

Business Tendency Survey July 2022



In July 2022, the Retail Confidence Index (RCI) stood at 30.7%, which represents a drop of 3.0 pp compared to the previous month. The decrease in confidence was mainly explained by an increase of 8.9 pp in the level of stocks and a decrease of 3.9 pp in the business current situation. However, the business expectations for the next six months showed an increase of 4.0 pp.

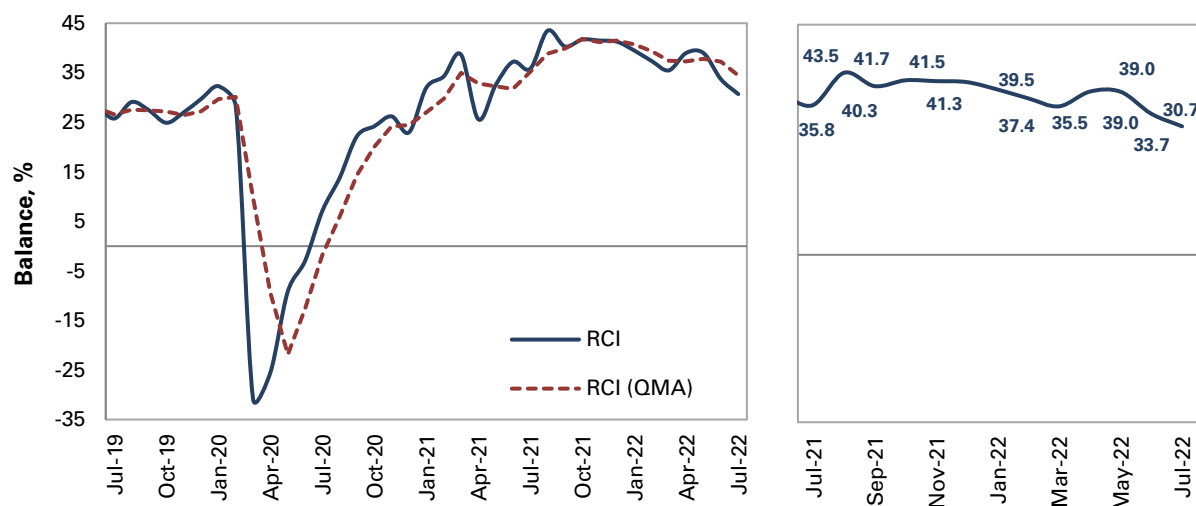
The Industrial Confidence Index stood at 9.7%, decreasing 1.8 pp compared to the previous month. The increase in the level of stocks at the end of this month of 4.2 pp, the decrease of 1.3 pp in the current volume of orders and the decrease of 0.1 pp in the expected production for the next three months explained the decrease in confidence in the industrial sector.

In the second quarter of 2022, the profitability of export activity, export orders and the value exported in dollars grew compared to the previous quarter. Likewise, the three-month expectations of the value exported in dollars increased.

Retail Confidence Index – RCI

In July 2022, the Retail Confidence Index (RCI) stood at 30.7%, which represents a decrease of 3.0 pp compared to the previous month and a decline of 5.1 pp compared to July 2021.

Graph 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The RCI brings together three elements: **perception about the business current economic situation, level of stocks¹ and expectations about the economic situation for the next semester**. The results for July 2021 and 2022 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2021	2022	
	July	June	July
Business current situation	51.7	65.3	61.4
Level of stocks	-2.0	2.5	11.4
Business expectations for the next 6 months	53.7	38.3	42.3
Retail Confidence Index - RCI	35.8	33.7	30.7

Source: Business Tendency Survey (BTS) – Fedesarrollo

In July, retailers' confidence decreased compared to the previous month due to an increase of 8.9 pp in the level of stocks and a decrease of 3.9 pp in the perception about the business current economic situation of the companies in the sector. On the other hand, there was an improvement of 4.0 pp in business expectations for the next 6 months. In annual terms, despite the increase of 9.7 pp in the business current situation indicator, the drop in retailers' confidence was explained by an increase of 13.4 pp in the

