

Business Tendency Survey July 2020



In July, the Retail Confidence Index (RCI) was 7.1%, compared to the previous month, which represents an increase of 10.1 pp mainly due to a decrease in the level of stocks, and a rise in the expectation's indicator for the next semester. The Industrial Confidence Index registered a balance of -8.5%, compared to the previous month; this represents an increase of 12.3 pp, mainly due to a rise in the current volume of orders and in the production expectations for the next three months.

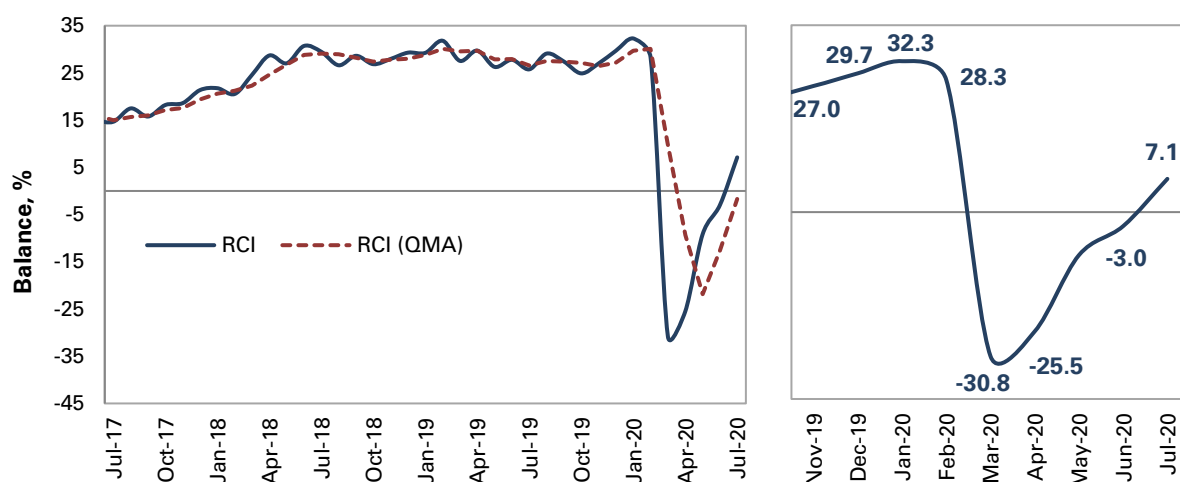
In July, 36.3% of the companies presented problems in its operations, 95.1% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 45.5%. Only 21.5% of firms has cash on hand for more than eight weeks of expenses.

In the second quarter of 2020, the profitability of the export activity, the exported value in dollars and the balance of export orders, decreased compared to the previous quarter and the indicator of exporters expectations on the performance of their activity in the next three months increased.

Retail Confidence Index – RCI

In July, the Retail Confidence Index (RCI) was 7.1%, which represents an increase of 10.1 percentage points (pp) compared to last month and a decrease of 18.6 pp relative to July 2019 (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 June of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2019	2020	
	July	June	July
Business current situation	39.5	6.5	8.0
Level of stocks	9.7	8.1	-7.6
Business expectations for the next 6 months	47.5	-7.3	5.7
Retail Confidence Index - RCI	25.8	-3.0	7.1

