

Business Tendency Survey Agosto 2020



In August, the Retail Confidence Index (RCI) was 13.8%, compared to the previous month, which represents an increase of 6.7 pp mainly due to an increase in the current economic situation and a rise in the expectation's indicator for the next semester. The Industrial Confidence Index registered a balance of 1.5%, compared to the previous month; this represents an increase of 10.0 pp, mainly due to a rise in the production expectations for the next three months, the current volume of orders and a reduction in the stocks at the end of the month.

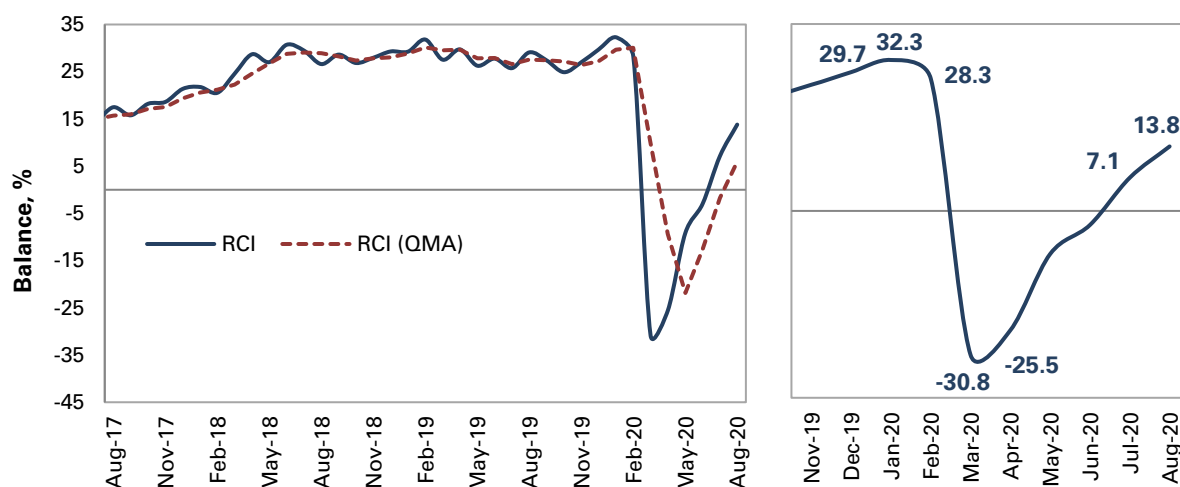
In August, 19.4% of the companies presented problems in its operations, 92.9% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 41.3%. Only 24.9% of firms has cash on hand for more than eight weeks of expenses.

In August, industry installed capacity utilization was 73.5%, which represents an increase of 9.0 pps compared to the previous measurement and 0.6 related to the same period of 2019. In August, business perception of the favorable economic and socio-political conditions to invest increased compared to the previous quarter. In the construction sector, expectations, the current economic situation of companies in the sector and the construction rate increased compared to the last measurement.

Retail Confidence Index – RCI

In August, the Retail Confidence Index (RCI) was 13.8%, which represents an increase of 6.7 percentage points (pp) compared to last month and a decrease of 15.3 pp relative to August 2019 (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 June of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2019	2020	
	August	July	August
Business current situation	45.0	8.0	23.5
Level of stocks	1.5	-7.6	2.0
Business expectations for the next 6 months	43.8	5.7	19.9
Retail Confidence Index - RCI	29.1	7.1	13.8

