

Business Tendency Survey June 2021



In June, the Retail Confidence Index (RCI) was 37.2%, compared to the previous month, this represents an increase of 4.7 pp mainly due to the increase in the business current situation index and also to an increase in the business expectations for the next 6 months. The Industrial Confidence Index registered a balance of 5.8%, compared to the previous month, this represents an increase of 9.0 pp, mainly due to an increase in the business expectations for the next 3 months.

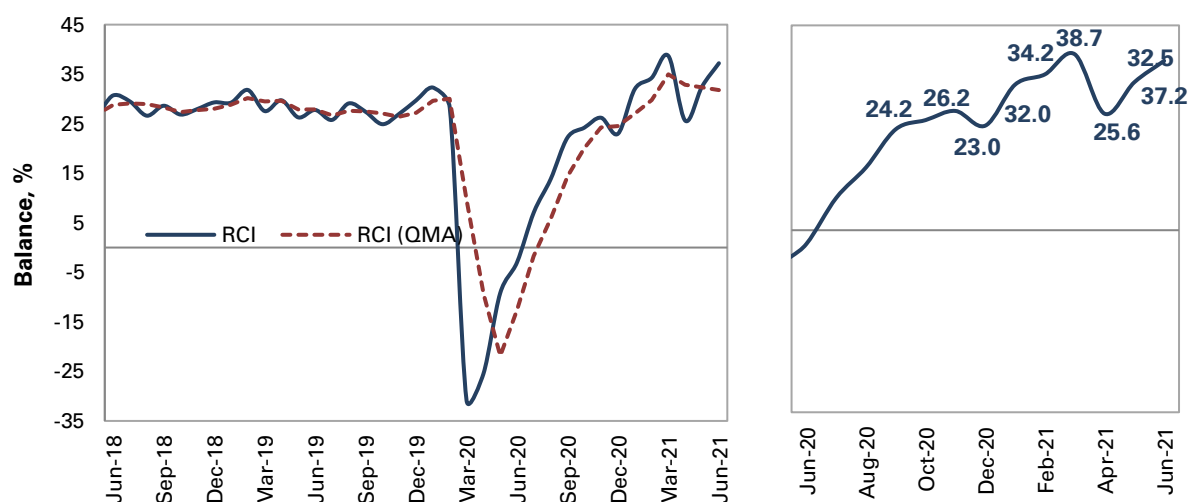
In June, 8.4% of the companies presented problems in their operations, 43.3% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to a pre-pandemic scenario was 20.8%. Only 29.0% of firms has cash on hand for more than eight weeks of expenses.

The balance of employment expectations for the next quarter was 11.7%, which represents an increase of 2.3 pp compared to the previous quarter. Additionally, in June industrial business perception of contraband had a balance of -5.6%, which represents an increase of 3.3 pp with respect to the previous quarter.

Retail Confidence Index – RCI

In June, the Retail Confidence Index (RCI) was 37.2%, which represents an increase of 4.7 percentage points (pp) compared to last month and a growth of 40.2 pp relative to June 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 May of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2020	2021	
	June	May	June
Business current situation	6,5	27,3	44,0
Level of stocks	8,1	-31,0	-12,5
Business expectations for the next 6 months	-7,3	39,2	55,2
Retail Confidence Index - RCI	-3,0	32,5	37,2

