

Business Tendency Survey April* 2020



In April*, the Retail Confidence Index (RCI) was -25.5%, compared to the previous month this represents an increase of 5.3 pps, due to a rise in the expectation's indicator for the next semester, which counterbalanced the decrease in the business current situation indicator and the increase in the level of stocks. The Industrial Confidence Index registered a balance of -35.8%, its lowest value since its launch (January 1980), compared to the previous month this represents a decrease of 0.8 pps, due to a decrease in the current volume of orders indicator and an increase in the level of stocks.

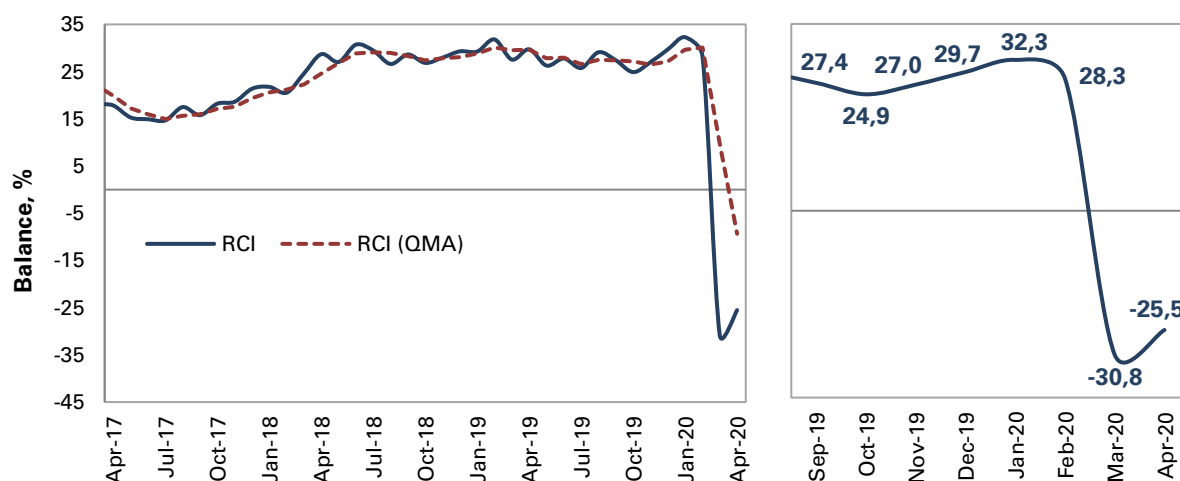
In April, 68.7% of the companies were affected in their operations, 86.4% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 33.0%. Only 19.2% of firms have cash on hand for a total of more than eight weeks of expenses. In the first quarter of 2020, the profitability of the export activity, the exported value in dollars, the balance of export orders and the indicators of exporters expectations on the performance of their activity in the next three months, decreased compared to the previous quarter.

Retail Confidence Index – RCI

In April, the Retail Confidence Index (RCI) was -25.5%, which represents an increase of 5.3 percentage points (pps) compared to last month and a decrease of 55.3 pps relative to April 2019 (Graph 1).

*Given the situation of COVID-19 and quarantine measures, the survey's sample was reduced by 13.8%; however, it is still representative.

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. Retail Confidence Index Components

Component (Balance, %)	2019	2020	
	April	March	April
Business current situation	44,0	-26,4	-31,4
Level of stocks	4,6	3,3	9,5
Business expectations for the next 6 months	49,7	-62,8	-35,7
Retail Confidence Index - RCI	29,7	-30,8	-25,5

