

## Business Tendency Survey November 2020



In November, the Retail Confidence Index (RCI) was 26.2%, compared to the previous month, this represents an increase of 2.1 pp mainly due to an increase in the expectations about the economic situation for the next semester and in the current economic situation. The Industrial Confidence Index registered a balance of -6.7%, compared to the previous month; this represents a decrease of 3.7 pp, mainly due to a reduction in the business expectations for the next 6 months and an increase in the stocks at the end of the month.

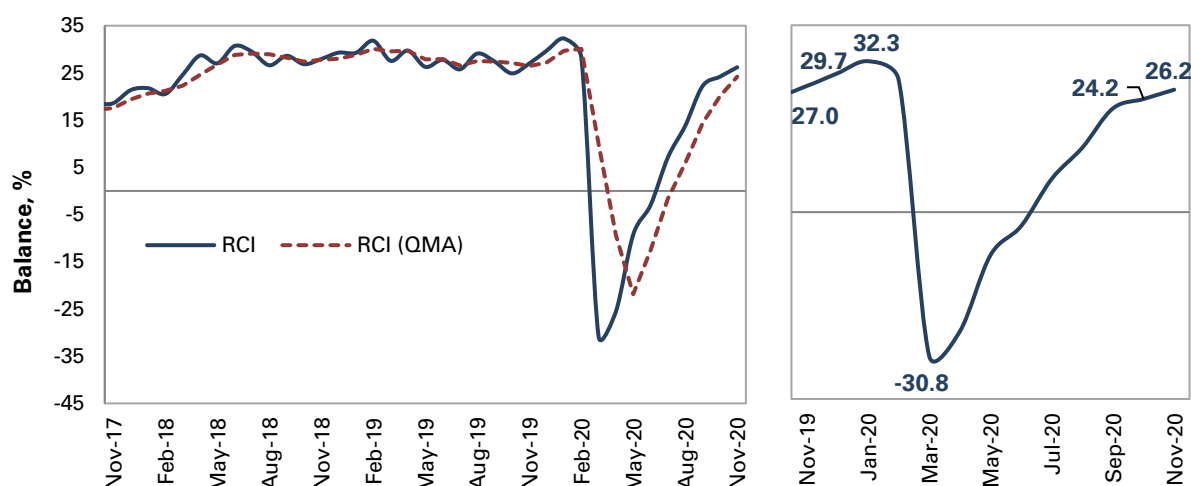
In November, 6.7% of the companies presented problems in its operations, 81.8% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 28.0%. Only 31.5% of firms has cash on hand for more than eight weeks of expenses.

In November, the industry installed capacity utilization was 75.0%, which represents an increase of 1.5 pp compared to the previous measurement and a reduction of 1.1 pp related to the same period of 2019. In November, business perception of the favorable economic and socio-political conditions to invest increased compared to the previous quarter. In the construction sector, the current economic situation of companies in the sector and the construction rate increased compared to the last measurement, in contrast, the expectations about the economic situation for the next semester reduced compared to the previous quarter.

### **Retail Confidence Index – RCI**

In November, the Retail Confidence Index (RCI) was 26.2%, which represents an increase of 2.1 percentage points (pp) compared to last month and a decrease of 0.8 pp relative to November 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 November of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2019	2020	
	November	October	November
Business current situation	45.5	38.5	38.7
Level of stocks	3.0	-6.8	-4.0
Business expectations for the next 6 months	38.6	27.3	36.0
<b>Retail Confidence Index - RCI</b>	<b>27.0</b>	<b>24.2</b>	<b>26.2</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

