

Business Tendency Survey October 2019

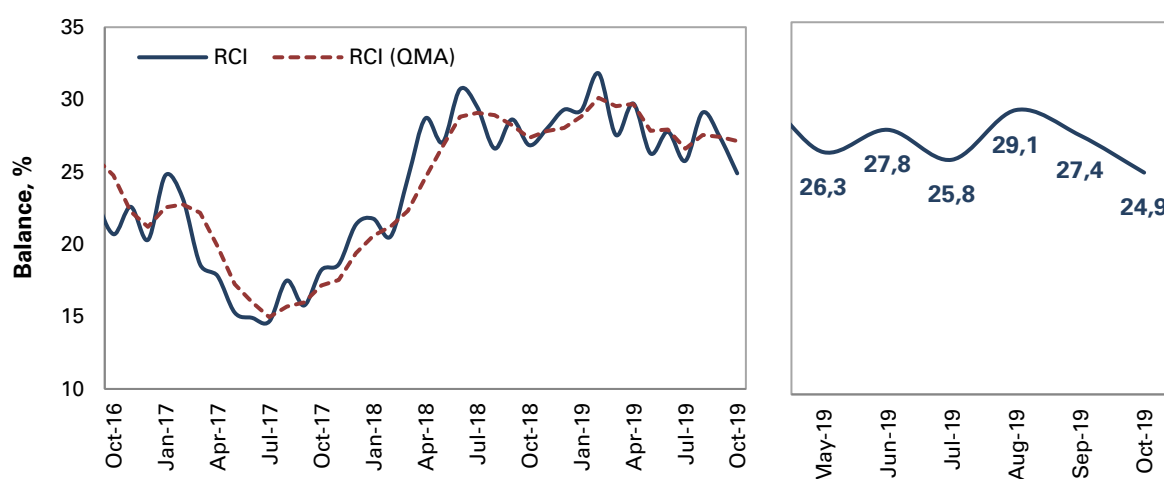


In October, the Retail Confidence Index stood at 24.9%, which represents a reduction of 2.4 pps compared to the previous month due to a decrease in the business current situation. The Industrial Confidence Index registered a balance of 5.7%, which represents a decrease of 5.8 pps compared to the last month explained by a decrease in the expected production in the next three months and an increase in the level of stocks. On the other hand, the profitability of the export activity, the exported value in dollars and the balance of export orders increased compared to the previous quarter, while the indicators of exporters expectations on the performance of their activity in the next three months decreased in the same period.

Retail Confidence Index – RCI

In October, the Retail Confidence Index (RCI) was 24.9%, which represents a reduction of 2.4 percentage points (pps) compared to last month and a decrease of 1.9 pps compared to October 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 October of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2018	2019	
	October	September	October
Business current situation	37,8	51,0	44,5
Level of stocks	1,5	6,2	7,6
Business expectations for the next 6 months	44,2	37,3	37,9
Retail Confidence Index - RCI	26,8	27,4	24,9

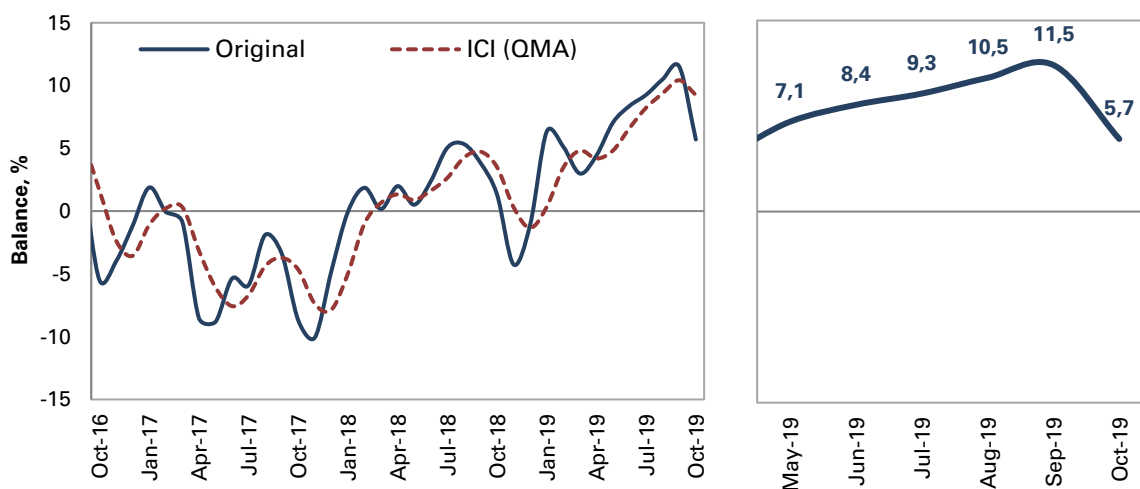
Source: Business Tendency Survey (BTS) – Fedesarrollo

