

Business Tendency Survey

March 2019

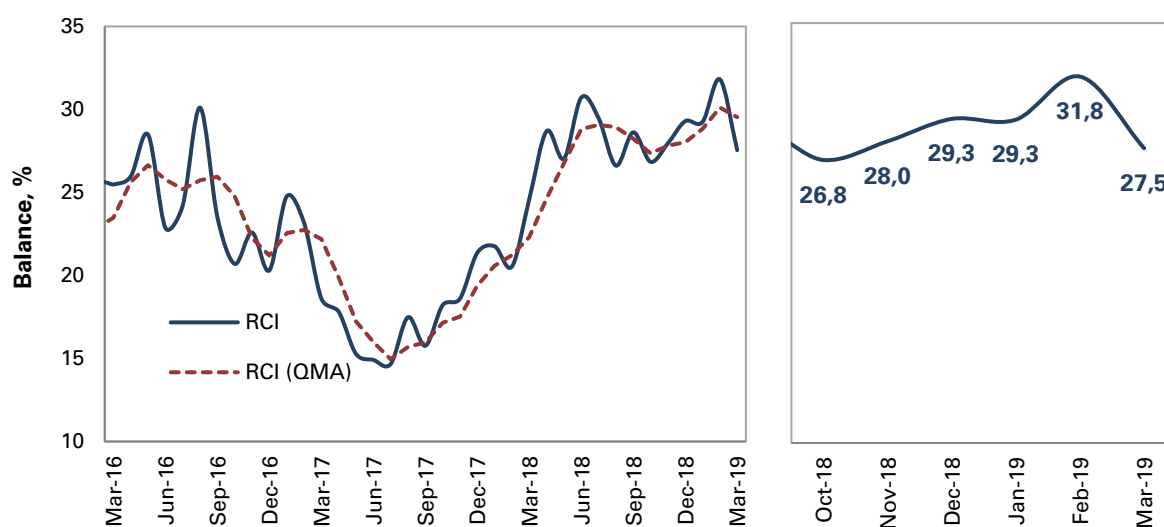


In March, both the Retail Confidence Index and the Industrial Confidence Index decreased compared to the previous month but improved relative to March 2018. On the other hand, industrial employment expectations for the next quarter increased compared to the previous quarter and the same period of 2018. Finally, industrial business' perception of contraband decreased relative to last quarter but was higher than the one observed a year ago.

Retail Confidence Index – RCI

In March, the Retail Confidence Index (RCI) was 27.5%, which represents a deterioration of 4.3 percentage points (pps) compared to last month and an increase of 2.9 pps compared to March 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 March of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2018		2019
	March	February	March
Business current situation	37.3	50.5	39.5
Level of stocks	6.9	1.0	3.6
Business expectations for the next 6 months	43.5	46.0	46.7
Retail Confidence Index - RCI	24.6	31.8	27.5

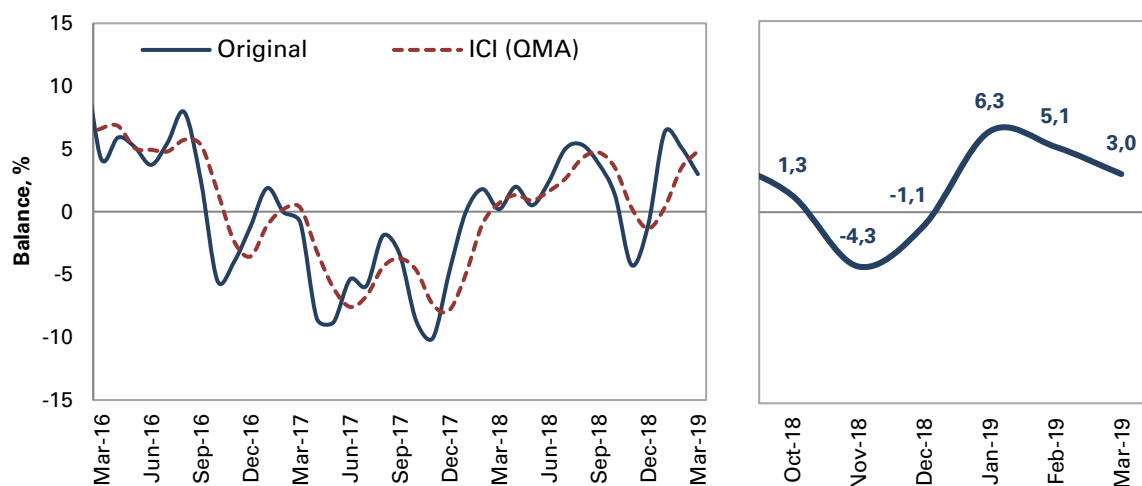
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In March, the deterioration in retailer’s confidence compared to the previous month was mainly due to the reduction of 11.0 pps in the current economic situation index, and to a lesser extent to the 2.5 pps increase in the level of stocks index. Regarding March 2018, the improvement was explained by the 3.4 pps decrease in the level of stocks indicator and the 3.2 pps and 2.2 pps increases in the business expectations and current economic situation indicators, respectively.

