

Business Tendency Survey August 2019

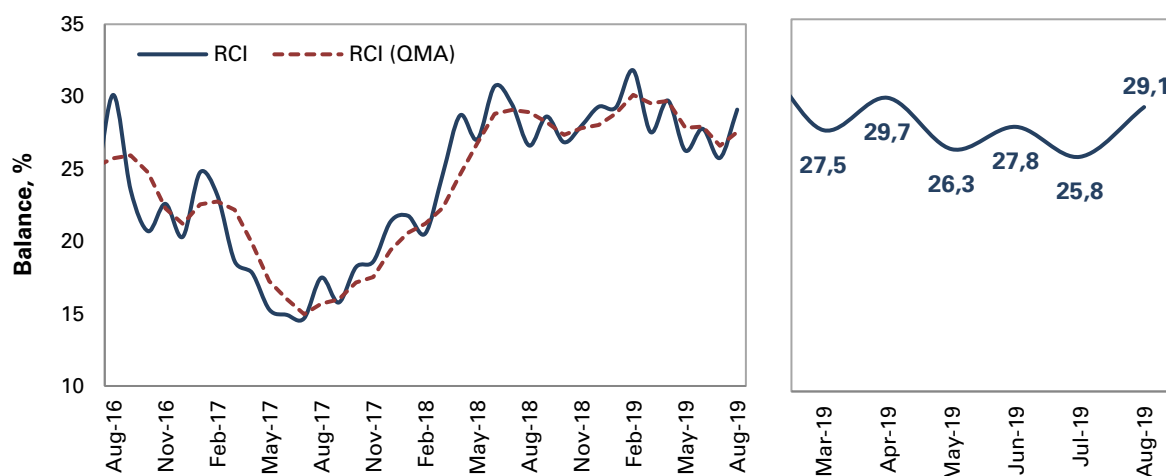


In August, the Retail Confidence Index stood at 29.1%, which represents an increase of 3.3 pps compared to the previous month and an increase of 2.5 pps compared to the same period one year ago, due to a decrease in the level of stocks and an increase in the business current situation. The Industrial Confidence Index registered a balance of 10.5%, which represents an increase of 1.3 pps compared to the last month and an increase of 5.2 pps compared to August 2018, explained by the increase in the expected production in the next three months. On the other hand, installed capacity utilization in August was 72.9%, which represents an increase of 2.8 pps compared to the previous quarter and an increase of 0.6 pps compared to the same period of 2018. In August, business perception of the favorable economic and socio-political conditions to invest decreased compared to the previous quarter. In the construction sector, expectations and construction rate rose while the current economic situation of companies in the sector fell compared to the last measurement.

Retail Confidence Index – RCI

In August, the Retail Confidence Index (RCI) was 29.1%, which represents an increase of 3.3 percentage points (pps) compared to last month and an increase of 2.5 pps compared to August 2018 (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 August of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2018	2019	
	August	July	August
Business current situation	39.5	39.5	45.0
Level of stocks	6.9	9.7	1.5
Business expectations for the next 6 months	47.3	47.5	43.8
Retail Confidence Index - RCI	26.6	25.8	29.1

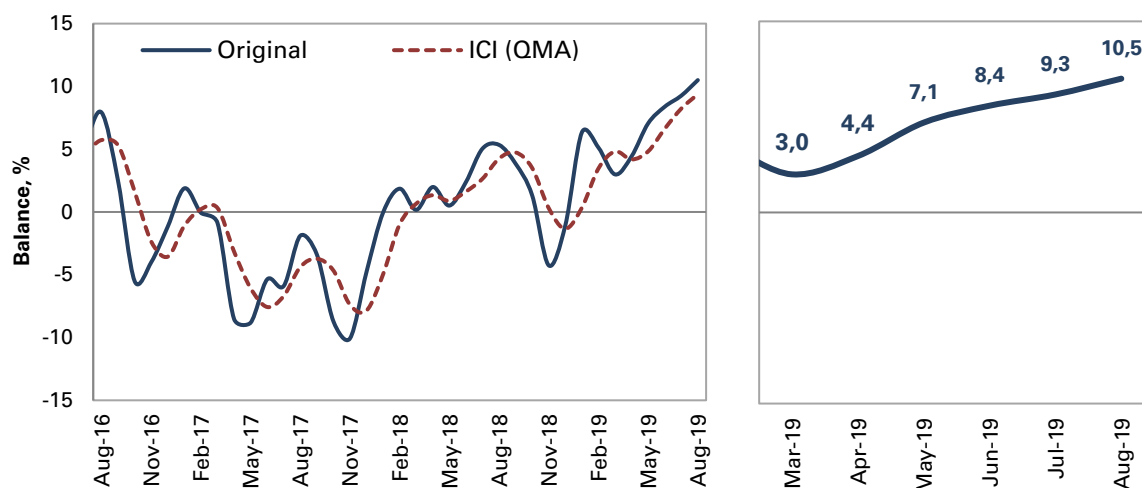
Source: Business Tendency Survey (BTS) – Fedesarrollo

