

## Business Tendency Survey January 2021



In January, the Retail Confidence Index (RCI) was 32.0%, compared to the previous month, this represents an increase of 9 pp mainly due to a rise 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 3.7%, compared to the previous month, this represents an increase of 5.2 pp, mainly due to an increase in the business expectations for the next 3 months and a decrease in the stocks at the end of the month.

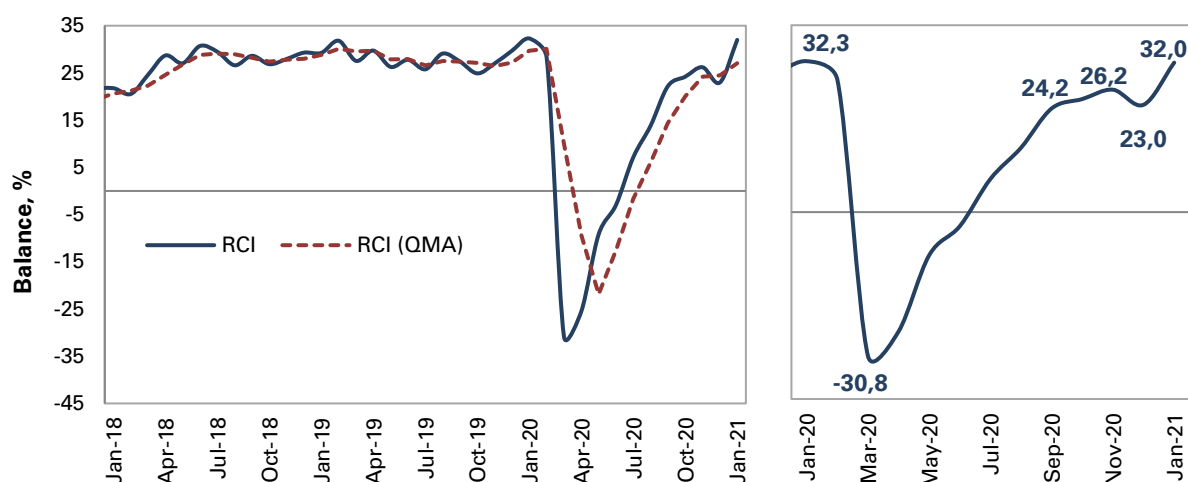
In January, 8.4% of the companies presented problems in their operations, 93.2% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 28.2%. Only 28.5% of firms has cash on hand for more than eight weeks of expenses.

In the fourth quarter of 2020, the profitability of the export activity, the exported value in dollars, the balance of export orders and the exporters expectations on the performance of their activity in the next three months, increased compared to the previous quarter.

### **Retail Confidence Index – RCI**

In January, the Retail Confidence Index (RCI) was 32.0%, which represents an increase of 9.0 percentage points (pp) compared to last month and a decrease of 0.3 pp relative to January 2020 (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<sup>1</sup> and expectations about the economic situation for the next semester.** The results for January of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2020		2021
	January	December	January
Business current situation	57.1	36.9	42.4
Level of stocks	5.0	-8.9	-9.6
Business expectations for the next 6 months	44.8	23.1	44.0
<b>Retail Confidence Index - RCI</b>	<b>32.3</b>	<b>23.0</b>	<b>32.0</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

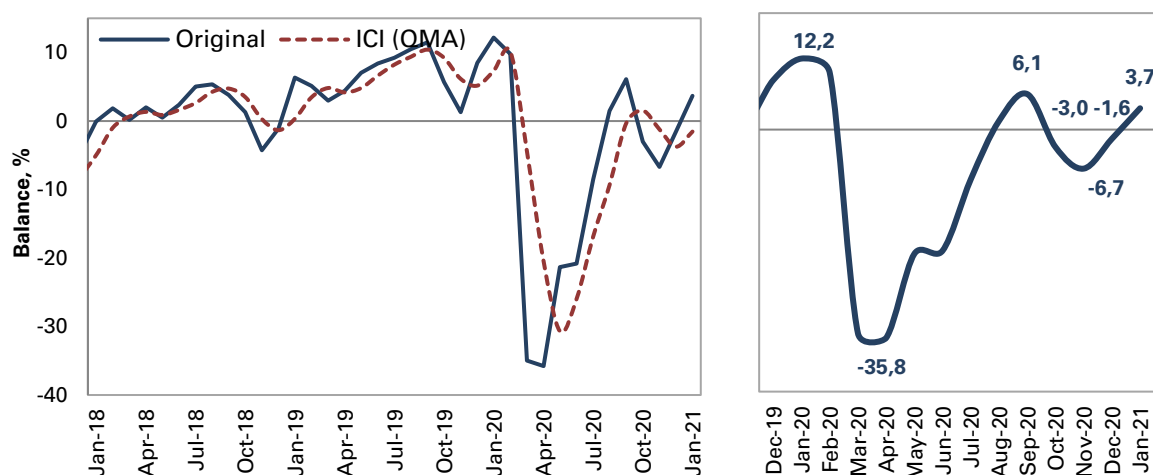
In January, the growth in retailer's confidence compared to the previous month was mainly due to an increase of 20.9 pp in the expectation's indicator for the next semester and a variation of 5.5 pp in the indicator of business current situation. Besides, the level of stocks decreased 0.7 pp. On the other hand, compared to January 2020, the result was mainly due to a decrease of 14.7 pp in the current economic situation and a decrease of 0.8 pp in expectation's indicator for the next semester. Meanwhile, the level of stocks decreased 14.5 pp.