Source: Business Tendency Survey (BTS) – Fedesarrollo

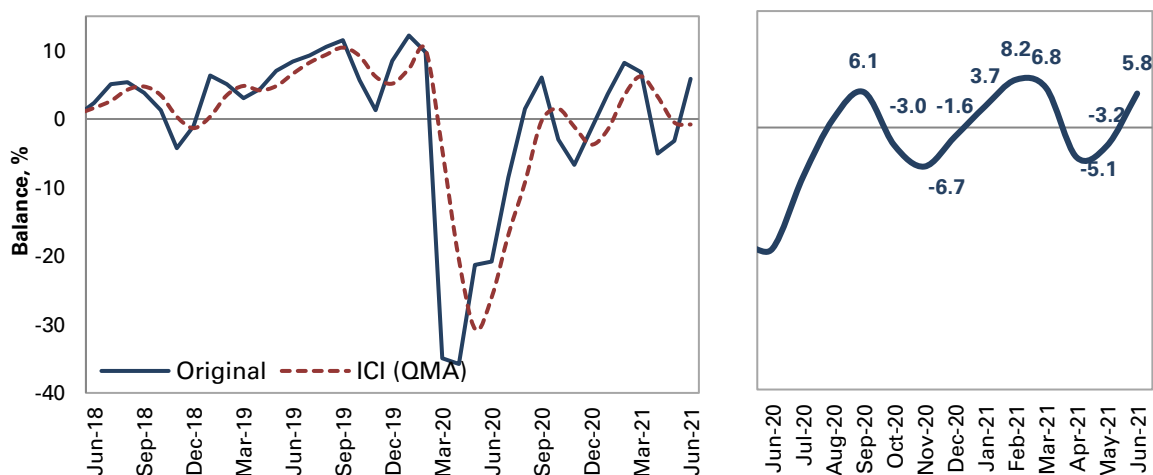
In June, the growth in retailer's confidence compared to the previous month was mainly due to an increase of 16.7 pp in the business current situation indicator and of 16.0 pp in the expectation's indicator for the next semester. Meanwhile, the level of stocks rose by 18.5 pp. On the other hand, compared to June 2020, the result was mainly due to an increase of 62.4 pp in the expectation's indicator for the next semester, a decrease of 20.6 pp in the level of stocks and an increase of 37.5 pp in the current economic situation.

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.

Industrial Confidence Index – ICI

In June, the Industrial Confidence Index (ICI) stood at 5.8% in its original series, which represents an increase of 9.0 percentage points (pp) compared to last month and an increase of 26.7 pp relative to June 2020. Finally, its quarterly moving average was -0.8%, which is equivalent to a decrease of 0.3 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 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 11.8 pp in the expected production for the next three months, as well as the increase of 10.9 pp in the current volume of orders and the decrease of 4.4 pp in the level of stocks (Graph 3). Excluding seasonal variations, compared to the last month there was an increase in each of the three components.

