**In May, both Retail Confidence Index and Industrial Confidence Index showed slight reductions with respect to previous month but improved compared to May 2017. Likewise, retail sales and industry productive activity decline relative to previous month but continued to increase compared to last year. The percentage of installed capacity utilization was 69.7%, which represents a reduction compared to previous quarter and an increase with respect to the same period of 2017. In May, business perception of economic and socio-political conditions to invest deteriorated compared to the previous quarter. On the other hand, construction companies' perception about current situation of the sector showed a slight increase compared to the previous measurement.**

Retail Confidence Index– RCI

In May, Retail Confidence Index (RCI) was 27.0%, which represents a reduction of 1.7 percentage points (pps) compared to the previous month and an increase of 11.8 pps compared to May 2017. (Figure 1). Despite the reduction with respect to April, the quarterly moving average continues with its positive trend.

Graph 1. Retail Confidence Index (RCI)
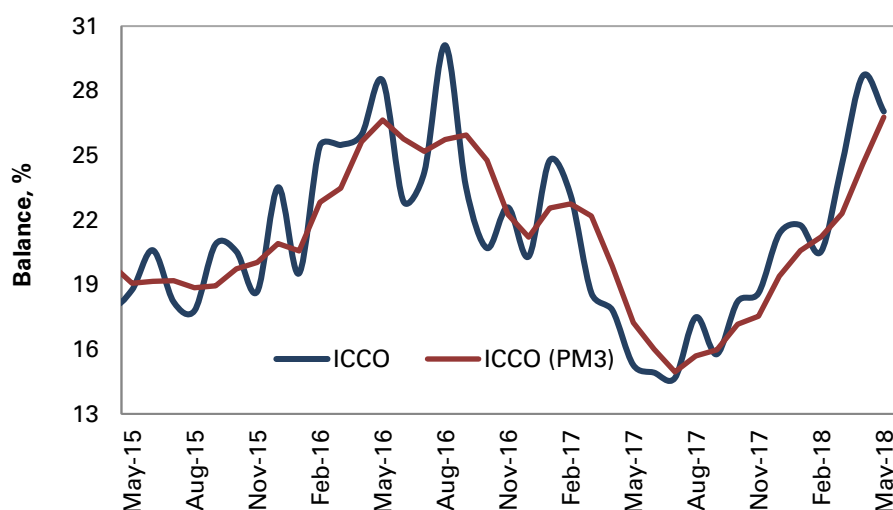
Source: Business Tendency Survey (BTS) – Fedesarrollo.

The RCI brings together three elements: **perception of the current economic situation of the company or business, stock levels and expectations about the economic situation for the next semester**. Table 1 shows the results for May of the last three years.

**Table 1. Evolution of RCI components**

Component (Balance, %)	2016	2017	2018	
	May	May	April	May
Business current situation	46.8	25.7	39.6	38.6
Level of stocks	5.9	10.6	1.0	4.0
Business expectations for the next 6 months	44.6	30.7	47.5	46.5
Retail Confidence Index - RCI	**28.5**	**15.3**	**28.7**	**27.0**

Source: Business Tendency Survey (BTS) – Fedesarrollo.

In May, the reduction in retailers confidence against previous month was due to the 3.0 pps increase in the level of stocks and the 1.0 pps reduction in both expectations index for the next semester, and current economic situation index. However, compared to May 2017 all components improved, the level of stocks decreased by 6.6 pps, expectations indicator increased by 15.8 pps and current economic situation index by 12.9 pps.