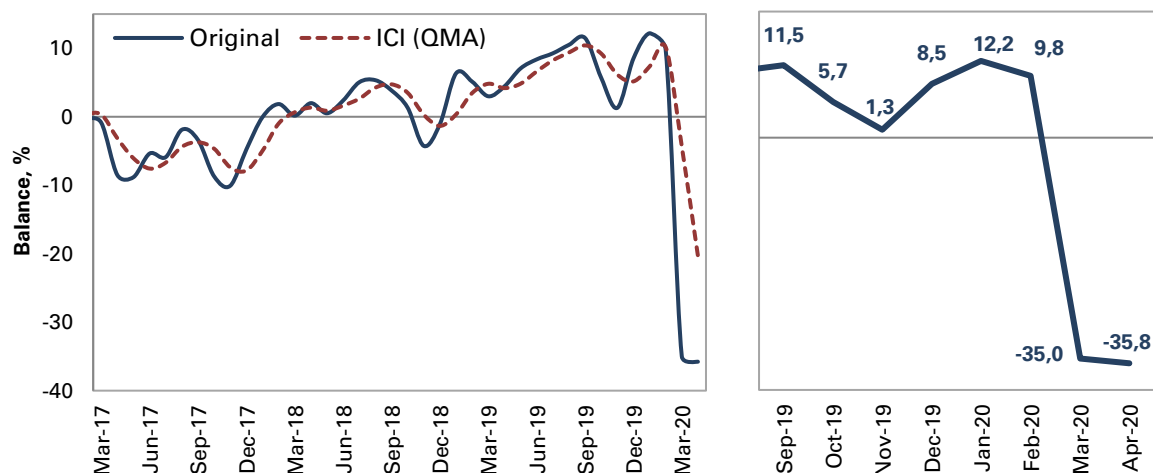
Source: Business Tendency Survey (BTS) – Fedesarrollo

In April, the growth in retailer's confidence compared to the previous month was mainly due to an increase of 27.1 pps in the expectation's indicator for the next semester, while the business current situation indicator decreased 5.0 pps and the level of stocks rose 6.2 pps. On the other hand, compared to April 2019, the result was mainly due to a decrease of 85.5 pps in the expectation's indicator for the next semester, a decrease of 75.4 pps in the current economic situation indicator, and in minor extent, due to an increase of 4.9 pps in the level of stocks.

Industrial Confidence Index – ICI

In April, the Industrial Confidence Index (ICI) stood at -35.8% in its original series, its lowest value since its launch (January 1980). This represents a decrease of 0.8 percentage points (pps) compared to last month and 40.2 pps relative to April 2019. On the other hand, its quarterly moving average was -20.3%, which is equivalent to a decrease of -16.0 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 13.1 pps in the current volume of orders indicator and an increase of 12.9 pps in the level of stocks, while the expected production in the next three months increased 23.6 pps. Excluding seasonal variations, there was an increase in the level of stocks, a decrease in expected production for the next quarter and a decrease in the current volume of orders compared to March (Graph 3).

Table 2. Evolution of ICI components

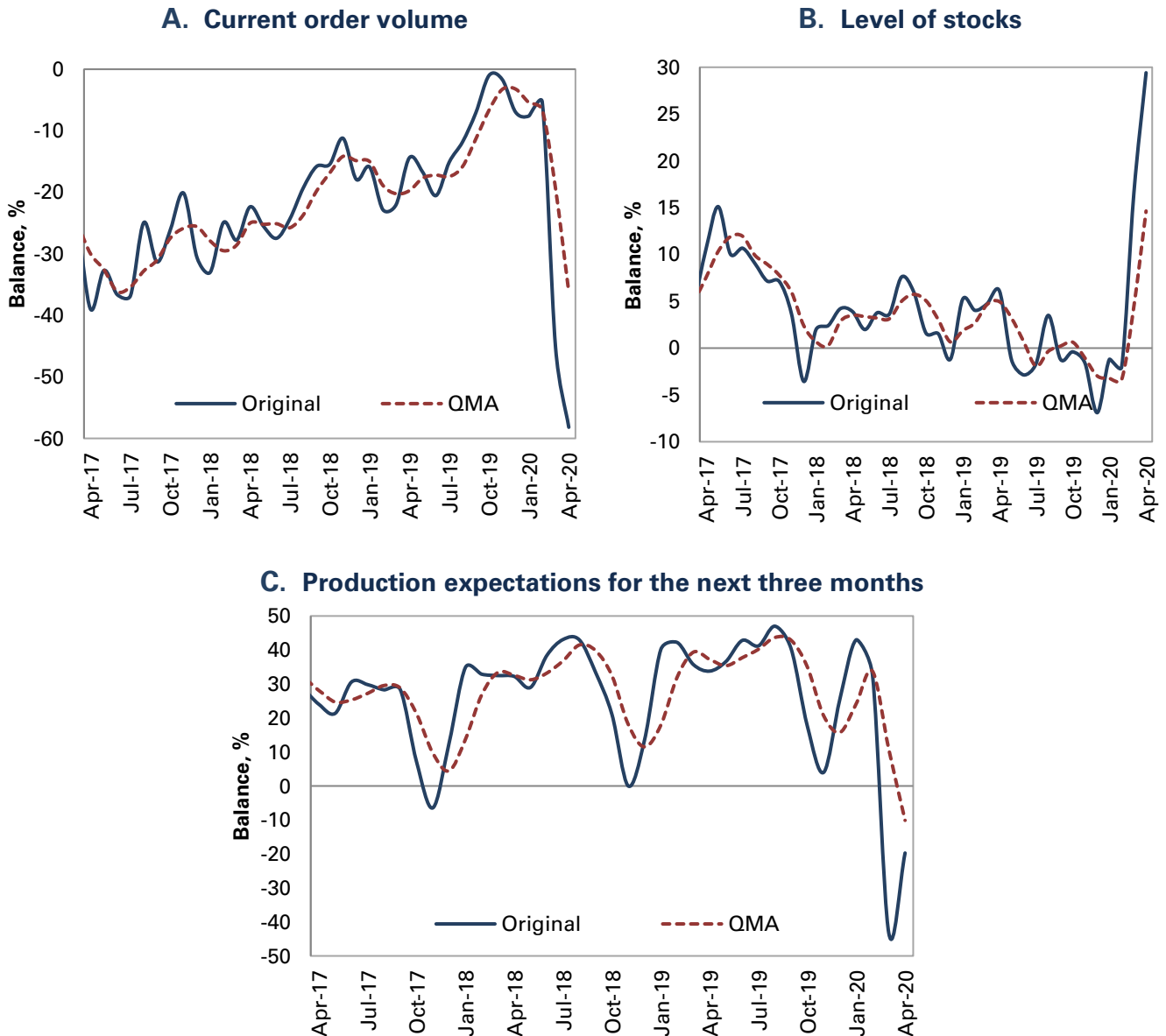
Component (Balance, %)	2019	2020	
	April	March	April
Stocks of finished goods at end of this month	6,1	16,5	29,4
Current volume of orders	-14,4	-45,1	-58,2
Expected production in the next three months	33,8	-43,3	-19,7
Industrial Confidence Index - ICI	4,4	-35,0	-35,8

