

Business Tendency Survey July 2021



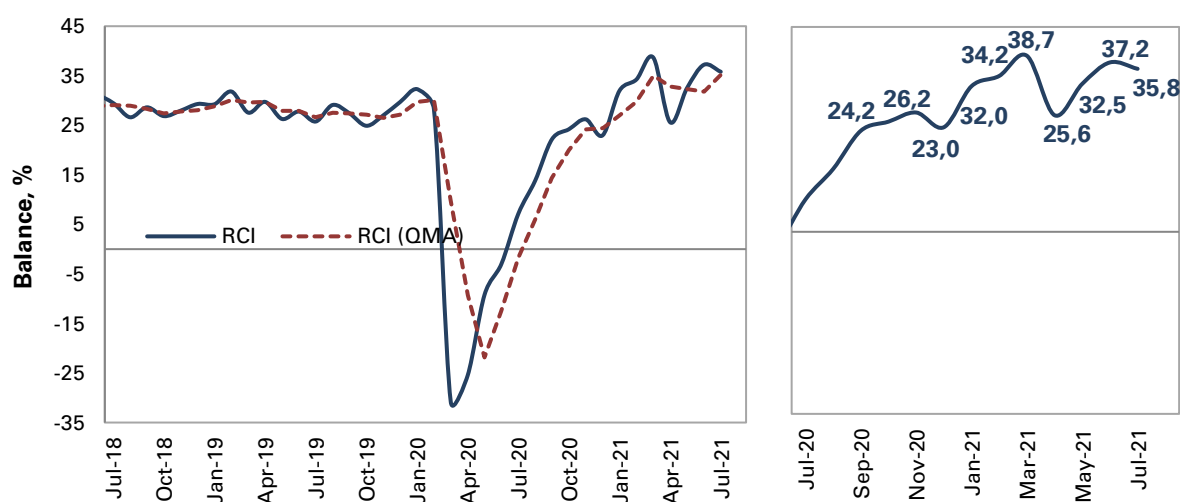
In July, the Retail Confidence Index (RCI) was 35.8%, compared to the previous month, this represents a decrease of 1.4 pp mainly due to the increase in the level of stocks and to a decrease in the business expectations for the next 6 months. The Industrial Confidence Index registered a balance of 16.3%, compared to the previous month, this represents an increase of 10.5 pp, mainly due to an increase in the current volume of orders.

In the second quarter of 2021, the profitability of the export activity, the exported value in dollars, the exporters expectations on the performance of their activity in the next three months and the balance of export orders increased.

Retail Confidence Index – RCI

In July, the Retail Confidence Index (RCI) was 35.8%, which represents a decrease of 1.4 percentage points (pp) compared to last month and a growth of 28.7 pp relative to July 2020 (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 stocks¹ and expectations about the economic situation for the next semester**. The results for July of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2020	2021	
	July	June	July
Business current situation	8,0	44,0	51,7
Level of stocks	-7,6	-12,5	-2,0
Business expectations for the next 6 months	5,7	55,2	53,7
Retail Confidence Index - RCI	7,1	37,2	35,8

Source: Business Tendency Survey (BTS) – Fedesarrollo

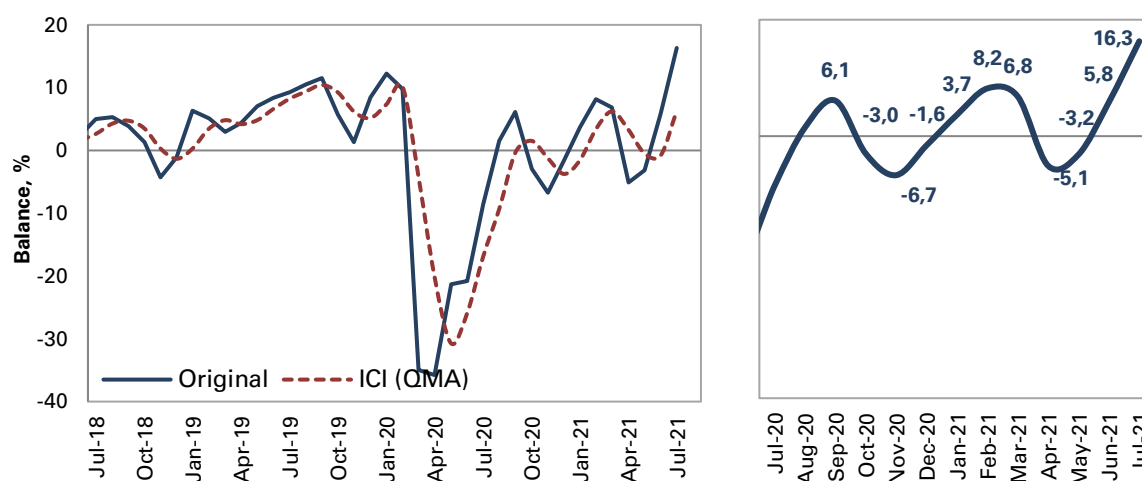
In July, the reduction in retailer's confidence compared to the previous month was mainly due to an increase of 10.5 pp in the level of stocks and the decrease of 1.4 pp in the expectation's indicator for the next semester. Meanwhile, the business current situation indicator increased 7.8 pps. On the other hand, compared to July 2020, the result was mainly due to an increase of 48.0 pp in the expectation's indicator for the next semester and of 43.7 pp in the current economic situation. Finally, the level of stocks showed an increase of 5.6 pp.