The balance of answers for the level of retail sales in May was -3.5%, which represents a strong increase of 12.9 pps compared to May 2017. Adjusting for seasonal factors, there was a reduction of 2.0 pps compared to last month. This indicator exhibits a strong correlation with the quarterly annual growth rate of retail sector value added.
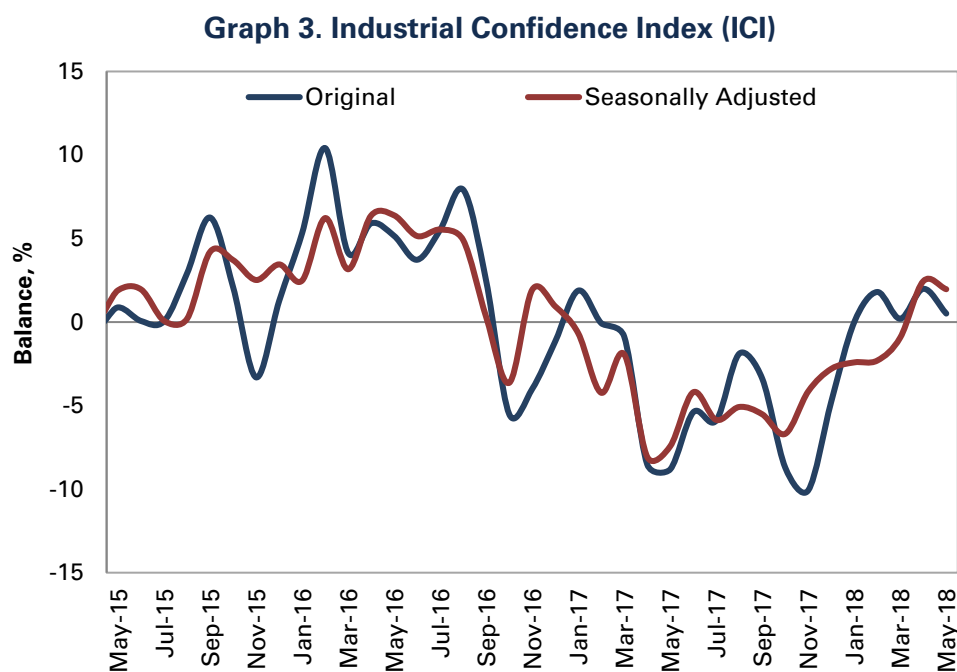
Graph 2. Retail Sales – BTS Retail

Source: Business Tendency Survey (BTS) – Fedesarrollo.

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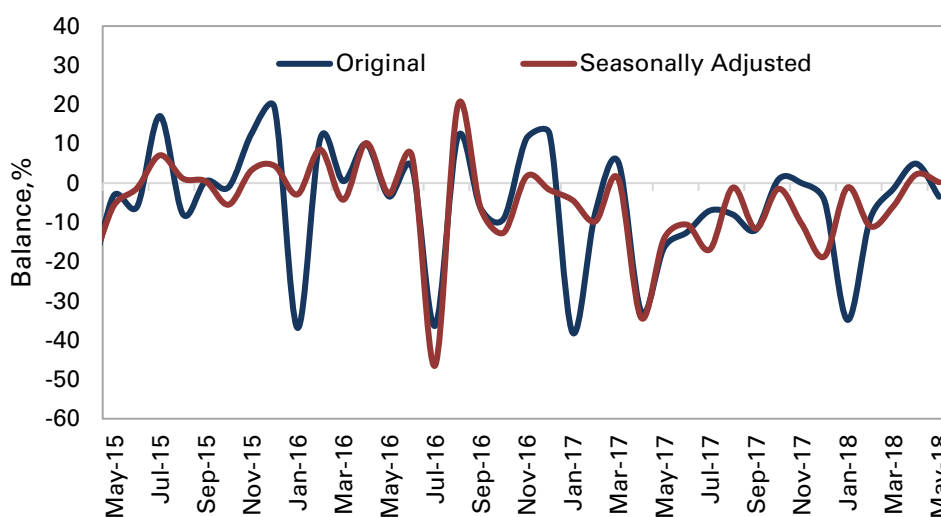
Industrial Confidence Index – ICI

In May, Industrial Confidence Index (ICI) was 0.5%. Adjusting for seasonal factors, this represents a drop of 0.5 pps compared to last month. With respect to May 2017, the observed level improved by of 9.3 pps.