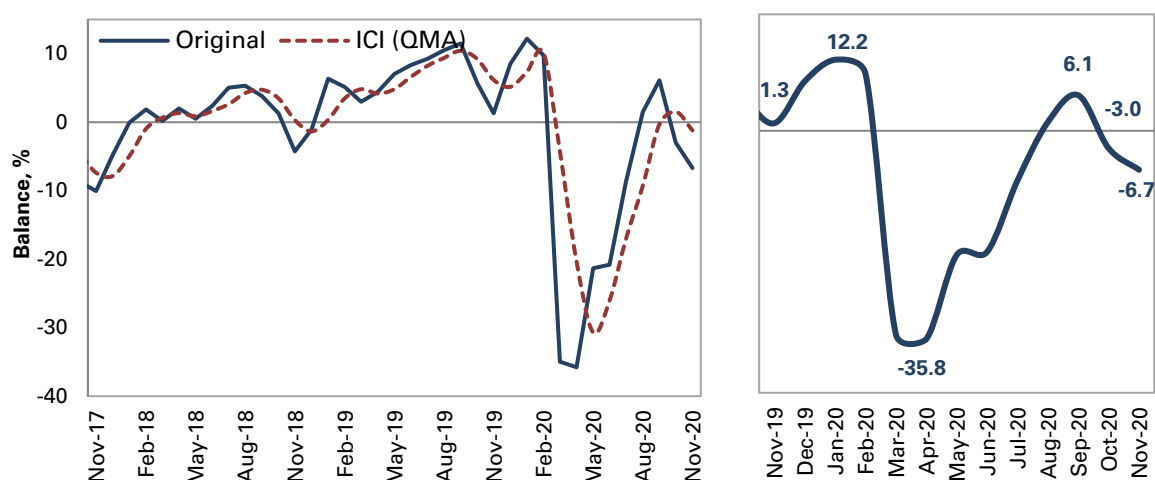
In November, the growth in retailer's confidence compared to the previous month was mainly due to an increase of 8.7 pp in the expectation's indicator for the next semester and an increase of 0.3 pp in the indicator of business current situation. Meanwhile, the level of stocks decreased 2.8 pp. On the other hand, compared to November 2019, the result was mainly due to a decrease of 6.8 pp in the current economic situation and a decrease of 2.6 pp in expectation's indicator for the next semester. On the other hand, the level of stocks decreased 7.0 pp.

### Industrial Confidence Index – ICI

In November, the Industrial Confidence Index (ICI) stood at -6.7% in its original series, which represents a decrease of 3.7 percentage points (pp) compared to last month and a decrease of 8.0 pp relative to November 2019. Finally, its quarterly moving average

was -1.2%, which is equivalent to a decrease of 2.7 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 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 mainly due to a decrease of 13.7 pp the expected production for the next three months and an increase of 4.9 pp in the level of stocks. Meanwhile, the current volume of orders increased 7.5 pp. Excluding seasonal variations, there was a decrease in the expected production for the next quarter, an increase in the current volume of orders and an increase in the level of stocks compared to October (Graph 3).

