

Business Tendency Survey February 2020

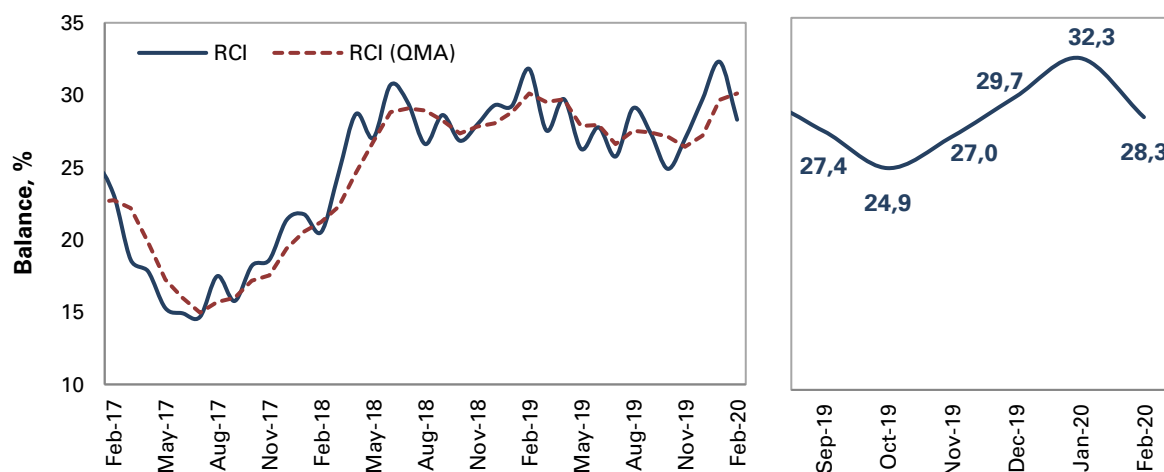


In February, the Retail Confidence Index stood at 28.3%, which represents a decrease of 4.0 pps compared to the previous month, due to a decrease in the business current situation and in the business expectations for the next 6 months. The Industrial Confidence Index registered a balance of 9.8%, which represents a decrease of 2.4 pps compared to the last month explained by a decrease in the expected production in the next three months. Installed capacity utilization in February was 74.8%, which represents a decrease of 1.3 pps compared to the previous quarter and an increase of 3.5 pps compared to the same period of 2019. In February, business perception of the favorable economic conditions to invest decreased while socio-political conditions to invest increased compared to the previous quarter. In the construction sector, expectations and the current economic situation of companies in the sector rose, while the construction rate fell compared to the last measurement.

Retail Confidence Index – RCI

In February, the Retail Confidence Index (RCI) was 28.3%, which represents a decrease of 4.0 percentage points (pps) compared to last month and 3.5 pps compared to February 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, %)	2019	2020	
	February	January	February
Business current situation	50.5	57.1	53.0
Level of stocks	1.0	5.0	5.6
Business expectations for the next 6 months	46.0	44.8	37.6
Retail Confidence Index - RCI	31.8	32.3	28.3

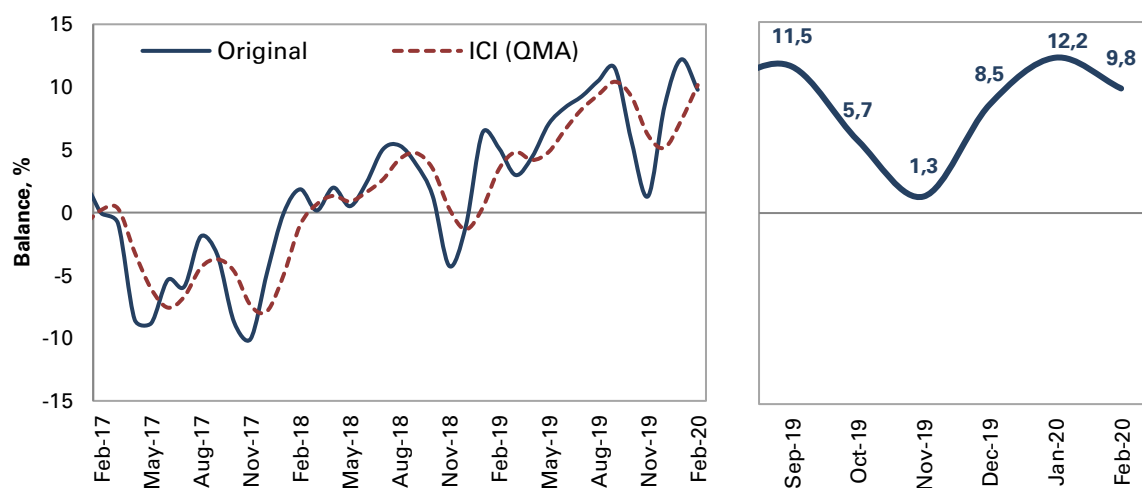
Source: Business Tendency Survey (BTS) – Fedesarrollo