Graph 3. Industrial Confidence Index (ICI)

Source: Business Tendency Survey (BTS) – Fedesarrollo.

The increase in industrial confidence with respect to May 2017 is mainly due to the decrease of 13.1 pps in the level of stocks, the 7.2 pps improvement in current volume of orders and the 7.6 pps increase in production expectations (Table 2).

Table 2. Evolution of ICI Components

Component (Balance, %)	2016	2017	2018	
	May	May	April	May
Current volume of orders	-15.4	-32.7	-22.4	-25.5
Stocks of finished goods at the end of this month	4.7	15.1	3.9	2.0
Expected production in the next three months	35.6	21.4	32.2	29.0
Industrial Confidence Index - ICI	**5.2**	**-8.8**	**2.0**	**0.5**

Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current order volume, stock level[1] and production expectations for the next three months**. Isolating seasonal variations, compared with April, the 2.1 pps reduction in the current volume of orders indicator stands out (Graph 4B).

Graph 4. ICI Components

A. Current order volume

B. Stock level

**C. Production expectations for the next three months**
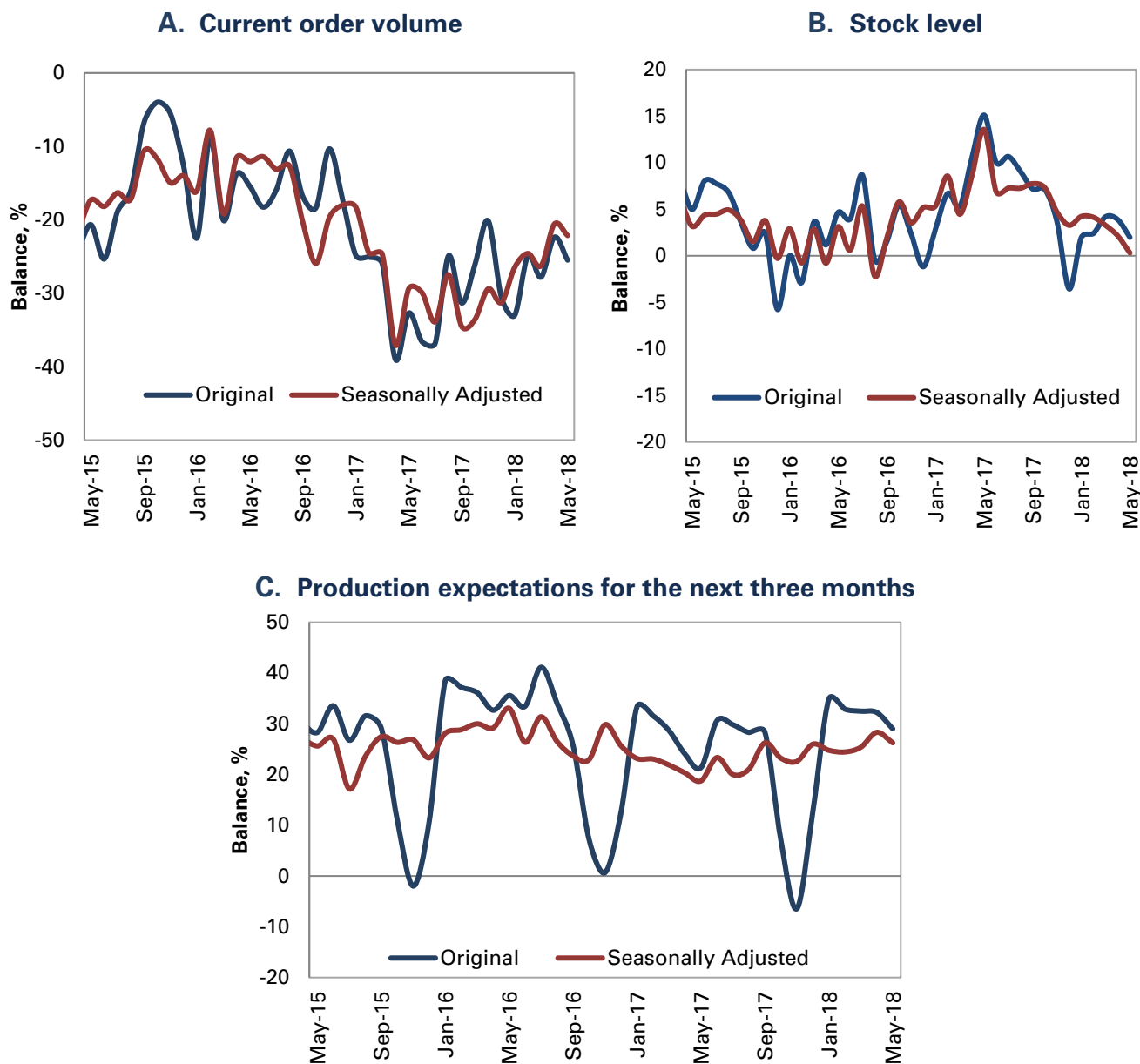
Source: Business Tendency Survey (BTS) – Fedesarrollo.