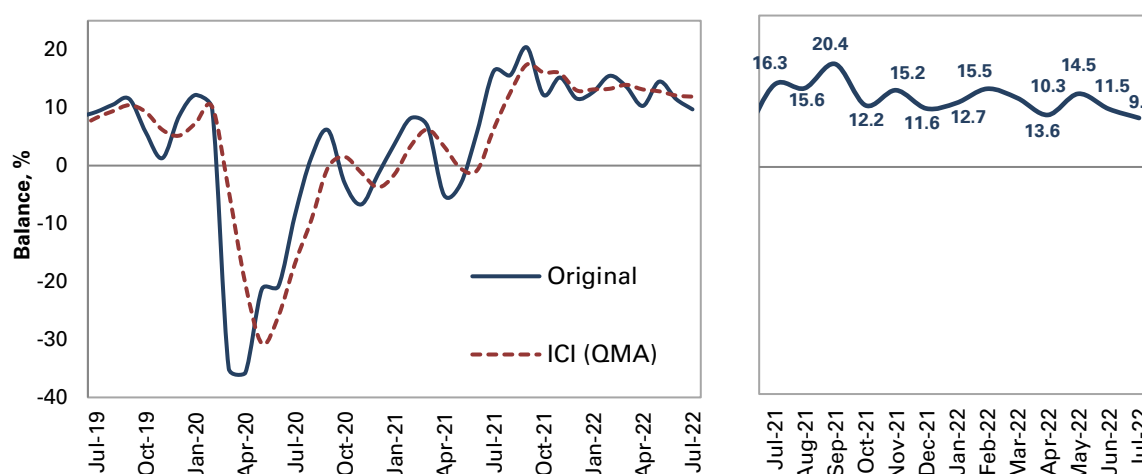
¹ Both industrial producers and retailers are asked if the level of stocks is high, low or normal. The balance corresponds to the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement since employers perceive lower levels of stocks.

level of stocks and by a decrease of 11.4 pp in business expectations for the next 6 months.

Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) stood at 9.7% in July 2022, showing a decrease of 1.8 pp compared to the previous month and a decrease of 6.6 pp compared to July 2021 (Graph 2). On the other hand, the quarterly moving average reached 11.9% and registered a deterioration of 0.2 pp compared to the same indicator for the previous month.

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**. The results for July 2021 and 2022 are presented in Table 2.

Table 2. Evolution of ICI components

Component (Balance, %)	2021	2022	
	July	June	July
Stocks of finished goods at end of this month	-6.0	-6.7	-2.5
Current volume of orders	1.0	-6.3	-7.6
Expected production in the next three months	41.9	34.2	34.1
Industrial Confidence Index – ICI	16.3	11.5	9.7

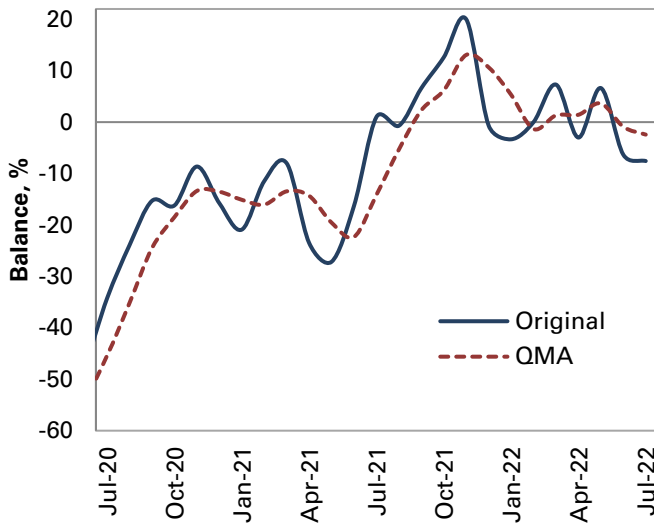
Source: Business Tendency Survey (BTS) – Fedesarrollo

In the same month, the decrease in industrial confidence compared to June is explained by a reduction of 1.6 pp in the current volume of orders, a decrease of 0.1 pp in expected production in the next three months and an increase in the stocks of finished goods at end of this month of 4.2 pp (Graph 3). In annual terms, the decrease in industrial

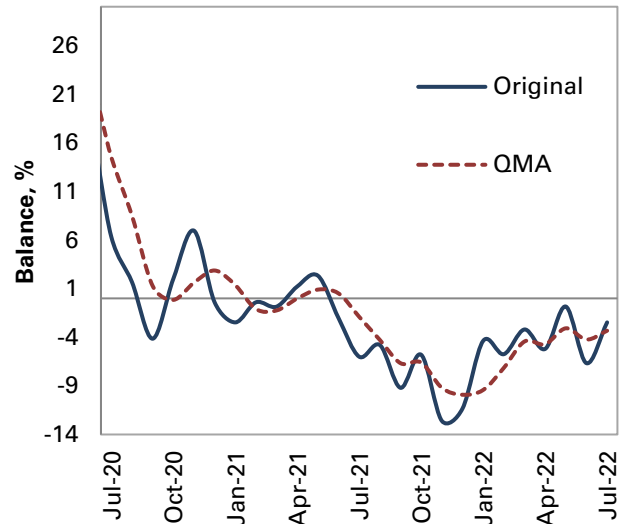
confidence was related to a reduction of 8.6 pp and 7.8 pp in the current volume of orders and in expected production in the next three months, respectively, as well as an production expectations for the next quarter, respectively, as well as an increase of 3.5 pp in the stocks of finished goods at end of this month.

