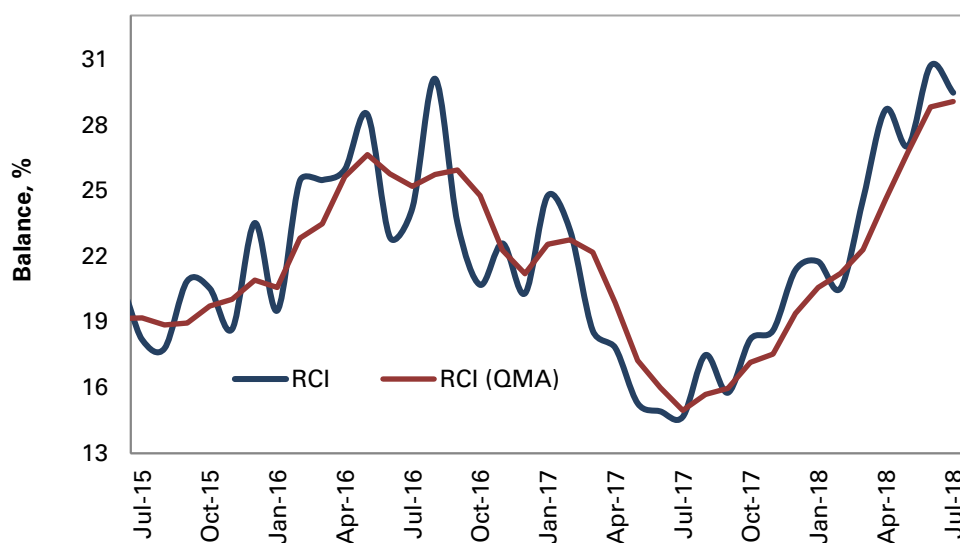


In July, the Industrial Confidence Index increased relative to the previous month and with respect to July 2017, reaching its highest value since September 2016. Retail Confidence Index fell slightly compared to previous month, but it was much higher than one year ago. The balance of exporter's expectations regarding their economic activity in the next three months increased noticeably compared to the second quarter of 2017.

### Retail Confidence Index – RCI

In July, the Retail Confidence Index (RCI) was 29.5%, 14.8 percentage points (pps) higher than in July 2017 and 1.2 pps less than the previous month (Graph 1). The quarterly moving average continues with the upward trend it shows since July 2017.

**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 July of the last three years are summarized in Table 1.

In July, the deterioration in the retailer's confidence compared to the previous month is due to the 7.4 pps reduction in the expectations indicator for the next semester and the increase of 2.0 pps in the stock level component. Compared to July 2017, improvements were made in all components, the stock level indicator decreased 8.2 pps, the expectations indicator increased 19.1 pps and the current economic situation 17.1 pps.

**Table 1. Retail Confidence Index Components**

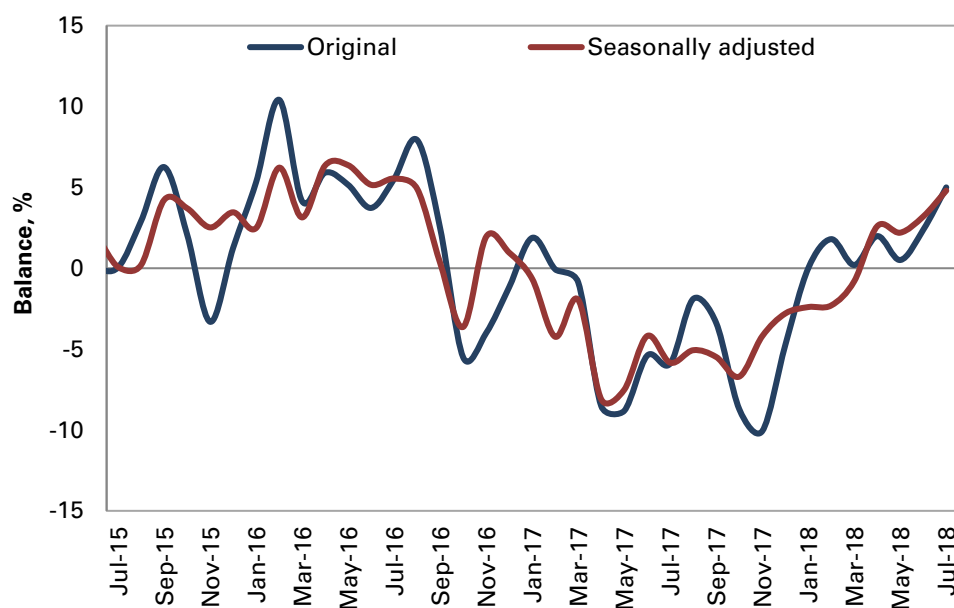
Component (Balance, %)	2016	2017	2018	
	July	July	June	July
Business current situation	42,0	28,5	39,9	45,6
Level of stocks	10,1	13,6	3,5	5,4
Business expectations for the next 6 months	40,7	29,1	55,7	48,3
<b>Retail Confidence Index - RCI</b>	<b>24,2</b>	<b>14,7</b>	<b>30,7</b>	<b>29,5</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo.

