

## Business Tendency Survey March\* 2020

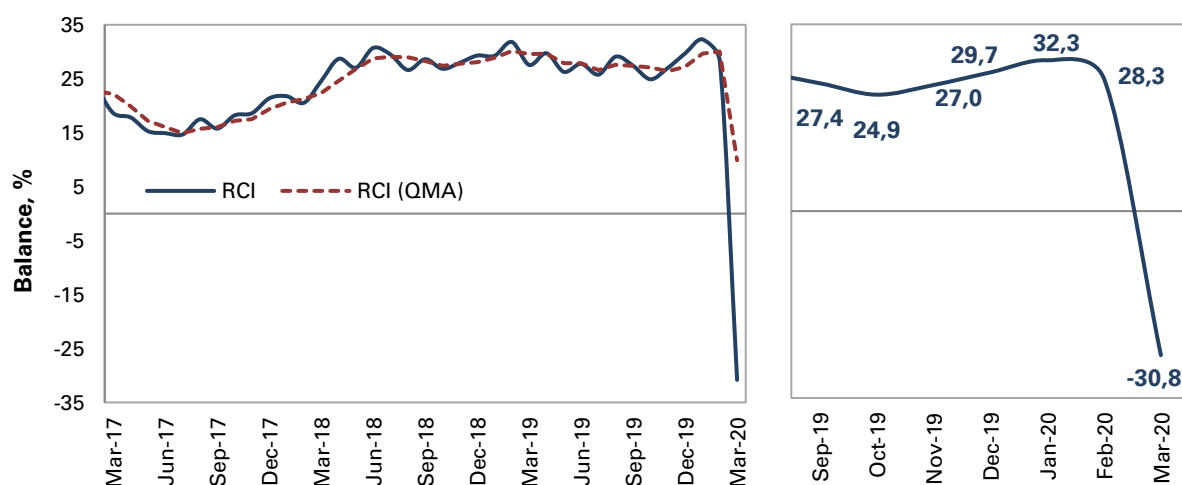


In March, the Retail Confidence Index (RCI) was -30.8%, its lowest value since its launch (June 1980), compared to the previous month this represents a decrease of 59.2 pps, due to in the expectation's indicator for the next semester and in the business current situation indicator. The Industrial Confidence Index registered a balance of -35.0%, its lowest value since its launch (January 1980), compared to the previous month this represents a decrease of 44.8 pps, due to a decrease in the expected production in the next three months, a decrease in the current volume of orders indicator and an increase in the level of stocks. The balance of employment expectations for the next quarter was -46.8%, which represents a decrease of 48.5 pps compared to the previous quarter. In the other hand in March industrial business perception of contraband had a balance of -18.3%, which represents a decrease of 25.1 pps with respect to the data of the previous quarter.

### Retail Confidence Index – RCI

In March, the Retail Confidence Index (RCI) was -30.8%, its lowest value since its launch (June 1980). This represents a decrease of 59.2 percentage points (pps) compared to last month and 58.4 pps relative to March 2019 (Graph 1).

**Graph 1. Retail Confidence Index (RCI)**



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

\*Given the situation of COVID-19 and quarantine measures, the survey's sample was reduced by 50%; however, it is still representative for the national total.

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, %)	2019	2020	
	March	February	March
Business current situation	39.5	53.0	-26.4
Level of stocks	3.6	5.6	3.3
Business expectations for the next 6 months	46.7	37.6	-62.8
<b>Retail Confidence Index - RCI</b>	<b>27.5</b>	<b>28.3</b>	<b>-30.8</b>

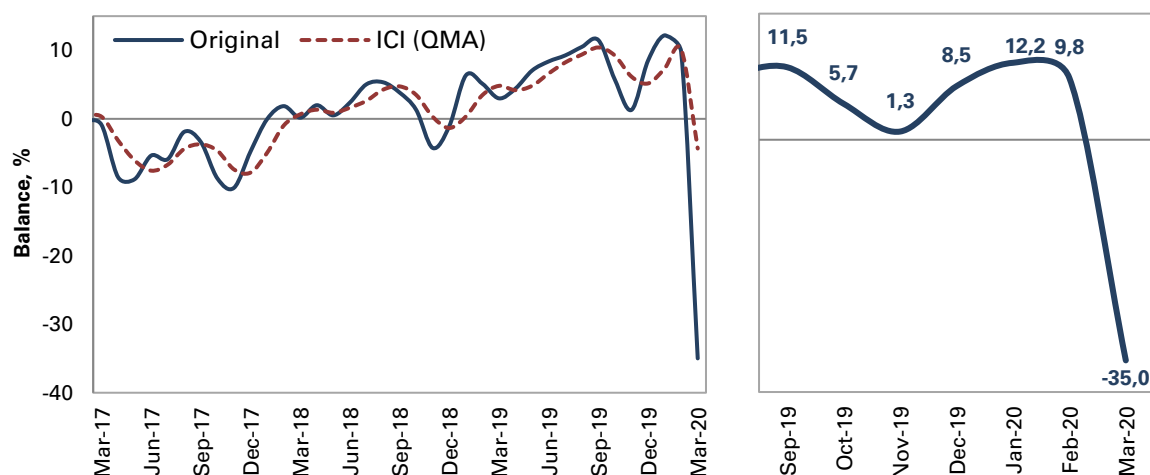
**Source:** Business Tendency Survey (BTS) – Fedesarrollo