Industrial Confidence Index – ICI

In July, the Industrial Confidence Index (ICI) stood at 16.3% in its original series, which represents an increase of 10.5 percentage points (pp) compared to last month and an increase of 24.8 pp relative to July 2020. Finally, its quarterly moving average was 6.3%, which is equivalent to an increase of 7.1 pp compared to last month (Graph 2).

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.

Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo

The ICI has three components: **level of stocks, current volume of orders and production expectations for the next three months**. In the original series, the growth of the ICI compared to the previous month was mainly due to an increase of 17.3 pp in the current volume of orders, as well as the increase of 10.1 pp in the expected production for the next three months (Graph 3). Meanwhile, it is observed a decrease of 4.0 pp in the stock of finished goods at end of this month. Excluding seasonal variations, compared to the last month there was an increase in each of the three components.

Table 2. Evolution of ICI components

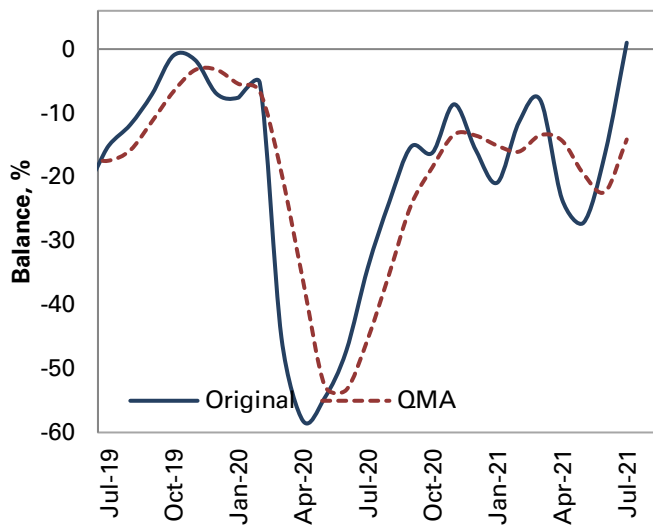
Component (Balance, %)	2020	2021	
	July	June	July
Stocks of finished goods at end of this month	6.3	-2.0	-6.0
Current volume of orders	-34.2	-16.3	1.0
Expected production in the next three months	14.9	31.8	41.9
Industrial Confidence Index - ICI	-8.5	5.8	16.3

Source: Business Tendency Survey (BTS) – Fedesarrollo

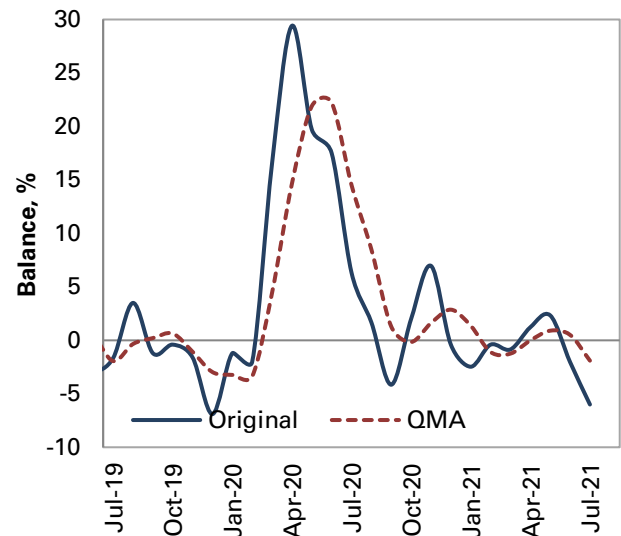
The growth in industrial confidence compared to July 2020 was due to an increase of 35.2 pp in the current volume of orders, an increase of 26.9 pp in the expected production in the next three months and a 12.4 pp reduction in the level of stocks (Table 2).