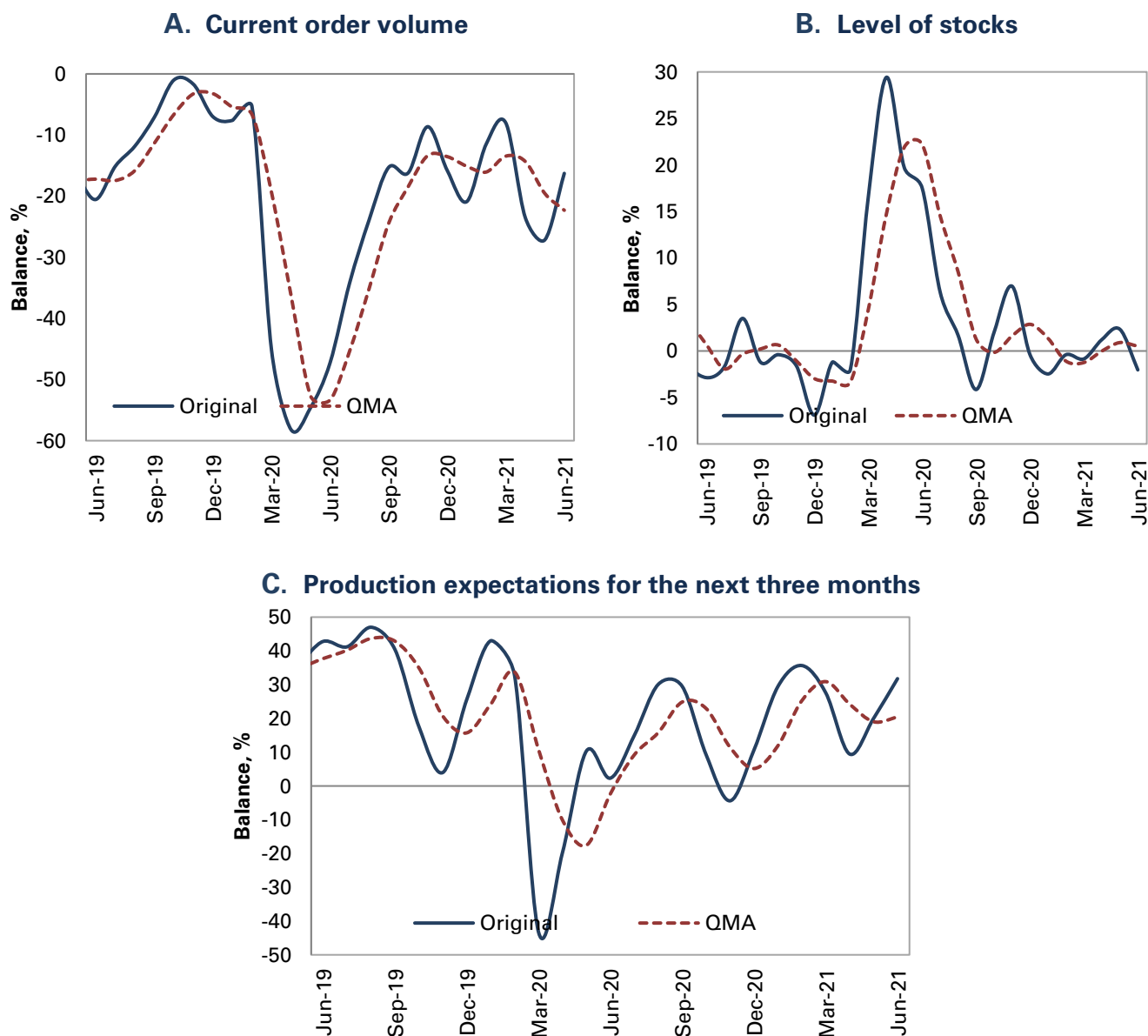
Table 2. Evolution of ICI components

Component (Balance, %)	2020	2021	
	June	May	June
Stocks of finished goods at end of this month	17,5	2,3	-2,0
Current volume of orders	-47,3	-27,2	-16,3
Expected production in the next three months	2,3	20,0	31,8
Industrial Confidence Index - ICI	-20,8	-3,2	5,8

Source: Business Tendency Survey (BTS) – Fedesarrollo

The growth in industrial confidence compared to June 2020 was due to an increase of 31.0 in the current volume of orders, a decrease of 19.5 pp in the level of stocks and an increase of 29.5 pp in the expected production in the next three months (Table 2).