**Table 2. Evolution of ICI components**

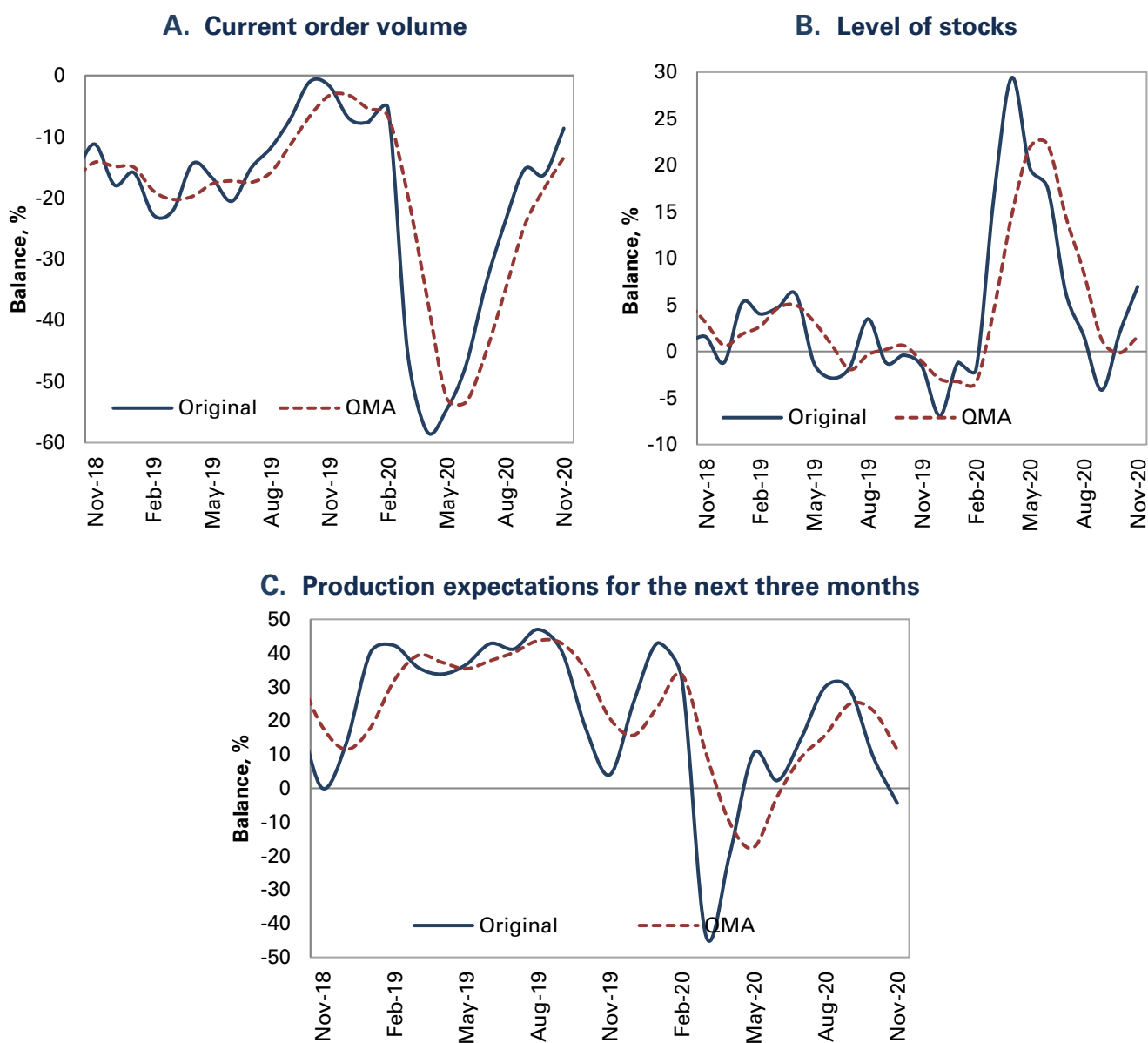
Component (Balance, %)	2019		2020
	November	October	November
Stocks of finished goods at end of this month	-1.6	2.0	7.0
Current volume of orders	-1.7	-16.2	-8.6
Expected production in the next three months	4.0	9.3	-4.4
<b>Industrial Confidence Index - ICI</b>	<b>1.3</b>	<b>-3.0</b>	<b>-6.7</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to November 2019 was due to a decrease of 8.4 pp in the expected production in the next three months, a decrease of 7.0 pp in the current volume of orders and an increase of 8.6 pp 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. 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.

