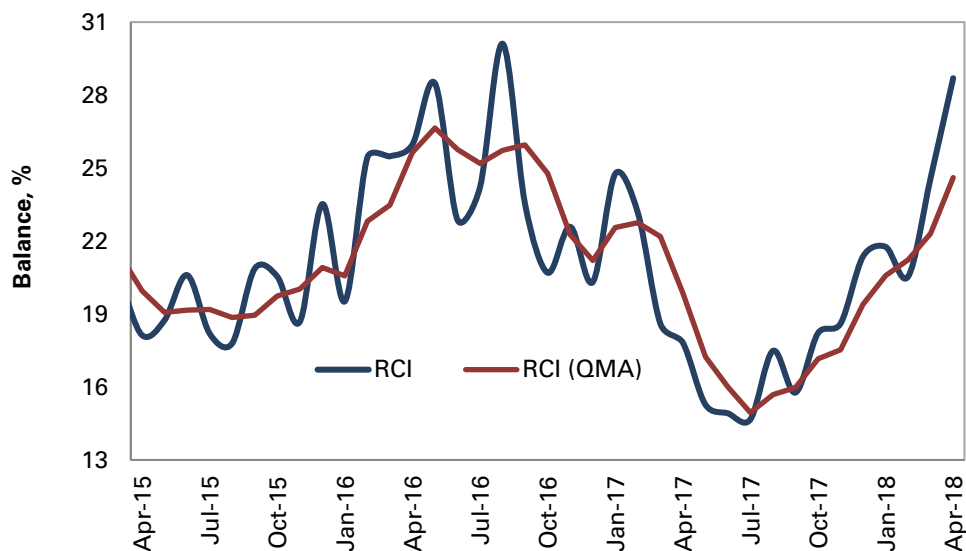


In April, both the Retail Confidence Index and the Industrial Confidence Index improved compared to the previous month and one year ago. Likewise, retail sales and industry productive activity increased relative to the previous month and April 2017. Industrialists' perception of exported value and export activity profitability diminished in the first quarter of 2018 relative to previous quarterly survey. However, exports expectations for next quarter improved significantly.

Retail Confidence Index – RCI

In April, Retail Confidence Index (RCI) was 28.7%, which represents an increase of 4.1 percentage points (pps) compared to previous month and of 10.9 pps relative to April 2017 (Figure 1). The index registered its highest value since August 2016, and the quarterly moving average continues with the positive trend it shows since August 2017.

Graph 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The RCI brings together three elements: **perception of the current economic situation of the company or business, stock levels and expectations about the economic situation for the next semester.** Table 1 shows the results for April of the last three years.

Table 1. Evolution of RCI components

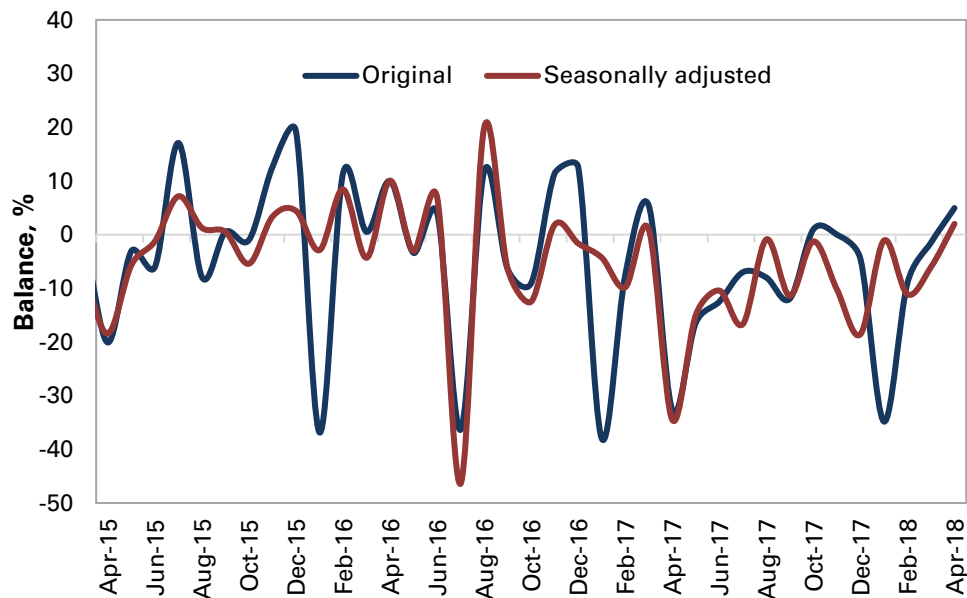
Component (Balance, %)	2016	2017	2018	
	April	April	March	April
Business current situation	48.5	32.7	37.3	39.6
Level of stocks	15.7	18.8	6.9	1.0
Business expectations for the next 6 months	45.0	39.6	43.5	47.5
Retail Confidence Index - RCI	26.0	17.8	24.6	28.7