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

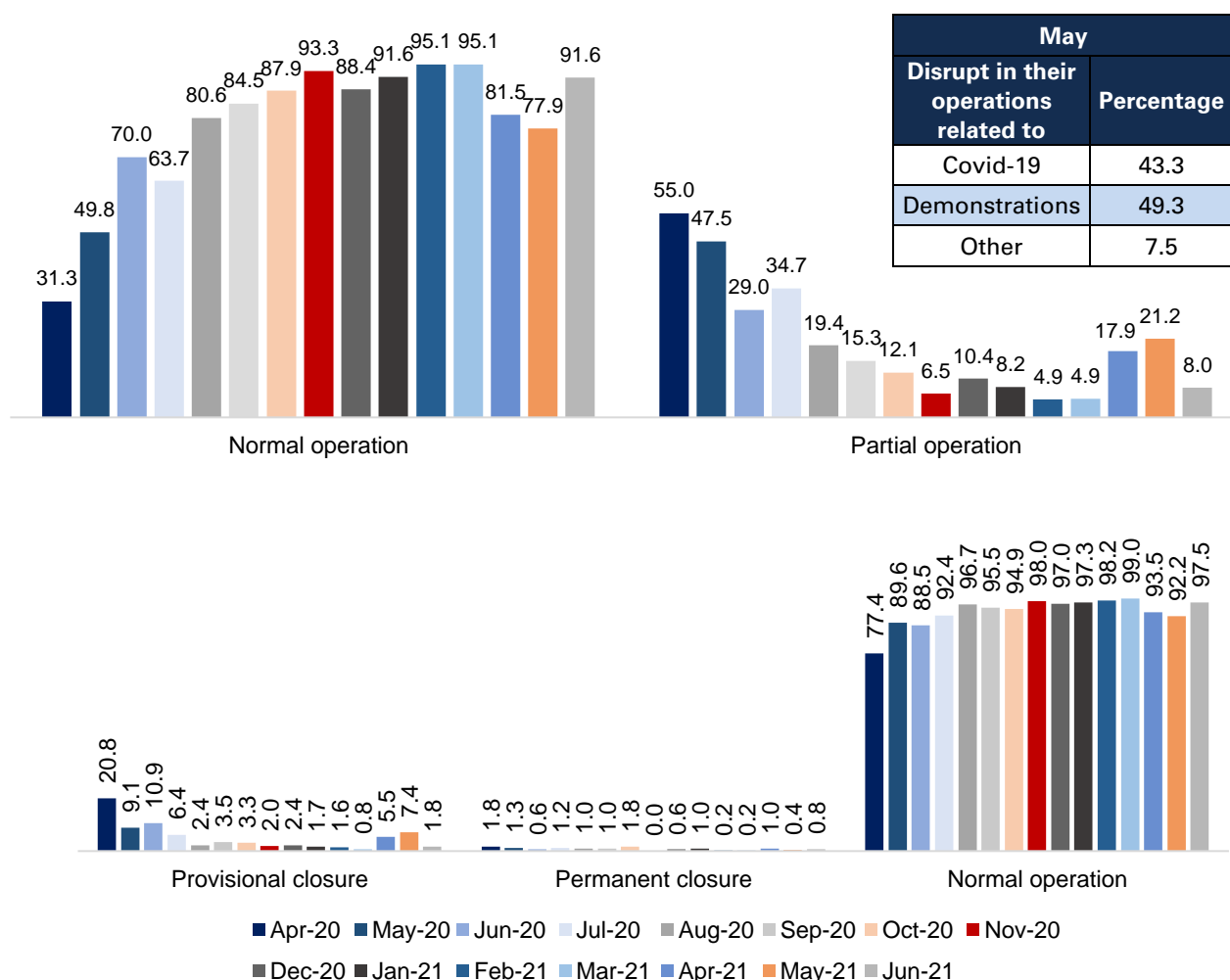
COVID-19

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.

In June, regarding the degree of operation of the company, 91.6% of the firms did not present an impact on their operation, 8.0% operated partially, 0.4% had a provisional closure and none of them had a permanent closure (Graph 4). Concerning the companies that had some degree of impairment in their operations, 43.3% stated that this was due to COVID-19 and 49.3% said it was due to the demonstrations².

Regarding the previous month, in June the percentage of firms that are on normal operation increased 13.7 pp. Meanwhile the percentage of firms on partial operation and in provisional closure decreased 13.1 pp and 0.6 pp, respectively. The firms in permanent closure remained constant.

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



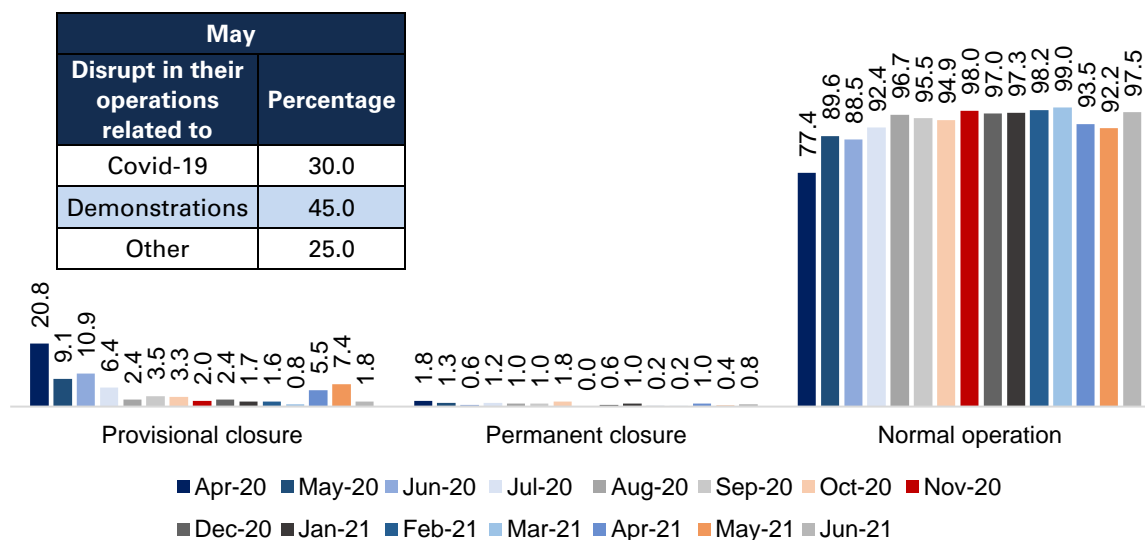
Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 1.8% of the companies expect to carry out a provisional closure, 0.8% of the companies foresee a permanent closure meanwhile the remaining 97.5% do not plan to carry out any disrupt in their operations (Graph 5). In respect to May, the proportion of companies who foresee a temporary closure decreased 5.7 pp, meanwhile the proportion of companies who expect a permanent closure and who do not expect

² Demonstrations due to a national strike that began in Colombia on April 28th

any closure increased 0.4 pp and 5.3 pp respectively. The percentage of companies that associates the impact on their operation status to the COVID-19 and to the demonstrations was 30.0% and 45.0% respectively.