Source: Business Tendency Survey (BTS) – Fedesarrollo

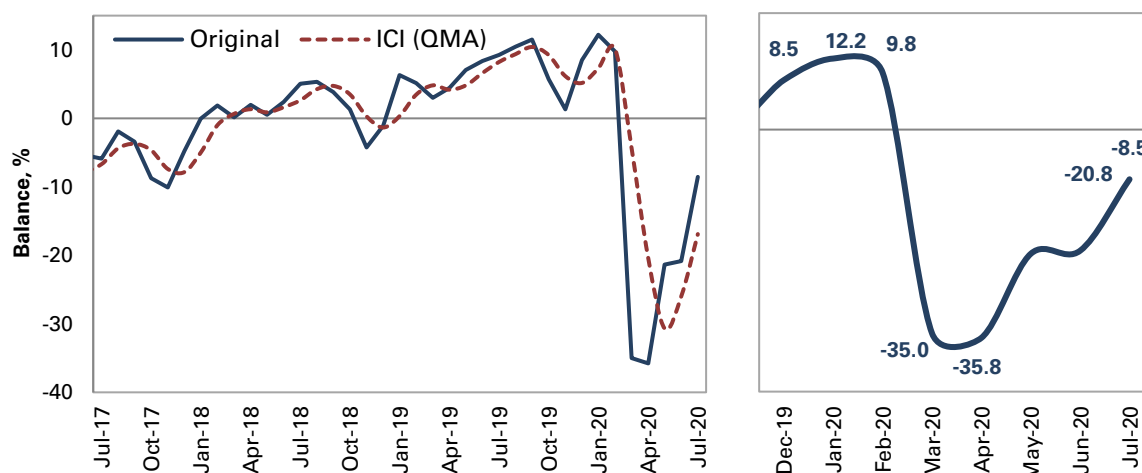
In July, the growth in retailer’s confidence compared to the previous month was mainly due to a decrease of 15.7 pp in the level of stocks, an increase of 13.0 pp in the expectation’s indicator for the next semester and slightly to an increase of 1.5 pp in the business current situation. On the other hand, compared to July 2019, the result was mainly due to a decrease of 41.7 pp in the expectation’s indicator for the next semester, a decrease of 31.5 pp in the current economic situation and a decrease in the level of stocks of 17.3 pp.

Industrial Confidence Index – ICI

In July, the Industrial Confidence Index (ICI) stood at -8.5% in its original series, which represents an increase of 12.3 percentage points (pp) compared to last month and a

decrease of 17.8 pp relative to July 2019. Finally, its quarterly moving average was – 16.9%, which is equivalent to an increase of 9.1 pp 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 increase of the ICI compared to the previous month was mainly due to an increase of 13.0 pp in the current volume of orders, and increase of 12.6 in the expected production for the next three months and to a decrease of 11.2 pp in the level of stocks. Excluding seasonal variations, there was an increase in the expected production for the next quarter and in the current volume of orders, conversely the level of stocks decreased compared to June (Graph 3).

Table 2. Evolution of ICI components

Component (Balance, %)	2019	2020	
	July	June	July
Stocks of finished goods at end of this month	-1.7	17.5	6.3
Current volume of orders	-15.1	-47.3	-34.2
Expected production in the next three months	41.2	2.3	14.9
Industrial Confidence Index - ICI	9.3	-20.8	-8.5

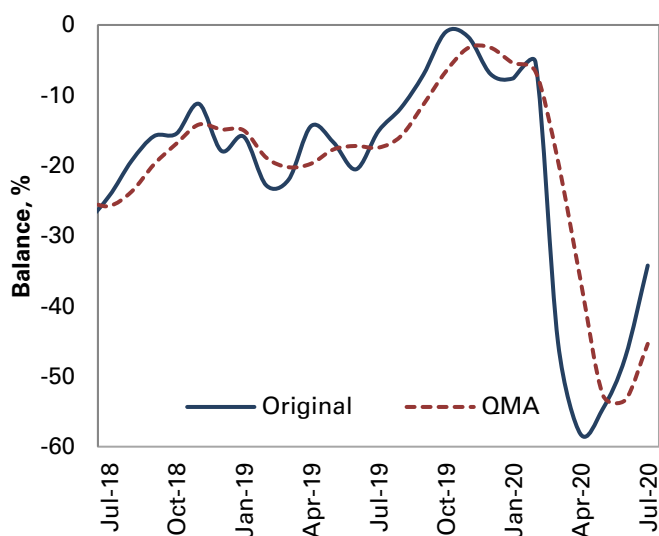
Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to July 2019 was due to a decrease of 26.3 pp in the expected production in the next three months, a reduction of 19.1 pps in the current volume of orders and an increase of 8.0 pp in the level of stocks (Table 2).