Source: Business Tendency Survey (BTS) – Fedesarrollo.

In April, retailers' confidence improvement with respect to the previous year was explained by the reduction in 17.8 pps of the stock level component, the increase of 7.9 pps in expectations for next semester and the improvement in 6.9 pps of the current economic situation component. Compared to March there were improvements in all components, the stock level indicator decreased by 5.9 pps, the expectations indicator increased by 4.0 pps and current economic situation line showed an increase of 2.3 pps.

The balance of answers for the level of retail sales in April was 5.0%, which represents a strong increase of 37.6 pps compared to April 2017. Adjusting for seasonal factors, there was an increase of 8.0 pps compared to March. This indicator exhibits a strong correlation with the growth of retail sector value added (Tendencia 186¹).

Graph 2. Retail Sales – BTS Retail



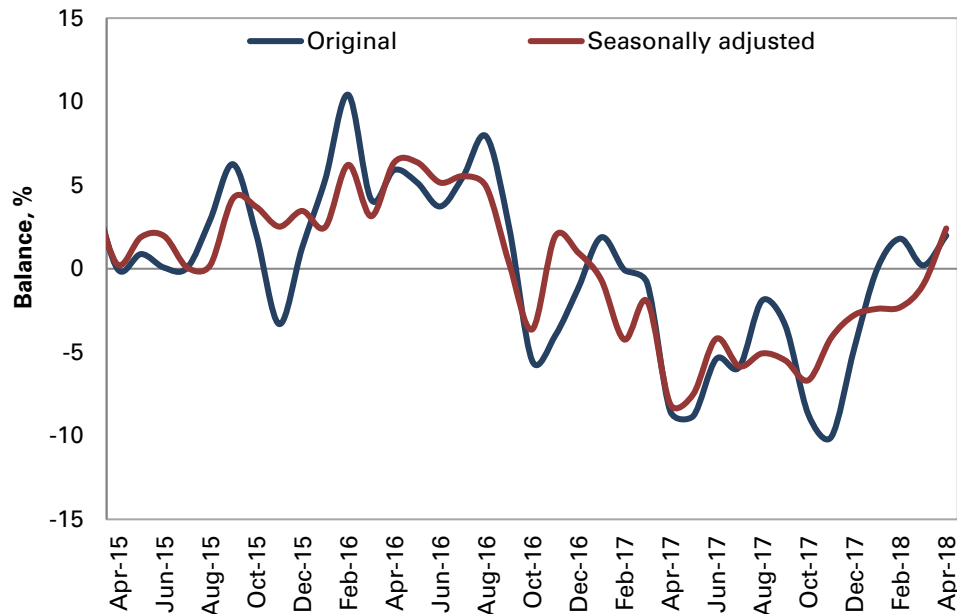
Source: Business Tendency Survey (BTS) – Fedesarrollo.

¹ Tendencia Económica, May 2018. <http://www.repository.fedesarrollo.org.co/handle/11445/3598>

Industrial Confidence Index – ICI

In April, the Industrial Confidence Index (ICI) was 2.0%. Adjusting for seasonal factors, this represents an increase of 3.4 pps compared to March 2018. With respect to April 2017, there was an improvement of 10.5 pps.