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

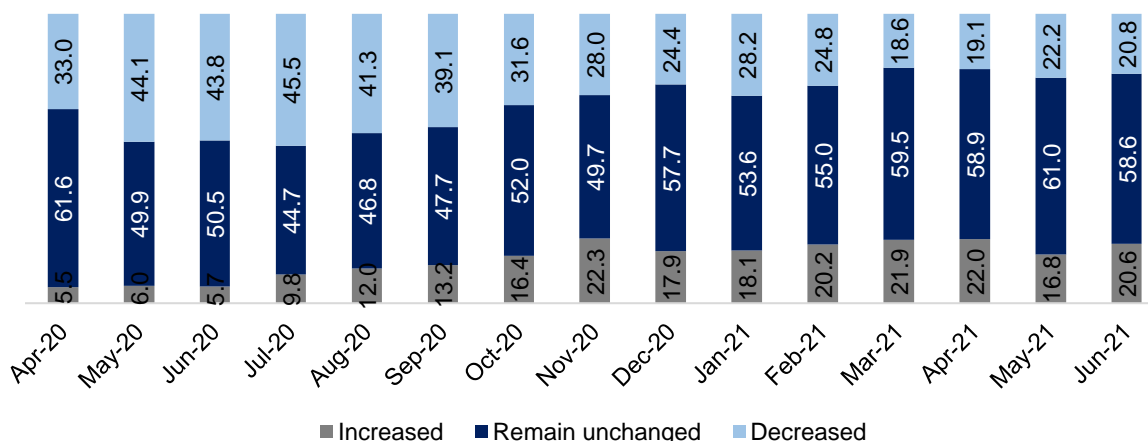


Source: Business Tendency Survey (BTS) – Fedesarrollo

Compared to a pre-pandemic scenario, 0.2% of the companies increased the number of employees more than 50%, 1.4% increased it more than 25%, 19% of companies rose the number of workers between 1% and 25%, meanwhile 58.6% kept their staff unchanged. 16.9% 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 2.4%, and the remaining 1.6% reduced their number of employees by more than 50%.

Compared to May the percentage of companies who increased the number of employees rose by 3.8 pp, the percentage of companies in which the number of employees remained unchanged decreased 2.4 pp and the percentage of companies who decreased the number of employees dropped by 1.4 pp (Graph 6).

Graph 6. Number of employees compared to a pre-pandemic scenario.



