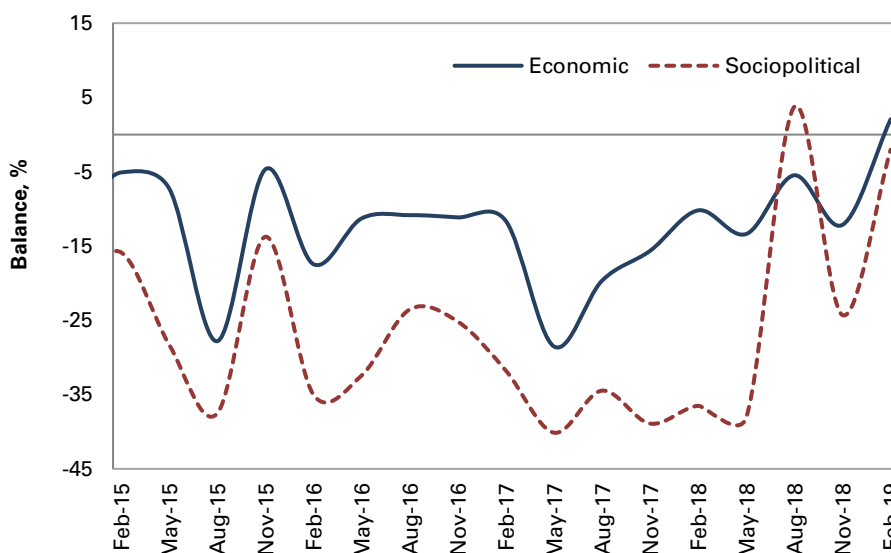


Source: Business Tendency Survey (BTS) – Fedesarrollo.

### Quarterly Module: Economic and sociopolitical conditions for investment<sup>2</sup>

In February, the balance of the industrial sector about **economic conditions** being favorable to invest was 2.1%, which is equivalent to an increase of 14.2 pps compared to the last measurement in November 2018. Results show that 22.9% of respondents believe that current economic conditions are favorable, compared with 17.0% in the previous measurement. On the other hand, 20.9% of respondents consider current conditions as unfavorable and 56.2% consider these as neutral.

**Graph 6. Favorability of current economic and socio-political conditions for investment**



Source: Business Tendency Survey (BTS) – Fedesarrollo.

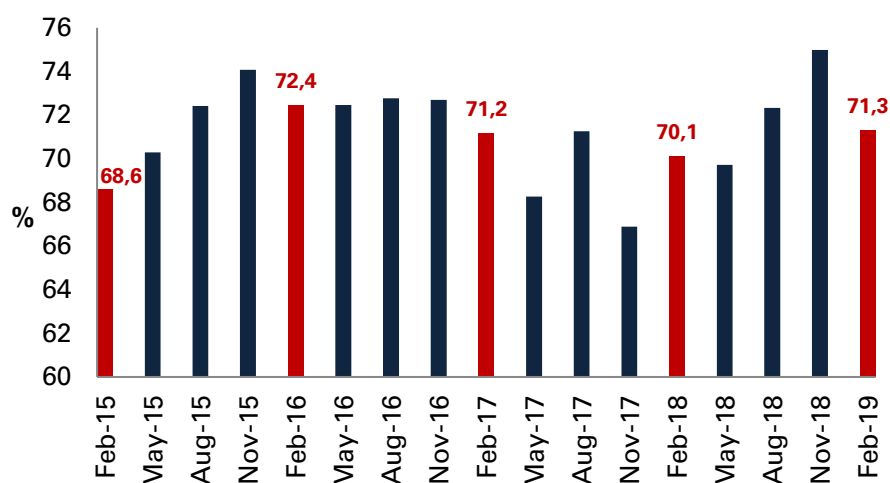
<sup>2</sup> Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

On the other hand, the balance on **sociopolitical conditions** being favorable to invest was -2.0%, reflecting a significant improvement of 22.3 pps compared to the previous quarter. The results show that 22.2% of respondents believe that sociopolitical conditions are favorable, while 24.2% consider that they are unfavorable and 53.6% that they are neutral.

### Quarterly Module: Industry Installed Capacity Utilization

In February, industry installed capacity utilization was 71.3%, which represents a decrease of 3.7 pps compared to the previous measurement in November 2018 (Graph 7). Compared to the same month of the previous year, there was an increase of 1.2 pps.

**Graph 7. Utilization of installed capacity in the industry**



**Note:** The series of utilization of installed capacity was revised backwards.

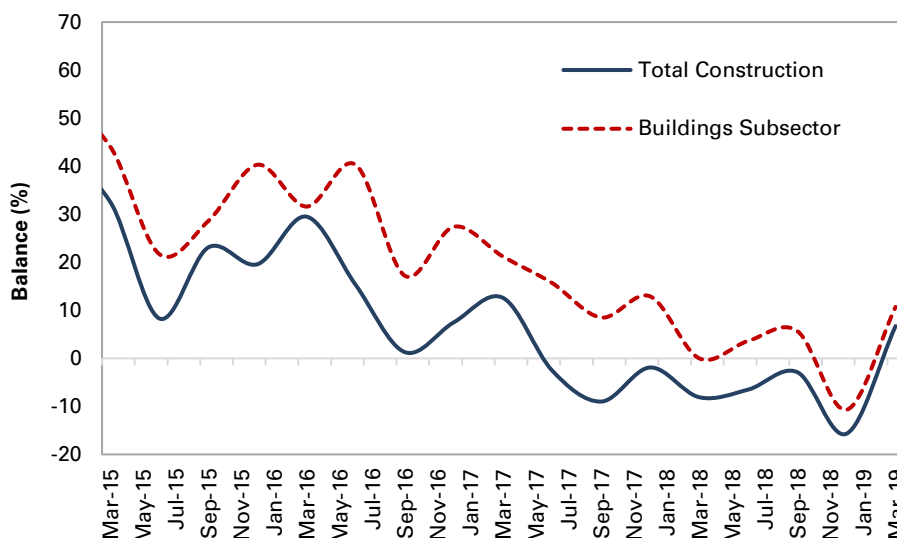
**Source:** Business Tendency Survey – Fedesarrollo.