The balance of answers regarding industrial sector productive activity was -2.3% in May, an increase of 14.2 pps compared to May 2017. Adjusting for seasonal factors, there was

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[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

a reduction of 1.3 pps compared to last month. This indicator exhibits a strong correlation with industrial sector value added growth[2].

Graph 5. Productive Activity – BTS Industry
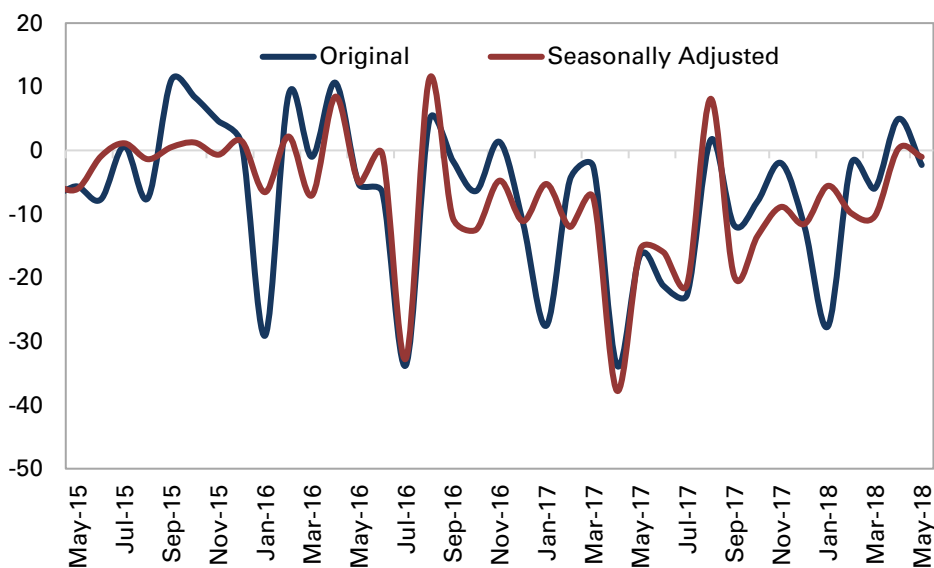
Source: Business Tendency Survey (BTS) – Fedesarrollo.

Quarterly Module: Economic and sociopolitical conditions for investment[3]

In May, the balance of the industrial sector on the favorability of **economic conditions** to invest was -13.4%, which is equivalent to a reduction of 3.2 pps compared to the last measurement of February 2018. The results show that 16.4% of respondents believe that current economic conditions are favorable, compared to 20.1% in the previous measurement. On the other hand, 29.8% of employers consider that the current conditions are unfavorable and 53.8% affirm that they are neutral.