### Industrial Confidence Index – ICI

In July, the Industrial Confidence Index (ICI) was 5.0%, the highest value since September 2016. Using the series adjusted for seasonal factors, the ICI increased 1.7 pps compared to last month. Relative to July 2017, there was an improvement of 10.9 pps.

**Graph 2. Industrial Confidence Index (ICI)**



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current volume of orders, level of stocks<sup>1</sup> and production expectations for the next three months**. The increase in industrial confidence compared to July 2017 is mainly due to the 13.3 pps improvement in production expectations, the 12.5 pps increase in the current volume of orders and the 7.0 pps decrease in the level of stocks (Table 2).

<sup>1</sup> 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.

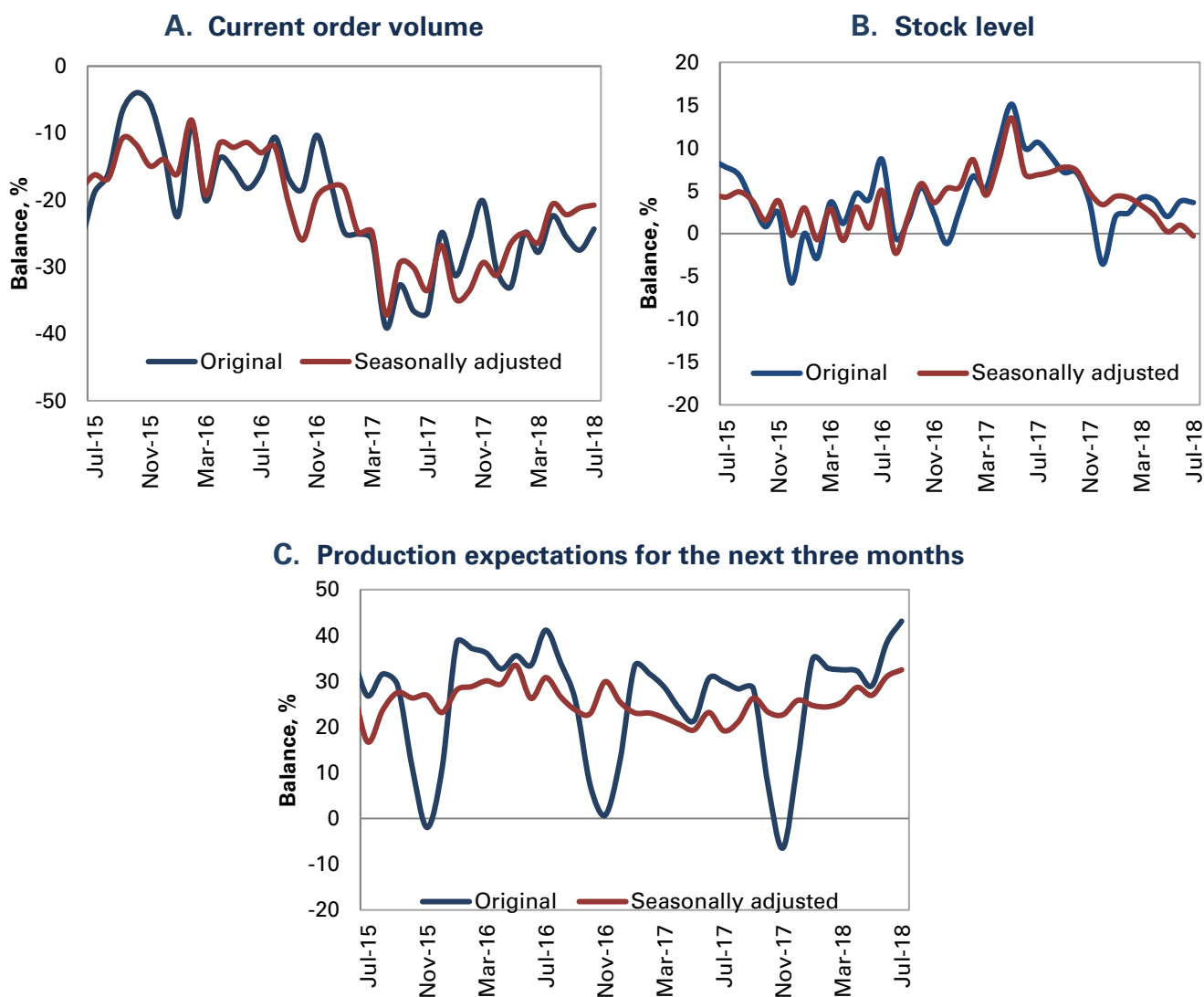
**Table 2. Evolution of ICI components**