Graph 3. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The increase in industrial confidence with respect to April 2017 is due to an improvement of 16.7 pps in the current volume of orders, the increase of 8.2 pps in production expectations and the decrease of 6.7 pps in the stock level component (Table 2).

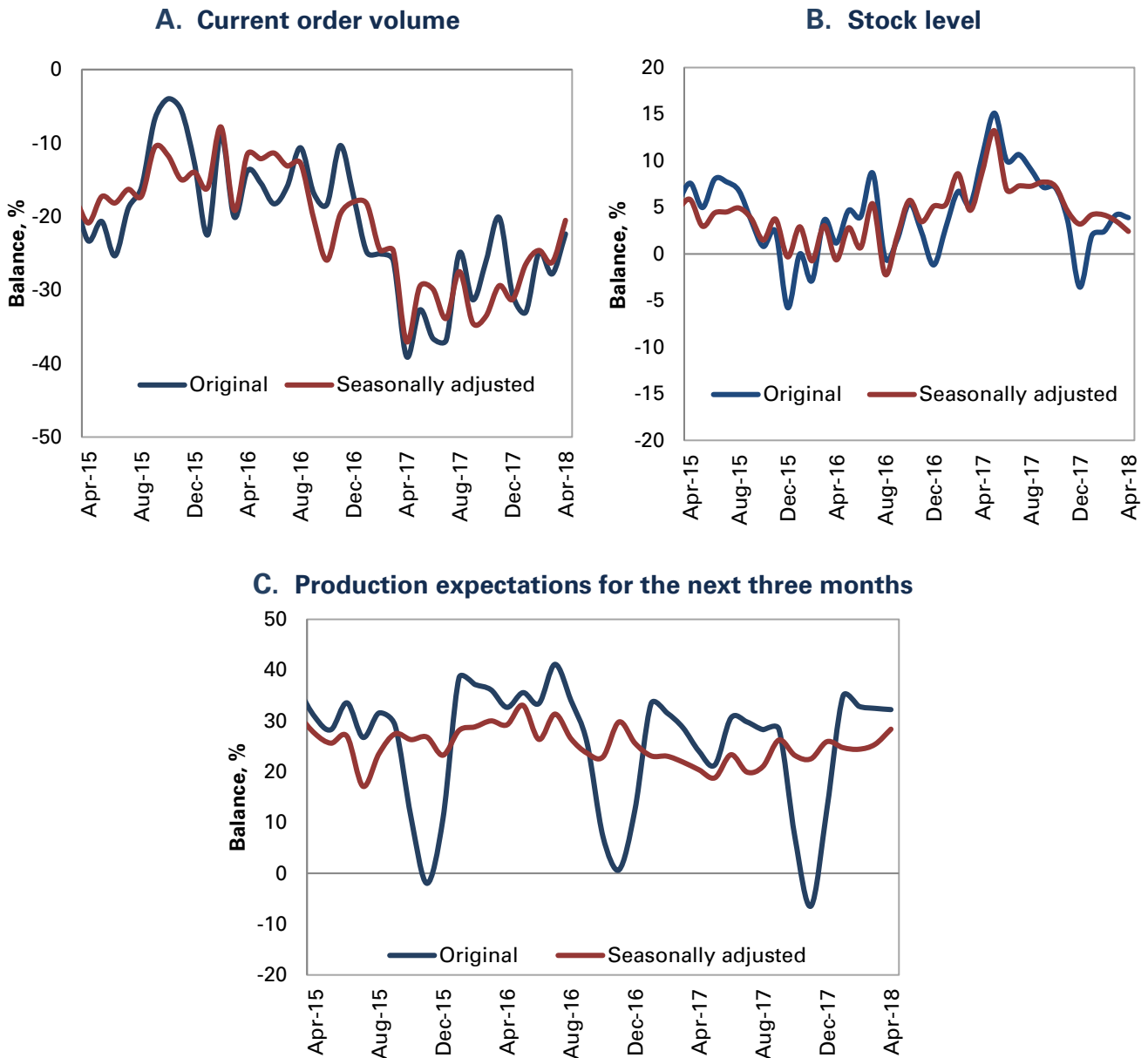
Table 2. Evolution of ICI Components

Component (Balance, %)	2016	2017	2018	
	April	April	March	April
Current volume of orders	-13.8	-39.0	-27.8	-22.4
Stocks of finished goods at the end of this month	1.2	10.5	4.2	3.9
Expected production in the next three months	32.7	24.0	32.5	32.2
Industrial Confidence Index - ICI	5.9	-8.5	0.2	2.0

Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current order volume**, **stock level²** and **production expectations for the next three months**. Isolating seasonal variations, relative to March the increase of 5.7 pps in the current order volume component stands out (Graph 4B).

Graph 4. ICI Components



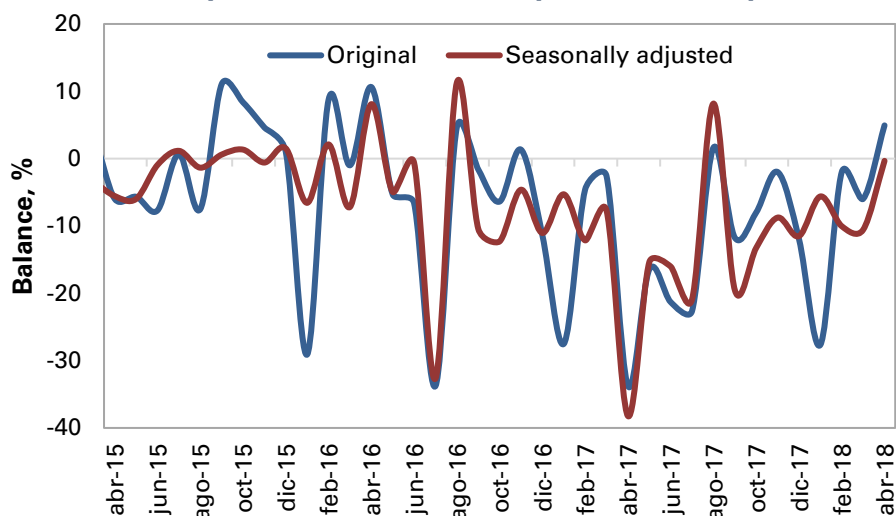
Source: Business Tendency Survey (BTS) – Fedesarrollo

The balance of answers regarding industrial sector productive activity was 4.9% in April, reflecting an increase of 38.7 pps compared to April 2017. Adjusting for seasonal factors,

² 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

this result represents an increase of 10.2 pps relative to March 2018. This indicator exhibits a strong correlation with industrial sector value added growth (Tendencia 186³).

