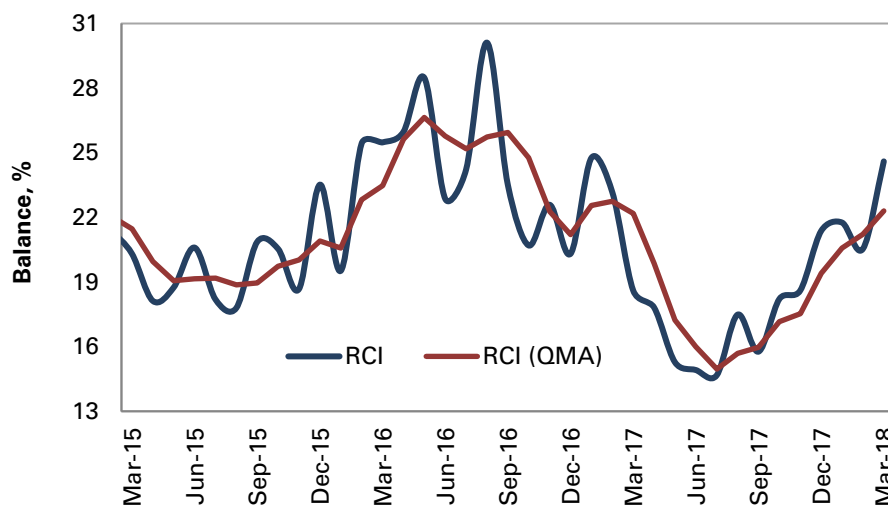


In March, the Retail Confidence Index increased with respect to February and was greater than one year ago. On the other hand, the Industrial Confidence Index showed a greater level in March than a year ago and, adjusting for seasonal factors, increased by 1.2 pps compared to February. Employment expectations for the next quarter increased compared to the previous measurement. Finally, industrialists' perception of smuggling decreased relative to the previous quarter and the first quarter of 2017.

Retail Confidence Index – RCI

In March, the Retail Confidence Index (RCI) stood at 24.6%, which represents an increase of 4.1 percentage points (pps) over the previous month and an increase of 6.0 pps compared to March 2017 (Figure 1). The index registered its highest value since February 2017, and the quarterly moving average continues with the positive trend it shows since August of last year.

Graph 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey – Fedesarrollo.

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

Table 1. Evolution of RCI components

Component (Balance, %)	2016	2017	2018	
	March	March	February	March
Business current situation	47.0	39.4	37.0	37.3
Level of stocks	13.3	17.7	12.6	6.9
Business expectations for the next 6 months	42.7	34.2	37.2	43.5
Retail Confidence Index - RCI	25.5	18.6	20.5	24.6

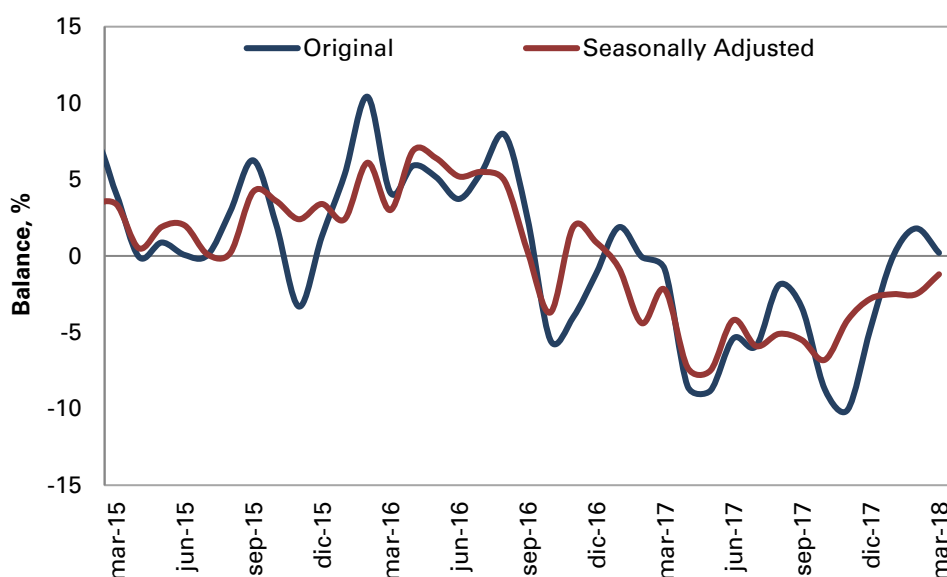
Source: Business Tendency Survey– Fedesarrollo.

In March, the improvement in retailer’s confidence with respect to the previous year is mainly due to an increase of 9.3 pps in the expectations component of the economic situation for the next semester and a decrease of 10.8 pps in the component of stock level. Compared to February, the increase in the RCI is due to an improvement of 6.3 pps in the expectations component, a 5.6 pps reduction in the stock level indicator and a slight recovery of 0.3 pps in the component of current economic situation.