Source: Business Tendency Survey (BTS) – Fedesarrollo

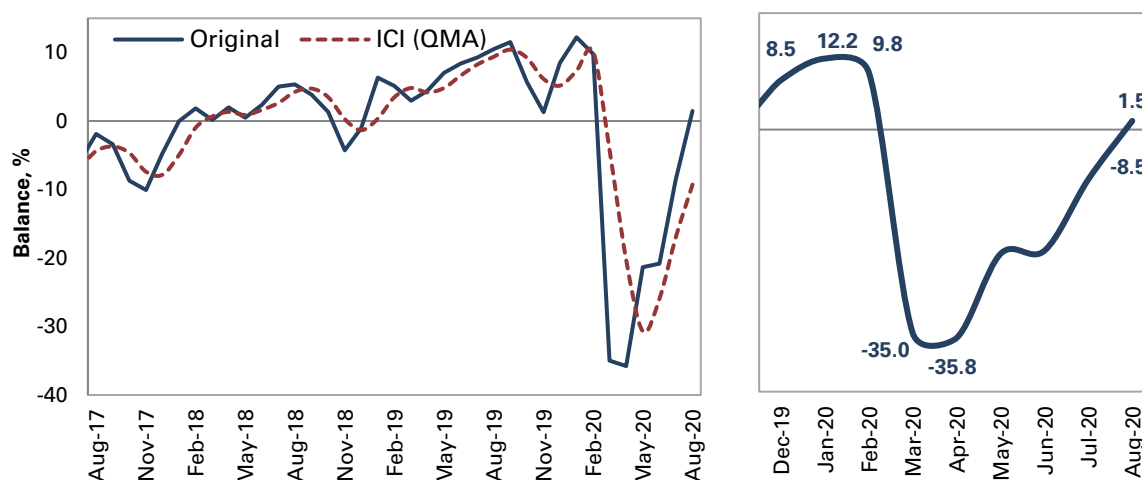
In August, the growth in retailer's confidence compared to the previous month was mainly due to an increase of 15.5 pp in the business current situation and an increase of 14.2 pp in the expectation's indicator for the next semester. On the other hand, compared to August 2019, the result was mainly due to a decrease of 21.5 pp in the current economic situation, a decrease of 23.9 pp in the expectation's indicator for the next semester, and slightly to an increase in the level of stocks of 0.5 pp.

Industrial Confidence Index – ICI

In August, the Industrial Confidence Index (ICI) stood at 1.5% in its original series, which represents an increase of 10.0 percentage points (pp) compared to last month and a

decrease of 9.0 pp relative to August 2019. Finally, its quarterly moving average was – 9.3%, which is equivalent to an increase of 7.6 pp 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**. In the original series, the increase of the ICI compared to the previous month was mainly due to an increase of 15.1 pp in the expected production for the next three months, an increase of 10,3 pp in the current volume of orders, and a reduction of 4.6 pp in the level of stocks. Excluding seasonal variations, there was an increase in the expected production for the next quarter and in the current volume of orders, and a decrease in the level of stocks compared to July (Graph 3).

Table 2. Evolution of ICI components

Component (Balance, %)	2019	2020	
	August	July	August
Stocks of finished goods at end of this month	3.5	6.3	1.7
Current volume of orders	-11.8	-34.2	-23.9
Expected production in the next three months	47.0	14.9	30.1
Industrial Confidence Index - ICI	10.5	-8.5	1.5