In February, the reduction in retailer’s confidence compared to the previous month was mainly due to an increase of 0.6 pps in the level of stocks, and a decrease of 7.3 pps and 4.1 pps in the expectation’s indicator for the next semester and in the business current situation indicator, respectively. On the other hand, compared to February 2019, the result was due to a decrease of 8.4 pps in the expectation’s indicator for the next semester and an increase of 4.5 pps in the level of stocks indicator, while the current economic situation indicator raised 2.5 pps.

Industrial Confidence Index – ICI

In February, the Industrial Confidence Index (ICI) stood at 9.8% in its original series, which represents a decrease of 2.4 pps compared to January 2020 and an increase of 4.7 pps relative to February of 2019. On the other hand, its quarterly moving average was 10.2%, which is equivalent to an increase of 2.8 pps compared to last month (Graph 2).

Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo

The ICI has three components: **level of stocks¹, current volume of orders and production expectations for the next three months**. In the original series, the decrease of the ICI compared to the previous month was due to a decrease of 10.3 pps in the expected production in the next three months, while the level of stocks decreases 0.8 pps and the current volume of orders indicator increase 2.3 pps. Isolating seasonal variations, there was a decrease in the level of stocks, an increase in expected production for the next quarter and a decrease in the current volume of orders compared to January (Graph 3).

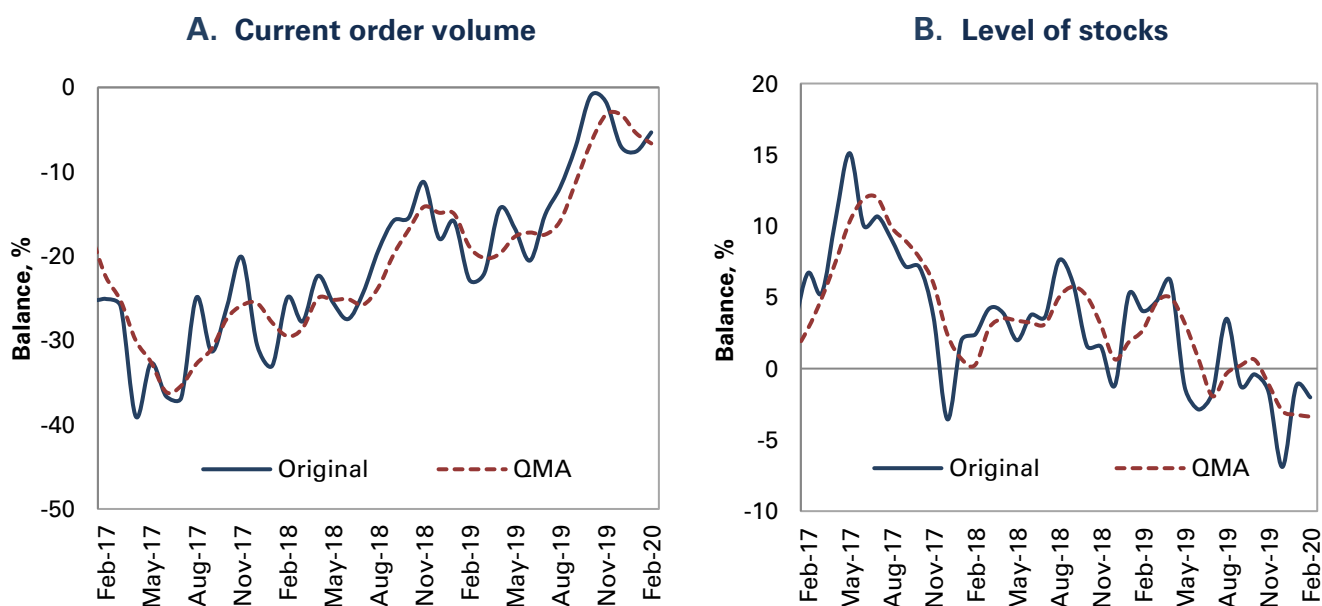
Table 2. Evolution of ICI components

Component (Balance, %)	2019	2020	
	February	January	February
Stocks of finished goods at end of this month	50.5	57.1	53.0
Current volume of orders	1.0	5.0	5.6
Expected production in the next three months	46.0	44.8	37.6
Industrial Confidence Index - ICI	31.8	32.3	28.3