In October, the reduction in retailer’s confidence compared to the previous month was mainly due to a decrease of 6.5 pps in the business current economic situation, while the level of stocks indicator and the expectation’s indicator for the next semester increased 1.4 pps and 0.6 pps respectively. On the other hand, compared to October 2018, the result was due to a decrease of 6.3 pps in the expectations indicator and an increase of 6.1 pps in the the level of stocks indicator, while the current economic situation indicator increases 6.7 pps.

Industrial Confidence Index – ICI

In October, the Industrial Confidence Index (ICI) stood at 5.7% in its original series, which represents a decrease of 5.8 pps compared to September 2019 and an increase of 4.4 pps relative to October of 2018. On the other hand, its quarterly moving average was 9.2%, which is equivalent to an increase of 1.2 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**. The increase in industrial confidence compared to October 2018 was due to an increase of 14.2 pps in the current volume of orders indicator, while the level of stocks increased 5.7 pps and the expected production in the next three months decreased 3.4 pps (Table 2).

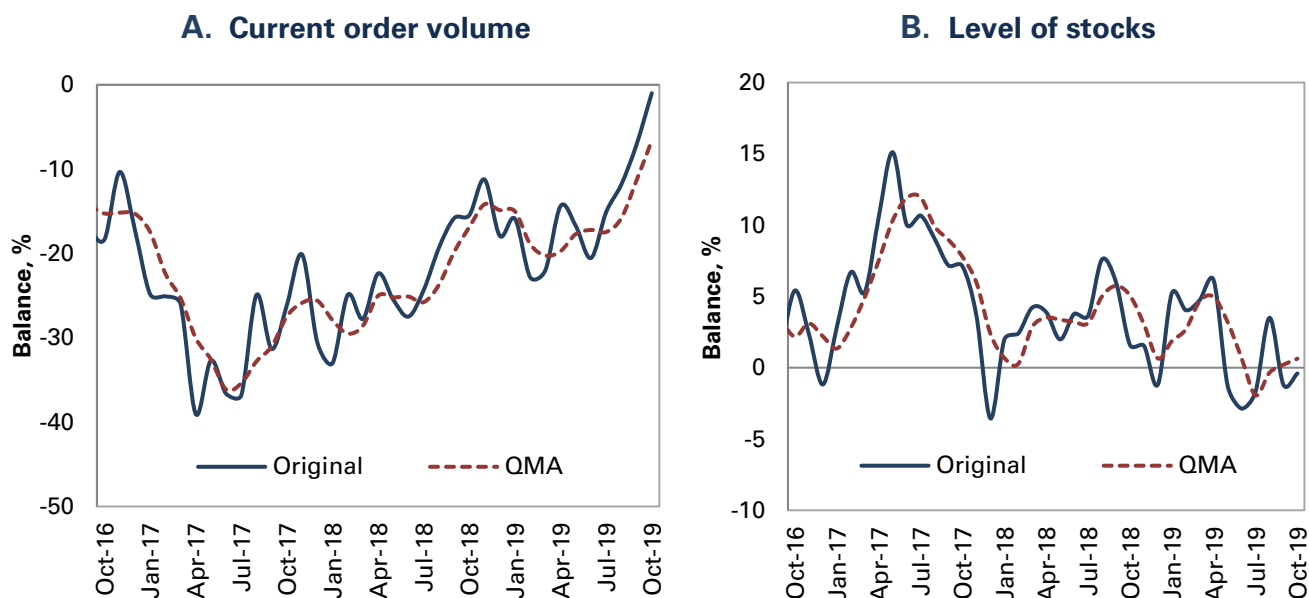
Table 2. Evolution of ICI components

Component (Balance, %)	2018		2019
	October	September	October
Stocks of finished goods at end of this month	1,6	-1,2	-0,4
Current volume of orders	-15,5	-7,1	-1,0
Expected production in the next three months	21,0	40,4	17,6
Industrial Confidence Index - ICI	1,3	11,5	5,7