¹ Both industrial producers and retailers are asked if the level of stocks is high, low or normal. The balance corresponds to 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.

Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to April 2019 was due to a decrease of 53.5 pps in the expected production in the next three months, a decrease of 43.8 pps in the current volume of orders indicator and an increase of 23.3 pps in the level of stocks (Table 2).

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo


COVID-19

In order to identify the impact on the business sector caused by COVID-19 and the containment measures decreed by the National Government, the Business Opinion Survey identified four main aspects that may be affected. These are: i) the company’s operation status, ii) expectations of operation status, iii) employment and iv) financial fragility.

Regarding the degree of operation of the company, 31.3% of the firms did not present an impact on their operation, 55.0% operated partially, meanwhile 12.3% had a provisional closure. The remaining 1.4% displayed a permanent closure of their operation (Table 3). Of the companies that had some degree of impairment in their operations, 86.4% stated that this was due to COVID-19.

Table 3. Operation status of the company and its relation to COVID-19

Operation status	Percentage
Normal operation	31,3
Partial operation	55,0
Provisional closure	12,3
Permanent closure	1,4




Related to COVID-19	Percentage
Yes	86,4
No	13,6

Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 20.8% of the companies expect to carry out a provisional closure, 1.8% foresee a permanent closure meanwhile the remaining 77.4% do not plan to carry out any disrupt in their operations (Table 4). The percentage of the companies that expect some impact on their operation status related to COVID-19 was 91.9%.

Table 4. Operation status expectative and its relation to COVID-19

Expectations of operation status	Percentage
Provisional closure	20,8
Permanent closure	1,8
Normal operation	77,4



Related to COVID-19	Percentage
Yes	91,9
No	8,1

Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, 5.5% of companies increase the number of employees between 1% and 25%, meanwhile 61.6% of these kept their staff unchanged. 24.9% of the firms reduced their employees in a range between 1% and 25%, the percentage of companies that reduced the number of their workers between 25% and 50% was 3.7%, meanwhile the remaining 4.3% reduced it more than 50% (Table 5).

Table 5. Number of employees in comparison with January 2020.

