

Business Tendency Survey May* 2020



In May*, the Retail Confidence Index (RCI) was -9.2%, compared to the previous month, which represents an increase of 16.3 pps mainly due to a rise in the business current situation indicator and an increase in the expectation's indicator for the next semester. The Industrial Confidence Index registered a balance of -21.3%, compared to the previous month; this represents an increase of 14.4 pps, mainly due to a rise in the expected production in the next three months increased and a decrease in the level of stocks.

In May, 50.2% of the companies were affected in their operations, 90.3% 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 44.1%. Only 22.1% of firms have cash on hand for a total of more than eight weeks of expenses.

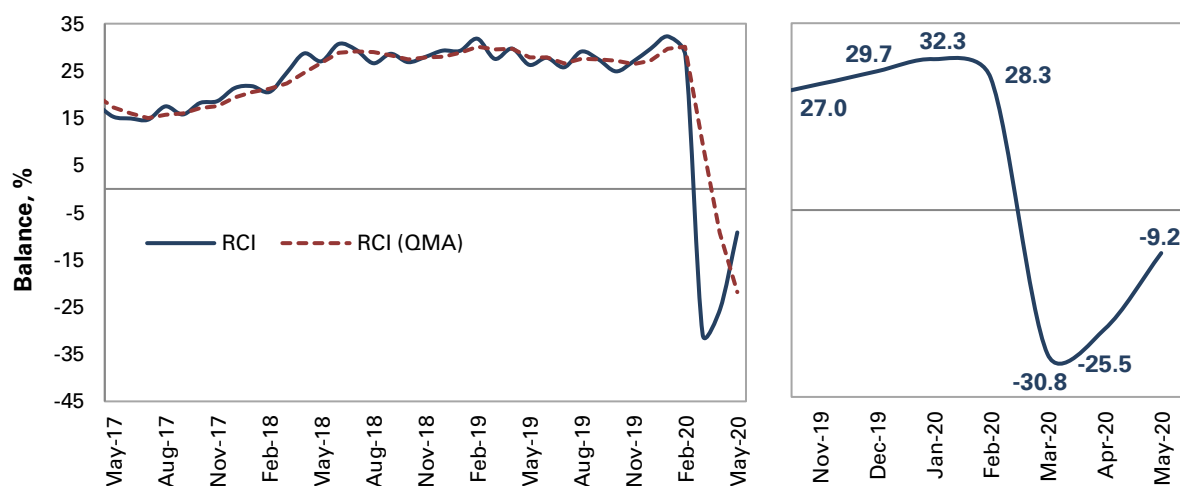
In May, industry installed capacity utilization was 64.5%, which represents a decrease of 10.3 pps compared to the previous measurement and 5.6 related to the same period of 2019. In May, business perception of the favorable economic and socio-political conditions to invest decreased compared to the previous quarter. In the construction sector, expectations, the current economic situation of companies in the sector and the construction rate fell compared to the last measurement.

Retail Confidence Index – RCI

In May, the Retail Confidence Index (RCI) was -9.2%, which represents an increase of 16.3 percentage points (pps) compared to last month and a decrease of 35.5 pps relative to May 2019 (Graph 1).

*Given the situation of COVID-19 and quarantine measures, the survey's sample was reduced by 13.8%; however, it is still representative.

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 May of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2019	2020	
	May	April	May
Business current situation	43.0	-31.4	-6.1
Level of stocks	10.9	9.5	7.6
Business expectations for the next 6 months	46.7	-35.7	-13.9
Retail Confidence Index - RCI	26.3	-25.5	-9.2