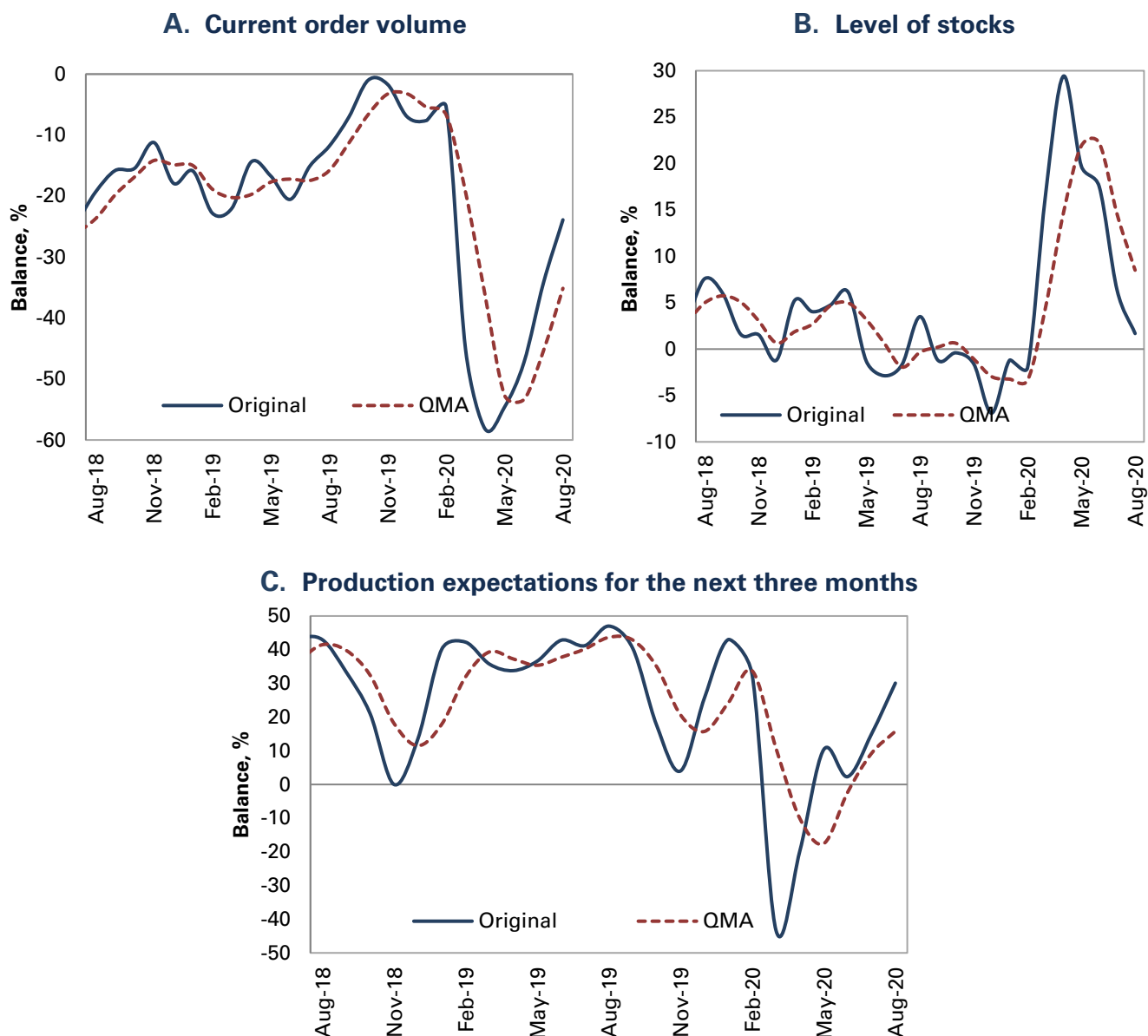
Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to August 2019 was due to a decrease of 16.9 pp in the expected production in the next three months, a reduction of 12.1 pps

¹ Both industrial producers and retailers are asked if the level of stocks is high, low or normal. The balance corresponds to 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.

in the current volume of orders. Conversely, the level of stocks decreased 1.8 pp (Table 2).

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

COVID-19

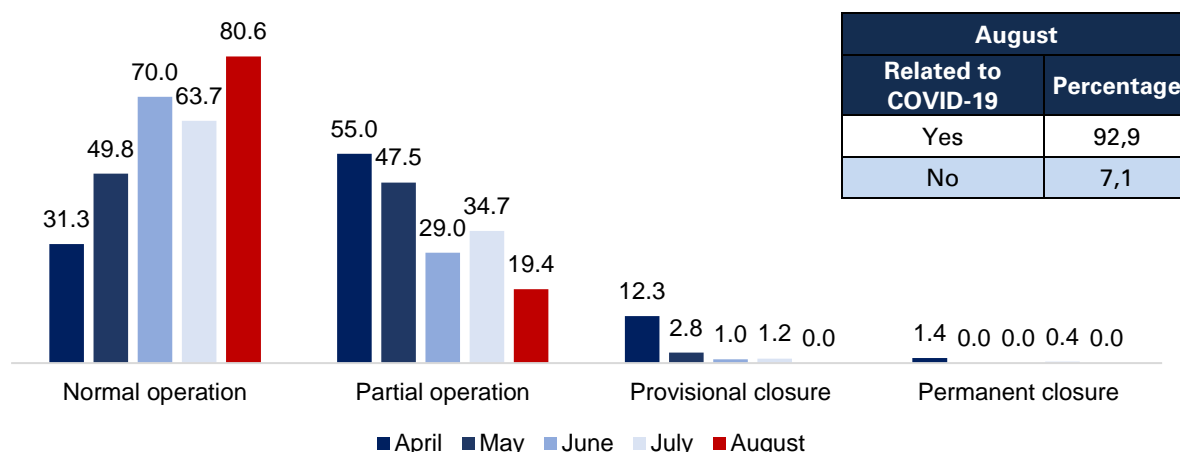
In order to identify the impact on the business sector caused by COVID-19 and the containment measures decreed by the National Government, the Business Opinion Survey identified four main aspects that may be affected. These are: i) the company's operation status, ii) expectations of operation status, iii) employment and iv) financial fragility.