Graph 3. ICI Components

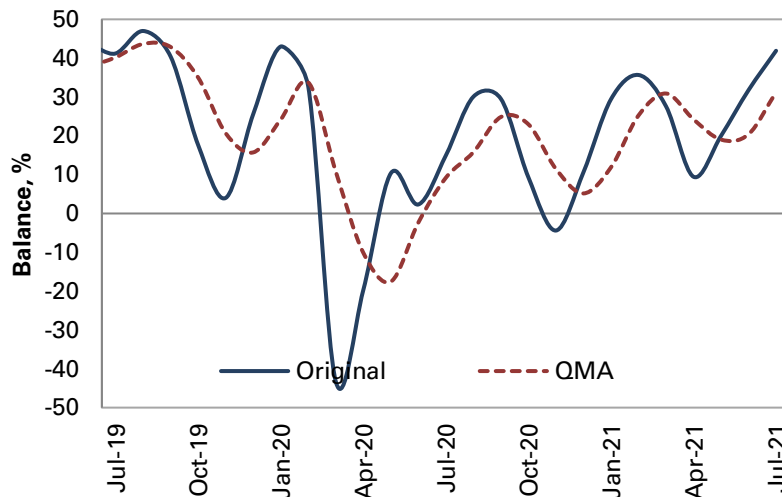
A. Current order volume



B. Level of stocks



C. Production expectations for the next three months



Source: Business Tendency Survey (BTS) – Fedesarrollo

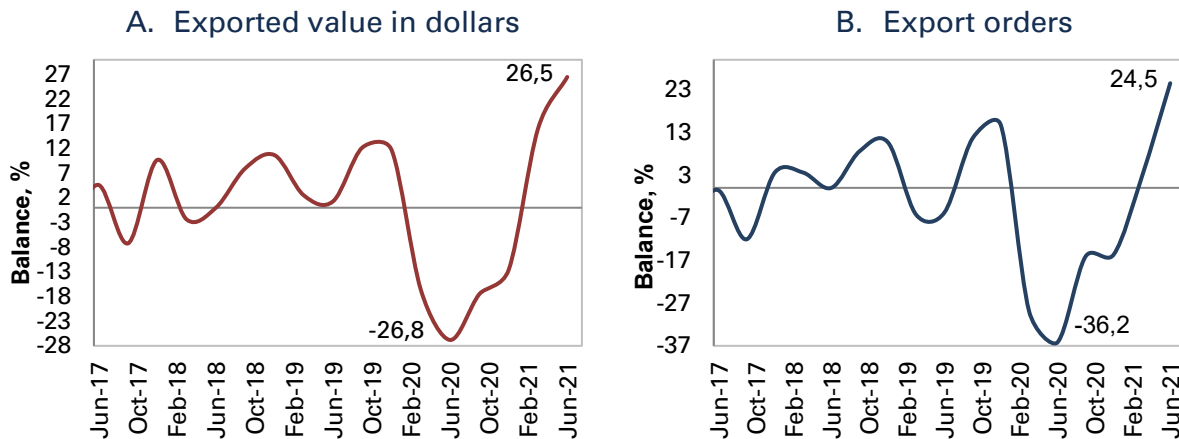
Exports²

During the second quarter of 2021, the balance of answers about exported value in dollars was 26.5%, which indicates that the percentage of respondents with increasing exports was greater than the percentage with decreasing exports relative to the previous quarter. This result represents an increase of 10.5 pp compared to the previous quarter and an increase of 53.3 pp compared to the same quarter of 2020. On the other hand, the balance of export orders was 24.5% which implies an increase of 21.8 pp compared

²On 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.

to the previous quarter and an increase of 60.7 pp relative to the same quarter of 2020 (Graph 8).

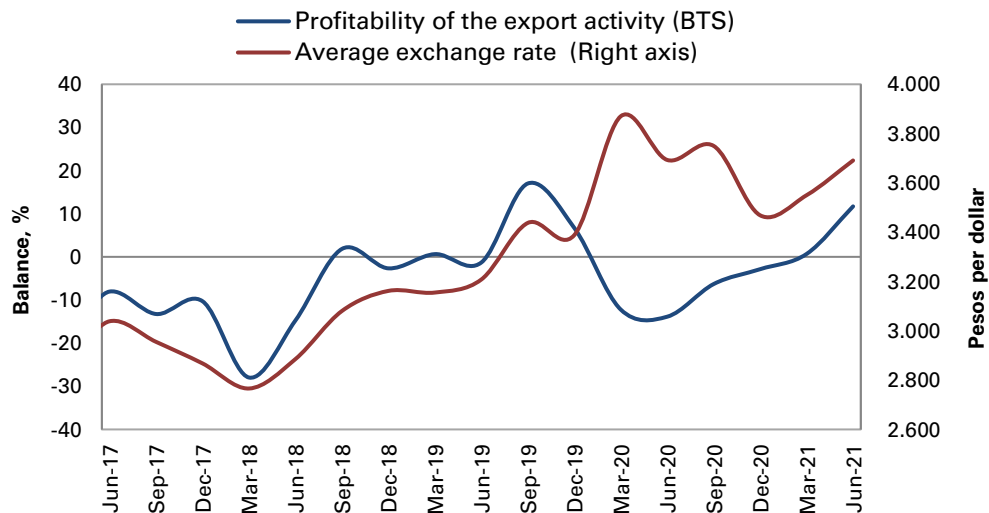
Graph 8. Exported value in dollars and export orders in the first quarter of 2020 compared to the same quarter of the previous year



