Business Tendency Survey
November 2019

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In November, the Retail Confidence Index stood at 27.0%, which represents an increase of 2.1 pps compared to the previous month, due to a decrease in the level of stocks and an increase in the business current situation and the business expectations for the next 6 months. The Industrial Confidence Index registered a balance of 1.3%, which represents a decrease of 4.3 pps compared to the last month explained by a decrease in the expected production in the next three months and a decrease in the current volume of orders. Installed capacity utilization in November was 76.0%, which represents an increase of 3.2 pps compared to the previous quarter and an increase of 1.1 pps compared to the same period of 2018. In November, business perception of the favorable economic conditions to invest increased while socio-political conditions to invest decreased compared to the previous quarter. In the construction sector, expectations and construction rate fell while the current economic situation of companies in the sector rose compared to the last measurement.

Retail Confidence Index – RCI

In November, the Retail Confidence Index (RCI) was 27.0%, which represents an increase of 2.1 percentage points (pps) compared to last month and a decrease of 0.9 pps compared to November 2018 (Graph 1).

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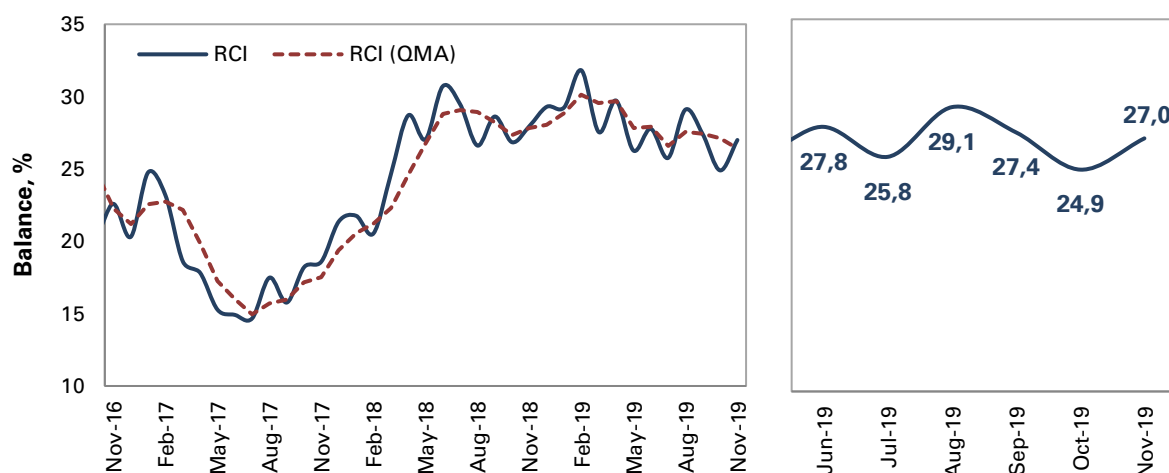
Source: Business Tendency Survey (BTS) – Fedesarrollo.

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 October of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

| Component (Balance, %)	2018 November	2019 October	2019 November
Business current situation	43,3	44,5	45,5
Level of stocks	7,5	7,6	3,0
Business expectations for the next 6 months	48,0	37,9	38,6
Retail Confidence Index - RCI	**28,0**	**24,9**	**27,0**

Source: Business Tendency Survey (BTS) – Fedesarrollo

In November, the growth in retailer's confidence compared to the previous month was mainly due to a decrease of 4.5 pps in the level of stocks, while the business current situation indicator and the expectation's indicator for the next semester increased 1.0 pps and 0.7 pps respectively. On the other hand, compared to November 2018, the result was due to a decrease of 9.4 pps in the expectations indicator, while the level of stocks indicator fell 4.4 pps and the current economic situation indicator grew 2.2 pps.

Industrial Confidence Index – ICI

In November, the Industrial Confidence Index (ICI) stood at 1.3% in its original series, which represents a decrease of 4.3 pps compared to October 2019 and an increase of 5.6 pps relative to November of 2018. On the other hand, its quarterly moving average was 6.2%, which is equivalent to a decrease of 3.0 pps compared to last month (Graph 2).

