

Business Tendency Survey July 2019

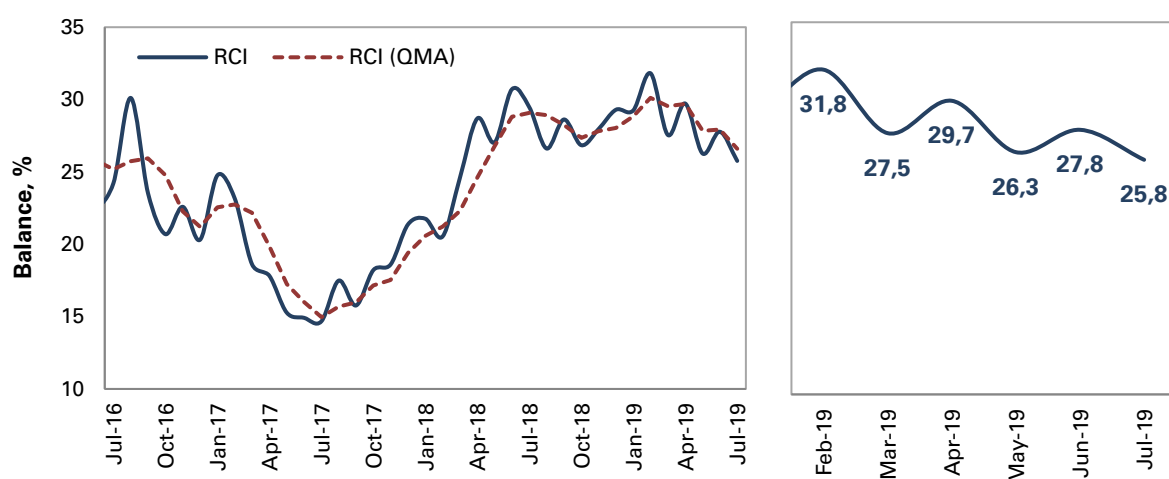


In July, the Retail Confidence Index stood at 25.8%, which represents a reduction of 2.0 pps compared to the previous month due to a decrease in expectations about the business economic situation and an increase in inventory accumulation. The Industrial Confidence Index registered a balance of 9.3%, which represents an increase of 0.9 pps compared to the last month explained by the increase in the current volume of orders. On the other hand, the profitability of the export activity and the exported value in dollars decreased compared to the previous quarter, while the indicators of exporters' expectations on the performance of their activity in the next three months and the balance of export orders increased in the same period.

Retail Confidence Index – RCI

In July, the Retail Confidence Index (RCI) was 25.8%, which represents a reduction of 2.0 percentage points (pps) compared to last month and a decrease of 3.7 pps compared to July 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 July of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2018	2019	
	July	June	July
Business current situation	45.6	42.0	39.5
Level of stocks	5.4	4.6	9.7
Business expectations for the next 6 months	48.3	45.9	47.5
Retail Confidence Index - RCI	29.5	27.8	25.8

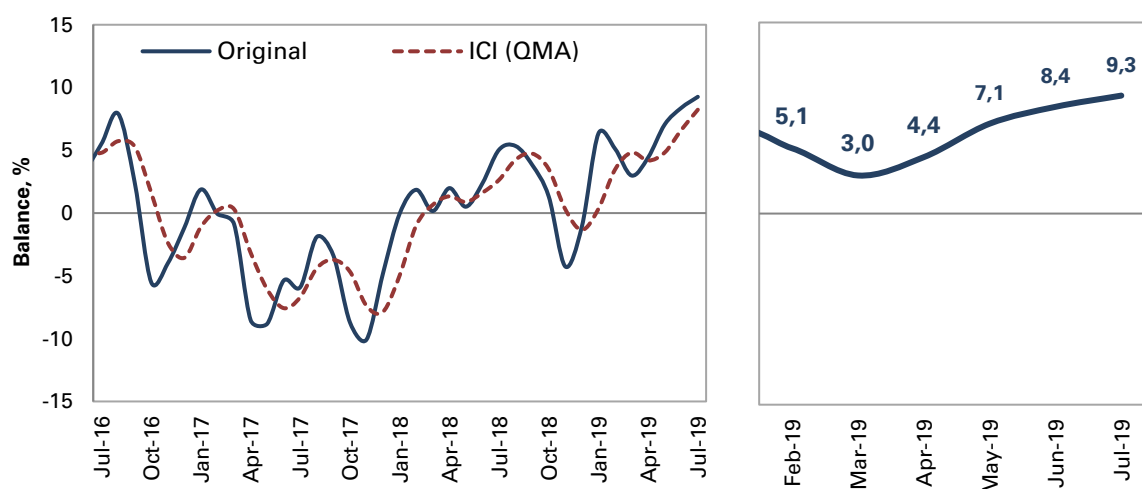
Source: Business Tendency Survey (BTS) – Fedesarrollo