In August, the reduction in retailer’s confidence compared to the previous month was mainly due to a decrease of 8.2 pps in the level of stocks indicator and an increase of 5.5 pps in the business current economic situation component, while the expectation’s indicator for the next semester decreased 3.7 pps. On the other hand, compared to August 2018, the result was due to an increase of 5.5 pps in the current economic situation indicator and a decrease of 5.4 pps in the level of stocks indicator, while the expectations indicator presents a reduction of 3.4 pps.

Industrial Confidence Index – ICI

In August, the Industrial Confidence Index (ICI) stood at 10.5% in its original series, which represents an increase of 1.3 pps compared to July 2019 and an increase of 5.2 pps relative to August of 2018. On the other hand, its quarterly moving average was 9.4%, which is equivalent to an increase of 1.2 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**. The increase in industrial confidence compared to August 2018 was due to an increase of 7.5 pps in the current volume of orders indicator, a reduction of 4.1 pps in the level of stocks and an increase of 4.0 pps in the expected production in the next three months (Table 2).

Table 2. Evolution of ICI components

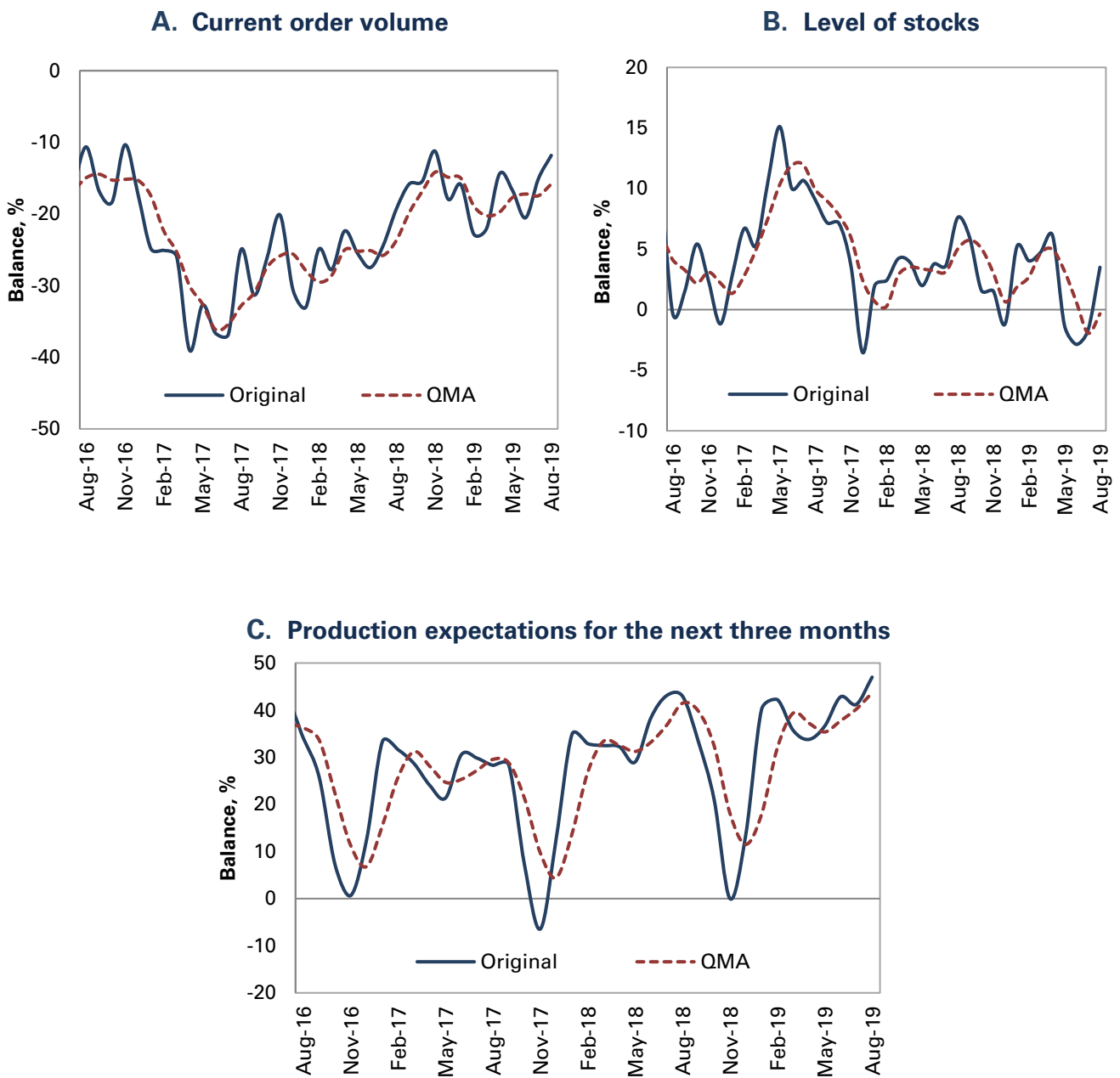
Component (Balance, %)	2018		2019
	August	July	August
Stocks of finished goods at end of this month	7.6	-1.7	3.5
Current volume of orders	-19.3	-15.1	-11.8
Expected production in the next three months	43.0	41.2	47.0
Industrial Confidence Index - ICI	5.3	9.3	10.5