Graph 5. Productive Activity – BTS Industry

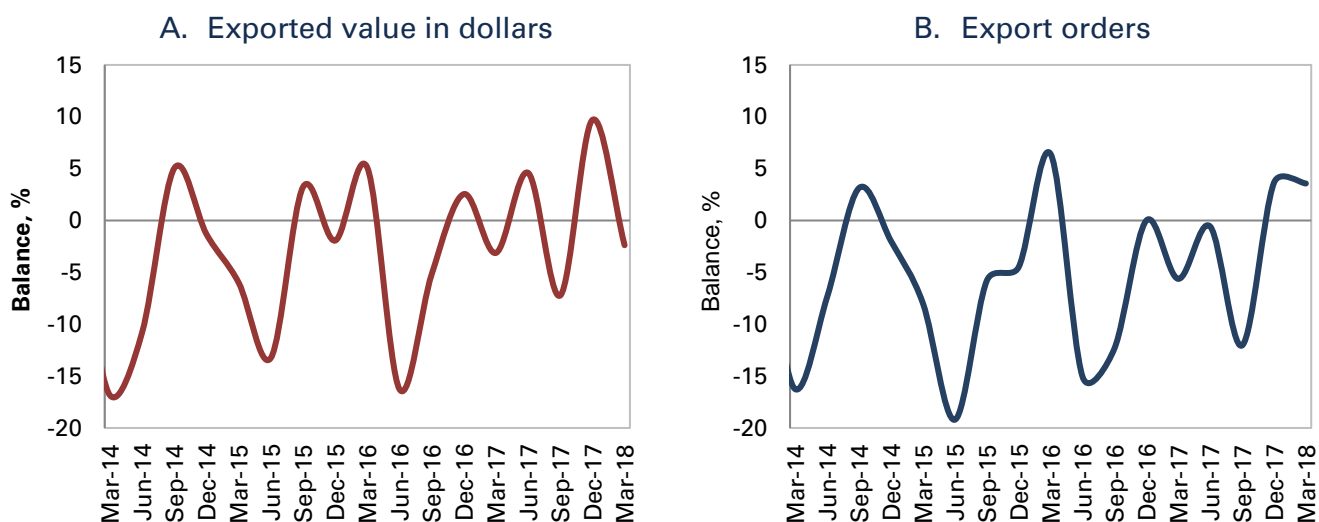


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Exports⁴

In the first quarter of the year 2018Q1, the balance of answers about exported value in dollars was 12.1 pps below the 2017Q4 and 0.7 pps above 2017Q1. On the other hand, the balance for export orders was 3.6% similar to previous quarter, but 9.2 pps larger than 2017Q1 (Graph 6).

Graph 6. Exported value in dollars and export orders in the first quarter of 2018 compared to the same quarter of the previous year



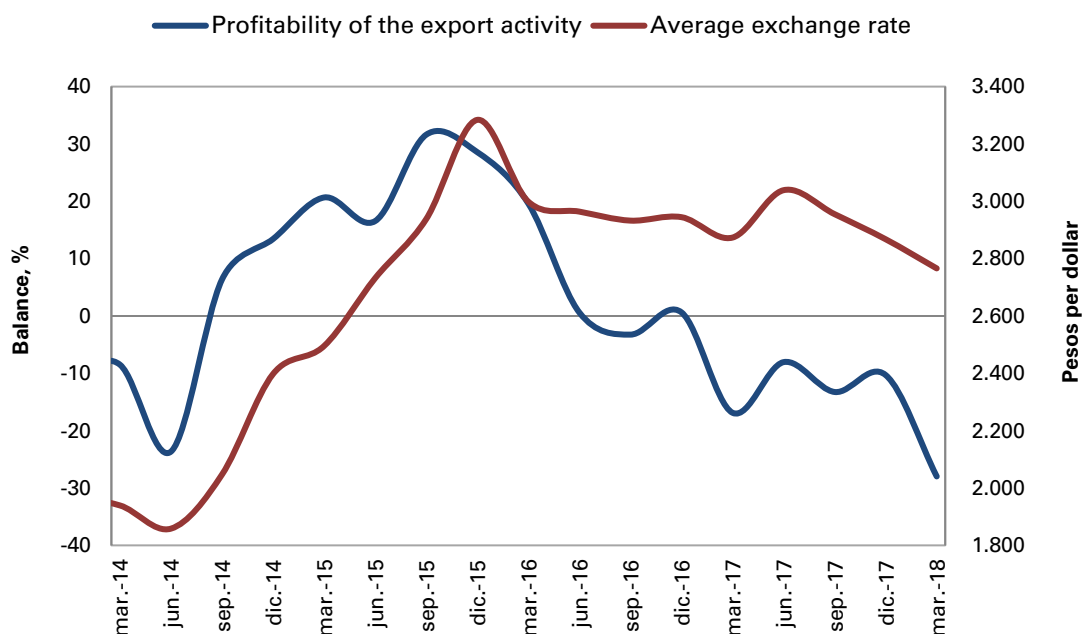
Source: Business Tendency Survey (BTS) – Exports module(Fedesarrollo).

³ Tendencia Económica, May 2018. <http://www.repository.fedesarrollo.org.co/handle/11445/3598>

⁴ On a quarterly basis, the Business Tendency Survey includes a special module for the industrial sector asking about the expectations and the perception of industrialists about the value exported in dollars and export orders.