In March, the reduction in retailer’s confidence compared to the previous month was mainly due to a decrease of 100.4 pps and 79.3 pps in the expectation’s indicator for the next semester and in the business current situation indicator, respectively, while the level of stocks decreased of 2.2 pps. On the other hand, compared to March 2019, the result was due to a decrease of 109.5 pps in the expectation’s indicator for the next semester and to a decrease of 65.9 pps in the current economic situation indicator, while the level of stocks decreased 0.2 pps.

### **Industrial Confidence Index – ICI**

In March, the Industrial Confidence Index (ICI) stood at -35.0% in its original series, its lowest value since its launch (January 1980). This represents a decrease of 44.8 percentage points (pps) compared to last month and 38.0 pps relative to March 2019. On the other hand, its quarterly moving average was -4.3%, which is equivalent to a decrease of -14.5 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 stocks<sup>1</sup>, 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 decrease of 75.9 pps in the expected production in the next three months, a decrease of 39.8 pps in the current volume of orders indicator and an increase of 18.5 pps in the level of stocks. Isolating seasonal variations, there was an increase 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 February (Graph 3).

**Table 2. Evolution of ICI components**

Component (Balance, %)	2019	2020	
	March	February	March
Stocks of finished goods at end of this month	4.7	-2.0	16.5
Current volume of orders	-22.0	-5.3	-45.1
Expected production in the next three months	35.7	32.7	-43.3
<b>Industrial Confidence Index - ICI</b>	<b>3.0</b>	<b>9.8</b>	<b>-35.0</b>

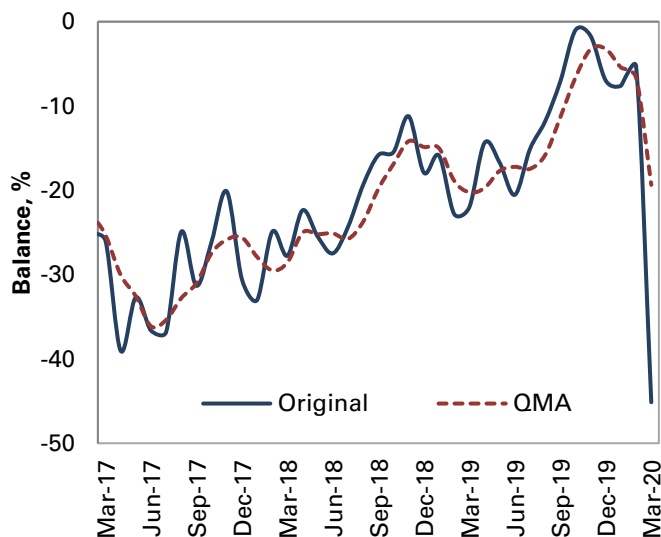
Source: Business Tendency Survey (BTS) – Fedesarrollo

The decreased in industrial confidence compared to March 2019 was due to a decrease of 79.0 pps in the expected production in the next three months, a decrease of 23.1 pps in the current volume of orders indicator and an increase of 11.8 pps in the level of stocks (Table 2).

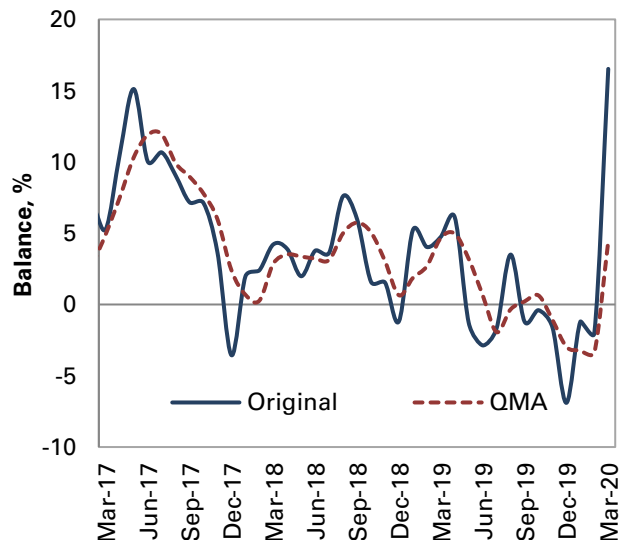
<sup>1</sup> Both industrial producers and retailers are asked if the level of stocks is high, low or normal and the balance is the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement,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