Source: Business Tendency Survey (BTS) – Fedesarrollo

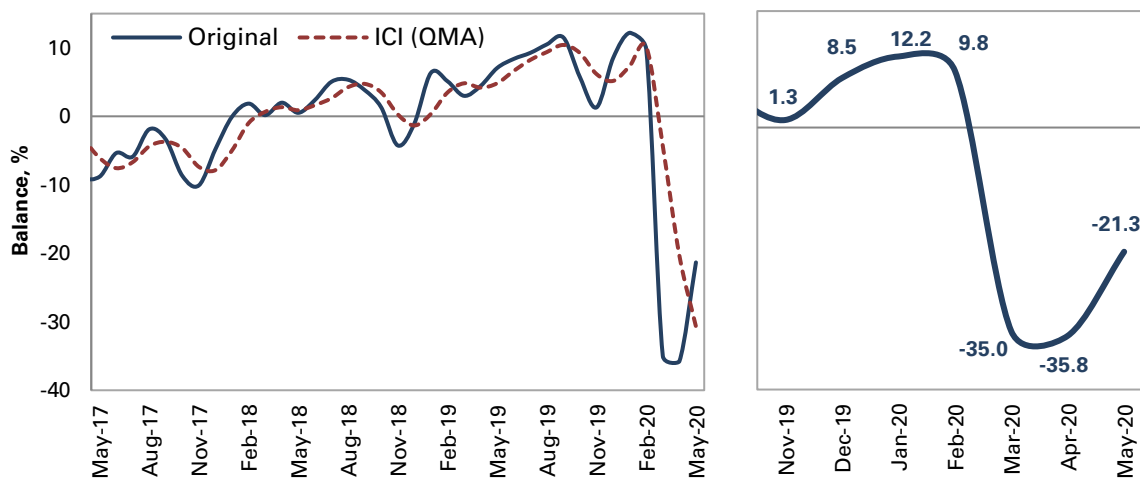
In May, the growth in retailer’s confidence compared to the previous month was mainly due to an increase of 25.3 pps in the business current situation indicator, a rise of 21.8 pps in the expectation’s indicator for the next semester, and in minor extend to a decrease of 1.9 pps in the level of stocks. On the other hand, compared to May 2019, the result was mainly due to a decrease of 60.6 pps in the expectation’s indicator for the next semester and a decrease of 49.1 pps in the current economic situation indicator, meanwhile the level of stocks decreased 3.3 pps.

Industrial Confidence Index – ICI

In May, the Industrial Confidence Index (ICI) stood at -21.3% in its original series, which represents an increase of 14.4 percentage points (pps) compared to last month and a decrease of 28.4 pps relative to May 2019. On the other hand, its quarterly moving

average was -30.7%, which is equivalent to a decrease of -10.4 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**. In the original series, the decrease of the ICI compared to the previous month was mainly due to an increase of 30.1 pps in the expected production in the next three months, and in minor extend to a decrease of 9.7 pps in the level of stocks and a rise of 3.6 pps in the current volume of orders indicator. Excluding seasonal variations, there was an increase in the level of stocks and a decrease in expected production for the next quarter and in the current volume of orders compared to April (Graph 3).

Table 2. Evolution of ICI components

Component (Balance, %)	2019	2020	
	May	April	May
Stocks of finished goods at end of this month	-1.3	29.4	19.7
Current volume of orders	-16.7	-58.2	-54.6
Expected production in the next three months	36.6	-19.7	10.3
Industrial Confidence Index - ICI	7.1	-35.8	-21.3