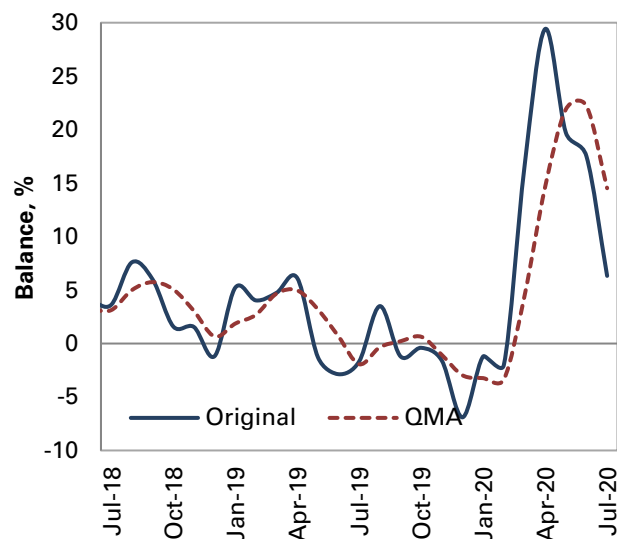
Graph 3. ICI Components

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.

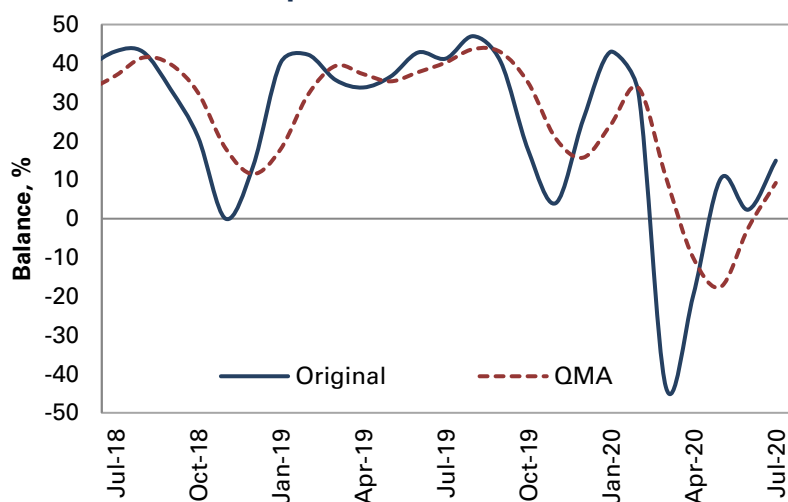
A. Current order volume



B. Level of stocks



C. Production expectations for the next three months



Source: Business Tendency Survey (BTS) – Fedesarrollo

COVID-19

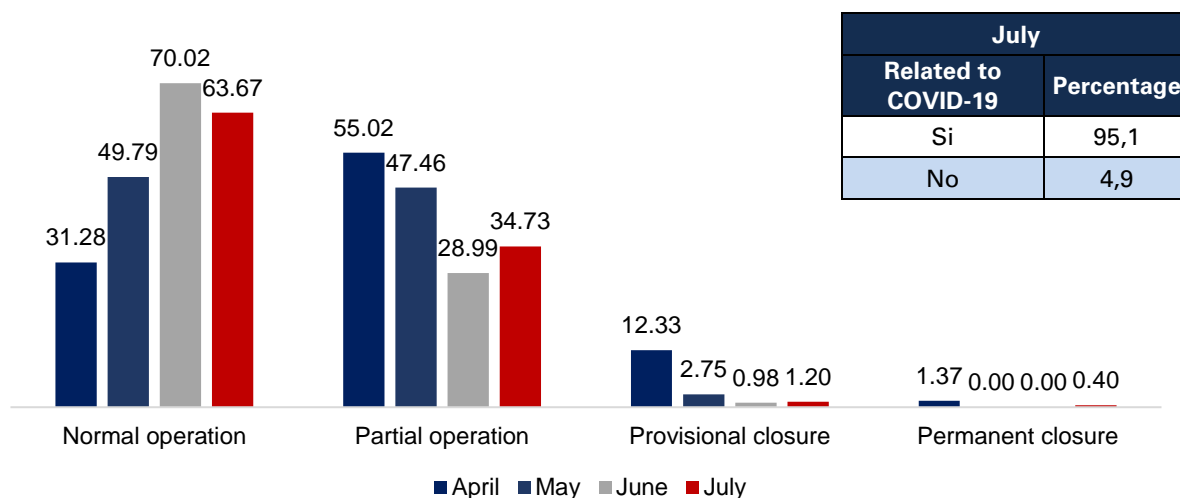
In order to identify the impact on the business sector caused by COVID-19 and the containment measures decreed by the National Government, the Business Opinion Survey identified four main aspects that may be affected. These are: i) the company's operation status, ii) expectations of operation status,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