Componente (Balance, %)	2016	2017	2018	
	Julio	Julio	Junio	Julio
Volumen actual de pedidos	-15,9	-36,8	-27,5	-24,3
Nivel de existencias	8,7	10,7	3,8	3,6
Expectativas de producción para el próximo trimestre	41,1	29,8	38,4	43,1
<b>Índice de Confianza Industrial – ICI</b>	<b>5,5</b>	<b>-5,9</b>	<b>2,4</b>	<b>5,0</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo.

Isolating seasonal variations, compared to the previous month, the increase of 1.5 pps in the indicator of production expectations for the next quarter stands out (Graph 3C).

**Graph 3. ICI Components**

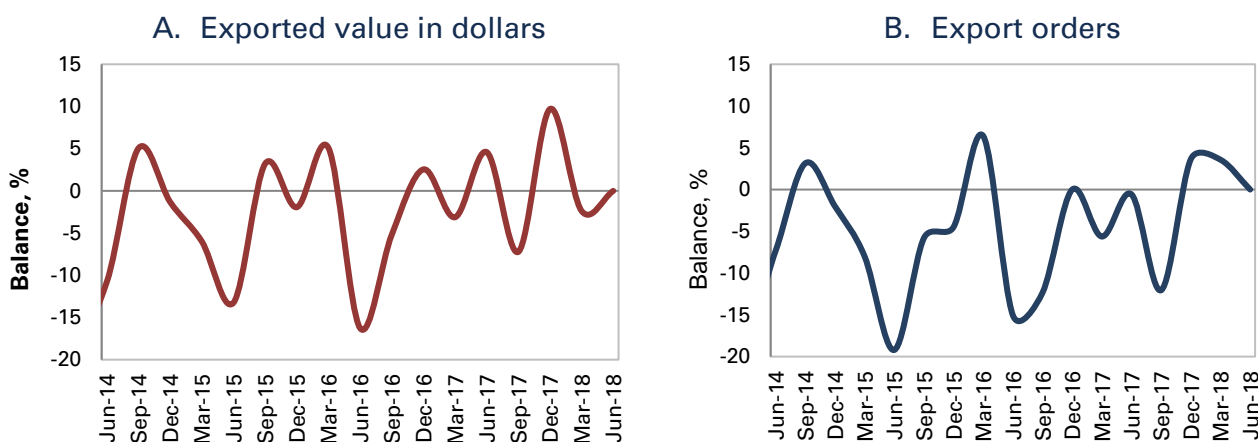


Source: Business Tendency Survey (BTS) – Fedesarrollo.

## Exports<sup>2</sup>

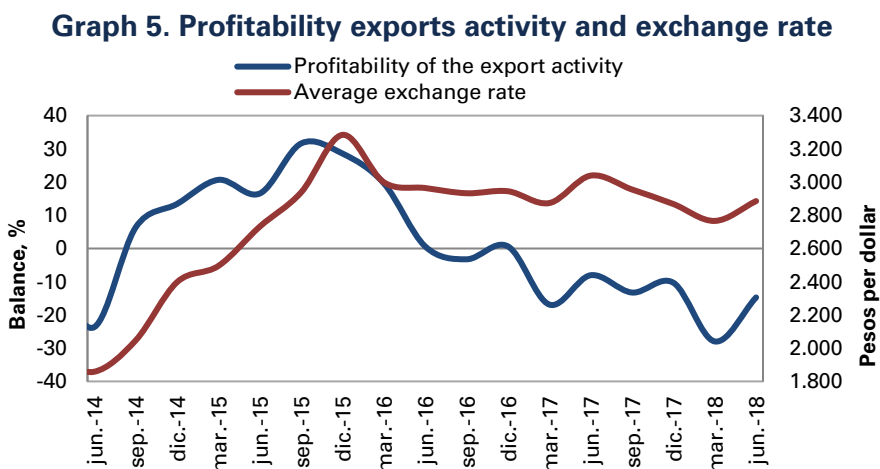
In the second quarter of the year, the balance on the value exported in dollars was 0.0%, which implies that the percentage of respondents considering that the value of their exports increased is equal to the percentage of those considering it declined. This result represents an improvement of 2.4 pps compared to the previous quarter and a decline of 4.6 pps compared to the same quarter of 2017. The balance of export orders was also 0.0%, which implies a reduction of 3.6 pps compared to the previous quarter and a slight increase of 0.6 pps relative to the same quarter of 2017 (Graph 4).