On the other hand, the balance on the favorability of **sociopolitical conditions** to invest was -38.1%, with a fall of 1.5 pps compared to the previous quarter. The results show that 4.8% of respondents believe that sociopolitical conditions are favorable, while 42.9% consider that they are unfavorable and 52.2% that they are neutral.

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[2] Tendencia Económica, May 2018. http://www.repository.fedesarrollo.org.co/handle/11445/3598
[3] The Business Tendency Survey includes a special module that asks about industrialists' perception of the economic and socio-political conditions to invest in the sector.

Graph 6. Favorability of current economic and socio-political conditions for investment
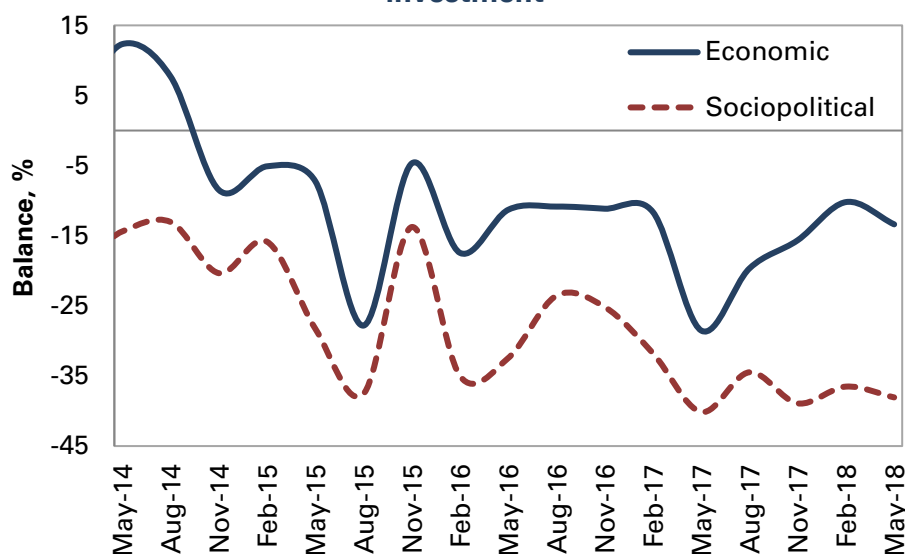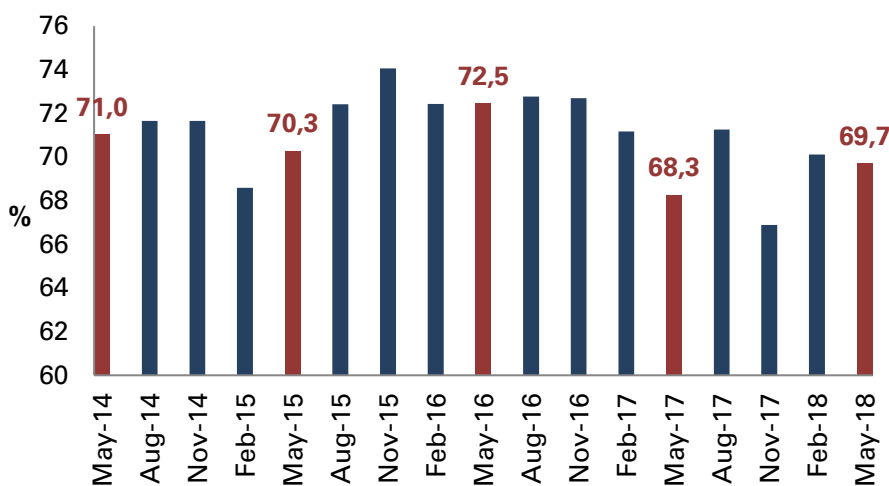

Source: Business Tendency Survey – Fedesarrollo.