<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.

## Industrial Confidence Index – ICI

In January, the Industrial Confidence Index (ICI) stood at 3.7% in its original series, which represents an increase of 5.2 percentage points (pp) compared to last month and a decrease of 8.5 pp relative to January 2020. Finally, its quarterly moving average was -1.5%, which is equivalent to a decrease of 2.2 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, current volume of orders and production expectations for the next three months**. In the original series, the growth of the ICI compared to the previous month was mainly due to an increase of 18.8 pp in the expected production for the next three months and a decrease of 2.1 pp in the level of stocks. Meanwhile, the current volume of orders decreased 5.1 pp. (Graph 3). Excluding seasonal variations, compared to the last month there was a decrease in the expected production for the next quarter, an increase in the current volume of orders and a decrease in the level of stocks.

**Table 2. Evolution of ICI components**

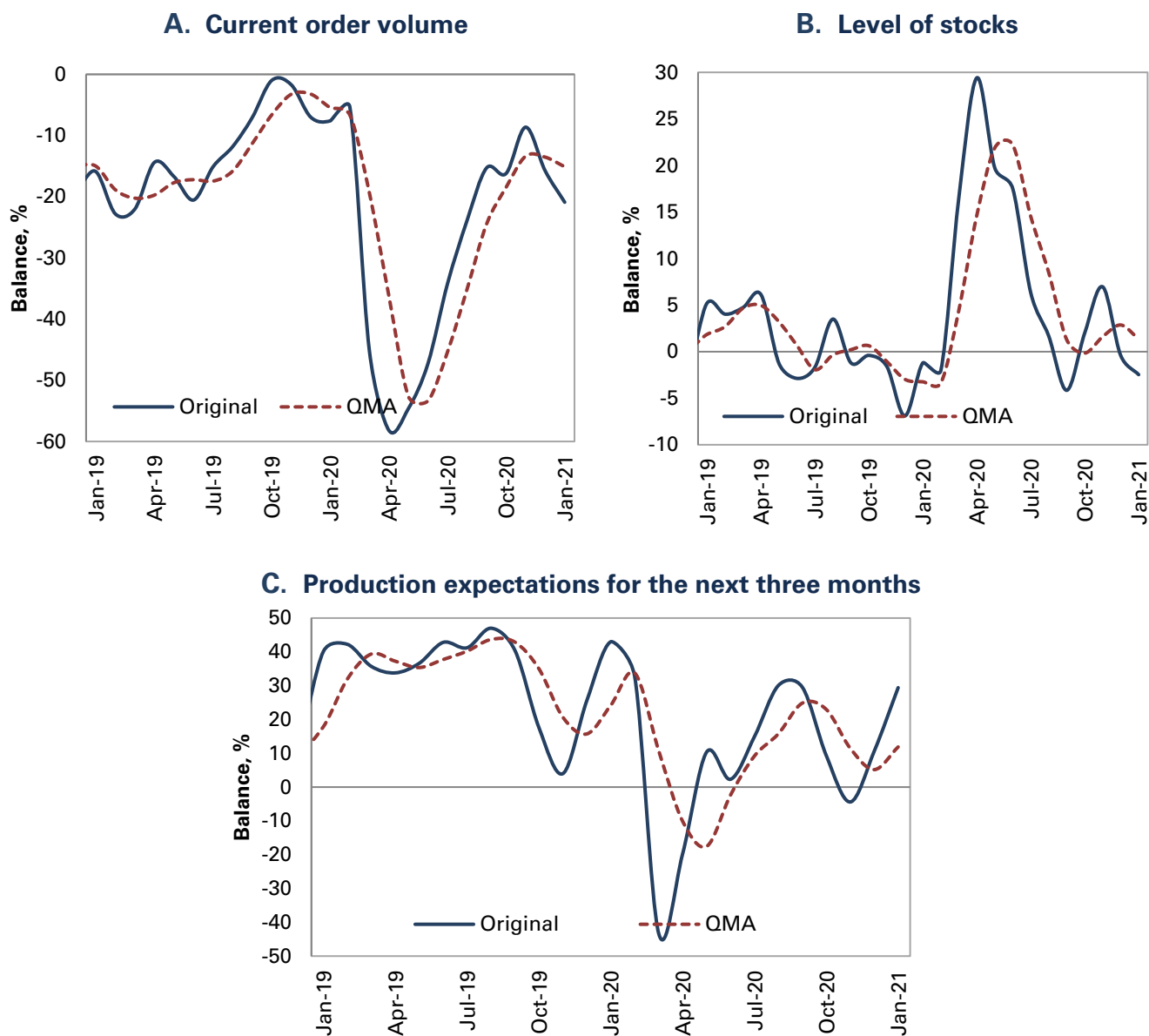
Component (Balance, %)	2020		2021
	January	December	January
Stocks of finished goods at end of this month	-1.2	-0.4	-2.5
Current volume of orders	-7.6	-15.8	-20.9
Expected production in the next three months	43.0	10.6	29.4
<b>Industrial Confidence Index - ICI</b>	<b>12.2</b>	<b>-1.6</b>	<b>3.7</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to January 2020 was due to a decrease of 13.6 pp in the expected production in the next three months and a decrease of 13.3