Source: Business Tendency Survey (BTS) – Fedesarrollo

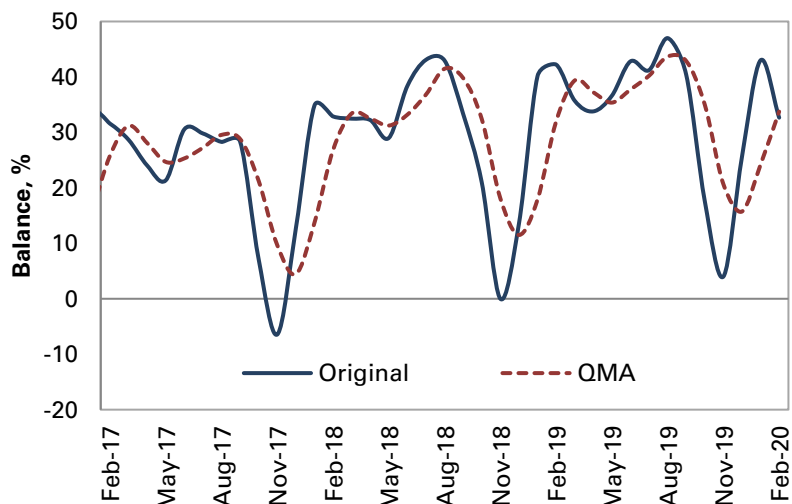
The increase in industrial confidence compared to February 2019 was due to an increase of 17.5 pps in the current volume of orders indicator and a decrease of 6.0 pps in the level of stocks, while the expected production in the next three months decreased 9.6 pps (Table 2).

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

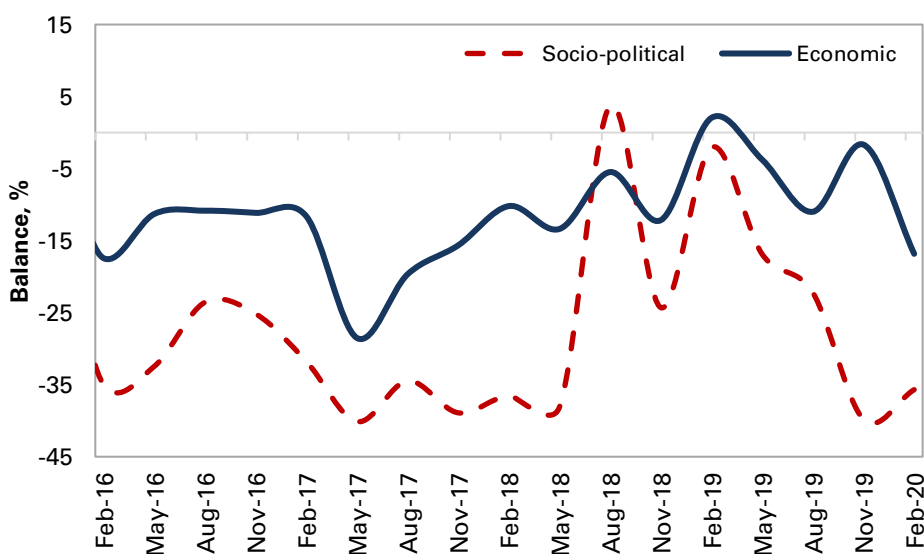


Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module: Economic and sociopolitical conditions for investment²

In February, the balance of the industrial sector about favorable **economic conditions** to invest was -16.8%, which is equivalent to a decreased of 15.2 pps compared to the last measurement (Nov 2019). The results show that 34.7% of respondents believe that current economic conditions are unfavorable, compared to 29.2% of the previous measurement, while 17.8% of respondents considered that the current conditions are favorable compared to the 27.5% of the previous measurement. Moreover, 47.5% affirm they are neutral compared to the 47.5% of the previous measurement.