Graph 2. Industrial Confidence Index (ICI)

Source: Business Tendency Survey (BTS) – Fedesarrollo

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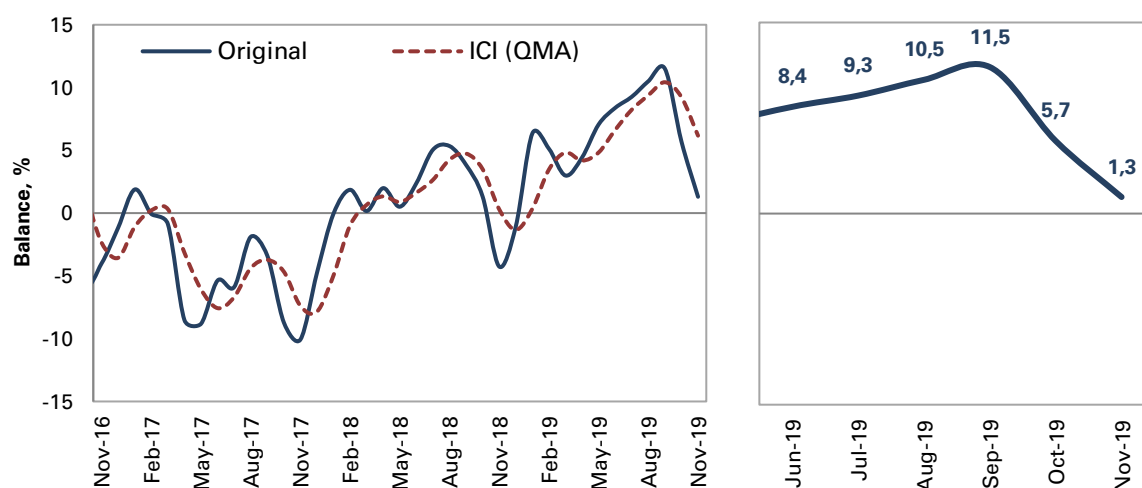
The ICI has three components: **level of stocks[1], current volume of orders and production expectations for the next three months**. In the original series, the decrease of the ICI compared to the previous month was due to a reduction of 13.6 pps in the expected production in the next three months and to a decrease of 0.7 pps in the current volume of orders indicator, while the level of stocks decrease 1.2 pps. Isolating seasonal variations, there was a decrease in the level of stocks, a decrease in expected production for the next quarter and a decrease in the current volume of orders compared to October (Graph 3).

Table 2. Evolution of ICI components

Component (Balance, %)	2018 Noviembre	2019 Octubre	Noviembre
Stocks of finished goods at end of this month	1,5	-0,4	-1,6
Current volume of orders	-11,2	-1,0	-1,7
Expected production in the next three months	0,0	17,6	4,0
Industrial Confidence Index - ICI	**-4,3**	**5,7**	**1,3**

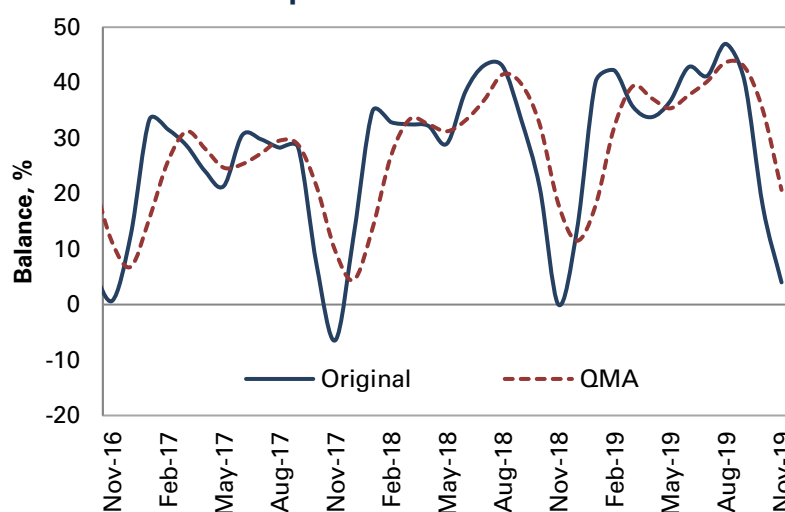**Source:** Business Tendency Survey (BTS) – Fedesarrollo

The increase in industrial confidence compared to November 2018 was due to an increase of 9.6 pps in the current volume of orders indicator and 4.0 pps in the expected production in the next three months, while the level of stocks decreased 3.2 pps (Table 2).