In Junly, regarding the degree of operation of the company, 63.7% of the firms did not present an impact on their operation, 34.7% operated partially, meanwhile the remaining 1.2% had a provisional closure and 0.4% had a permanent closure (Graph 4). Regarding the companies that had some degree of impairment in their operations, 95.1% stated that this was due to COVID-19.

Regarding the previous month, in July the percentage of firms that are on normal operation decreased 6.4 pp, the percentage that are on partial operation increased 5.7

pp, and the percentage that are in provisional and permanent closure, increased 0.2 and 0.4 pp, respectively.

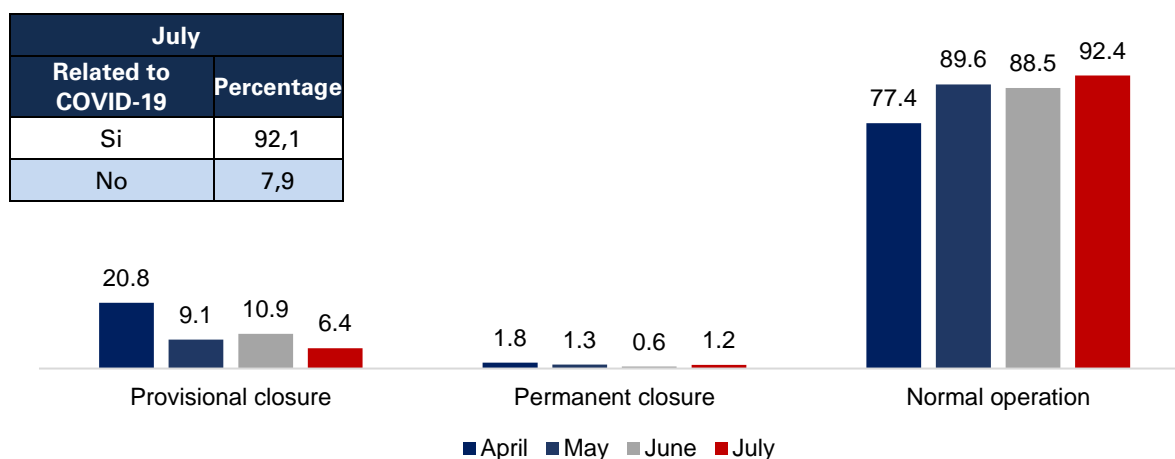
Graph 4. Operation status of the company and its relation to COVID-19



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 6.2% of the companies expect to carry out a provisional closure, 1.2% foresee a permanent closure meanwhile the remaining 92.4% do not plan to carry out any disrupt in their operations (Graph 5). In respect to June the proportion of companies who don't expect any closure in the next three months increased 3.9pp, the proportion who foresee a permanent closure increased 0.6 pp, in contrast the proportion who expect a provisional closure decreased 4.5 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 was 92.1%.