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



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

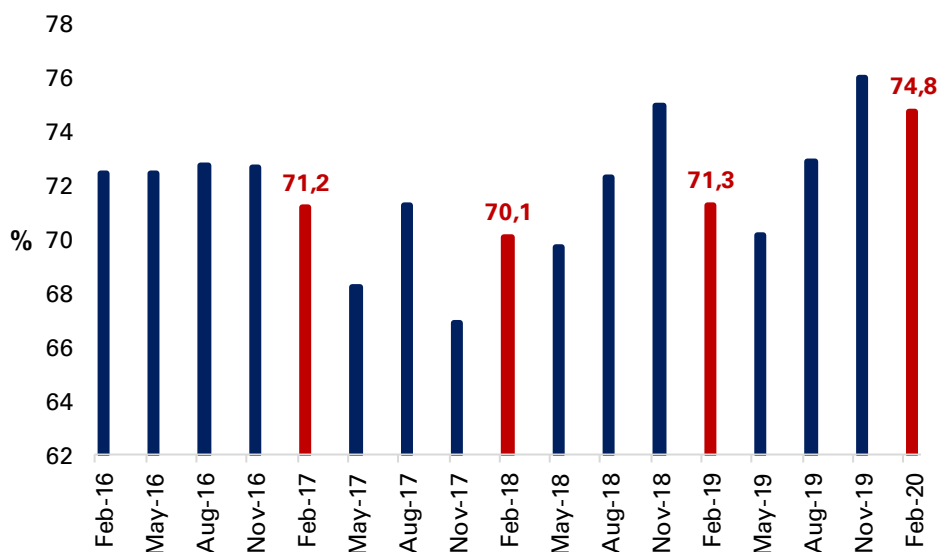
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -35.7%, an increase of 4.1 pps compared to the previous quarter. The results show that 8.1% of the respondents believe that the sociopolitical conditions are favorable compared to 8.4% of the previous measurement, while 43.8% consider that they are unfavorable compared to 48.2% of the previous measurement and 48.1% consider that they are neutral compared to 43.5% of the previous measurement.

Quarterly Module: Industry Installed Capacity Utilization

In February, industry installed capacity utilization was 74.8%, which represents a decrease of 1.3 pps compared to the November 2019 measurement and an increase of 3.5 pps compared to the same month of the previous year (Graph 7).

Graph 7. Utilization of installed capacity in the industry



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

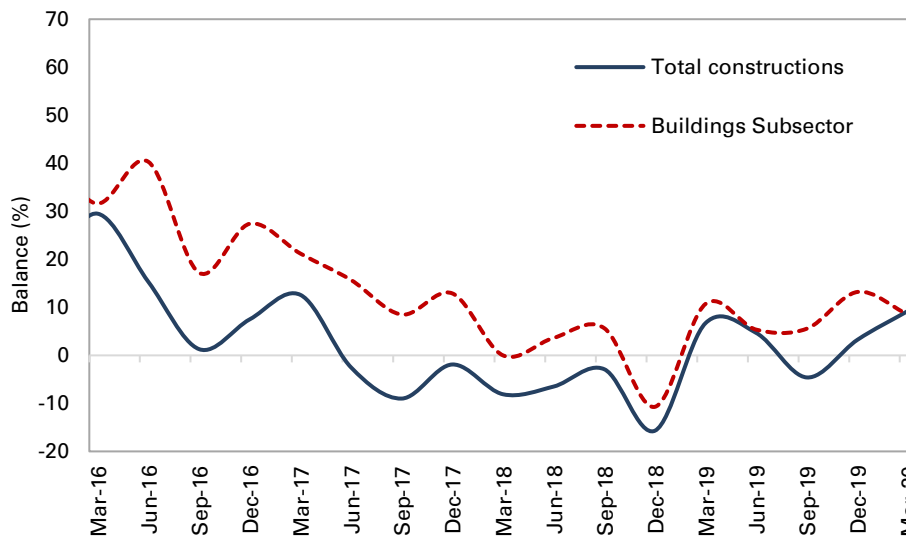
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Construction Survey

Fedesarrollo conducts a quarterly survey focused on entrepreneurs in the construction sector to know their perception of the current economic situation and their future expectations.