Graph 3. ICI Components

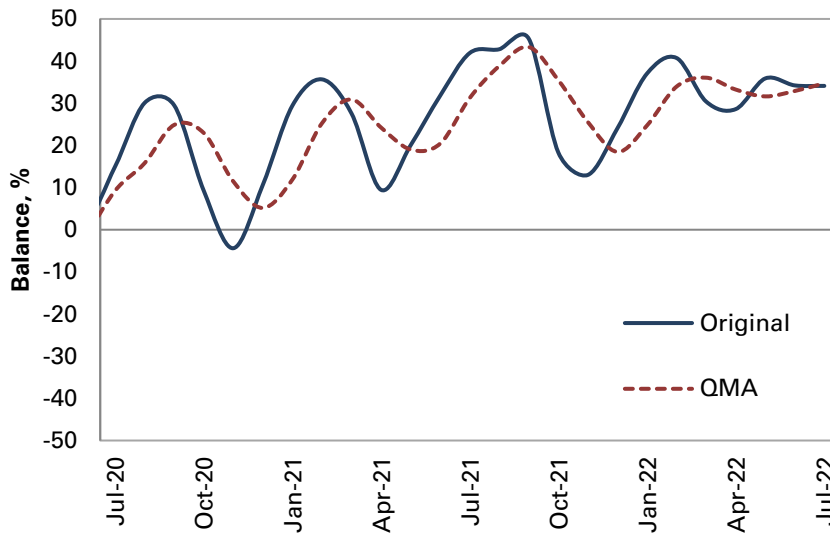
A. Current volume of orders



B. Level of stocks



C. Production expectations for the next three months



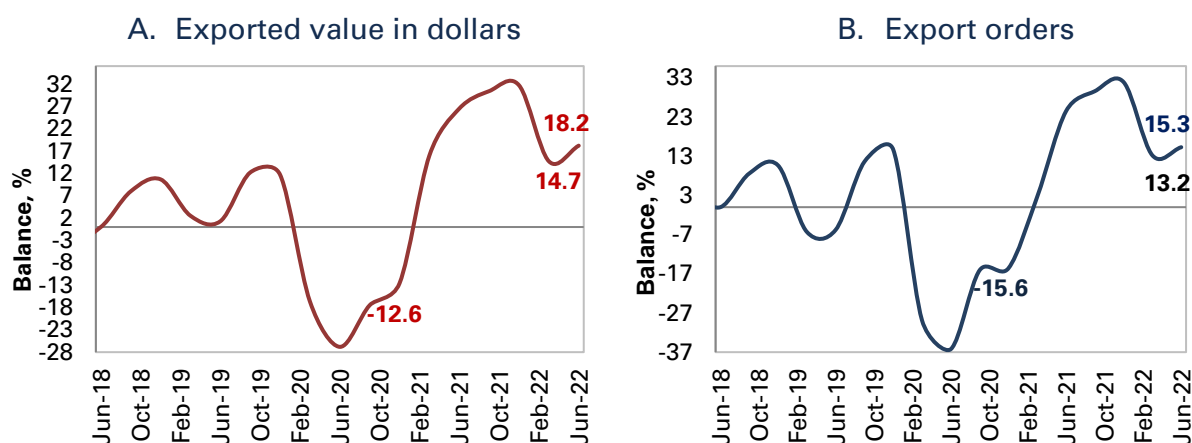
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module:

Exports²

In the second quarter of 2022, the balance on the value exported in dollars was 18.2%, indicating that the percentage of respondents who had an increase in exports was greater than those whose exports decreased (Graph 4). This result represents an increase of 3.5 pp and a decrease of 8.3 pp compared to the first quarter of 2022 and the second quarter of 2021, respectively. Meanwhile, the balance of export orders was 15.3%, representing an increase of 2.1 pp compared to the previous quarter and a decrease of 9.2 pp compared to the same quarter of 2021.

Graph 4. Exported value in dollars and export orders in the fourth quarter of 2021

