

Business Tendency Survey

January 2018

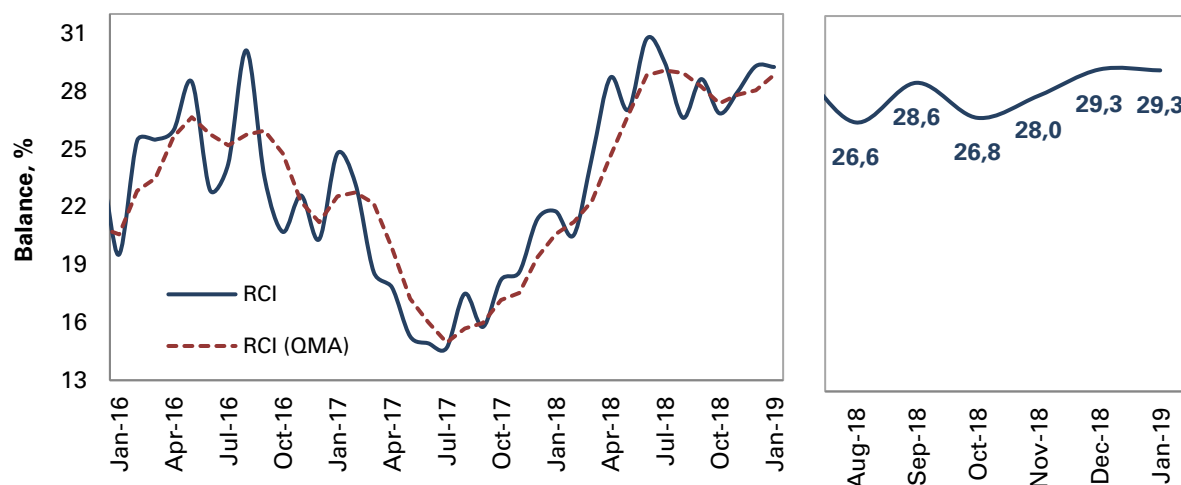


In January, the Industrial Confidence Index in its original series continued its recovery and recorded a balance of 6.3%, which represents an increase of 6.4 percentage points (pps) compared to the previous month and 7.4 pps relative to January 2018. Meanwhile, Retail Confidence Index did not change compared to the previous month and remained at 29.3% but increased with respect to January 2018. Finally, the annual investment module shows that almost two thirds of industrialists expect larger investments this year relative to 2018.

Retail Confidence Index – RCI

In January, the Retail Confidence Index (RCI) remained at 29.3%, which does not represent variations compared to the previous month, but an increase of 7.5 pps compared to January 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 January of the last two years are summarized in Table 1.

Table 1. Evolution of RCI components

Component (Balance, %)	2018		2019
	January	December	January
Business current situation	37.8	48.5	47.0
Level of stocks	6.5	5.6	5.1
Business expectations for the next 6 months	34.0	45.0	45.8
Retail Confidence Index - RCI	21.8	29.3	29.3

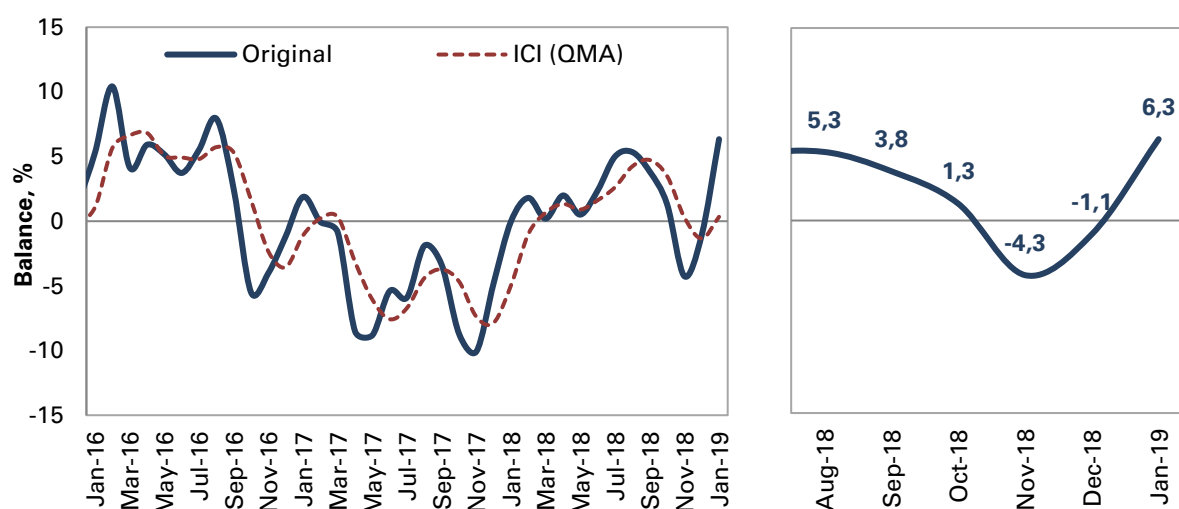
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In January, the results of retail confidence against previous month was due to the increase of 0.8 pps in business expectations for the next semester and the reduction of 1.5 pps and 0.6 pps in the component of current economic situation of the company and the level of stocks, respectively. Relative to January 2018, there was an improvement in all components: the level of stocks index decreased 1.5 pps, the expectations index increased 11.8 pps and the current economic situation component increased 9.2 pps.

Industrial Confidence Index – ICI

In January, the Industrial Confidence Index (ICI) in its original series stood at 6.3%, which represents an increase of 6.4 pps compared to December and an increase of 7.4 pps relative to January 2018. On the other hand, its quarterly moving average recorded 0.3%, which represents an improvement of 1.7 pps compared to the previous month and once again stands in positive territory.

Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current volume of orders, level of stocks¹ and production expectations for the next three months**. The improvement in industrial confidence with respect to January 2018 was mainly due to the increase of 5.3 pps in production expectations, the increase of 17.1 pps in the current volume of orders and the increase of 3, 3 pps in the level of stocks component (Table 2).

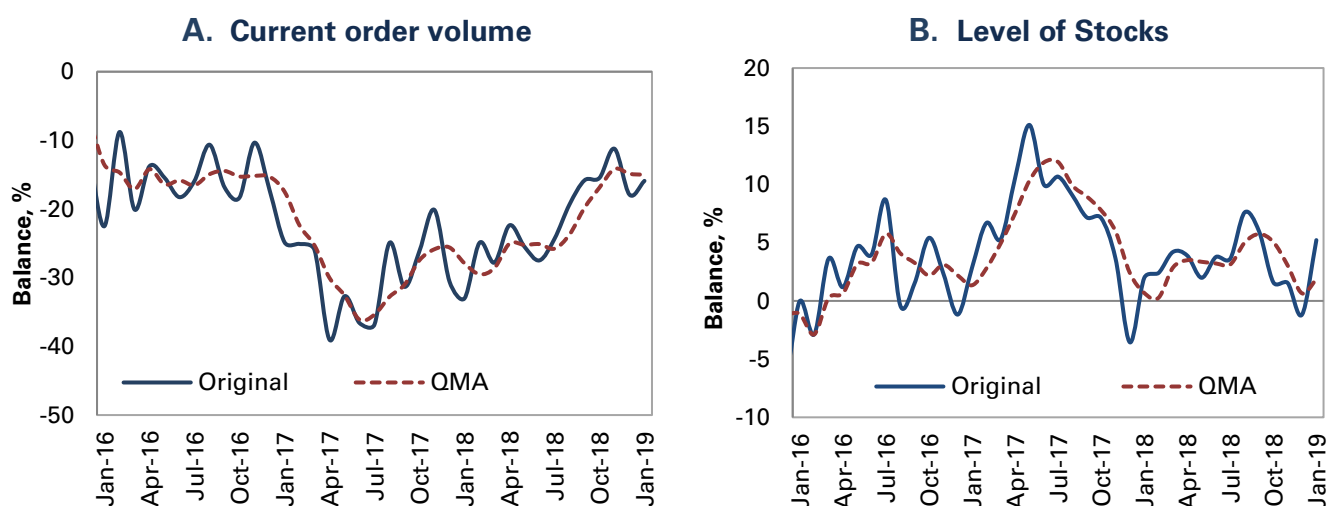
Table 2. Evolution of ICI components

Component (Balance, %)	2018		2019
	Enero	Diciembre	Enero
Current volume of orders	-33.0	-17.9	-15.9
Stocks of finished goods at the end of this month	2.0	-1.2	5.2
Expected production in the next three months	34.9	13.5	40.1
Índice de Confianza Industrial – ICI	0.0	-1.1	6.3

Source: Business Tendency Survey (BTS) – Fedesarrollo.

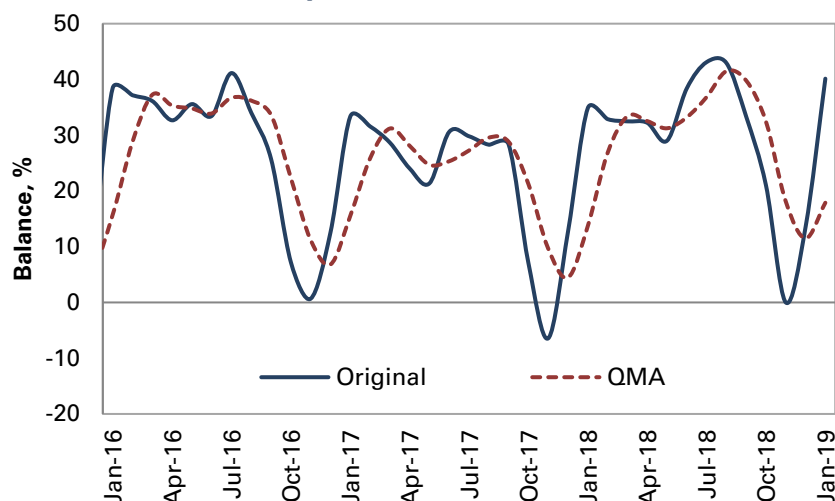
In the original series, the improvement in January of the ICI relative to previous month was due to the 26.6 pps increase in production expectations for the next quarter and, to a lesser extent, to the 2.0 pps increase in the current volume indicator of orders. Isolating seasonal variations, there was an increase in all ICI components (Graph 3).

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.

Investment of the Industrial Sector

In January, the BTS for the industrial sector contains an **annual module** on investment spending. **In January 2018, 50.5% of the respondents said that the investment increased compared to the previous year, while in the January 2019 this percentage increased to 56.2%.** On the other hand, 43.8% of the respondents considered that investment in 2018 was lower than in 2017, which represents a 5.7 pps drop relative to January 2017 survey (Table 3).

Table 3. Investment expenditure in the previous year and budgeted investment

Percentage of responses	Investment Expenditure*		Budgeted Investment	
	2017 vs 2016	2018 vs 2017	2018 vs 2017	2019 vs 2018
Increase	50,5	56,2	55,7	64,6
Decrease	49,5	43,8	44,3	35,4

* Question about investment in machinery, equipment and construction during previous year
Source: Business Tendency Survey - Annual investment module

On the other hand, **64.6% of the industry has an increase in investment spending planned for this year relative to 2018**, while 35,4% considers a reduction. Comparing the results with January 2018 measurement, there is an increase in the percentage of industrial producers that have investment plans for this year.



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

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