Graph 5. Operation status expectative and its relation to COVID-19



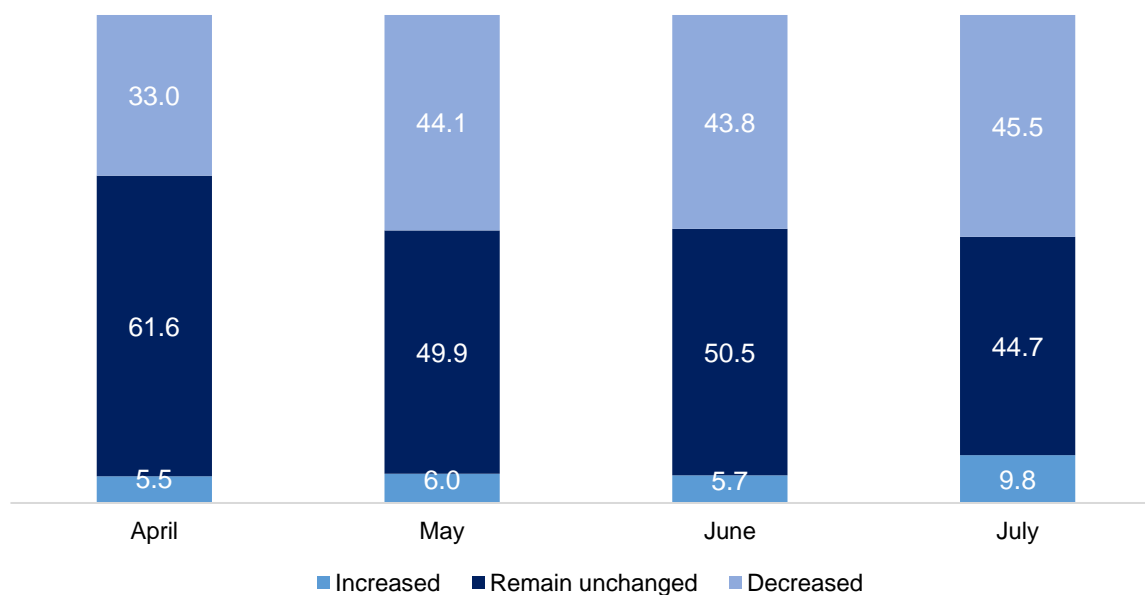
Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, 0.2% of the companies increased the number of employees more than 50%, 0.8% increased it more than 25%, 8.8% of companies rose the number of workers between 1% and 25%, meanwhile 44.7% kept their staff unchanged. 37.3% 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 6.6%, and the remaining 1.6% reduced it more than 50%.

Compared to June the percentage of companies who increased the number of employees raised 4.1 pp, while the percentage of companies in which the number of employees remained unchanged decreased 5.8 pp. The percentage of companies who decreased the number of employees also lessened 1.7 pp (Graph 6).

Graph 6. Number of employees in comparison with January 2020.



Source: Business Tendency Survey (BTS) – Fedesarrollo

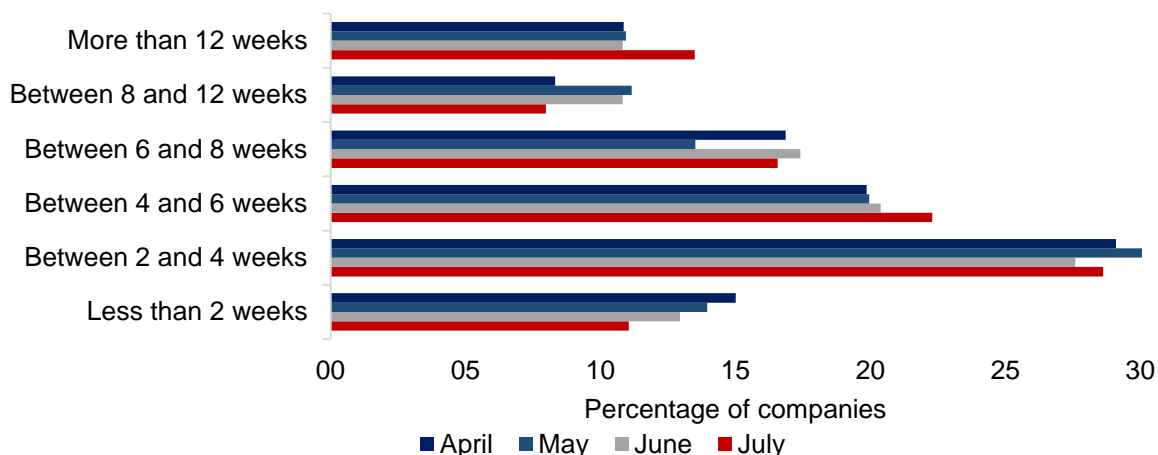
The percentage of companies who considers having cash on hand worth of less than 2 weeks' of expenses² is 11.0%, meanwhile 28.6% considers having cash on hand worth of between 2 and 4 weeks' of expenses. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks' of expenses is 22.3%, 16.6% consider it to be between 6 and 8 weeks, 8.0% claims to have cash on hand between 8 and 12 weeks, the remaining 13.5% of companies have cash to pay more than 12 weeks of expenses.