Number of employee's vs January 2020	Percentage
Increased more than 50%	0,0
Increased between 25% and 50%	0,0
Increased between 1% and 25%	5,5
Remain unchanged	61,6
Decreased between 1% and 25%	24,9
Decreased between 25% and 50%	3,7
Decreased more than 50%	4,3

Source: Business Tendency Survey (BTS) – Fedesarrollo

The percentage of companies who consider that they have cash on hand less than 2 weeks' worth of expenses² is 15.0%, meanwhile 29.1% consider having cash on hand between 2 and 4 weeks' worth of expenses. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks' worth of expenses is 19.9%, 16.9% consider it to be between 6 and 8 weeks, 8.3% claim that they have cash on hand between 8 and 12 weeks, meanwhile the remaining 8.3% of companies establish more than 12 weeks to have cash on hand to pay all expenses (Table 6).

Table 6. Maximum of weeks with cash on hand to pay all expenses.

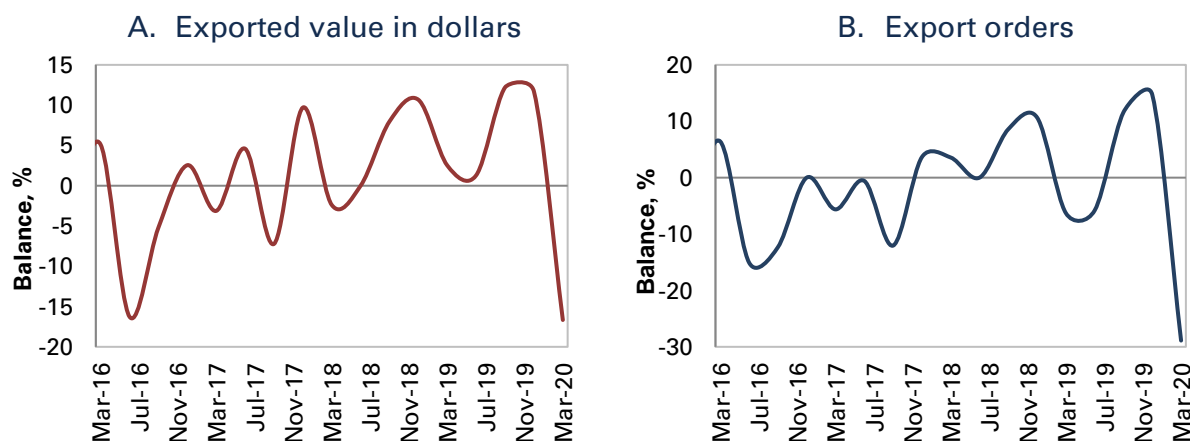
Maximum of weeks with cash on hand to pay all expenses	Percentage
Less than 2 weeks	15,0
Between 2 and 4 weeks	29,1
Between 4 and 6 weeks	19,9
Between 6 and 8 weeks	16,9
Between 8 and 12 weeks	8,3
More than 12 weeks	10,9

Source: Business Tendency Survey (BTS) – Fedesarrollo

Exports³

During the first quarter of 2020, the balance of answers about exported value in dollars was -16.7%, which indicates that the percentage of respondents with decreasing exports was greater than the percentage with increasing exports relative to the previous quarter. This result represents a decrease of 28.3 pps compared to the previous quarter and 19.2 pps compared to the same quarter of 2019. On the other hand, the balance of export orders was -28.9%. which implies a reduction of 43.6 pps compared to the previous quarter and 22.6 pps relative to the same quarter of 2018 (Graph 4).

Graph 4. Exported value in dollars and export orders in the first quarter of 2020 compared to the same quarter of the previous year



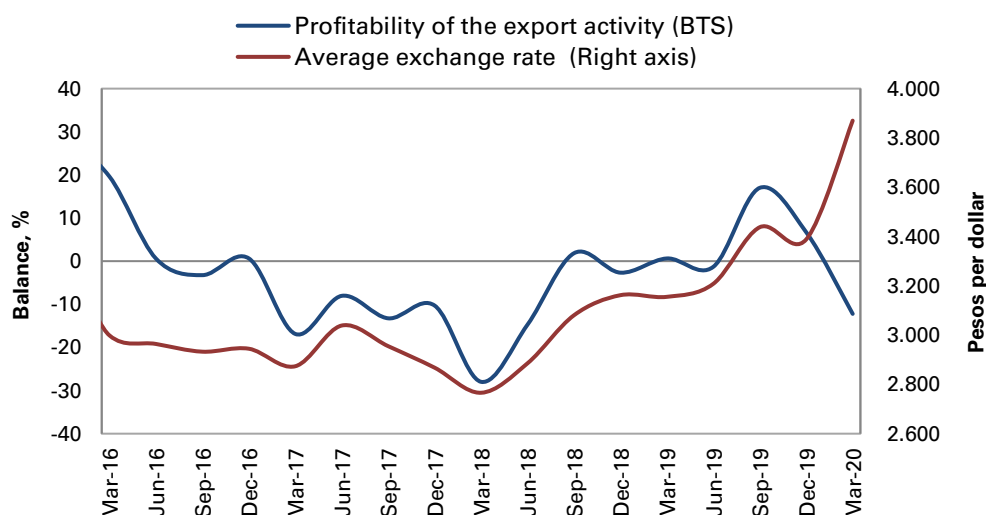
² It refers to all its fixed cost (wages, social benefits, rent, etc.)