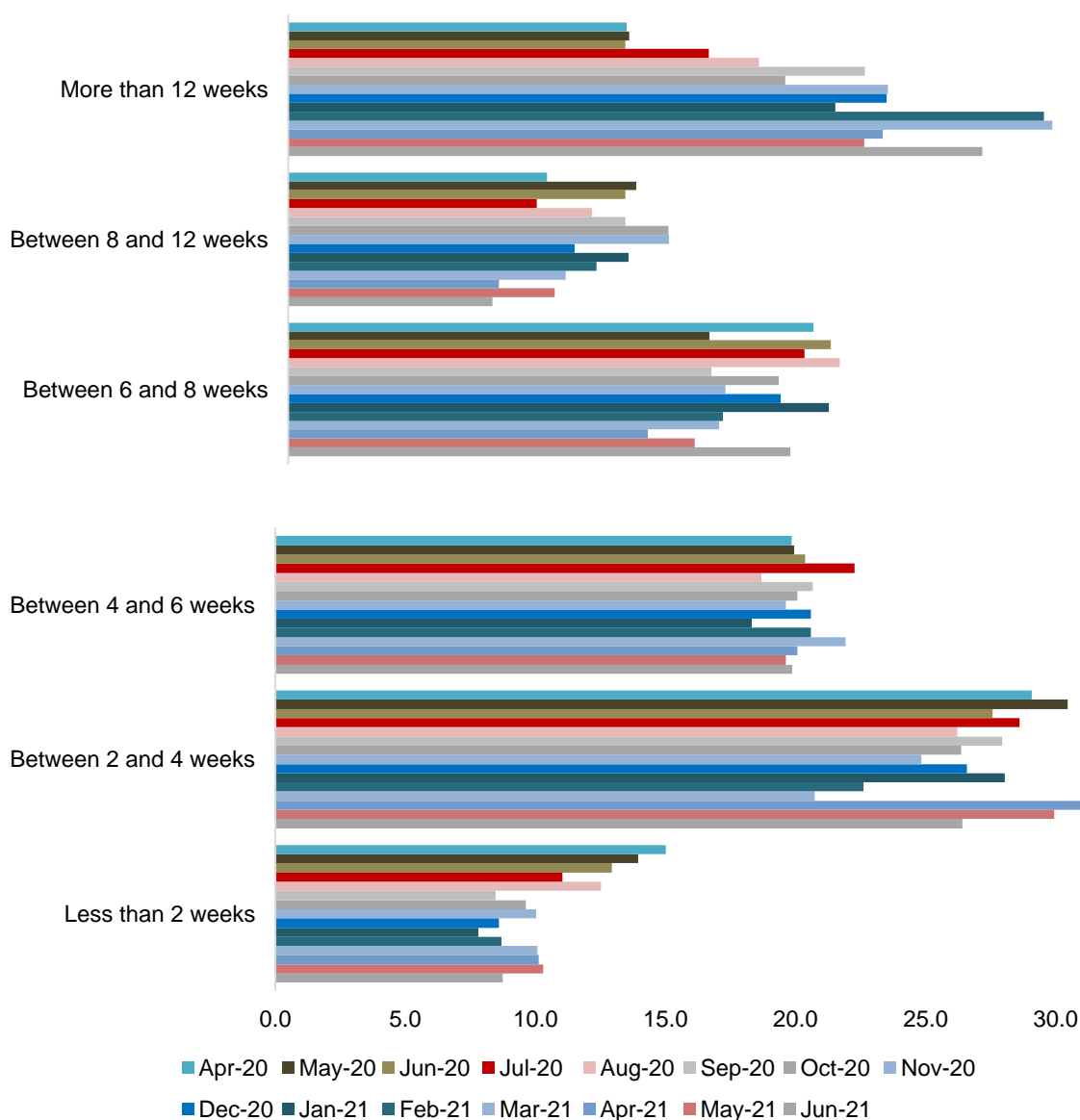
Source: Business Tendency Survey (BTS) – Fedesarrollo

In June, the percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses³ is 8.7 %, meanwhile 26.4% 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 19.9%, 16.1% consider it to be between 6 and 8 weeks, 6.6% claims to have cash on hand between 8 and 12 weeks, and the remaining 22.3% 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 more than 12 weeks of expenses, between 6 and 8 weeks of expenses, and between 4 and 6 weeks of expenses increased by 3.8 pp, 3.1 pp and 0.2 pp respectively. In contrast, the percentage of firms who consider having the capacity to respond to commitments between 8 and 12 weeks of expenses, between 2 and 4 weeks, and less than 2 weeks of expenses decreased 2.0 pp, 3.5 pp and 1.6 pp respectively (Graph 7).

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

³ Refers to all its fixed costs (wages, social benefits, rent, etc.)