Graph 3. ICI Components

A. Current order volume

B. Level of stocks

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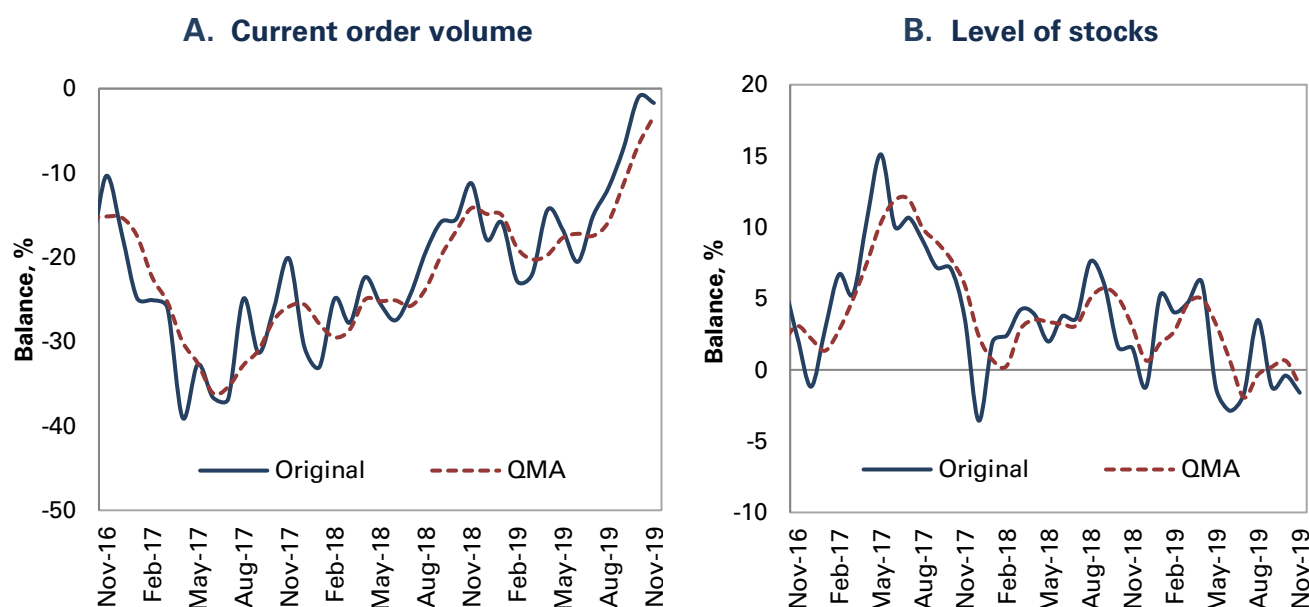
[1] Both industrial producers and retailers are asked if the level of stocks is high, low or normal and the balance is the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement,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

## C. Production expectations for the next three months

Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module: Economic and sociopolitical conditions for investment[2]

In November, the balance of the industrial sector about favorable **economic conditions** to invest was -1.7%, which is equivalent to an increase of 9.3 pps compared to the last measurement (Aug 2019). The results show that 29.2% of respondents believe that current economic conditions are unfavorable, compared to 31.0% of the previous measurement, while 27.5% of respondents considered that the current conditions are favorable compared to the 20.0% of the previous measurement. Moreover, 43.3% affirm they are neutral compared to the 48.0% of the previous measurement.