In July, the reduction in retailer’s confidence compared to the previous month was mainly due to an increase of 5.1 pps in the level of stocks indicator and a reduction of 2.5 pps in the business current economic situation component, while the expectation’s indicator for the next semester increased 1.6 pps. On the other hand, compared to July 2018, the result was due to a decrease of 6.1 pps in the current economic situation indicator, an increase of 4.2 pps in the level of stocks indicator and a reduction of 0.8 pps in the expectations indicator.

Industrial Confidence Index – ICI

In July, the Industrial Confidence Index (ICI) stood at 9.3% in its original series, which represents an increase of 0.9 pps compared to June 2019 and an increase of 4.2 pps relative to July of 2018. On the other hand, its quarterly moving average was 8.2%, which is equivalent to an increase of 1.6 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 July 2018 was due to an increase of 9.2 pps in the current volume of orders indicator and a reduction of 5.3 pps in the level of stocks, as the expected production in the next three months decreased 1.9 pps (Table 2).

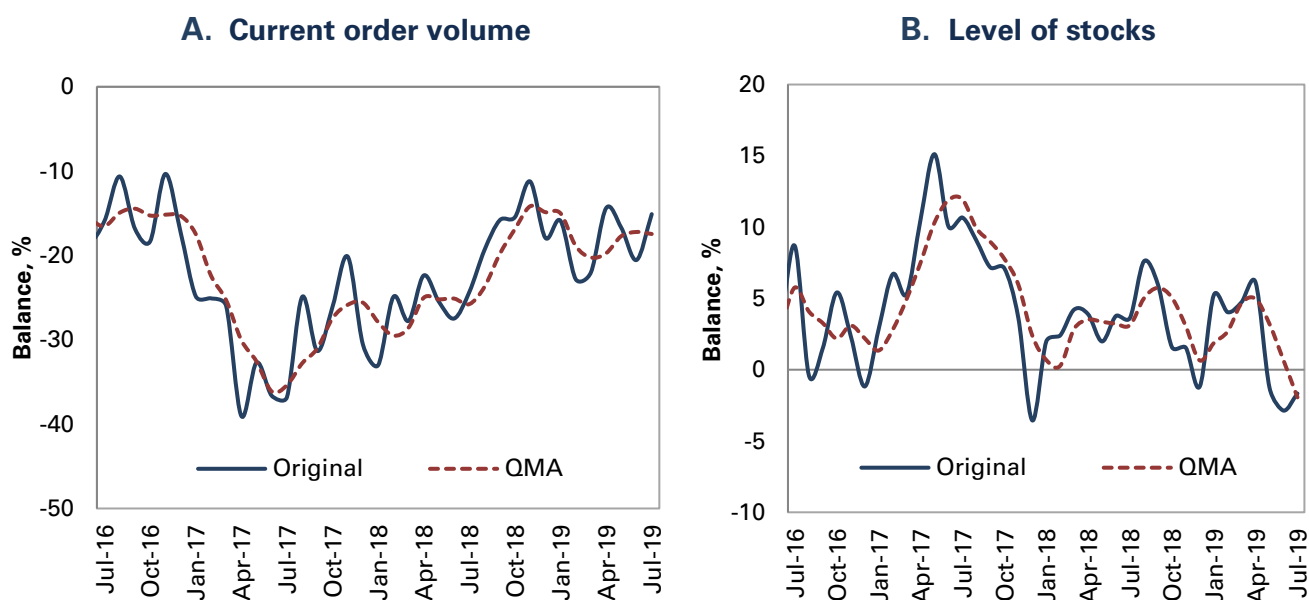
Table 2. Evolution of ICI components

Component (Balance, %)	2018	2019	
	July	June	July
Stocks of finished goods at end of this month	3.6	-2.9	-1.7
Current volume of orders	-24.3	-20.5	-15.1
Expected production in the next three months	43.1	42.8	41.2
Industrial Confidence Index - ICI	5.0	8.4	9.3