**Graph 4. Exported value in dollars and export orders in the first quarter of 2018 compared to the same quarter of the previous year**



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

Regarding the perception about profitability of export activity the balance was -14.7%, which is equivalent to an increase of 13.3 pps compared to the previous quarter and a reduction of 6.7 pps relative to the same quarter of 2017. The balance of the profitability of the export activity is directly related to the behavior of the exchange rate (Graph 5).



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

<sup>2</sup>On 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.

For the second quarter of 2018, no factor was considered favorable for export activity. The most unfavorable factors were domestic transportation in Colombia and production costs, whose balances were -24.5% and -23.3%, respectively. However, several factors, such as the perception of the impact of the peso-dollar exchange rate, improved compared to the previous quarter.

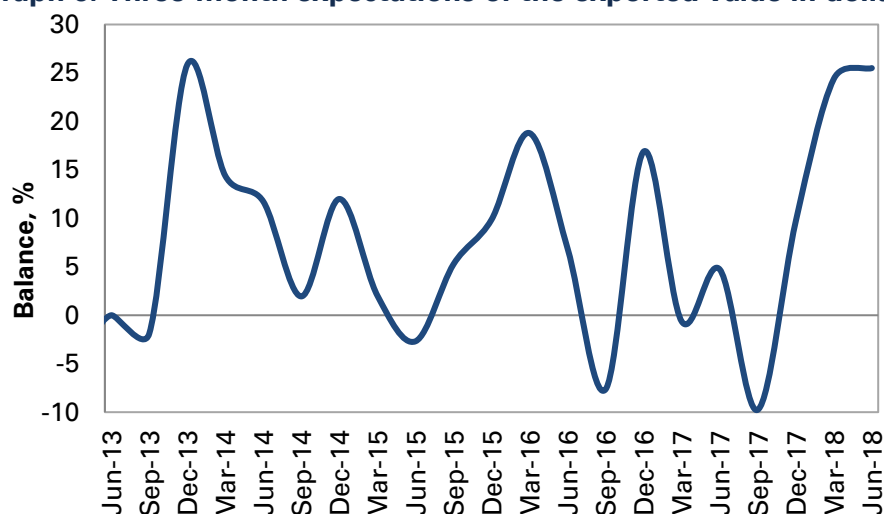
**Table 3. Main factors that affected the export activity**

Factor (Balance, %)	2017 - II	2018 - I	2018 - II
Internal transportation in Colombia	-23.6	-31.0	-24.5
Production costs	-23.0	-19.6	-23.3
Trade policies of the purchasing countries	-15.5	-14.9	-12.9
Competitive position in the target markets	-8.6	-1.2	-9.8
Economic situation of the purchasing country	-14.4	0.0	-8.6
Dollar-currency exchange rate of the buyer country	-4.6	-18.5	-5.5
Port services in Colombia	-12.6	-19.0	-4.3
International transport	-1.1	-7.1	-4.3
Peso-dollar exchange rate	10.3	-42.9	-3.1
Export procedures in Colombia	-6.9	-9.5	-3.1

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

The balance of exporter's expectations about the performance of their activity in the next three months was 24.8%, which is equivalent to a slight increase of 0.4 pps compared to the previous measurement and an increase of 20,0 pps compared to the second quarter of 2017 (Graph 6). The balance of expectations registered in this quarter is the highest since 2014. In this measurement, 39.6% of respondents said that their exports will increase in the next three months. On the other hand, 15.2% believe their exports will decrease and 45.1% that they will remain the same.

**Graph 6. Three-month expectations of the 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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Published August 23, 2018

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