In August, regarding the degree of operation of the company, 80.6% of the firms did not present an impact on their operation, 19.4% operated partially, meanwhile none of the companies had a provisional closure or a permanent closure (Graph 4). Regarding the

companies that had some degree of impairment in their operations, 92.9% stated that this was due to COVID-19.

Regarding the previous month, in August the percentage of firms that are on normal operation increased 16.9 pp, the percentage that are on partial operation decreased 15.3 pp, and the percentage that are in provisional and permanent closure, decreased 1.2 and 0.4 pp, respectively.

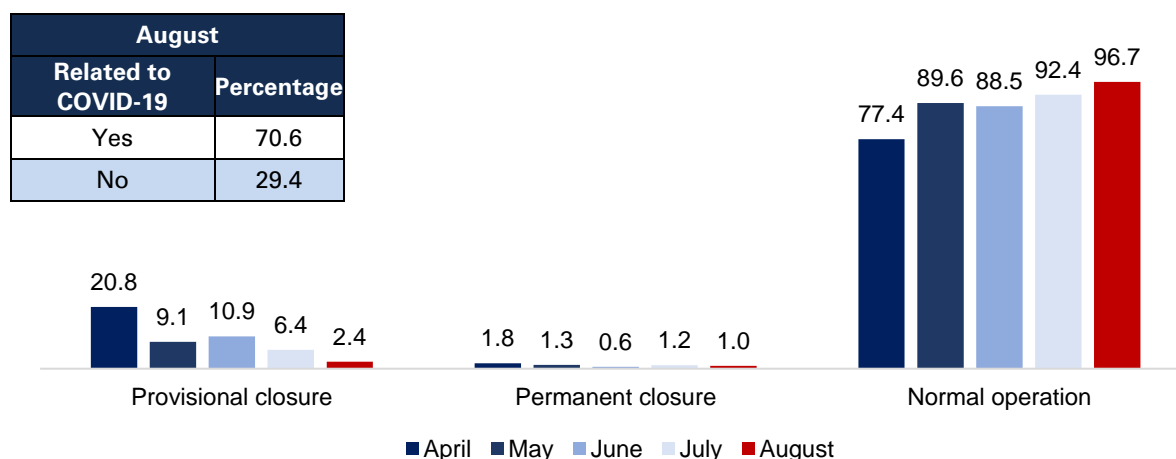
Graph 4. Operation status of the company and its relation to COVID-19



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 2.4% of the companies expect to carry out a provisional closure, 1.0% foresee a permanent closure meanwhile the remaining 96.7% do not plan to carry out any disrupt in their operations (Graph 5). In respect to July the proportion of companies who don't expect any closure in the next three months increased 4.3pp, in contrast, the proportion who foresee a permanent closure decreased 0.2 pp, and the proportion who expect a provisional closure decreased 4.0 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 was 70.6%.