Source: Business Tendency Survey (BTS) – 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.

In the original series, the increase of the ICI compared to the previous month was mainly due to the 5.7 pps increase in the expected production for the next quarter and to the increase of 3.3 pps in the current volume of orders indicator. Meanwhile, there was an increase of 5.2 pps in the level of stocks. Isolating seasonal variations, there was an increase in the level of stocks, in the expected production for the next quarter and in the current volume of orders compared to July (Graph 3).

Graph 3. ICI Components

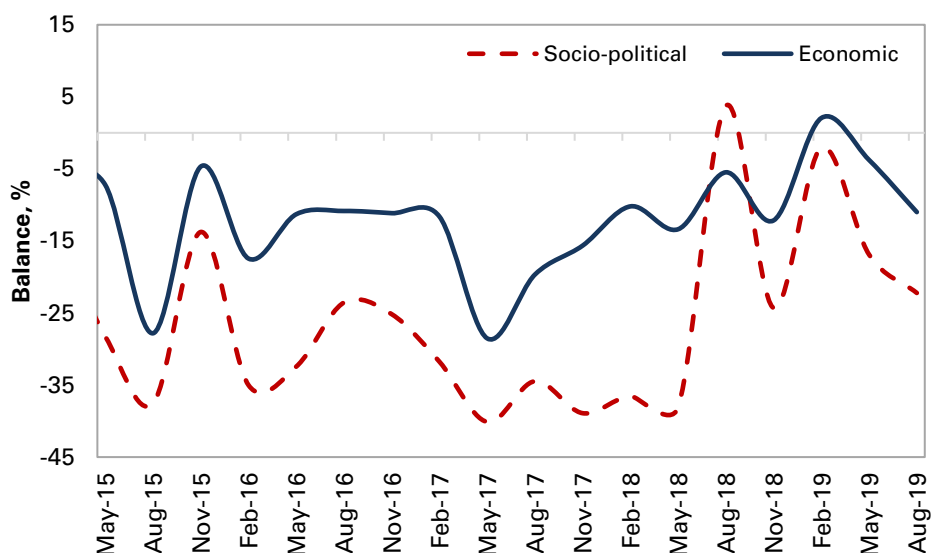


Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module: Economic and sociopolitical conditions for investment²

In August, the balance of the industrial sector about favorable **economic conditions** to invest was -11.0%, which is equivalent to a reduction of 7.2 pps compared to the last measurement (May 2019). The results show that 31.0% of respondents believe that current economic conditions are unfavorable, compared to 26.0% of the previous measurement, while 20.0% of respondents considered that the current conditions are favorable compared to the 22.0% of the previous measurement. Moreover, 48.0% affirm they are neutral compared to the 52.0% of the previous measurement.