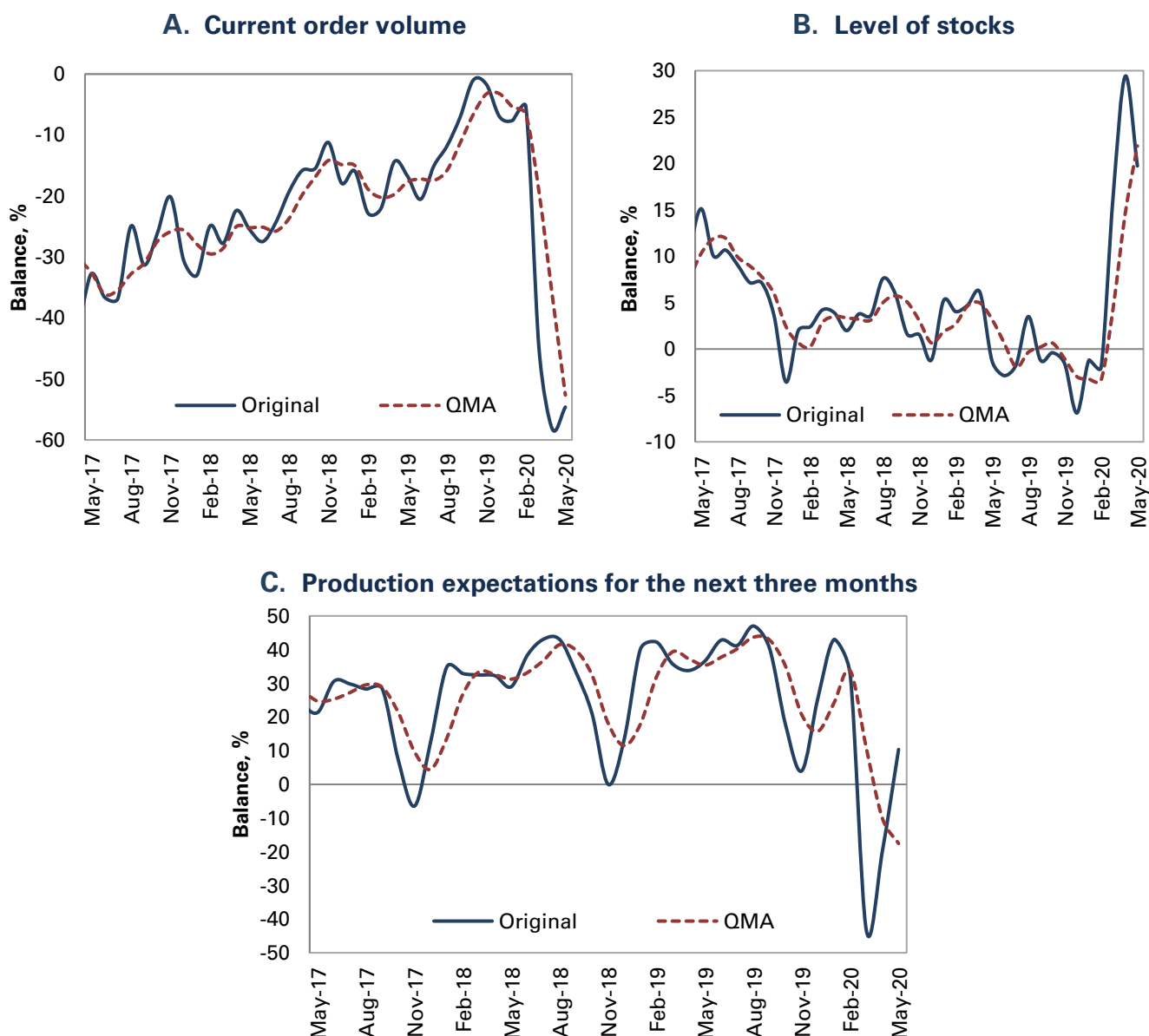
Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to May 2019 was due to a decrease of 37.9 pps in the current volume of orders indicator, a reduction of 26.3 pps in the expected

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.

production in the next three months and an increase of 21.0 pps in the level of stocks (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 May, regarding the degree of operation of the company, 49.8% of the firms did not present an impact on their operation, 47.5% operated partially, meanwhile the remaining 2.8% had a provisional closure. None of the firms displayed a permanent closure of their

operation (Table 3). Of the companies that had some degree of impairment in their operations, 90.3% stated that this was due to COVID-19.

Table 3. Operation status of the company and its relation to COVID-19

Operation status	Percentage		Related to COVID-19	Percentage
Normal operation	49.8	➔	Yes	90.3
Partial operation	47.5		No	9.7
Provisional closure	2.8			
Permanent closure	0.0			

Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 9.1% of the companies expect to carry out a provisional closure, 1.3% foresee a permanent closure meanwhile the remaining 89.6% do not plan to carry out any disrupt in their operations (Table 4). The percentage of the companies that expect some impact on their operation status related to COVID-19 was 83.7%.

Table 4. Operation status expectative and its relation to COVID-19

Expectations of operation status	Percentage		Related to COVID-19	Percentage
Provisional closure	9.1	➔	Yes	83.7
Permanent closure	1.3		No	16.3
Normal operation	89.6			

Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, 0.2% of companies increased the number of employees between 25% and 50%, 5.8% of companies rose the number of workers between 1% and 25%, meanwhile 49.9% of these kept their staff unchanged. 35.6% 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 4.9%, meanwhile the remaining 3.6% reduced it more than 50% (Table 5).