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

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[2] Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.
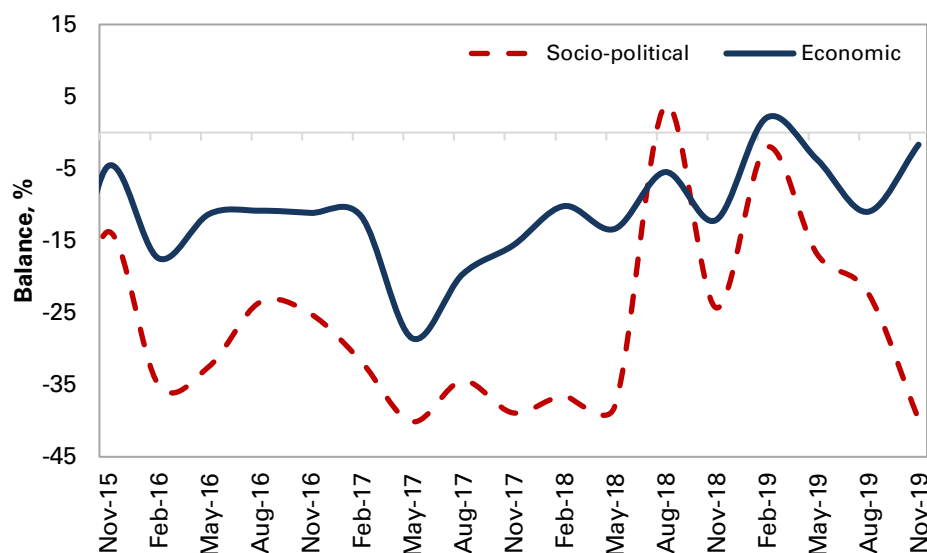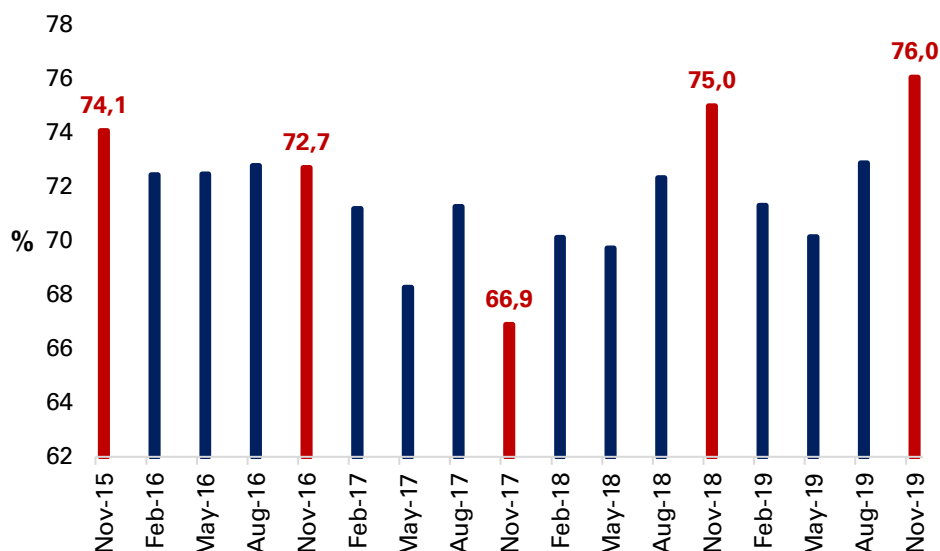
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -39.8%, a reduction of 17.6 pps compared to the previous quarter. The results show that 8.4% of the respondents believe that the sociopolitical conditions are favorable compared to 11.0% of the previous measurement, while 48.2% consider that they are unfavorable compared to 34.0% of the previous measurement and 43.5% consider that they are neutral compared to 55.0% of the previous measurement.

Quarterly Module: Industry Installed Capacity Utilization

In November, industry installed capacity utilization was 76.0%, which represents an increase of 3.2 pps compared to the August 2019 measurement and an increase of 1.1 pps compared to the same month of the previous year (Graph 7).

Graph 7. Utilization of installed capacity in the industry

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

Quarterly Construction Survey

Fedesarrollo conducts a quarterly survey focused on entrepreneurs in the construction sector to know their perception of the current economic situation and their future expectations.

For the fourth quarter of 2019, the balance of the current economic situation of companies in the construction sector stood at 3.3%, equivalent to an increase of 7.9 pps compared to the previous quarter and 18.9 pps compared to the same period of 2018. **Building subsector** registered a balance of 13.2%, 7.7 pps higher than the registered during the previous quarter and 23.9 pps compared to one year ago (Graph 8)

Graph 8. Current situation of companies in the construction sector

Source: Quarterly Construction Survey - Fedesarrollo.

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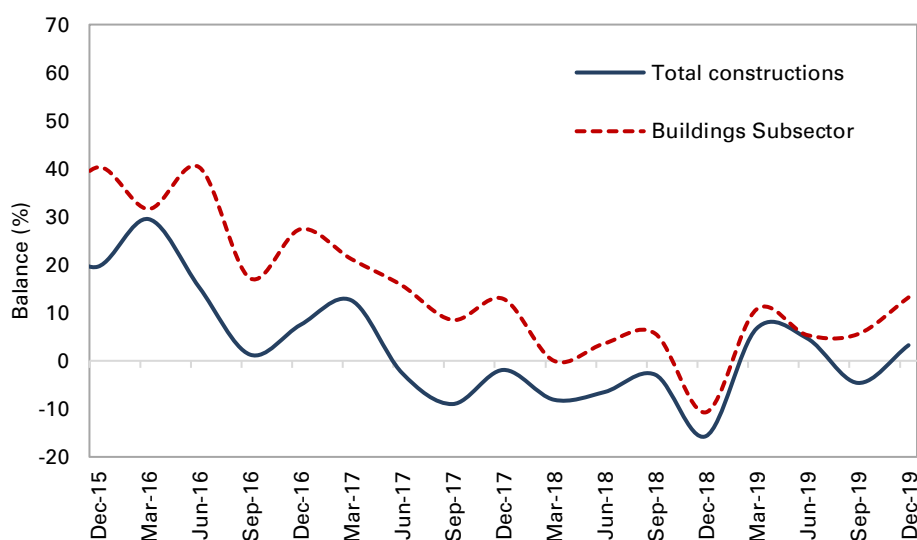
The indicator of construction rate was -12.6%, showing a decrease of 9.2 pps compared to the previous quarter and an increase 16.5 pps compared to the fourth quarter of 2018. For the building subsector, this indicator registered a balance of -9.3%, which shows a decrease of 9.3 pps compared to the previous quarter and an increase of 26.5 pps compared to a year ago (Graph 9).