Industrial Confidence Index – ICI

In March, the Industrial Confidence Index (ICI) stood at 3.0%, which represents a drop of 2.1 pps compared to February and an increase of 2.8 pps relative to March 2018. With this result, its quarterly moving average reached 4.8% which represents an increase of 1.4 pps compared to last month.

Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current volume of orders, level of stocks¹ and production expectations for the next three months**. The increase in industrial confidence relative to March 2018 was mainly due to the improvement of 5.8 pps in the current volume of orders, the increase of 3.2 pps in production expectations and the 0.5 pps increase in the level of stocks component (Table 2).

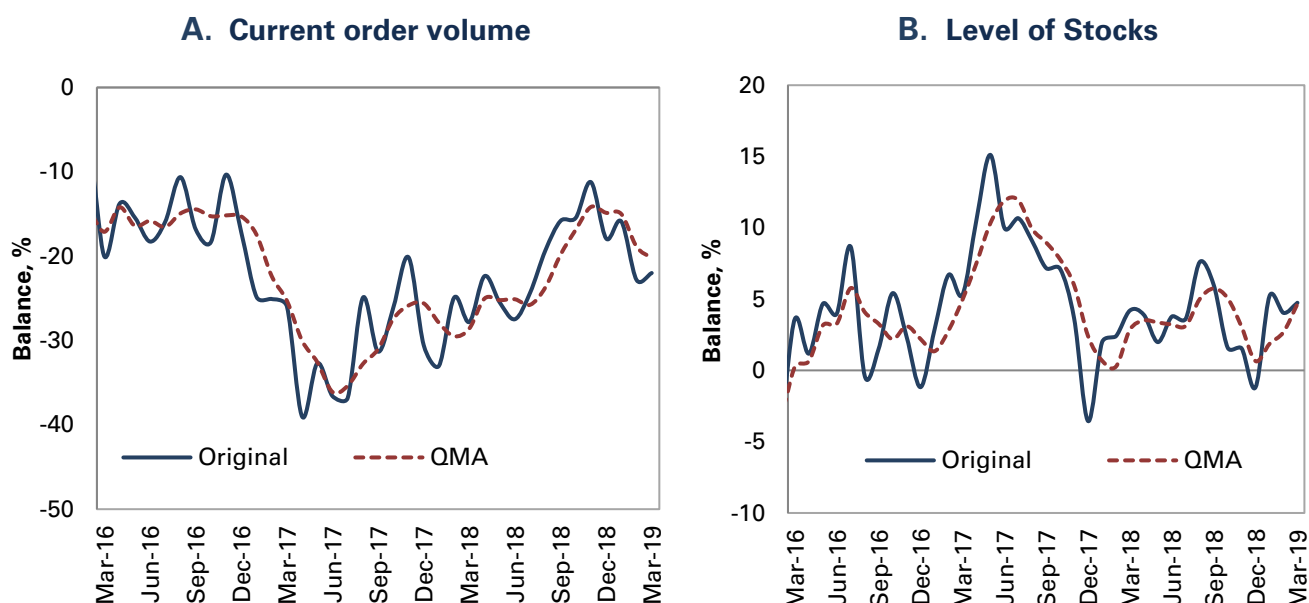
Table 2. Evolution of ICI components

Component (Balance, %)	2018		2019
	March	February	March
Stocks of finished goods at end of this month	4.2	4.0	4.7
Current volume of orders	-27.8	-22.8	-22.0
Expected production in the next three months	32.5	42.2	35.7
Industrial Confidence Index - ICI	0.2	5.1	3.0

Source: Business Tendency Survey (BTS) – Fedesarrollo.