Table 5. Number of employees in comparison with January 2020.

Number of employee's vs January 2020	Percentage
Increased more than 50%	0.0
Increased between 25% and 50%	0.2
Increased between 1% and 25%	5.8
Remain unchanged	49.9
Decreased between 1% and 25%	35.6
Decreased between 25% and 50%	4.9
Decreased more than 50%	3.6

Source: Business Tendency Survey (BTS) – Fedesarrollo

The percentage of companies who consider that they have cash on hand less than 2 weeks' worth of expenses² is 13.9%, meanwhile 30.5% consider having cash on hand between 2 and 4 weeks' worth of expenses. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks' worth of expenses is 20.0%, 13.5% consider it to be between 6 and 8 weeks, 11.2% claim that they have cash on hand between 8 and 12 weeks, meanwhile the remaining 10.9% of companies establish more than 12 weeks to have cash on hand to pay all expenses (Table 6).

Table 6. Maximum of weeks with cash on hand to pay all expenses.

Maximum of weeks with cash on hand to pay all expenses	Percentage
Less than 2 weeks	13.9
Between 2 and 4 weeks	30.5
Between 4 and 6 weeks	20.0
Between 6 and 8 weeks	13.5
Between 8 and 12 weeks	11.2
More than 12 weeks	10.9

Source: Business Tendency Survey (BTS) – Fedesarrollo

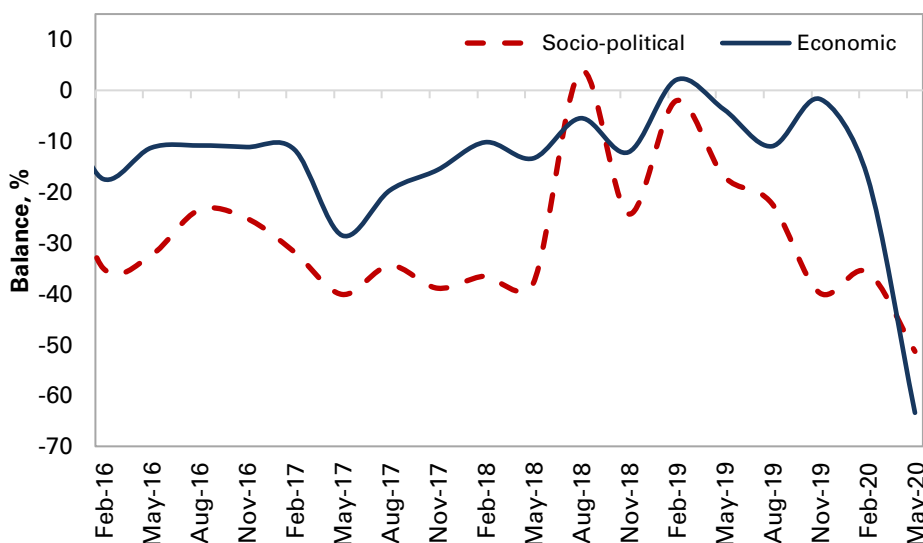
Quarterly Module: Economic and sociopolitical conditions for investment³

In May, the balance of the industrial sector about favorable **economic conditions** to invest was -63.4%, which is equivalent to a decrease of 46.6 pps compared to the last measurement (Feb 2019). The results show that 68.7% of respondents believe that current economic conditions are unfavorable, compared to 34.7% of the previous measurement, while 5.3% of respondents considered that the current conditions are favorable compared to the 17.8% of the previous measurement. Moreover, 26.0% affirm they are neutral compared to the 47.5% of the previous measurement.

² It refers to all its fixed cost (wages, social benefits, rent, etc.)

³ Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

Graph 4. Favorability of current economic and socio-political conditions for investment



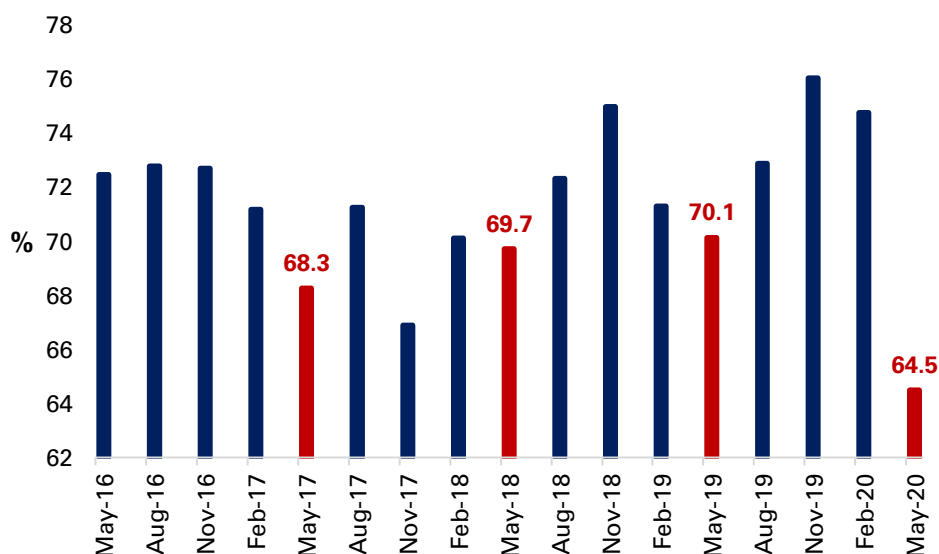
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -51.3%, a reduction of 15.6 pps compared to the previous quarter. The results show that 4.9% of the respondents believe that the sociopolitical conditions are favorable compared to 8.1% of the previous measurement, while 56.2% consider that they are unfavorable compared to 43.8% of the previous measurement and 38.9% consider that they are neutral compared to 48.1% of the previous measurement.

Quarterly Module: Industry Installed Capacity Utilization

In May, industry installed capacity utilization was 64.5%, which represents a decrease of 10.3 pps compared to February 2020 measurement and 5.6 pps compared to the same month of the previous year (Graph 5).

Graph 5. Utilization of installed capacity in the industry



Note: The series of utilization of installed capacity was revised backwards.

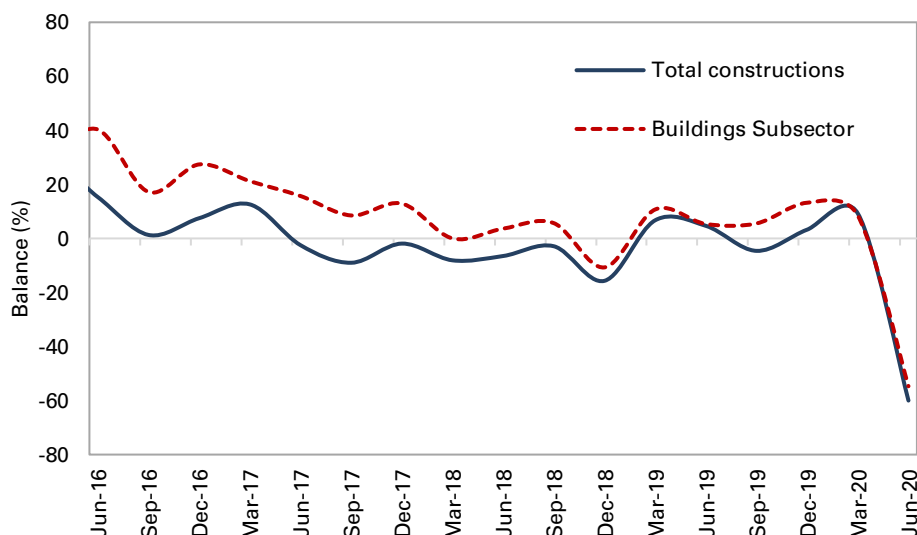
Source: Business Tendency Survey (BTS) – Fedesarrollo

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 second quarter of 2020, the balance of the current economic situation of companies in the construction sector stood at -60.0%, equivalent to a decrease of 69.3 pps compared to the previous quarter and 64.7 pps compared to the same period of 2019. The **building subsector** registered a balance of -54.7%, 63.2 pps lower than the registered during the previous quarter and 60.1 pps compared to one year ago (Graph 6).