Graph 9. Construction rate compared to the previous year
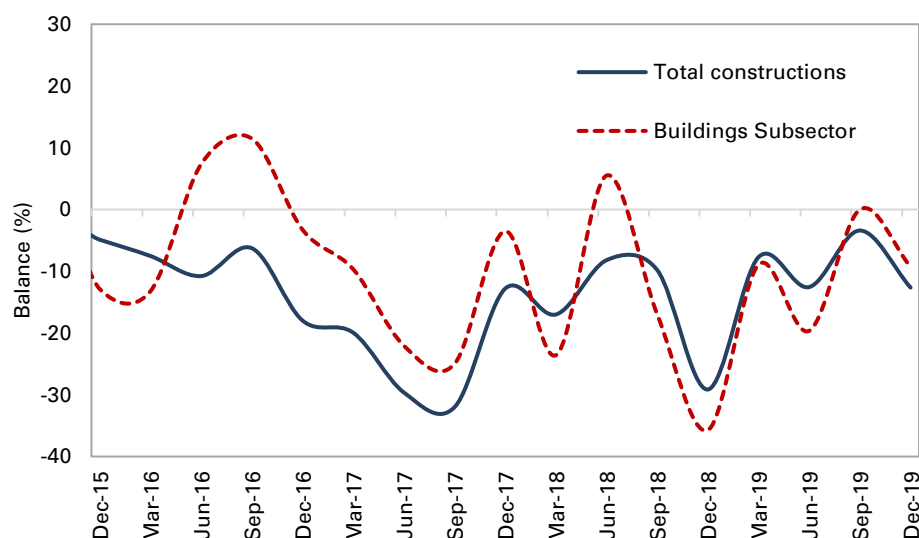
Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was 2.4%, showing a decrease of 5.9 pps compared to the previous measurement and an increase of 11.3 pps compared to the fourth quarter of 2018. In the building subsector, expectations recorded a balance of 17.0%, which represents a decrease of 8.9 pps compared to the previous month and an increase of 27.7 pps over the same quarter of last year (Graph 10).

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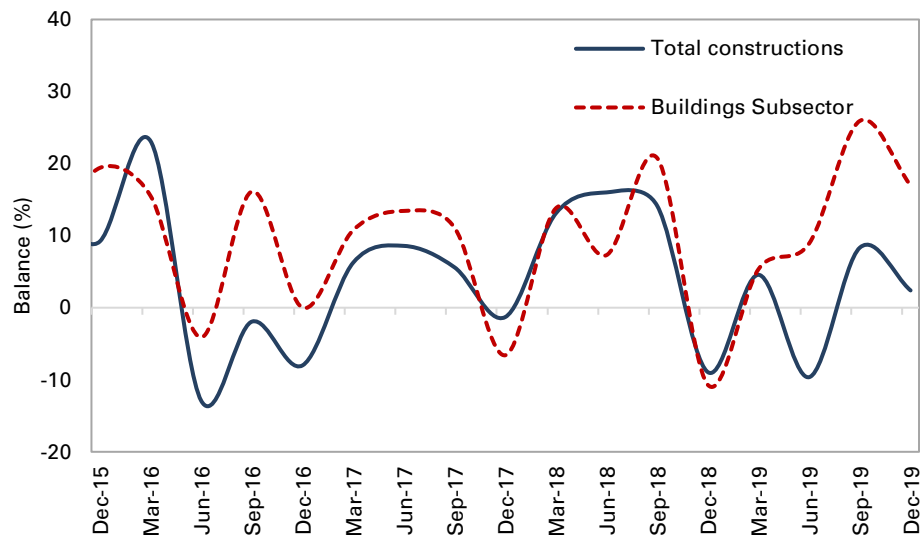
Source: Quarterly Construction Survey - Fedesarrollo.

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

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