Industrial Confidence Index – ICI

In March, the Industrial Confidence Index (ICI) was 0.2%, which, adjusting the series for seasonal factors, represents an increase of 1.2 pps compared to February 2018. With respect to March 2017, the observed level shows an improvement of 1.0 pps.

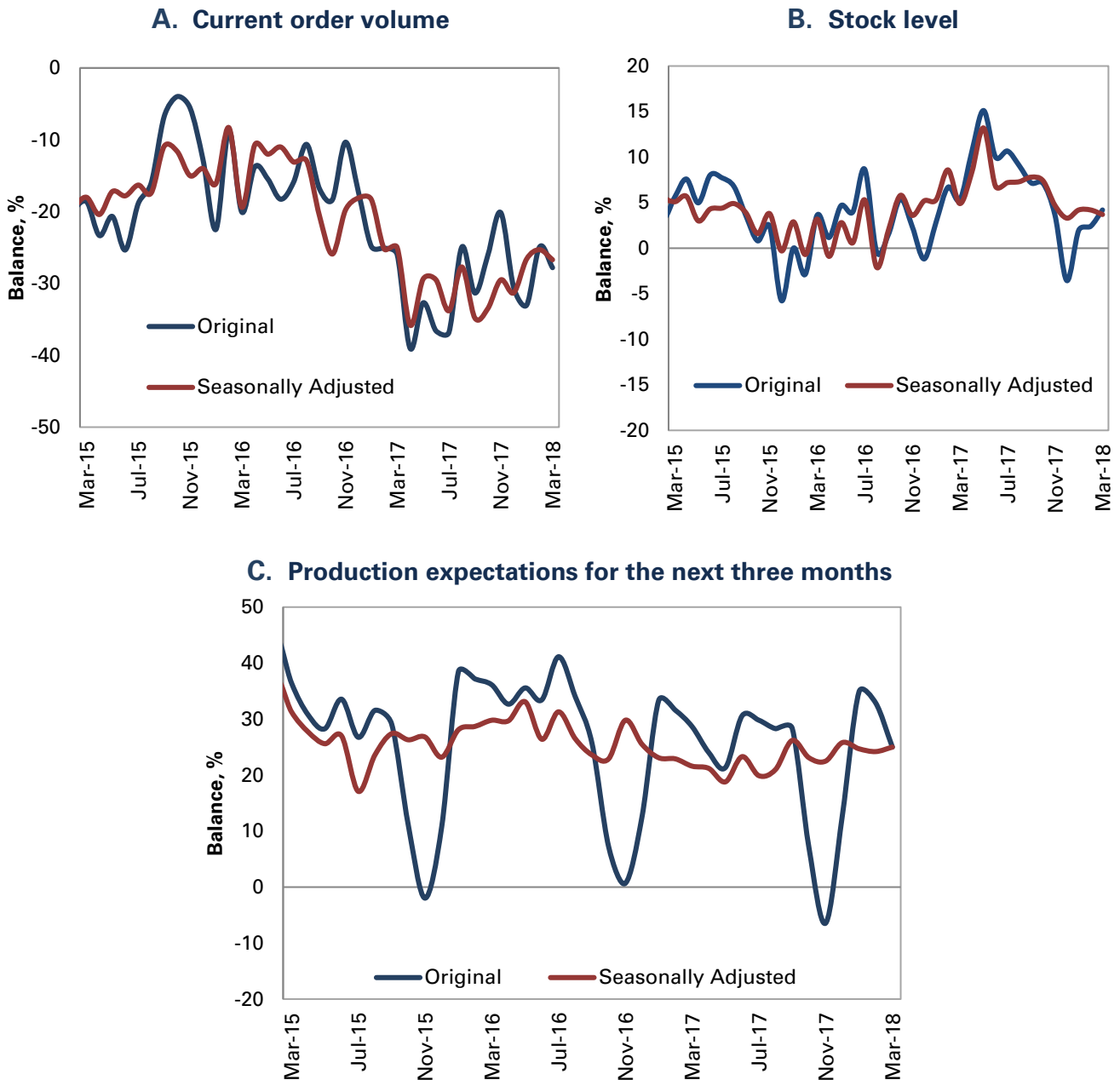
Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey – Fedesarrollo.

The ICI consists of three components: **current order volume**, **stock level¹** and **production expectations for the next three months**. Isolating seasonal variations, compared to February, the 1.3 pps reduction in the stock level component stands out (Graph 3B).

Graph 3. ICI Components



Source: Business Tendency Survey – Fedesarrollo

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

The increase in industrialist confidence with respect to March of the previous year is mainly due to an improvement of 3.8 pps in the indicator of production expectations and a decrease of 1.1 pps in the stock level component (Table 2). These results were not offset by the 1.8 pps decrease in the current order volume indicator.