The question inquiring about the perception of export activity profitability registered a -28.0% balance, a 17.7 pps reduction relative to 2017Q4 and 11.1 pps below 2017Q1. Disaggregating by answers, 10.7% believed export profitability increased compared to 2017Q1. In contrast, 38.6% considered profitability decreased and 50.5% remained the same. The balance of the profitability of the export activity is directly related to the behavior of the exchange rate (Graph 7).

Graph 7. Profitability exports activity and exchange rate



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

For the first quarter of 2018, any factor was considered favorable for the export activity. The most unfavorable factors were the peso-dollar exchange rate and the country's domestic transport, whose balance were -42.9% and -31.0%, respectively. The perception of the impact of the peso-dollar exchange rate deteriorated significantly with respect to the previous quarter. However, the perception of some factors, such as the economic situation of the buyer country or production costs, improved with respect to the previous quarter.

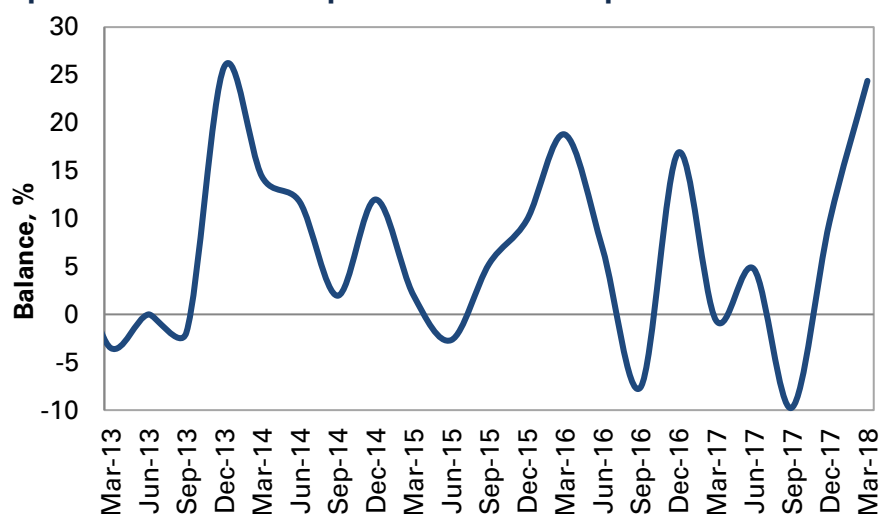
Table 4. Main factors that affected the export activity

Factor (Balance, %)	2017 - I	2017-IV	2018 - I
Peso-dollar exchange rate	-3.7	-21.2	-42.9
Internal transportation in Colombia	-25.5	-33.3	-31
Production costs	-24.2	-26.7	-19.6
Port services in Colombia	-11.2	-8.5	-19
Dollar-currency exchange rate of the buyer country	-3.7	-14.5	-18.5
Trade policies of the purchasing countries	-8.7	-11.5	-14.9
Export procedures in Colombia	-4.3	-3	-9.5
International transport	-3.1	-2.4	-7.1
Competitive position in the target markets	-18	-4.8	-1.2
Economic situation of the purchasing country	-11.8	-10.9	0.0

Source: Business Tendency Survey (BTS) – Módulo trimestral de exportaciones.

The balance of the expectations of the exporters on the performance of their activity in the next three months stood at 24.4%, which is equivalent to an increase of 14.7 pps compared to the previous measurement and an increase of 25.0 pps versus the first quarter of 2017 (Graph 8). The level of expectations registered in this quarter is the highest since 2014. In this measurement, 39.6% of respondents said that their exports will increase in the next three months. On the other hand, 15.2% believe that their exports will decrease and 45.1% will remain the same.

Graph 8. Three-month expectations of the 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

+57 1 3259777 ext. 340
comercial@fedesarrollo.org.co

Published May 23, 2018

Comments to **Santiago Gómez**: sgomez@fedesarrollo.org.co