Source: Business Tendency Survey (BTS) – Fedesarrollo

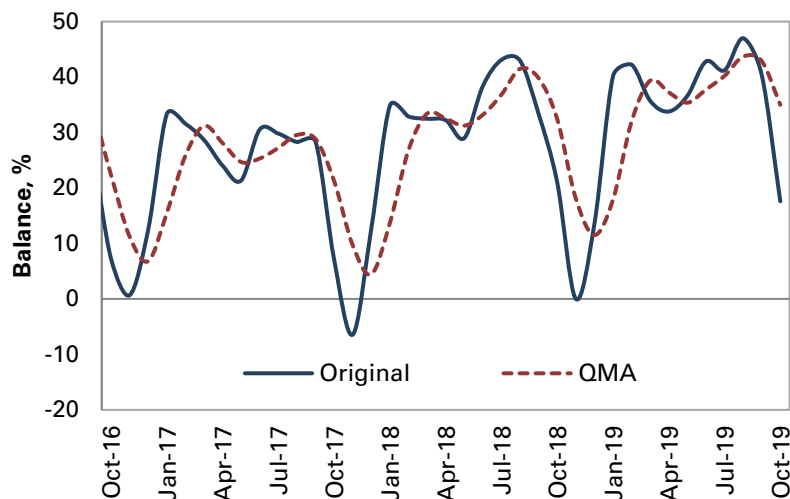
In the original series, the decrease of the ICI compared to the previous month was due to a reduction of 22.8 pps in the expected production in the next three months and to an increase of 0.8 pps in the level of stocks, while the current volume of orders indicator grew by 6.1 pps. Isolating seasonal variations, there was an increase in the level of stocks, a decrease in expected production for the next quarter and an increase in the current volume of orders compared to September (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

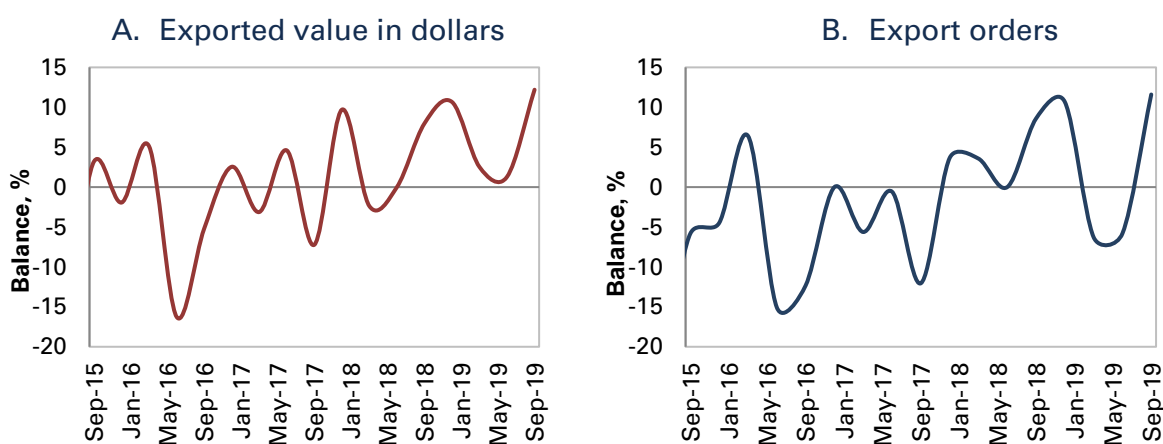


Source: Business Tendency Survey (BTS) – Fedesarrollo

Exports²

During the third quarter of 2019, the balance of answers about exported value in dollars was 12.2%, 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 11.0 pps compared to the previous quarter and an increase of 4.3 pps compared to the same quarter of 2018. On the other hand, the balance of export orders was 11.6%. which implies an increase of 17.4 pps compared to the previous quarter and an increase of 3.0 pps relative to the same quarter of 2018 (Graph 4).

Graph 4. Exported value in dollars and export orders in the second quarter of 2019 compared to the same quarter of the previous year