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

Regarding the perception about exports profitability, the balance was 11.7%, which is equivalent to a 11.0 pp increase compared to the previous quarter and a 25.6 pp increase relative to the same quarter of 2020. The balance of exports profitability in this quarter is related to the behavior of the exchange rate (Graph 9).

Graph 9. Profitability exports activity and exchange rate



Source: Business Tendency Survey (BTS) – Fedesarrollo and Central Bank of Colombia.

For the second quarter of 2021, the Plan Vallejo System (9.0%), the availability and cost of credit (7.2%) and the Peso-dollar exchange rate (6.8%) were the most favorable factors for the export activity. Specifically, the balance of the availability and cost of credit increased 7.2 pps compared to the previous quarter. On the other hand, the most

unfavorable factors were the internal transportation in Colombia (-57.5%), the international transport (-47.4%) and the production costs (-40.9%). Relative to the previous quarter, balances of the internal transportation in Colombia, international transport and the production costs decreased 19.1 pp, 7.5 pp and 2.3 pp, respectively.

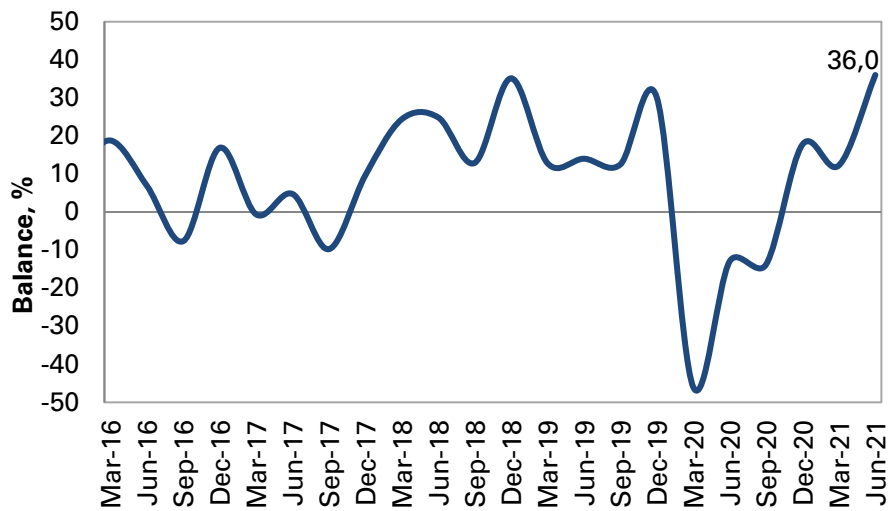
Table 3. Main factors that affected the export activity

Factor (Balance, %)	2020-II	2021-I	2021-II
International transport	-29,0	-39,9	-47,4
Production costs	-21,0	-38,6	-40,9
Internal transportation in Colombia	-24,6	-38,5	-57,5
Economic situation of the purchasing country	-31,9	-19,3	-9,1
Competitive position in the target markets	-5,8	-11,2	-14,0
Port services in Colombia	-15,2	-9,0	-36,5
Dollar-currency exchange rate of the buyer country	4,4	-3,5	0,0
Colombian information and marketing services	10,9	-2,1	2,8
Trade policies of the purchasing countries	0,0	0,0	1,4
Availability and cost of credit	-7,2	0,0	7,2
Peso-dollar exchange rate	12,3	1,4	6,8
Export procedures in Colombia	-5,8	1,4	-15,9
Plan Vallejo System	10,7	11,9	9,0

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 36.0%, which is equivalent to a 23.8 pp increase compared to the previous measurement and a 49.0 pp increase compared to the second quarter of 2020 (Graph 10). In this measurement, 45.3% of respondents said that their exports will increase over the next three months, while 9.3% believe that their exports will decrease and 45.3% expect them to remain the same.

Graph 10. 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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