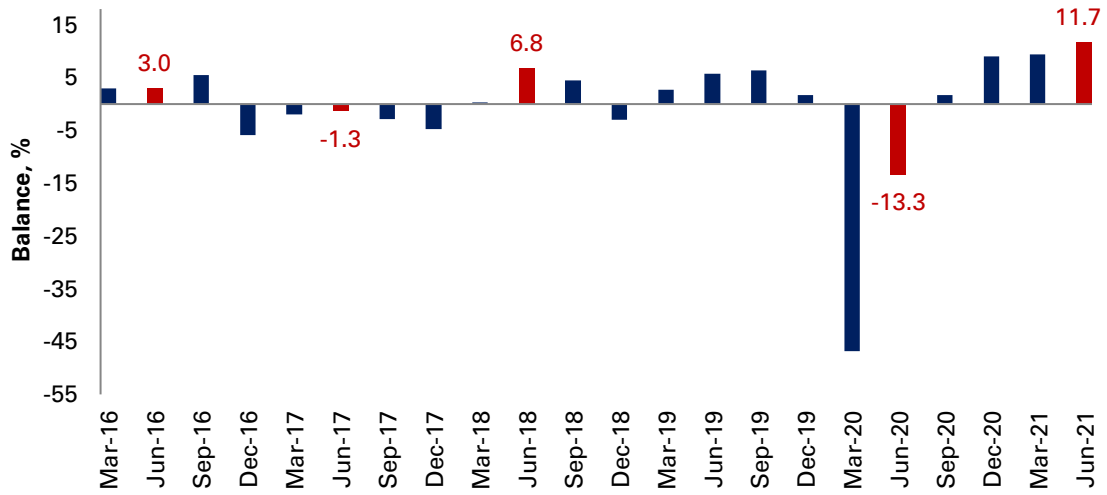
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module: Employment Expectations and Contraband Perception⁴

In June, the balance of employment expectations for the next quarter was 11.7%, which represents an increase of 2.3 pp compared to the previous quarter and an increase of 25.0 pp relative to the same period of 2020 (Graph 8). Disaggregating by answers, 18.4% of respondents believe that employment in the industry in the next quarter will increase, 6.7% believe that it will decrease and 74.9% considers it will remain the same.

Graph 8. Employment expectations in the industry

⁴ The Business Opinion Survey contains a quarterly module inquiring about employers' perception of employment expectations and the perception of contraband in the industry.

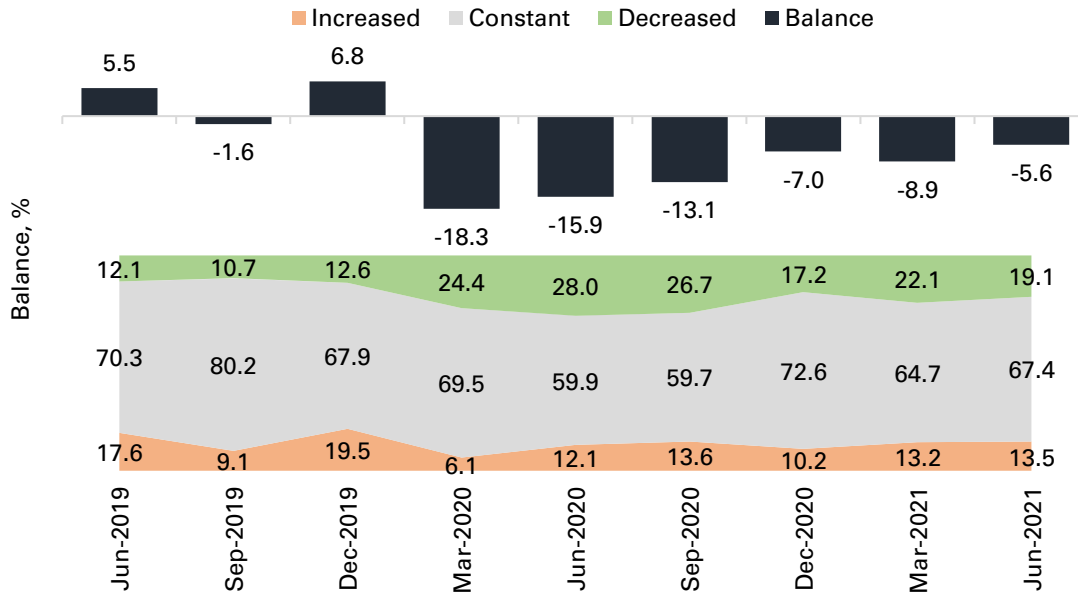


Note: Not seasonally adjusted.

Source: Business Tendency Survey – Fedesarrollo.

Furthermore, in June industrial business perception of contraband had a balance of -5.6%, which represents an increase of 3.3 pp with respect to the data of the previous quarter and an increase of 10.3 pp relative to June 2020. Specifically, 13.5% of respondents stated that contraband in the April - June quarter increased in relation to the previous quarter, 67.4% stated it will remain the same, while 19.1% considered it to be lower (Graph 9).

Graph 9. Contraband Perception



Source: Business Tendency Survey – Fedesarrollo



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 June 16, 2021

Comments to Daniela Alejandra López Charry: dlopez@fedesarrollo.org.co