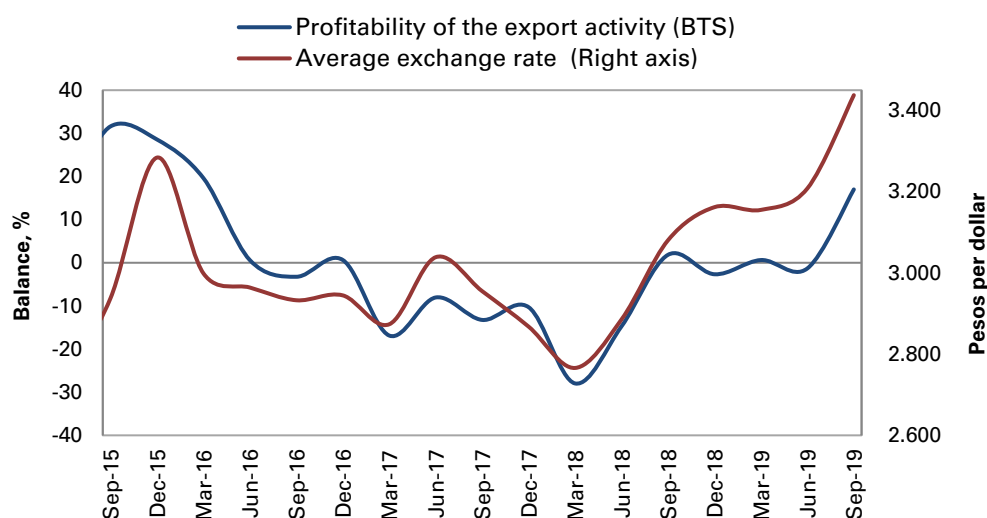
Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the perception about exports profitability, the balance was 17.0%, which is equivalent to an 18.3 pps increase compared to the previous quarter and a 15.2 pps

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.

increase relative to the same quarter of 2018. The balance of exports profitability is 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 2019, the factors Peso-dollar exchange rate (21.9%) and “Plan Vallejo System” (15.7%) were the most favorable factors for the export activity. Specifically, the balance of Peso-dollar exchange rate increased 15,5 pps compared to the previous measurement. On the other hand, the most unfavorable factors were production costs (-28.6%) and internal transport in Colombia (-28.6%). Relative to the previous quarter, balances of production costs and internal transport decreased 9.9 pps and 6.0 pps respectively.

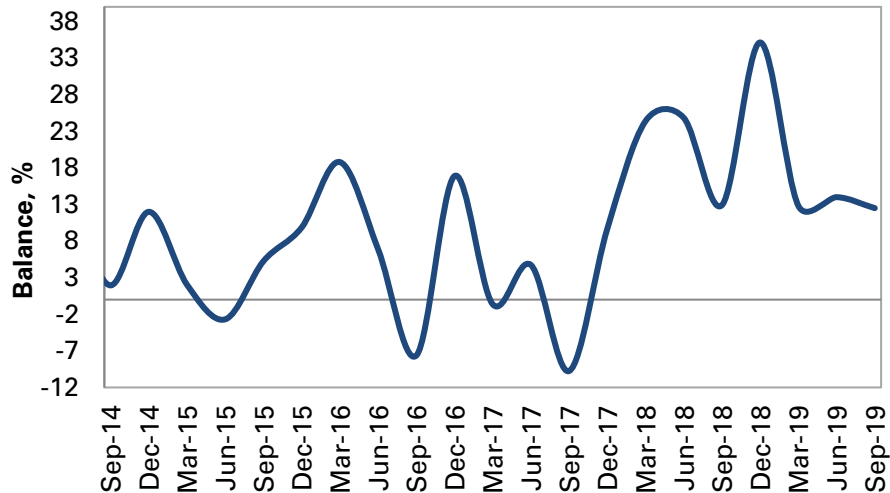
Table 3. Main factors that affected the export activity

Factor (Balance, %)	2019 - I	2019 - II	2019 - III
Internal transportation in Colombia	-29,6	-18,7	-28,6
Production costs	-27,7	-22,6	-28,6
Competitive position in the target markets	-5,7	0,0	-11,6
Port services in Colombia	-2,5	-8,4	-6,9
Trade policies of the purchasing countries	-13,8	-8,4	-5,5
Dollar-currency exchange rate of the buyer country	-2,5	0,0	-4,8
International transport	5,7	1,9	-4,1
Economic situation of the purchasing country	-17,0	-9,0	-3,4
Export procedures in Colombia	9,4	-1,9	0,0
Peso-dollar exchange rate	1,3	11,6	1,4
Colombian information and marketing services	3,8	11,6	4,8
Availability and cost of credit	13,2	23,9	15,7
Plan Vallejo System	15,1	6,5	21,9

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 12.5%, which is equivalent to a 1.5 pps decrease compared to the previous measurement and a 0.4 pps decrease compared to the third quarter of 2018 (Graph 6). In this measurement, 34.7% of respondents said that their exports will increase over the next three months, while 22.2% believe that their exports will decrease, and 43.1% 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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