In comparison with the previous month, the percentage of companies who considers to have cash on hand worth of less than 2 weeks' of expenses³ increased 2.7 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses increased 1.0 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses increased 1.9 pp. The companies who consider it to be between 6 and 8 weeks decreased 0.8 pp, the ones who claim to have cash on hand between 8 and 12 weeks decreased 2.9 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses increased 2.7 pp (Graph 7).

² Refers to all its fixed costs (wages, social benefits, rent, etc.)

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Graph 7. Maximum of weeks with cash on hand to pay all expenses.

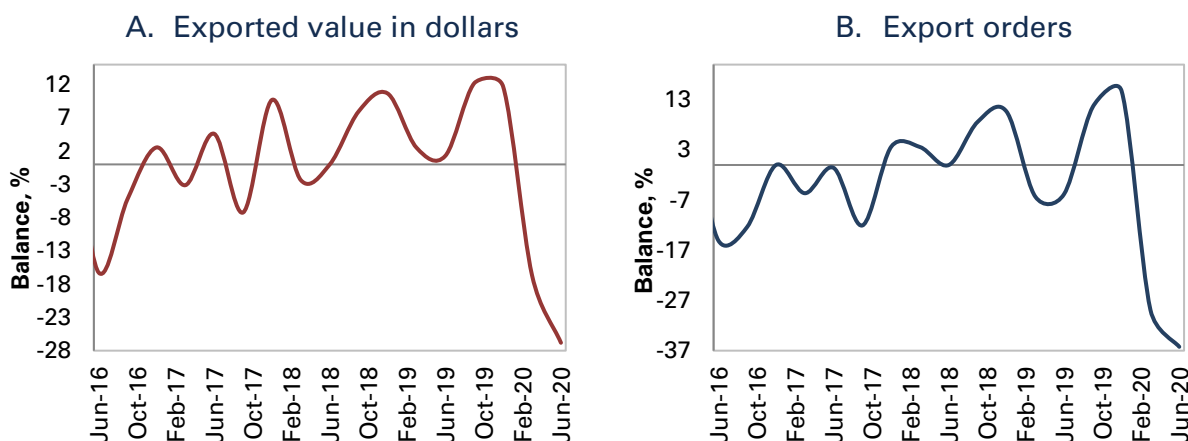


Source: Business Tendency Survey (BTS) – Fedesarrollo

Exports⁴

During the second quarter of 2020, the balance of answers about exported value in dollars was -26.8%, 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 10.1 pp compared to the previous quarter and 28.1 pp compared to the same quarter of 2019. On the other hand, the balance of export orders was -36.2%. which implies a reduction of 7.3 pp compared to the previous quarter and 30.4 pp relative to the same quarter of 2019 (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



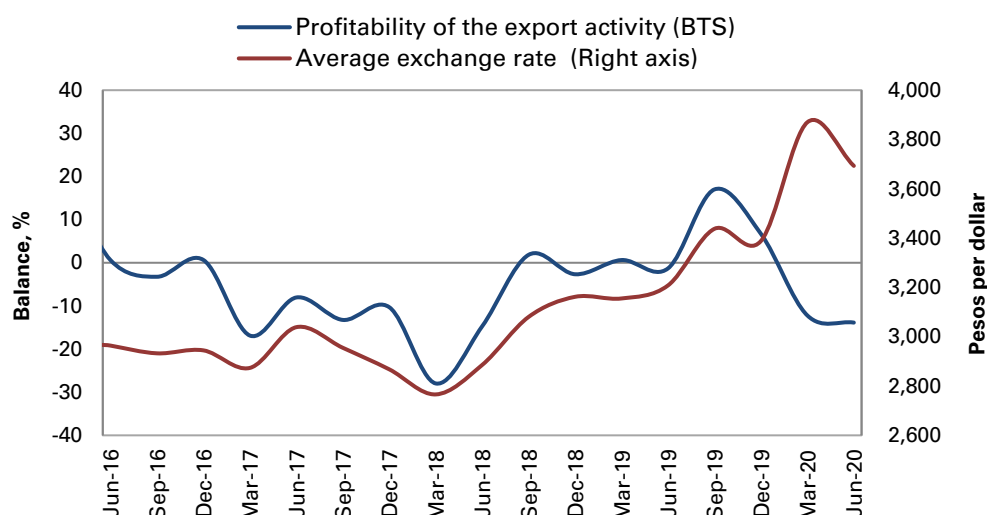
Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the perception about exports profitability, the balance was -13.9%, which is equivalent to a 1.6 pp decrease compared to the previous quarter and 12.6 pp relative to