Quarterly Module: Industry Installed Capacity Utilization[4]

In May, industry installed capacity utilization was 69.7%, which represents a drop of 0.4 pps compared to the previous measurement in February 2018 (Graph 7). Compared to the same month of the previous year, there was an increase of 1.5 pps.

Graph 7. Utilization of installed capacity in the industry

**Note:** The series of utilization of installed capacity was revised backwards.
Source: Business Tendency Survey – Fedesarrollo.

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[4] The Business Tendency Survey for the month of May contains a quarterly module that inquires about the perception of entrepreneurs about the level of utilization of installed capacity in the industry

Quarterly Construction Survey[5]

In 2018 second quarter measurement, the balance for current economic situation of companies in the construction sector stood at -6.5%, an increase of 1.6 pps compared to the previous quarter and a decrease of 4.0 pps compared to 2017 second quarter. **Buildings subsector** registered a balance of 3.6%, an increase of 3.6 pps compared to the previous quarter and a reduction of 12.1 pps compared to a year ago (Graph 8).

Graph 8. Current situation of companies in the construction sector
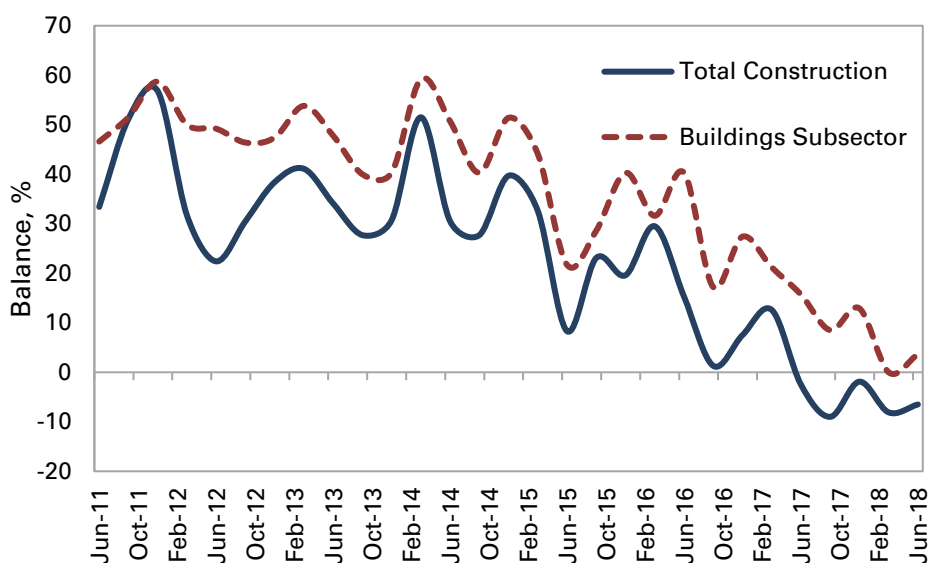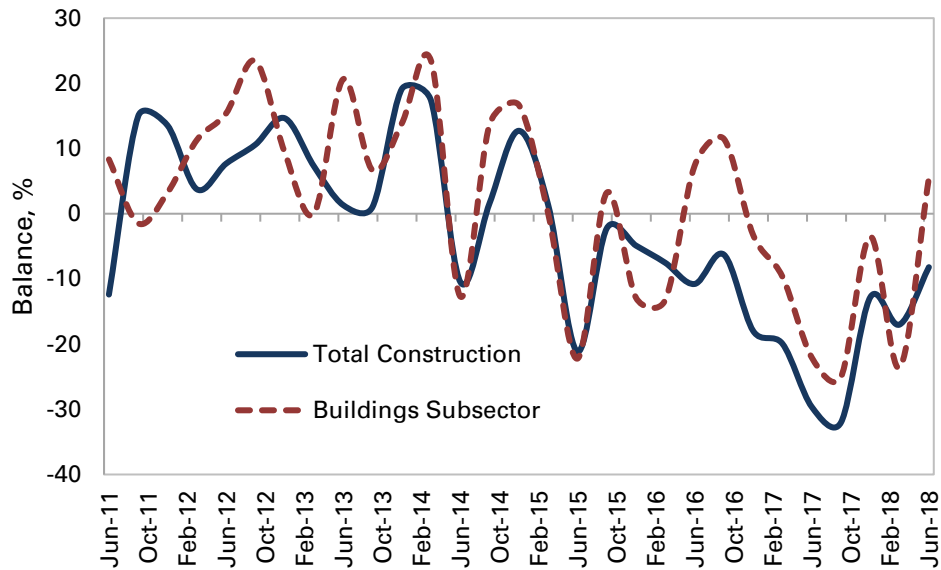