### Quarterly Construction Survey<sup>3</sup>

For the first quarter of 2019, the balance for the current economic situation of companies in the construction sector stood at 6.7%, which is equivalent to an increase of 22.4 pps compared to the previous quarter and an increase of 14.8 pps compared to the same period of 2018. The balance for **buildings subsector** was 10.7%, which represents an improvement of 21.4 pps compared to the previous quarter and an increase of 10.7 pps compared to same period in 2018 (Graph 8).

<sup>3</sup> Quarterly, Fedesarrollo conducts a survey focused on entrepreneurs in the construction sector, to know their perception of the current economic situation and their future expectations.

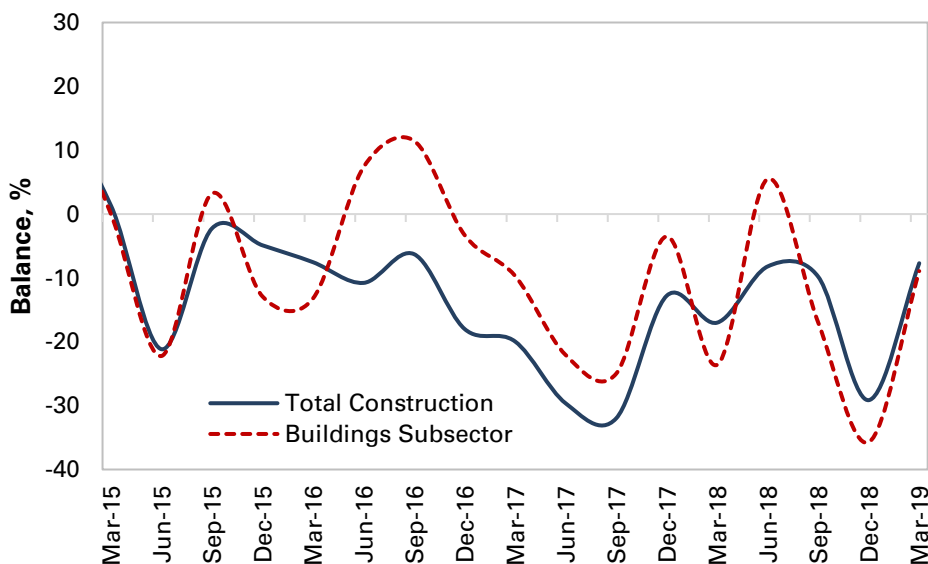
**Graph 8. Current situation of companies in the construction sector**



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of the pace of construction was -7.7%, showing an improvement of 21.4 pps compared to the previous quarter and of 9.3 pps compared to the first quarter of 2018. For **buildings subsector**, this indicator registered a balance of -8.9%, which shows a significant increase of 26.8 pps compared to the previous quarter and an increase of 14.7 pps compared to the same quarter in 2018 (Graph 9).

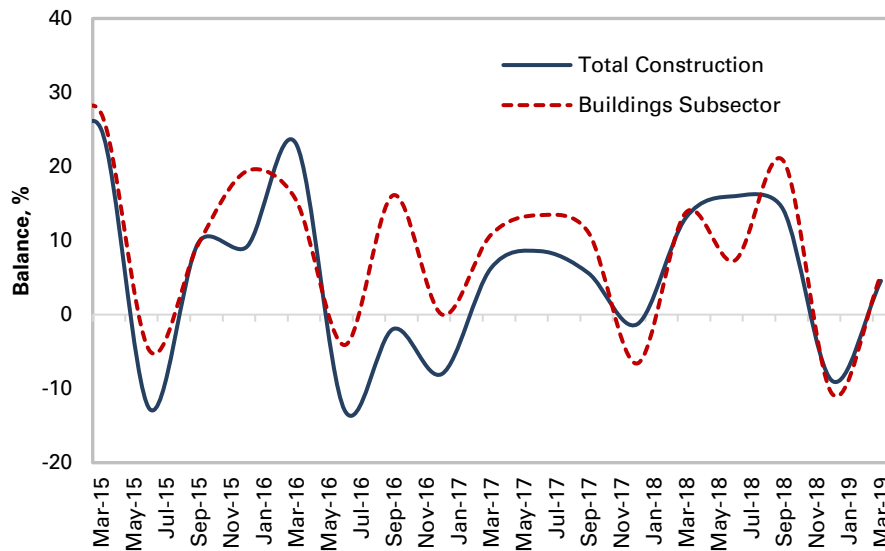
**Graph 9. Construction rate compared to the previous year**



Source: Quarterly Construction Survey - Fedesarrollo.

Finally, the balance of construction expectations for the next quarter showed an improvement of 13.5 pps compared to the previous measurement and a reduction of 8.5 pps compared to the first quarter of 2018. For the same reference periods, in the **buildings subsector** expectations increased by 16.1 pps and declined by 8.4 pps respectively (Graph 10).

**Graph 10. Construction expectations for the next quarter**



Source: Quarterly Construction Survey - 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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