Graph 5. Operation status expectative and its relation to COVID-19

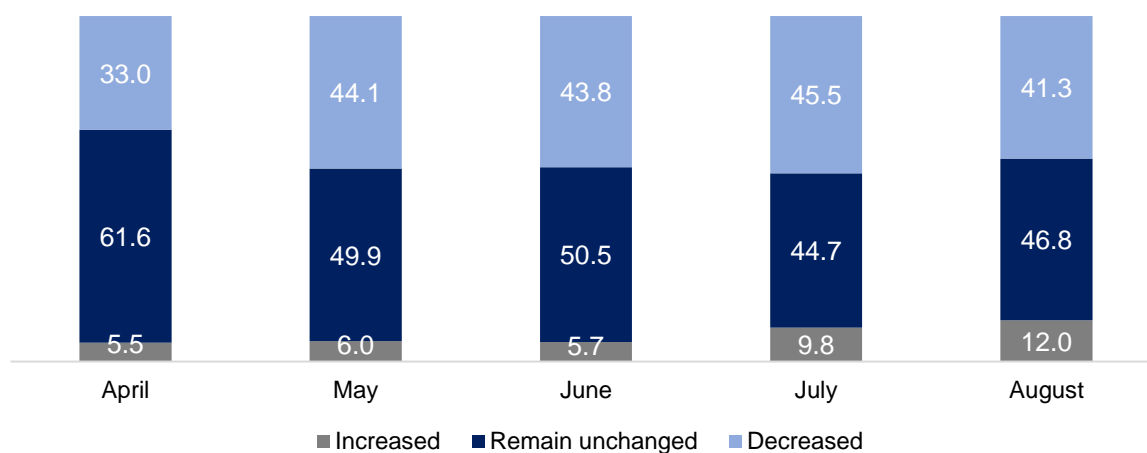


Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, none of the companies increased the number of employees more than 50%, 0.8% increased it more than 25%, 11.2% of companies rose the number of workers between 1% and 25%, meanwhile 46.8% kept their staff unchanged. 34.4% of the firms reduced their employees in a range between 1% and 25%, the percentage of companies that reduced the number of their workers between 25% and 50% was 4.5%, and the remaining 2.4% reduced it more than 50%.

Compared to July the percentage of companies who increased the number of employees raised 2.2 pp, also the percentage of companies in which the number of employees remained unchanged increased 2.1 pp, while the percentage of companies who decreased the number of employees lessened 4.2 pp (Graph 6).

Graph 6. Number of employees in comparison with January 2020.



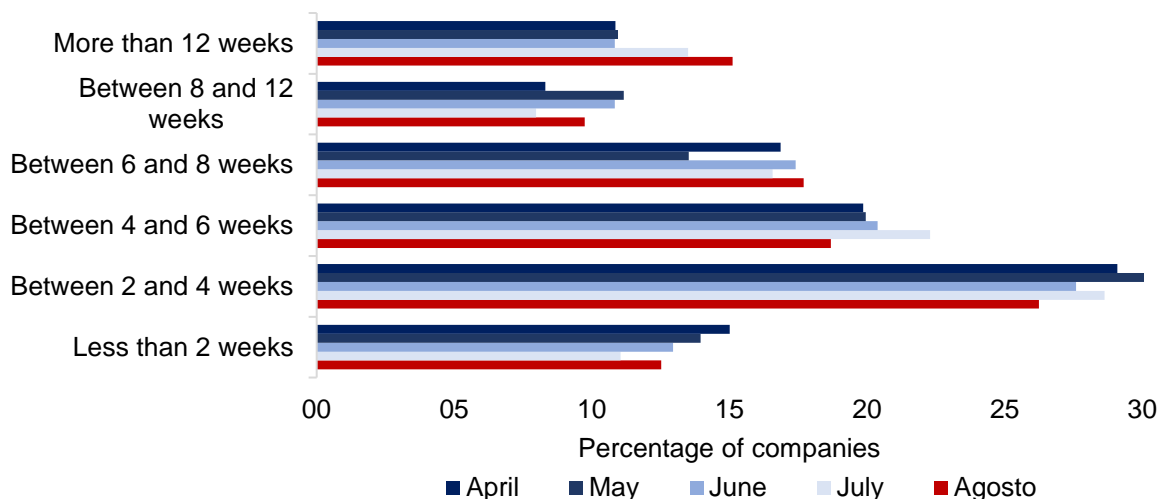
Source: Business Tendency Survey (BTS) – Fedesarrollo

The percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses² is 12.5%, meanwhile 26.2% considers having cash on hand worth of between 2 and 4 weeks of expenses. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks' of expenses is 18.7%, 17.7% consider it to be between 6 and 8 weeks, 9.7% claims to have cash on hand between 8 and 12 weeks, the remaining 15.1% of companies have cash to pay more than 12 weeks of expenses.

In comparison with the previous month, the percentage of companies who considers to have cash on hand worth of less than 2 weeks' of expenses increased 1.5 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses decreased 2.4 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses decreased 3.6 pp. The companies who consider it to be between 6 and 8 weeks increased 1.1 pp, the ones who claim to have cash on hand between 8 and 12 weeks decreased 1.8 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses increased 1.6 pp (Graph 7).

² Refers to all its fixed costs (wages, social benefits, rent, etc.)

Graph 7. Maximum of weeks with cash on hand to pay all expenses.



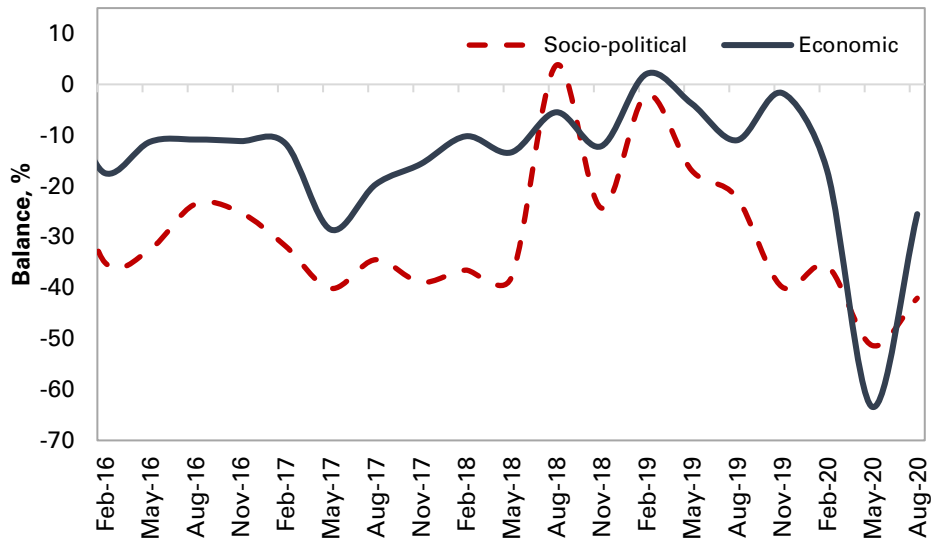
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module: Economic and sociopolitical conditions for investment ³

In August, the balance of the industrial sector about favorable **economic conditions** to invest was -25.5%, which is equivalent to an increase of 37.9 pp compared to the last measurement (May 2020). The results show that 39.1% of respondents believe that current economic conditions are unfavorable, compared to 68.7% of the previous measurement, while 13.6% of respondents considered that the current conditions are favorable compared to the 5.3% of the previous measurement. Moreover, 47.3% affirm they are neutral compared to the 26.0% of the previous measurement.

³ Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

Graph 4. Favorability of current economic and socio-political conditions for investment