Graph 3. ICI Components

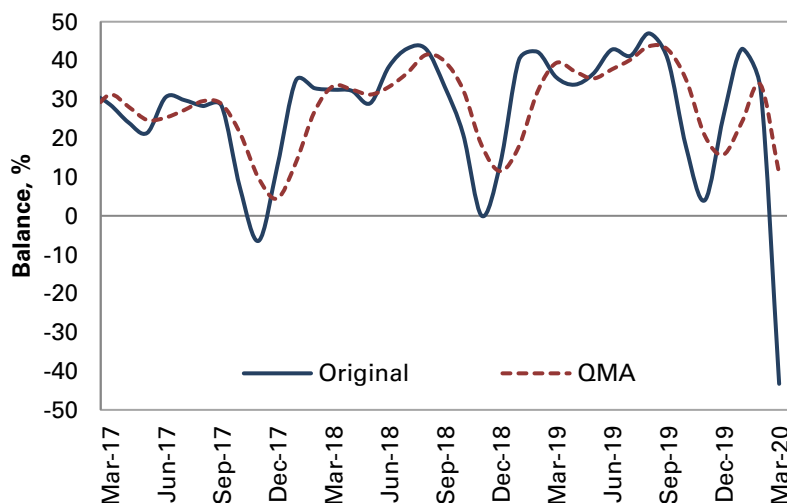
A. Current order volume



B. Level of stocks



C. Production expectations for the next three months



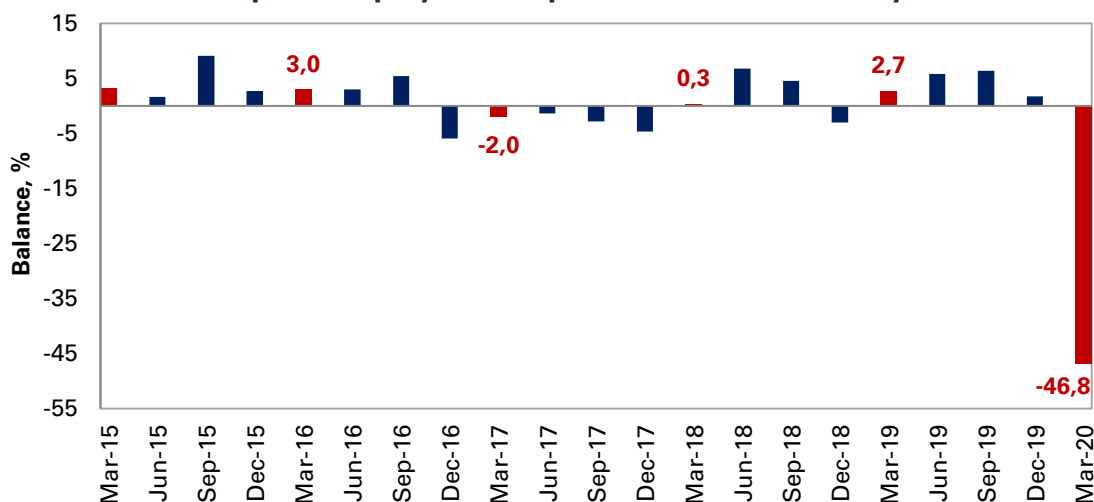
Source: Business Tendency Survey (BTS) – Fedesarrollo

Employment Expectations and Contraband Perception<sup>2</sup>

In March, the balance of employment expectations for the next quarter was -46.8%, which represents a decrease of 48.5 pps compared to the previous quarter and a decrease of 49.5 pp relative to the same period of 2019 (Graph 4). Disaggregating by answer choice, 0.7% of respondents believe that employment in the industry in the next quarter will increase, 47.5% believe that it will decrease and 51.8% say it will remain the same.

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

Graph 4. Employment expectations in the industry



Note: Not seasonally adjusted.

Source: Business Tendency Survey – Fedesarrollo.

On the other hand, in March industrial business perception of contraband had a balance of -18.3%, which represents a decrease of 25.1 pps with respect to the data of the previous quarter and a decrease of 23.2 pps relative to March 2019. Specifically, 6.1% of respondents stated that contraband in the January - March quarter increased in relation to the previous quarter, 69.5% said they remained the same, while 24.4% considered it to be lower (Table 3).

Table 3. Contraband Perception

Answers (%)	2019		2020
	March	December	March
Higher	18.7	19.5	6.1
Equal	67.6	67.9	69.5
Lower	13.7	12.6	24.4
<b>Balance</b>	<b>4.9</b>	<b>6.8</b>	<b>-18.3</b>

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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Published April 22, 2020

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