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

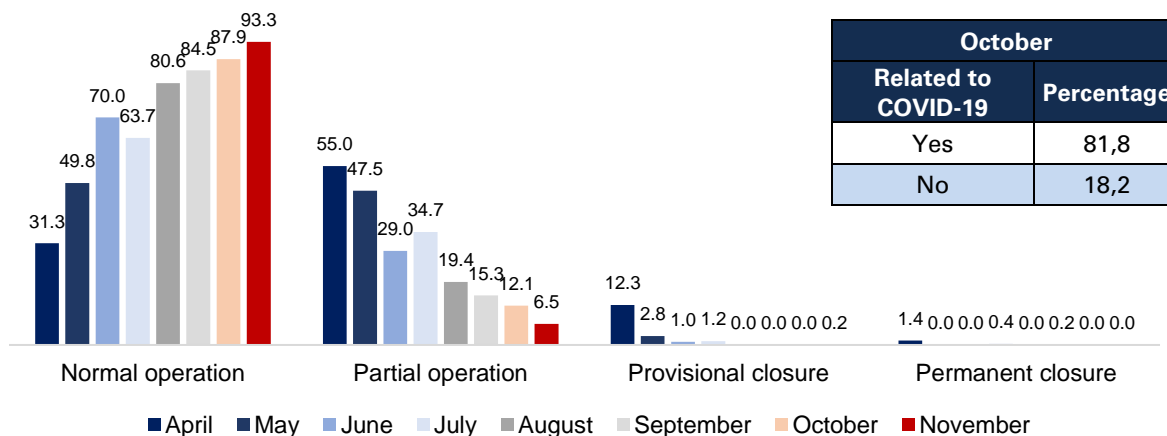
### COVID-19

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 November, regarding the degree of operation of the company, 93.3% of the firms did not present an impact on their operation, 6.5% operated partially, 0.2% had a provisional closure and none of them had a permanent closure (Graph 4). Concerning the companies that had some degree of impairment in their operations, 81.8% stated that this was due to COVID-19.

Regarding the previous month, in November the percentage of firms that are on normal operation increased 5.4 pp, conversely the percentage that are on partial operation decreased 5.6 pp, the percentage that are in provisional closure increased 0.2 pp and the proportion which are in permanent closure remained constant.

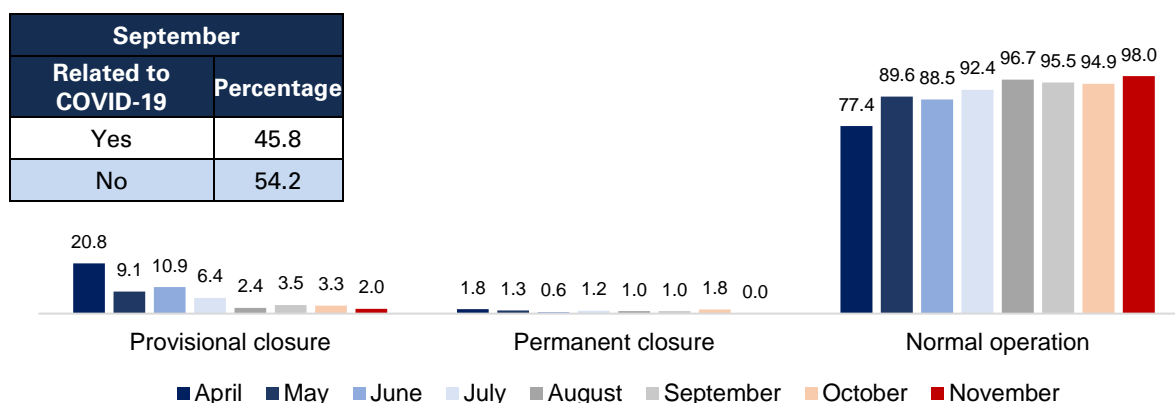
**Graph 4. Operation status of the company and its relation to COVID-19**



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 2.0% of the companies expect to carry out a provisional closure, none foresee a permanent closure meanwhile the remaining 98.0% do not plan to carry out any disrupt in their operations (Graph 5). In respect to October the proportion of companies who do not expect any closure in the next three months increased 3.1 pp, in contrast, the proportion who foresee a permanent closure decreased 1.8 pp, and the proportion who expect a provisional closure decreased 1.4 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 was 45.8%.