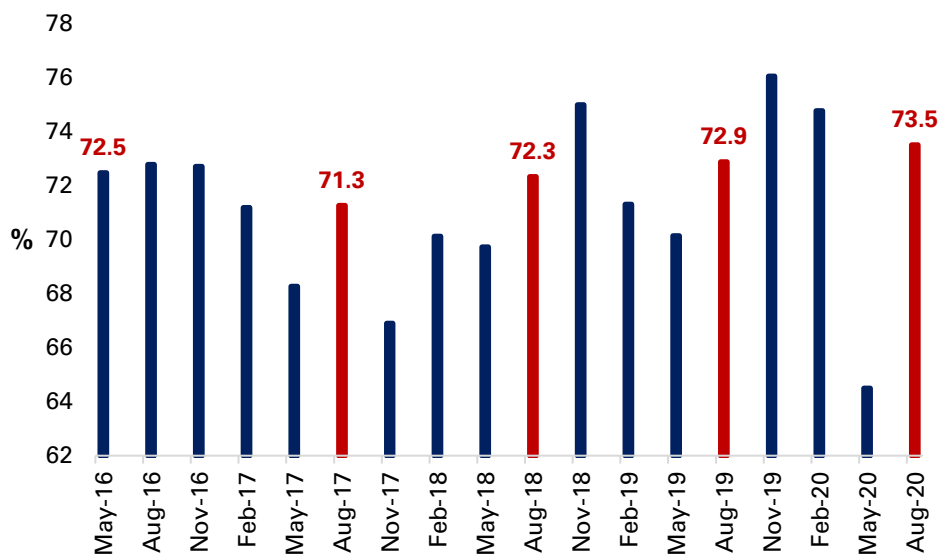
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -42.0%, an increase of 9.3 pps compared to the previous quarter. The results show that 5.1% of the respondents believe that the sociopolitical conditions are favorable compared to 4.9% of the previous measurement, while 47.1% consider that they are unfavorable compared to 56.2% of the previous measurement and 47.8% consider that they are neutral compared to 38.9% of the previous measurement.

Quarterly Module: Industry Installed Capacity Utilization

In August, industry installed capacity utilization was 73.5%, which represents an increase of 9.0 pp compared to May 2020 measurement and 0.6 pp compared to the same month of the previous year (Graph 5).

Graph 5. Utilization of installed capacity in the industry



Note: The series of utilization of installed capacity was revised backwards.

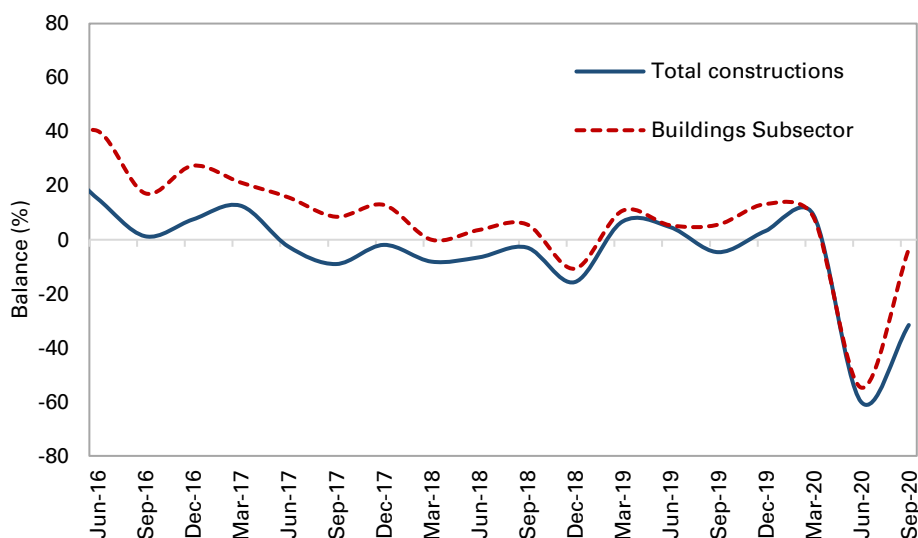
Source: Business Tendency Survey (BTS) – Fedesarrollo

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 third quarter of 2020, the balance of the current economic situation of companies in the construction sector stood at -31.6%, equivalent to an increase of 28.4 pp compared to the previous quarter and a decrease of 27.0 pps compared to the same period of 2019. The **building subsector** registered a balance of -3.3%, 51.4 pp higher than the registered during the previous quarter and 8.9 pps lower compared to one year ago (Graph 6).