³On 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.

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

Regarding the perception about exports profitability, the balance was -12.2%, which is equivalent to a 19.0 pps decrease compared to the previous quarter and 12.9 pps relative to the same quarter of 2019. The balance of exports profitability in this quarter is not 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 2020, the factors Peso-dollar exchange rate (27.8%) and Colombian information and marketing services (10.0%) were the most favorable factors for the export activity. Specifically, the balance of Peso-dollar exchange rate increased 12.7 pps compared to the same quarter of 2019. On the other hand, the most unfavorable factors were economic situation of the purchasing country (-36.7%), internal transport in Colombia (-35.6%) and international transport (-35.6%). Relative to the previous quarter, balances of Colombian information and marketing services and Peso-dollar exchange rate increased 11.8 pps and 7.5 pps respectively.

Table 3. Main factors that affected the export activity

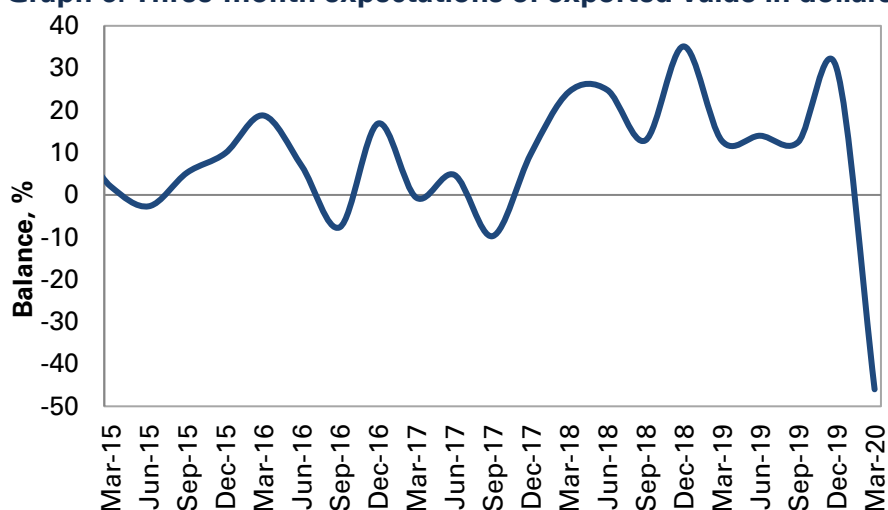
Factor (Balance, %)	2019-I	2019 - IV	2020-I
Economic situation of the purchasing country	-2,5	8,0	-36,7
Internal transportation in Colombia	-27,7	-23,5	-35,6
International transport	-5,7	3,1	-35,6
Port services in Colombia	-2,5	-4,9	-24,4
Production costs	-29,6	-19,8	-21,1
Availability and cost of credit	1,3	0,6	-16,7
Export procedures in Colombia	5,7	0,6	-13,3
Competitive position in the target markets	-17,0	-5,5	-13,3
Trade policies of the purchasing countries	-13,8	-3,1	-6,7

Dollar-currency exchange rate of the buyer country	9,4	4,3	3,3
Plan Vallejo System	13,2	20,4	3,3
Colombian information and marketing services	3,8	-1,8	10,0
Peso-dollar exchange rate	15,1	20,2	27,8

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

The balance of exporters' expectations regarding the performance of their activity in the next three months was **-46.0%**, which is equivalent to a **76.0 pps** decrease compared to the previous measurement and a **58.8 pps** compared to the first quarter of 2019 (Graph 6). In this measurement, 18.4% of respondents said that their exports will increase over the next three months, while 64.4% believe that their exports will decrease, and 17.2% 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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