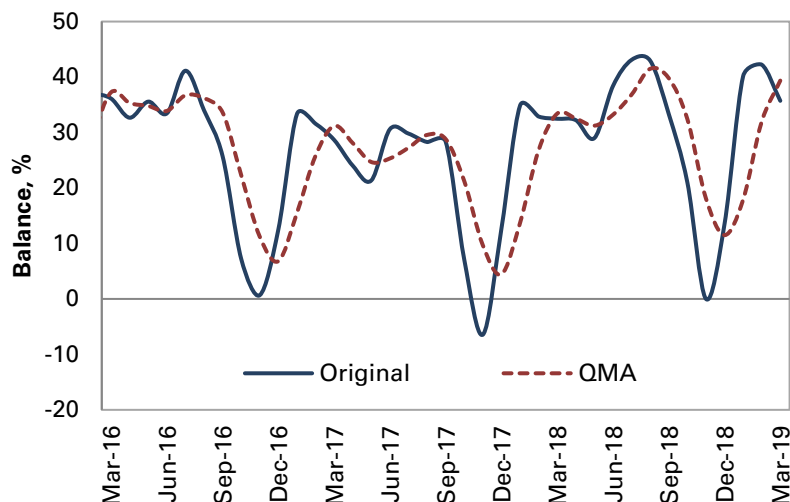
In the original series, the deterioration in March of the ICI compared to the previous month was due to the 6.5 pps reduction in the production expectations indicator and to a lesser extent, to the 0.7 pps increase in the level of stocks. Isolating seasonal variations, relative to February the current volume of orders decreased, while the level of stocks index and production expectations for the next quarter both increased. (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

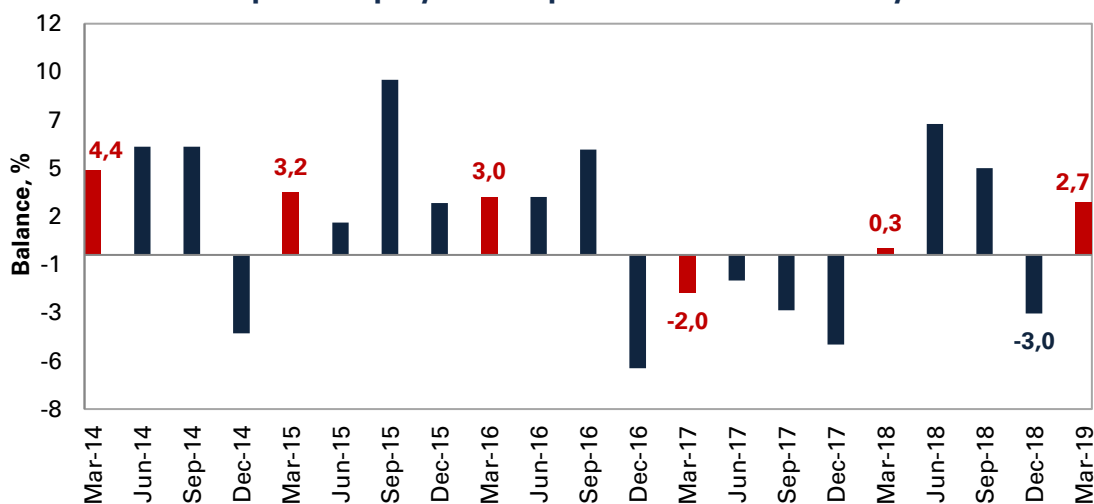


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Employment Expectations and Contraband Perception²

In March, the balance on employment expectations for the next quarter stood at 2.7%, which represents an increase of 5.8 pps relative to the previous quarter and an increase of 2.4 pps compared to the same period of 2018 (Graph 4). Disaggregating by answer choice, 11.9% of respondents believe that employment in the industry will increase, 9.2% believe that it will decrease and 79.0% say it will remain the same.

Graph 4. Employment expectations in the industry



Note: No seasonally adjusted data.

Source: Business Tendency Survey – Fedesarrollo.

² The Business Opinion Survey contains a quarterly module inquiring about employers' perception of employment expectations and the perception of contraband in the industry.

On the other hand, the perception of industrial business perceiving contraband in the industry as equal to or greater than last quarter increased from 82.2% in December 2018 to 86.3% in March 2019. This result is also higher than the one observed a year ago (77,8%)(Table 3).

Table 3. Contraband Perception

Answers	2018		2019
	March	December	March
Higher	10.8	24.9	18.7
Equal	67.0	57.3	67.6
Lower	22.2	17.8	13.7
Balance	-11.3	7.0	4.9

Source: Business Tendency Survey – Fedesarrollo.



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

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