Source: Business Tendency Survey (BTS) – Fedesarrollo

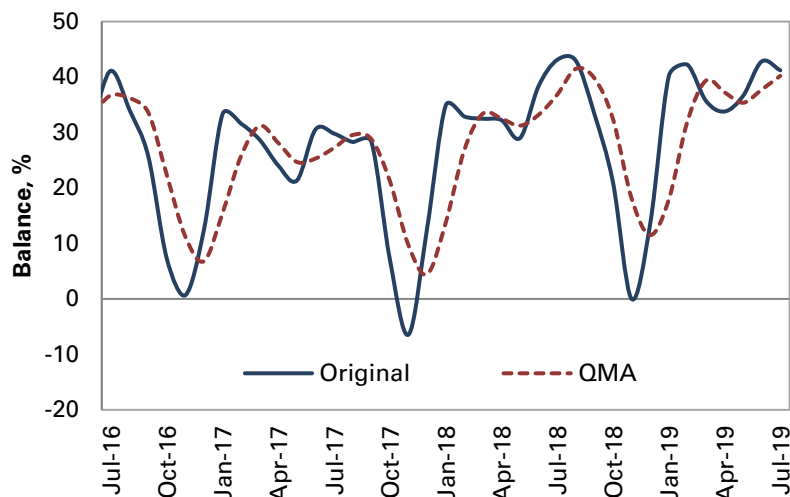
In the original series, the increase of the ICI compared to the previous month was mainly due to the 5.4 pps increase in the current volume of orders indicator. Meanwhile, there was a decrease of 1.6 pps in the expected production for the next quarter and an increase of 1.2 pps in the level of stocks. Isolating seasonal variations, there was a reduction in the level of stocks, an increase in expected production for the next quarter and a reduction in the current volume of orders compared to June (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

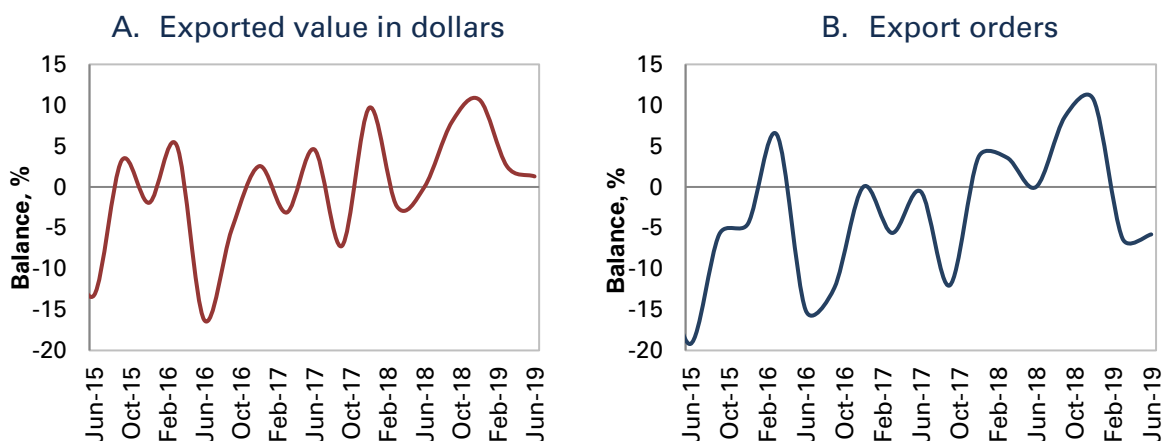


Source: Business Tendency Survey (BTS) – Fedesarrollo

Exports²

During the second quarter of 2019, the balance of answers about exported value in dollars was 1.3%, 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 a reduction of 1.2 pps compared to the previous quarter and an increase of 1.3 pps compared to the same quarter of 2018. On the other hand, the balance of export orders was -5.8%. which implies an increase of 0.5 pps compared to the previous quarter and a decrease of 5.8 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