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

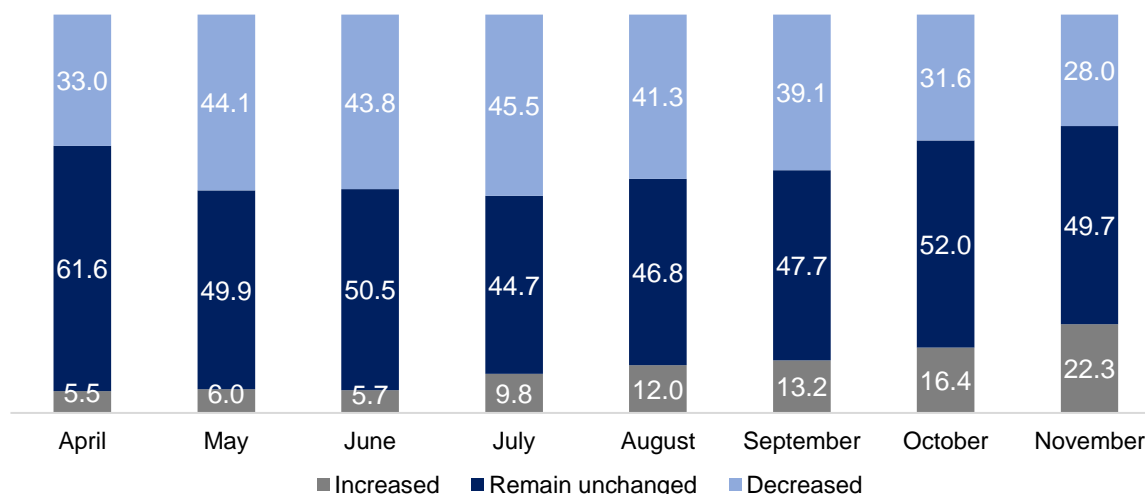


Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, 0.8% of the companies increased the number of employees more than 50%, 1.2% increased it more than 25%, 20.3% of companies rose the number of workers between 1% and 25%, meanwhile 49.7% kept their staff unchanged. 24.5% 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 3.0%, and the remaining 0.6% reduced it more than 50%.

Compared to October the percentage of companies who increased the number of employees raised 5.9 pp, the percentage of companies in which the number of employees remained unchanged decreased 2.3 pp, while the percentage of companies who decreased the number of employees lessened 3.6 pp (Graph 6).

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



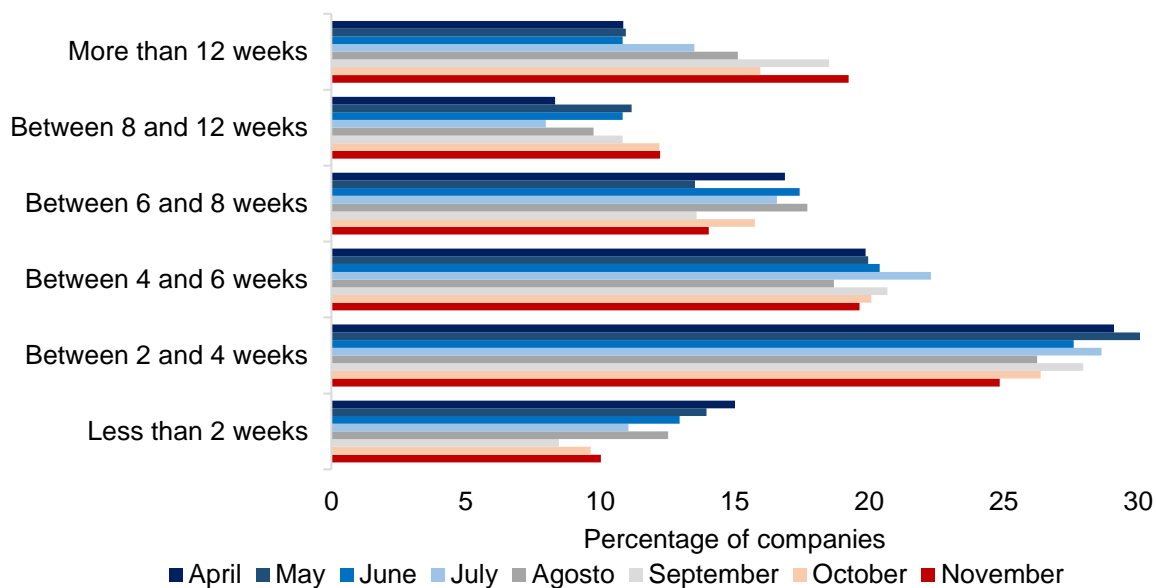
Source: Business Tendency Survey (BTS) – Fedesarrollo

The percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses<sup>2</sup> is 10.0%, meanwhile 24.8% 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 19.6%, 14.0% consider it to be between 6 and 8 weeks, 12.2% claims to have cash on hand between 8 and 12 weeks, the remaining 19.2% 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 0.4 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses decreased 1.5 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses decreased 0.4 pp. The companies who consider it to be between 6 and 8 weeks decreased 1.7 pp, the ones who claim to have cash on hand between 8 and 12 weeks remained constant, and the remaining companies who have cash to pay more than 12 weeks of expenses increased 3.3 pp (Graph 7).

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

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



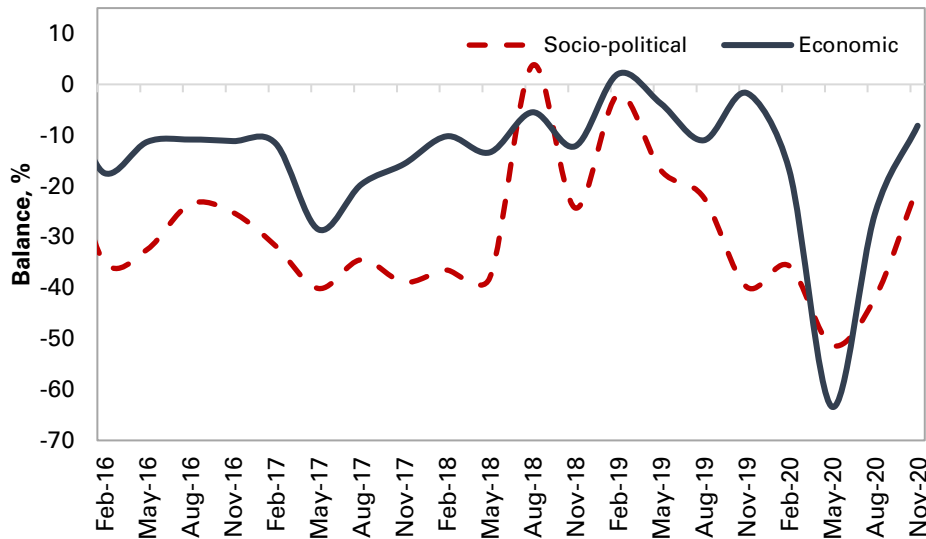
Source: Business Tendency Survey (BTS) – Fedesarrollo

### Quarterly Module: Economic and sociopolitical conditions for investment<sup>3</sup>

In November, the balance of the industrial sector about favorable **economic conditions** to invest was -8.1%, which is equivalent to an increase of 17.4 pp compared to the last measurement (August 2020). The results show that 29.5% of respondents believe that current economic conditions are unfavorable, compared to 21.1% of the previous measurement, while 21.4% of respondents considered that the current conditions are favorable compared to the 13.6% of the previous measurement. Moreover, 49.2% affirm they are neutral compared to the 47.3% of the previous measurement.