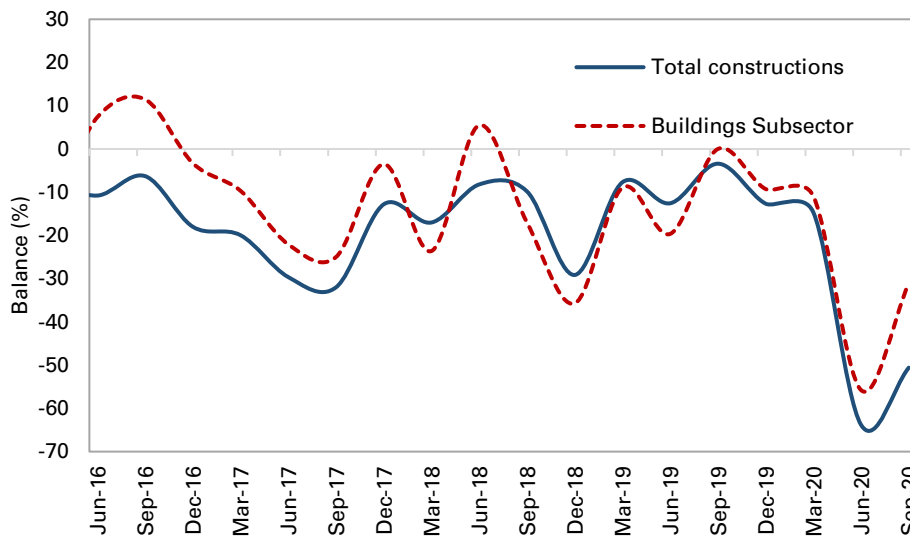
Graph 6. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -50.6%, showing an increase of 13.2 pp compared to the previous quarter and a decrease of 47.2 pp compared to the third quarter of 2019. For the building subsector, this indicator registered a balance of -31.0%, which shows a rise of 24.7 pps compared to the previous quarter and 31.0 pp compared to a year ago (Graph 7).

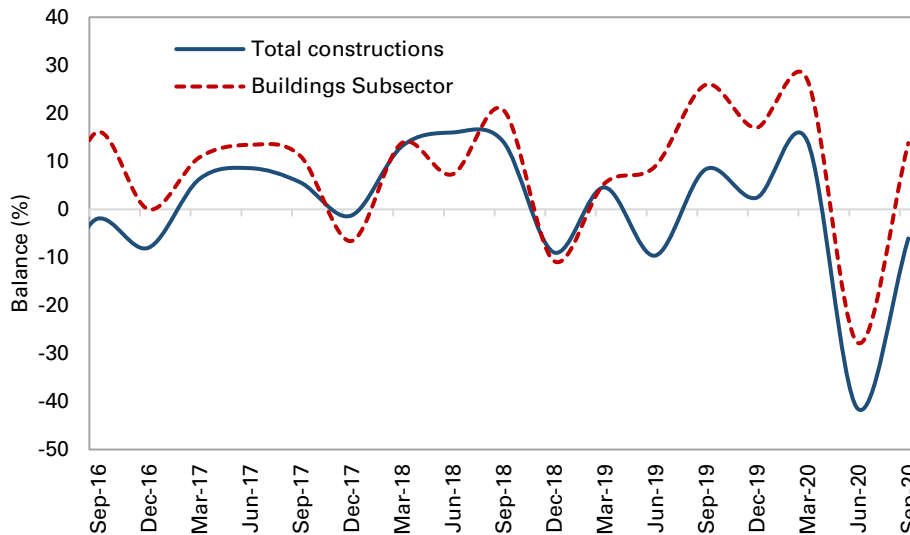
Graph 7. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was -6.1%, showing an increase of 35.4 pp compared to the previous measurement and a 14.4 pp reduction compared to the third quarter of 2019. In the building subsector, expectations recorded a balance of 13.8%, which represents an increase of 41.6 pp compared to the previous quarter and a 12.1 pp reduction over the same quarter of last year (Graph 8).

Graph 8. Construction expectations for the next quarter



Source: Quarterly Construction 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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