Source: Quarterly Construction Survey - Fedesarrollo

The indicator of the pace of construction was -8.2%, showing an increase of 8.8 pps compared to the previous quarter and 21.4 pps compared to the second quarter of 2017. For **buildings subsector**, this indicator registered a balance of 5.5%, with a strong increase of 29.1 pps compared to the previous quarter and 27.6 pps compared to a year ago (Graph 9).

Construction expectations for the next quarter showed an increase of 2.9 pps compared to the previous measurement and an increase of 7.4 pps compared to 2017 second quarter. For the same periods, **buildings subsector** expectations decreased 6.5 pps and 6.1 pps, respectively (Graph 10).

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[5] Quarterly, Fedesarrollo conducts a survey focused on entrepreneurs in the construction sector, in order to know their perception of the current economic situation and their future expectations.

Graph 9. Construction rate compared to the previous year

Source: Quarterly Construction Survey - Fedesarrollo

Graph 10. Construction expectations for the next quarter
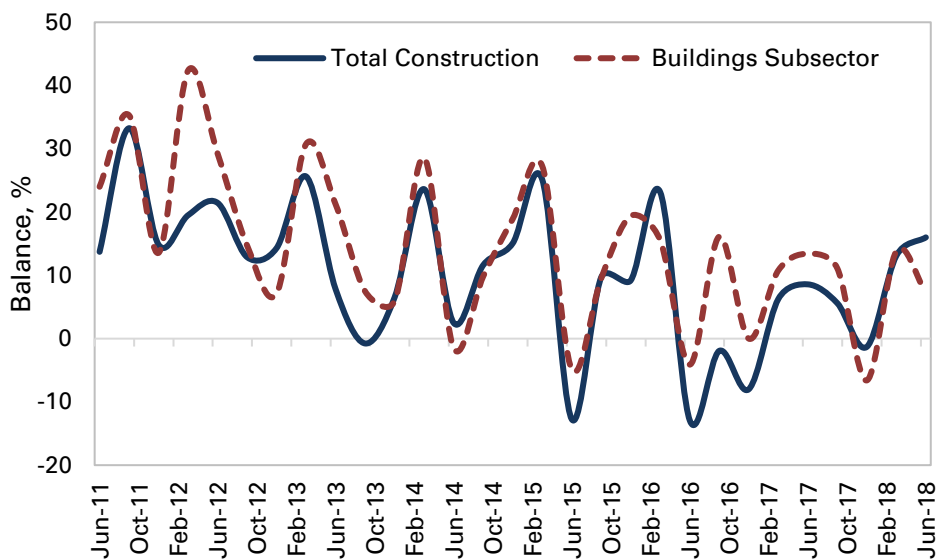
Source: Quarterly Construction Survey - Fedesarrollo

Contact us if you would like to have access to disaggregated results by region, industrial sector and other survey questions

+57 1 3259777 ext. 340
comercial@fedesarrollo.org.co

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Comments to **Santiago Gómez:** sgomez@fedesarrollo.org.co