<sup>3</sup> 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**



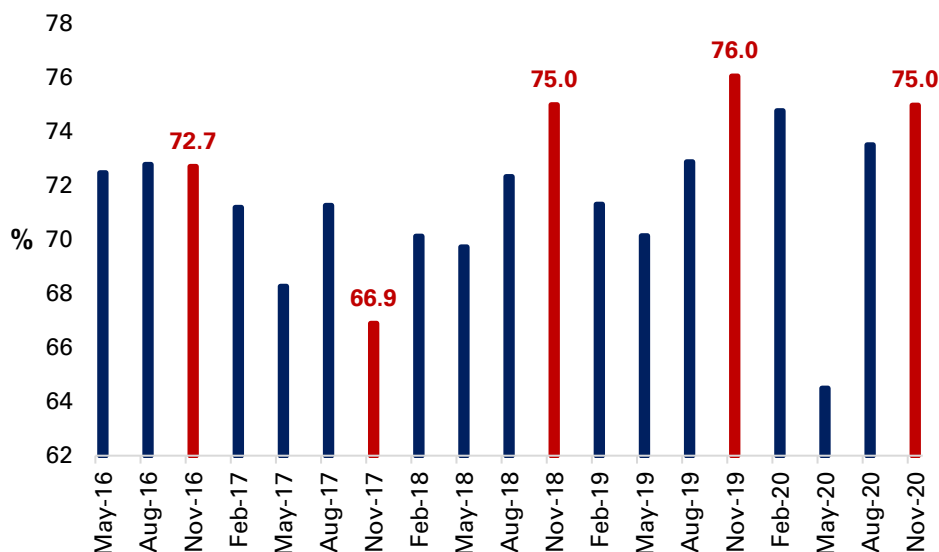
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -20.1%, an increase of 22.0 pps compared to the previous quarter. The results show that 10.5% of the respondents believe that the sociopolitical conditions are favorable compared to 5.1% of the previous measurement, while 30.6% consider that they are unfavorable compared to 47.1% of the previous measurement and 58.8% consider that they are neutral compared to 47.8% of the previous measurement.

### Quarterly Module: Industry Installed Capacity Utilization

In November, industry installed capacity utilization was 75.0%, which represents an increase of 1.5 pp compared to August 2020 measurement and a decrease of 1.1 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.

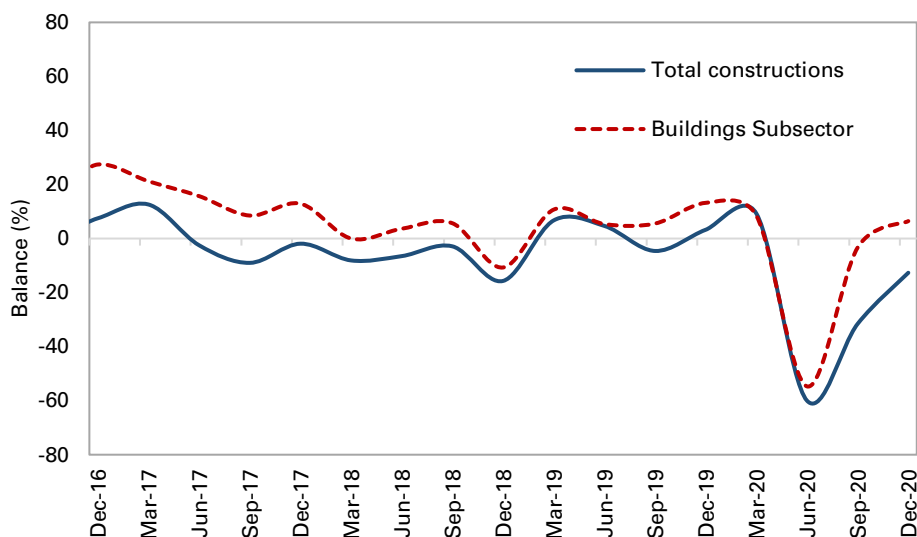
**Source:** Business Tendency Survey (BTS) – Fedesarrollo

### 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 fourth quarter of 2020, the balance of the current economic situation of companies in the construction sector stood at -12.7%, equivalent to an increase of 18.9 pp compared to the previous quarter and a decrease of 15.9 pps compared to the same period of 2019. The **building subsector** registered a balance of 6.5%, 9.8 pp higher than the registered during the previous quarter and 6.8 pps lower compared to one year ago (Graph 6).