For the first quarter of 2020, the balance of the current economic situation of companies in the construction sector stood at 9.3%, equivalent to an increase of 6.0 pps compared to the previous quarter and 2.5 pps compared to the same period of 2019. **Building subsector** registered a balance of 8.5%, 4.7 pps lower than the registered during the previous quarter and 2.2 pps compared to one year ago (Graph 8)

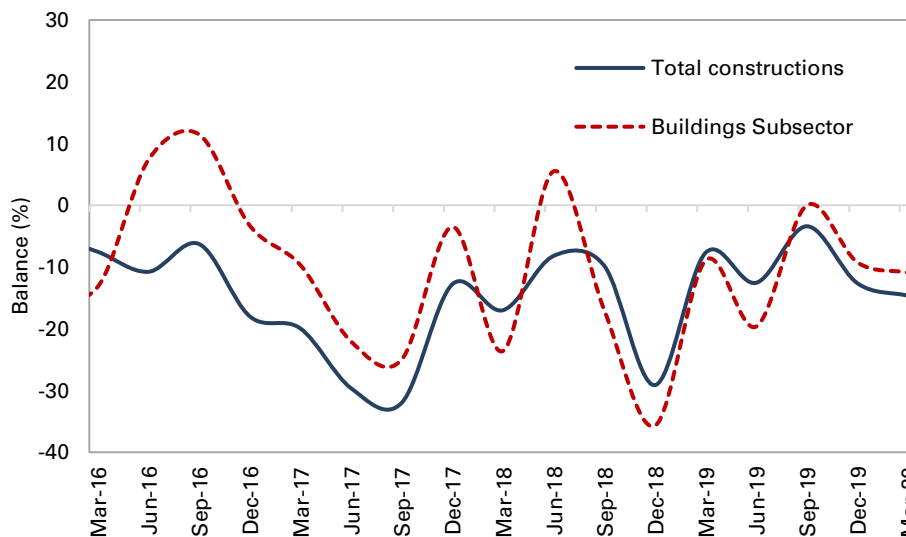
Graph 8. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -14.7%, showing a decrease of 2.0 pps compared to the previous quarter and 7.0 pps compared to the first quarter of 2019. For the building subsector, this indicator registered a balance of -10.9%, which shows a decrease of 1.6 pps compared to the previous quarter and 2.0 pps compared to a year ago (Graph 9).

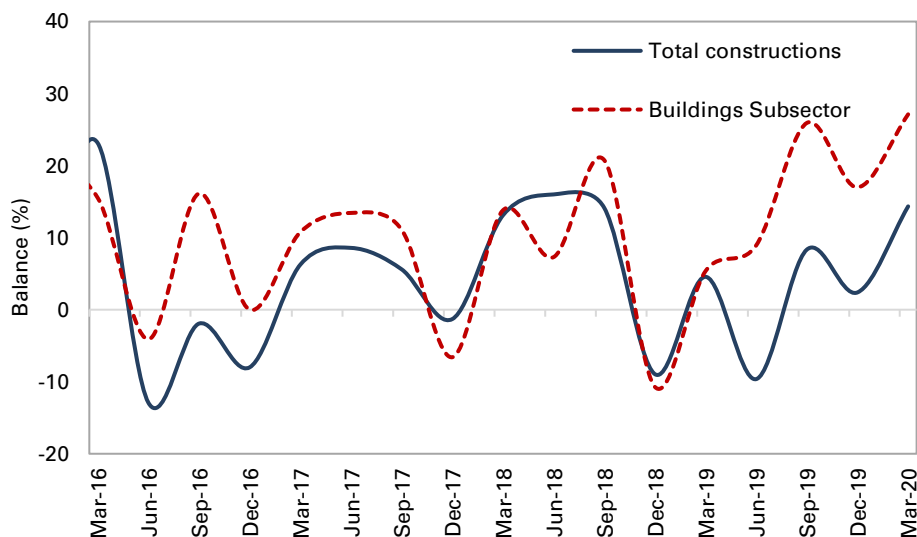
Graph 9. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was 14.3%, showing an increase of 11.9 pps compared to the previous measurement and 9.8 pps compared to the first quarter of 2019. In the building subsector, expectations recorded a balance of 27.1%, which represents an increase of 10.1 pps compared to the previous quarter and 21.8 pps over the same quarter of last year (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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