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



Source: Business Tendency Survey (BTS) – Fedesarrollo

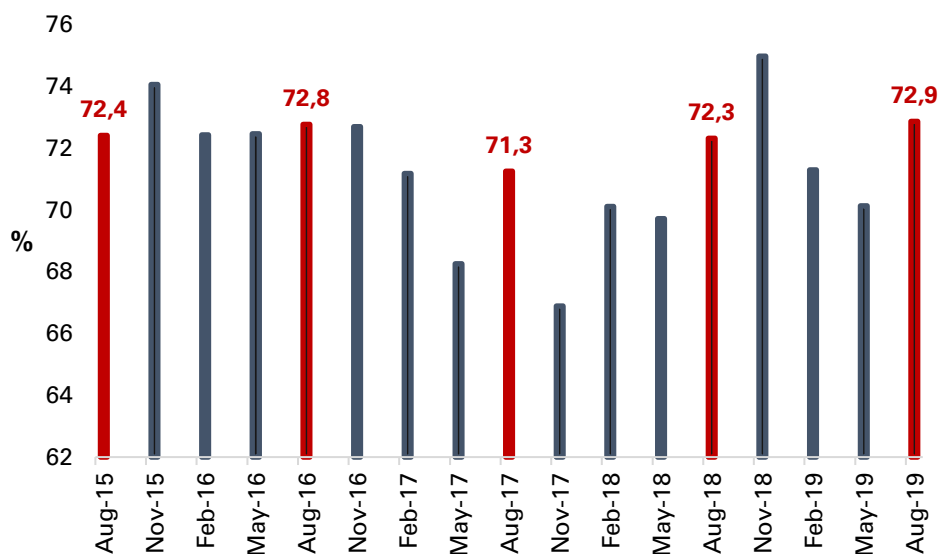
On the other hand, the balance for favorable **sociopolitical conditions** to invest was -22.2%, a reduction of 5.3 pps compared to the previous quarter. The results show that 11.0% of the respondents believe that the sociopolitical conditions are favorable, while 34.0% consider that they are unfavorable and 55.0% that they are neutral.

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

Quarterly Module: Industry Installed Capacity Utilization

In August, industry installed capacity utilization was 72.9%, which represents an increase of 2.8 pps compared to the May 2019 measurement and an increase of 0.6 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

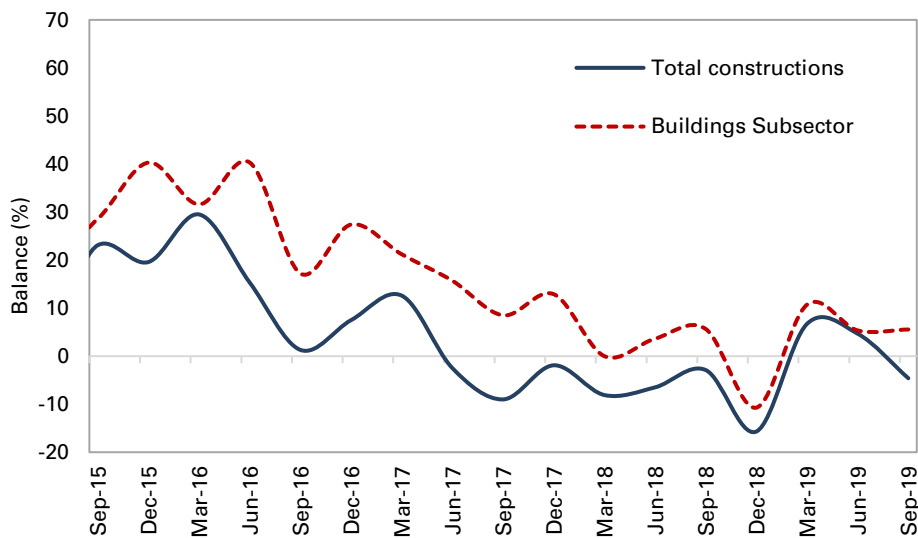
Quarterly Construction Survey

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 third quarter of 2019, the balance of the current economic situation of companies in the construction sector stood at -4.6%, equivalent to a reduction of 9.3 pps compared to the previous quarter and a decrease of 1.7 pps compared to the same period of 2018.