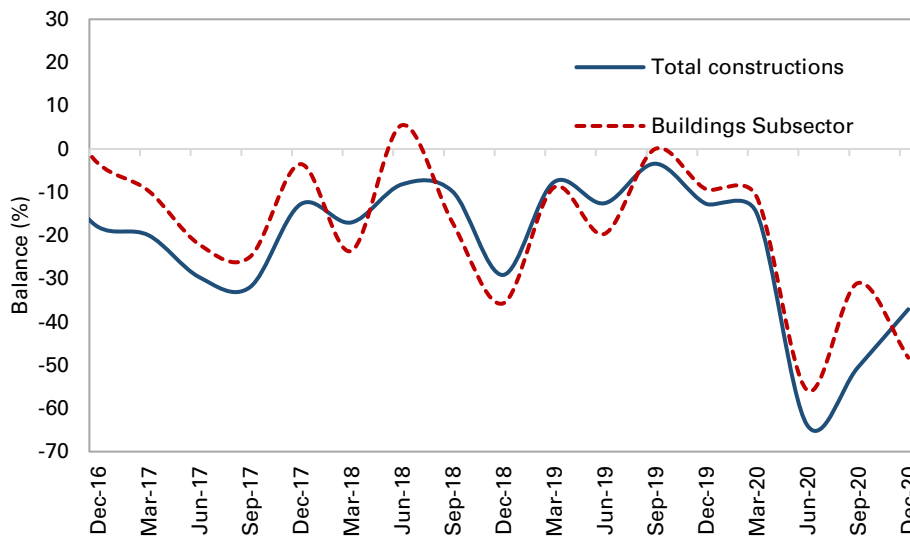
**Graph 6. Current situation of companies in the construction sector**



**Source:** Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -37.1%, showing an increase of 13.5 pp compared to the previous quarter and a decrease of 24.4 pp compared to the fourth quarter of 2019. For the building subsector, this indicator registered a balance of -48.3%, which shows a reduction of 17.2 pp compared to the previous quarter and 39.0 pp compared to a year ago (Graph 7).

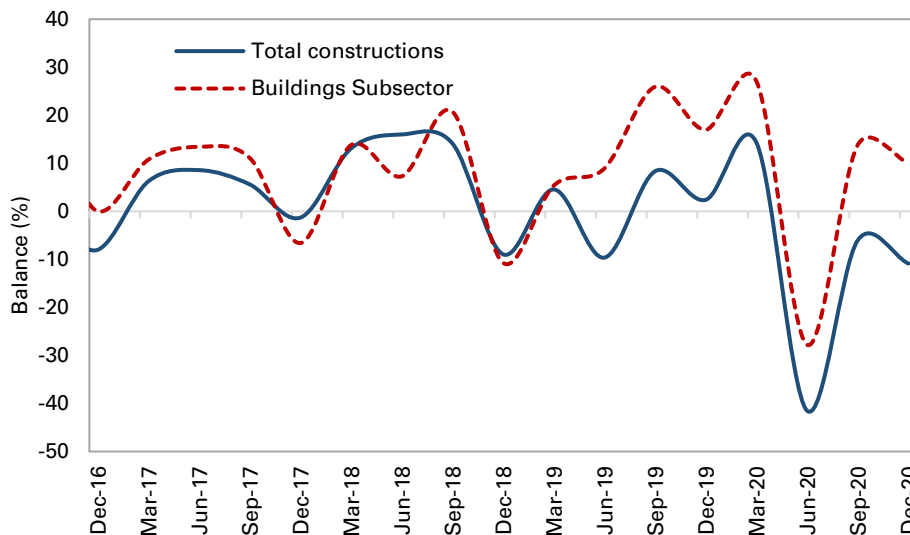
**Graph 7. Construction rate compared to the previous year**



**Source:** Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was -10.9%, showing a decrease of 4.8 pp compared to the previous measurement and a 13.3 pp reduction compared to the fourth quarter of 2019. In the building subsector, expectations recorded a balance of 10.0%, which represents a reduction of 3.8 pp compared to the previous quarter and a 7.0 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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