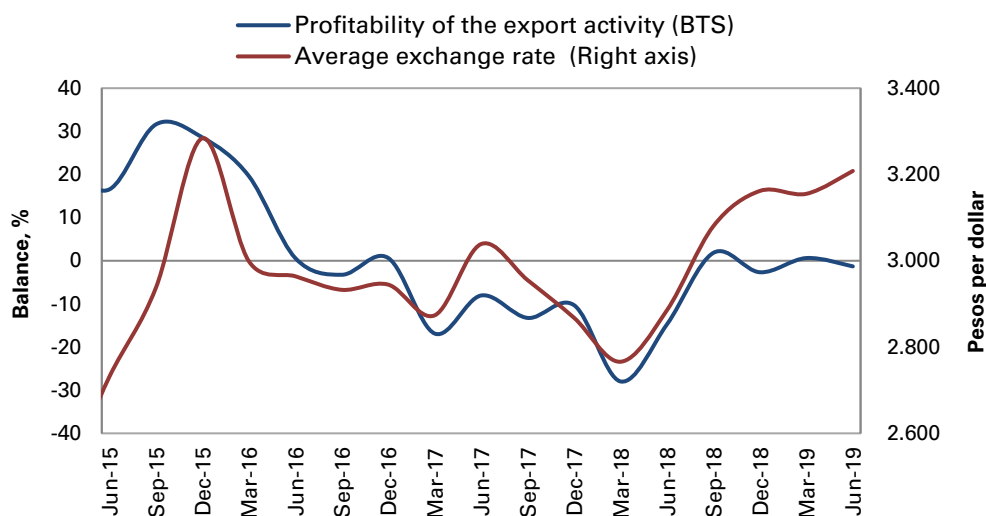
Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the perception about exports profitability, the balance was -1.3%, which is equivalent to a 1.9 pps decrease compared to the previous quarter and a 13.4 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 “Plan Vallejo System” (23.9%) and availability and cost of credit (11.6%) were the most favorable factors for the export activity. Specifically, its balance increased 10,7 pps and 10.4 pps respectively compared to the previous measurement. On the other hand, the most unfavorable factors were internal transport in Colombia (-22.6%) and production costs (-18.7%). Relative to the previous quarter, balances of production costs and internal transport increased 10.9 pps and 5.1 pps respectively.

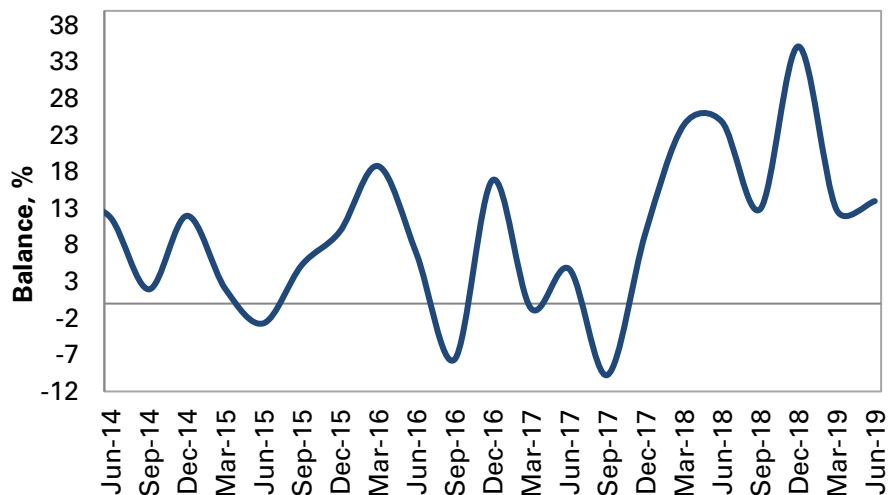
Table 3. Main factors that affected the export activity

Factor (Balance, %)	2018 - II	2019 - I	2019 - II
Internal transportation in Colombia	-24.5	-27.7	-22.6
Production costs	-23.3	-29.6	-18.7
Competitive position in the target markets	-9.8	-17.0	-9.0
Port services in Colombia	-4.3	-2.5	-8.4
Trade policies of the purchasing countries	-12.9	-13.8	-8.4
Dollar-currency exchange rate of the buyer country	-5.5	9.4	-1.9
International transport	-4.3	-5.7	0.0
Economic situation of the purchasing country	-8.6	-2.5	0.0
Export procedures in Colombia	-3.1	5.7	1.9
Peso-dollar exchange rate	-3.1	15.1	6.5
Colombian information and marketing services	4.3	3.8	11.6
Availability and cost of credit	-1.2	1.3	11.6
Plan Vallejo System	16.0	13.2	23.9

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 14.0%, which is equivalent to a 1.2 pps increase compared to the previous measurement and a 10.8 pps decrease compared to the second quarter of 2018 (Graph 6). In this measurement, 33.3% of respondents said that their exports will increase over the next three months, while 19.3% believe that their exports will decrease, and 47.3% 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**

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

Published August 22, 2019

Comments to David Francisco Lara: dlara@fedesarrollo.org.co