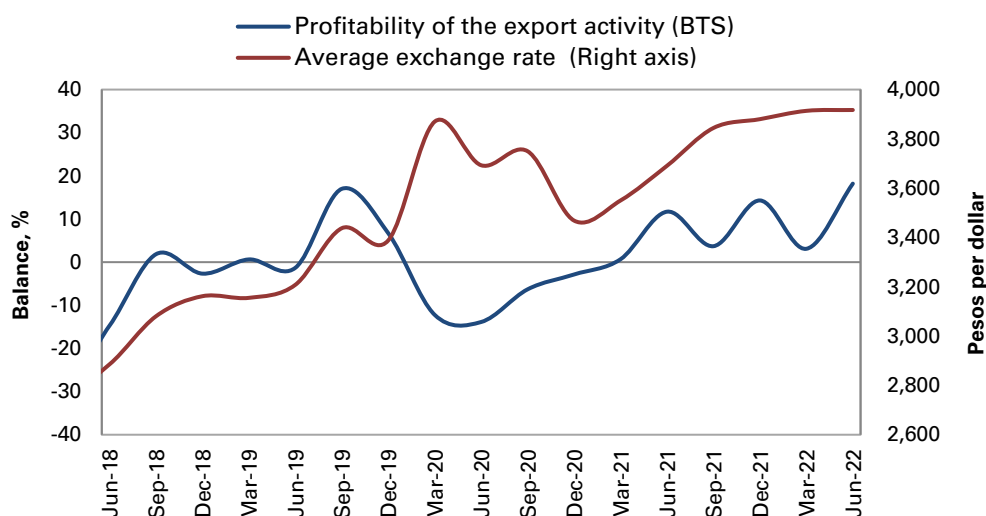


Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the question that inquires about the perception of entrepreneurs regarding the profitability of the export activity, a balance of 18.2% was obtained, which means that the percentage of respondents who perceived an increase in profitability was considerably higher compared to who considered a decrease. This represented an increase of 15.1 pp compared to the previous quarter and an increase of 6.5 pp compared to the second quarter of 2021. Additionally, the balance of the profitability of the export activity in the second quarter of 2022 was consistent with the behavior of the exchange rate (Graph 5).

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.

Graph 5. Profitability of the export activity and exchange rate



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

For the second quarter of 2022, the Plan Vallejo system (6.3%), the peso-dollar exchange rate (6.0%) and the dollar-currency exchange rate of the buyer country (5.2%) were the most favorable factors for export activity. On the other hand, the most unfavorable factors were international transportation (-46.7%), production costs (-41.8%) and internal transportation in Colombia (-32.6%). In contrast to the previous quarter, the factor that showed the greatest improvement was the competitive position in the target markets (3.7%), increasing 7.6 pp. On the other hand, the factor that recorded the greatest decline was export procedures in Colombia (-3.7%), decreasing 9.2 pp.

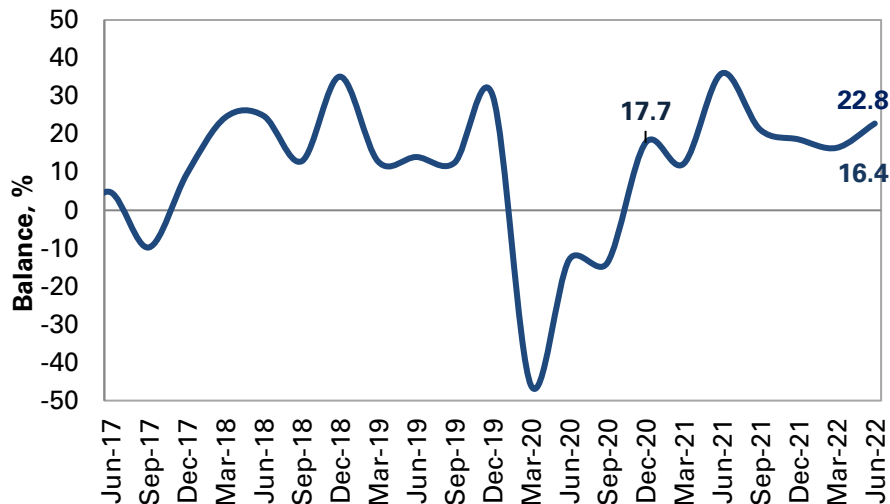
Table 3. Main factors affecting export activity

Factor (Balance, %)	2021-II	2022-I	2022-II
International transport	-47.4	-48.4	-46.7
Production costs	-40.9	-43.8	-41.8
Internal transportation in Colombia	-57.5	-31.5	-32.6
Port services in Colombia	-36.5	-14.1	-21.5
Economic situation of the purchasing country	-9.1	-6.3	0.7
Competitive position in the target markets	-14.0	-3.9	3.7
Availability and cost of credit	7.2	-0.8	-3.8
Dollar-currency exchange rate of the buyer country	0.0	2.4	5.2
Trade policies of the purchasing countries	1.4	3.9	-3.7
Plan Vallejo System	9.0	4.3	6.3
Peso-dollar exchange rate	6.8	4.7	6.0
Colombian information and marketing services	2.8	5.5	3.8
Export procedures in Colombia	-15.9	5.5	-3.7

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

The balance of the three-month expectation of export value in dollar months stood at **22.8%**, which is equivalent to an increase of **6.4 pp** compared to the first quarter of 2022 and a decrease of **13.2 pp** compared to the second quarter of 2022 (Graph 6). In this question, 36.0% of respondents stated that their exports will increase in the next three months, while 13.2% believe their exports will decrease, and the remaining 50.7% expect their exports to remain the same.

Graph 6. Three-month expectations of export 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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