⁴On 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.

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 second quarter of 2020, the factors Peso-dollar exchange rate (12.3%) and Colombian information and marketing services (10.9%) were the most favorable factors for the export activity. Specifically, the balance of Peso-dollar exchange rate increased 5.9 pps compared to the same quarter of 2019. On the other hand, the most unfavorable factors were economic situation of the purchasing country (-31.9%), international transport (-29.0%) and internal transport in Colombia (-24.6%). Relative to the previous quarter, balances of economic situation of the purchasing country increased 4.8 pp and the Peso-dollar exchange rate decreased 15.5 pp.

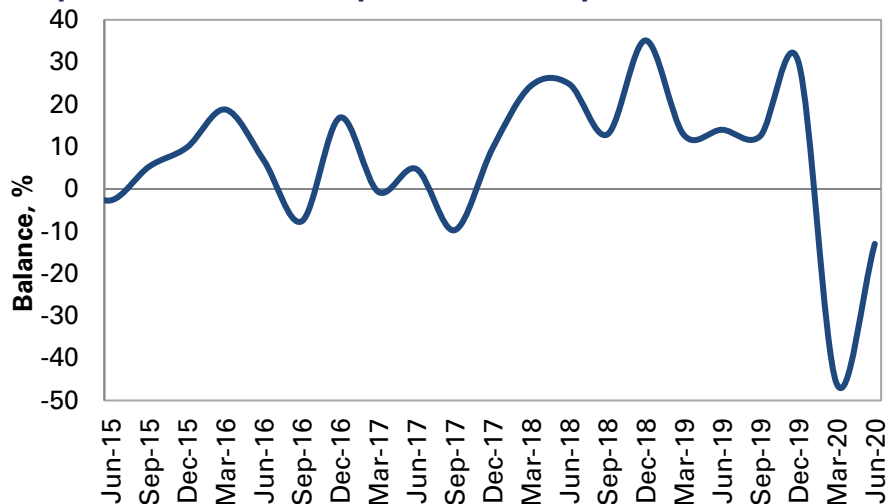
Table 3. Main factors that affected the export activity

Factor (Balance, %)	2019-II	2020 – I	2020-II
Economic situation of the purchasing country	0,0	-36,7	-31,9
Internal transportation in Colombia	-22,6	-35,6	-24,6
International transport	0,0	-35,6	-29,0
Port services in Colombia	-8,4	-24,4	-15,2
Production costs	-18,7	-21,1	-21,0
Availability and cost of credit	11,6	-16,7	-7,2
Export procedures in Colombia	1,9	-13,3	-5,8
Competitive position in the target markets	-9,0	-13,3	-5,8
Trade policies of the purchasing countries	-8,4	-6,7	0,0
Dollar-currency exchange rate of the buyer country	-1,9	3,3	4,4
Plan Vallejo System	23,9	3,3	10,7
Colombian information and marketing services	11,6	10,0	10,9
Peso-dollar exchange rate	6,5	27,8	12,3

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 -13.0%, which is equivalent to a 33.0 pp increase compared to the previous measurement and a 27.0 pp decrease compared to the second quarter of 2019 (Graph 6). In this measurement, 23.7% of respondents said that their exports will increase over the next three months, while 36.6% believe that their exports will decrease, and 39.7% 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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