Building subsector registered a balance of 5.6%, 0.2 pps higher than the registered during the previous quarter and 0.1 pps lower compared to one year ago (Graph 8)

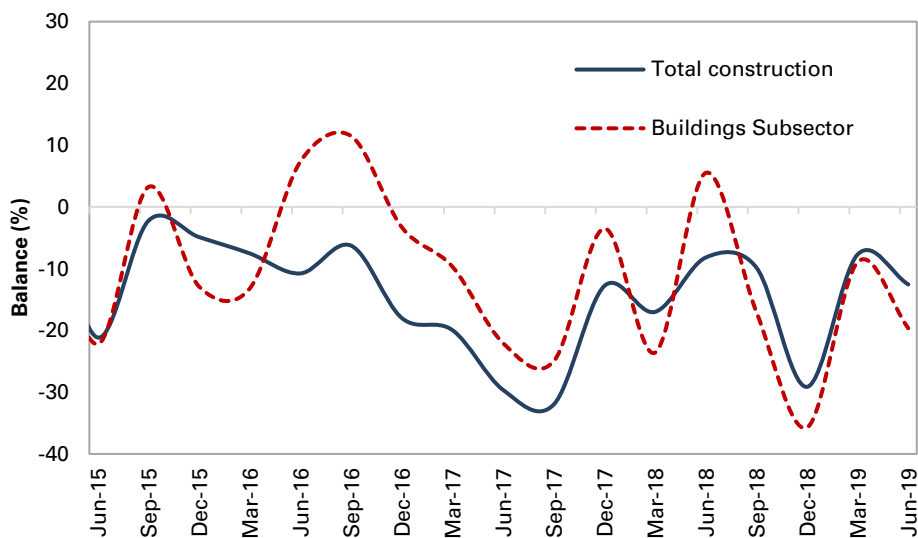
Graph 8. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -3.4%, showing an increase of 9.2 pps compared to the previous quarter and 6.4 pps compared to the third quarter of 2018. For the building subsector, this indicator registered a balance of 0.0%, which shows an increase of 19.6 pps compared to the previous quarter and an increase of 17.0 pps compared to a year ago (Graph 9).

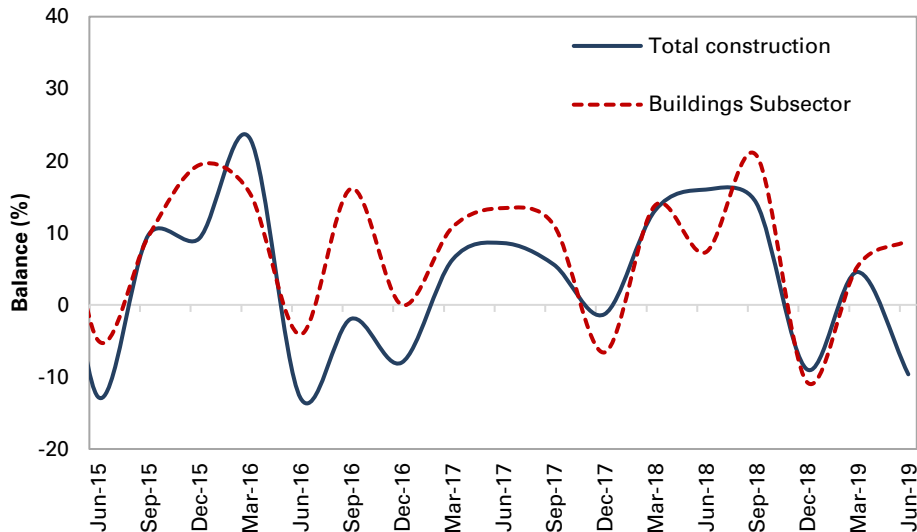
Graph 9. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

Finally, the balance of construction expectations for the next quarter was 8.3%, showing an increase of 17.9 pps compared to the previous measurement and a reduction of 5.8 pps compared to the third quarter of 2018. In the building subsector, expectations recorded a balance of 25.9%, which represents an increase of 17.0 pps compared to the previous month and an increase of 5.1 pps over the same quarter of last year (Graph 10).

Graph 10. Construction expectations for the next quarter



Source: Quarterly Construction Survey - Fedesarrollo.



FEDESARROLLO
Centro de Investigación Económica y Social

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 September 25, 2019

Comments to **Daiyan Andrea Correa Jiménez:** dcorrea@fedesarrollo.org.co