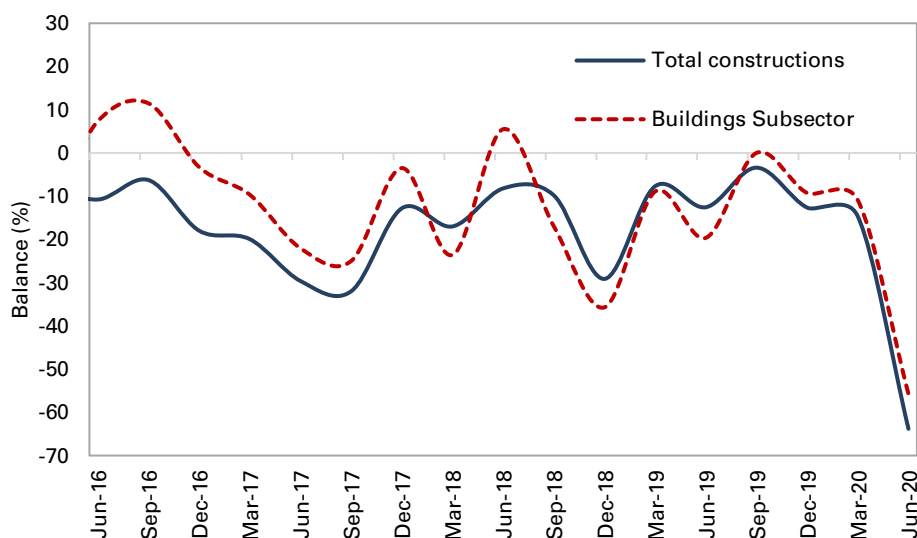
Graph 6. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -63.8%, showing a decrease of 49.1 pps compared to the previous quarter and 51.2 pps compared to the second quarter of 2019. For the building subsector, this indicator registered a balance of -55.8%, which shows a reduction of 44.9 pps compared to the previous quarter and 36.1 pps compared to a year ago (Graph 7).

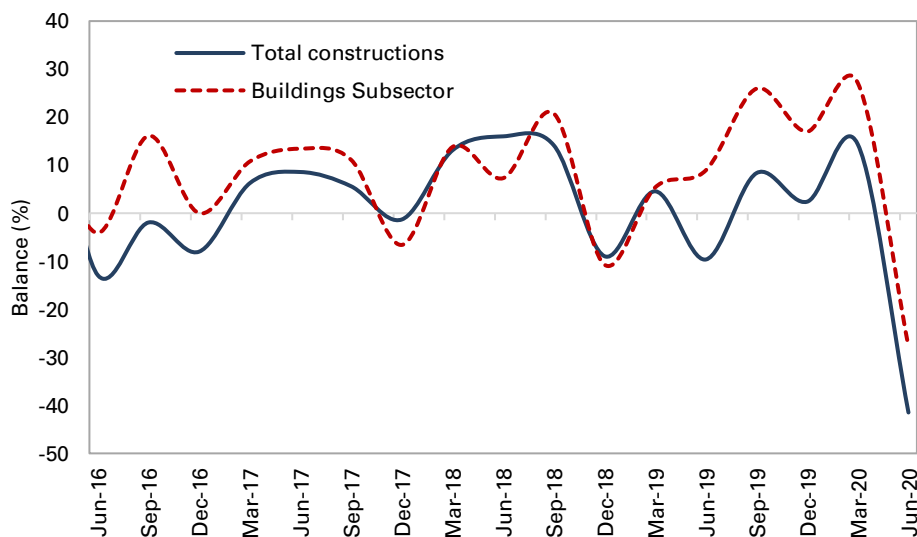
Graph 7. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was -41.5%, showing a decrease of 55.8 pps compared to the previous measurement and 31.8 pps compared to the second quarter of 2019. In the building subsector, expectations recorded a balance of -27.8%, which represents a reduction of 54.9 pps compared to the previous quarter and 36.7 pps over the same quarter of last year (Graph 8).

Graph 8. Construction expectations for the next quarter



Source: Quarterly Construction Survey - 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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