Table 2. Evolution of ICI components

Component (Balance, %)	2016	2017	2018	
	March	March	February	March
Current volume of orders	-20.1	-26.0	-24.9	-27.8
Stocks of finished goods at the end of this month	3.6	5.3	2.4	4.2
Expected production in the next three months	36.1	28.7	32.9	32.5
Industrial Confidence Index - ICI	4.1	-0.9	1.9	0.2

Source: Business Tendency Survey – Fedesarrollo.

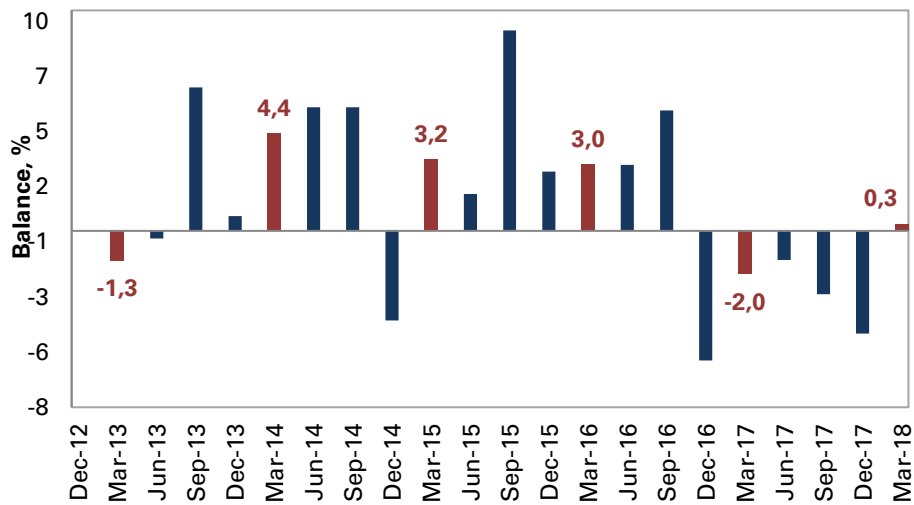
Employment Expectations and Contraband Perception²

In March, the balance on employment expectations for the next quarter was 0.3%, which represents an increase of 5.0 pps compared to the previous quarter and an increase of 2.3 pps compared to the same period of 2017 (Graph 4). This result ends a cycle of 5 quarters with negative expectations on the generation of employment during the following quarter. Results disaggregated by response show that 10.2% of respondents believe that employment in the industry will increase, 9.8% believe that it will decrease and 80.0% say it will remain the same.

The perception of employers about the presence of contraband in the industry decreased compared to the previous quarter and in relation to the same period of 2017. In March, this indicator had a balance of -11.0%, which represents a decrease of 15.8 pps with respect to the data of the previous quarter and places it at historically low levels. In particular, 10.8% of respondents said that contraband in the January-March quarter increased compared to the previous quarter, 67.0% said that it remained the same, while 22.1% considered it was lower. (Graph 5).

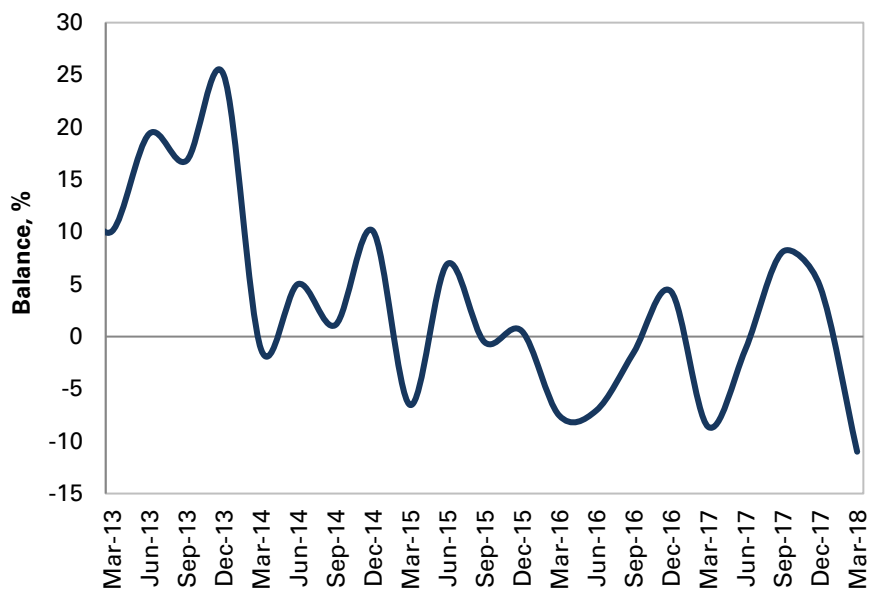
² The Business Opinion Survey for the month of March contains a quarterly module that inquires about employers' perception of employment expectations and the perception of contraband in the industry.

Graph 4. Employment Expectations



Note: No seasonally adjusted data.
Source: Business Tendency Survey – Fedesarrollo.

Graph 5. Contraband Perception



Source: Business Tendency Survey – Fedesarrollo.



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

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