pp in the current volume of orders. On the other hand, the level of stocks decreased 1.3 pp (Table 2).

**Graph 3. ICI Components**



Source: Business Tendency Survey (BTS) – Fedesarrollo

**COVID-19**

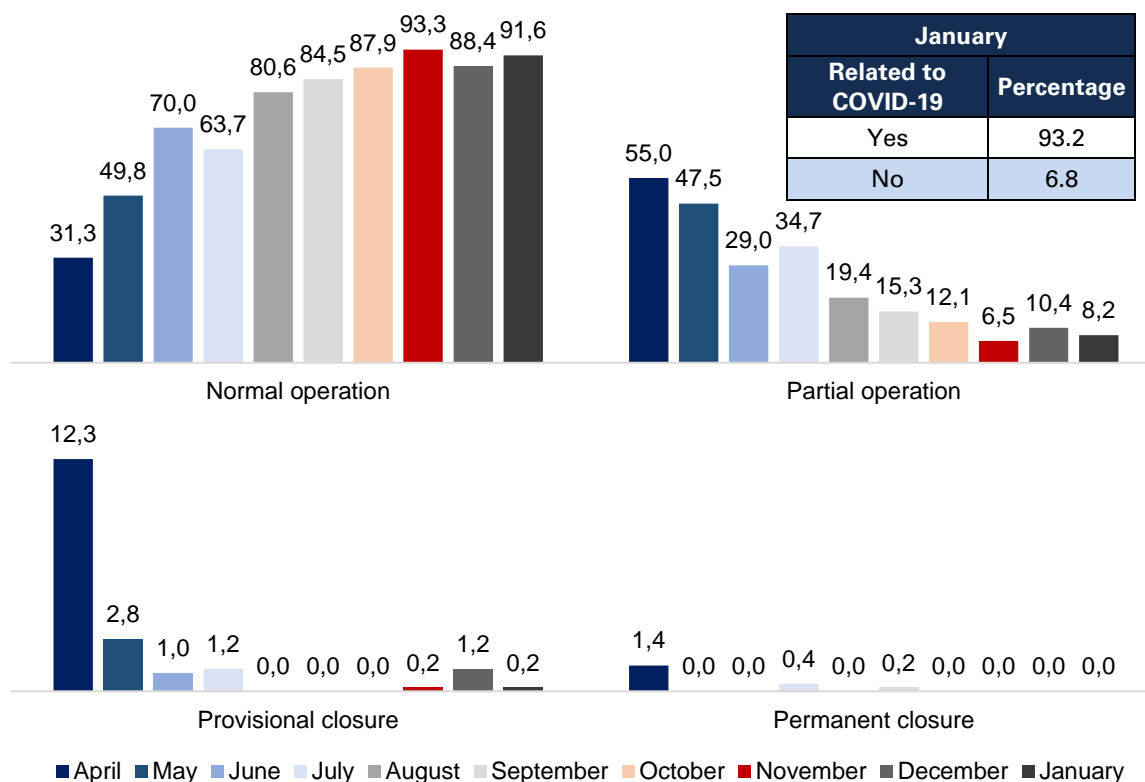
In order to identify the impact on the business sector caused by COVID-19 and the containment measures decreed by the National Government, the Business Opinion Survey identified four main aspects that may be affected. These are: i) the company’s operation status, ii) expectations of operation status,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

In January, regarding the degree of operation of the company, 91.6% of the firms did not present an impact on their operation, 8.2% 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, 93.2% stated that this was due to COVID-19.

Regarding the previous month, in January the percentage of firms that are on normal operation increased 3.2 pp, conversely the percentage that are on partial operation decreased 2.2 pp, the percentage that are in provisional closure decreased 1 pp and the proportion which are in permanent closure remained constant.

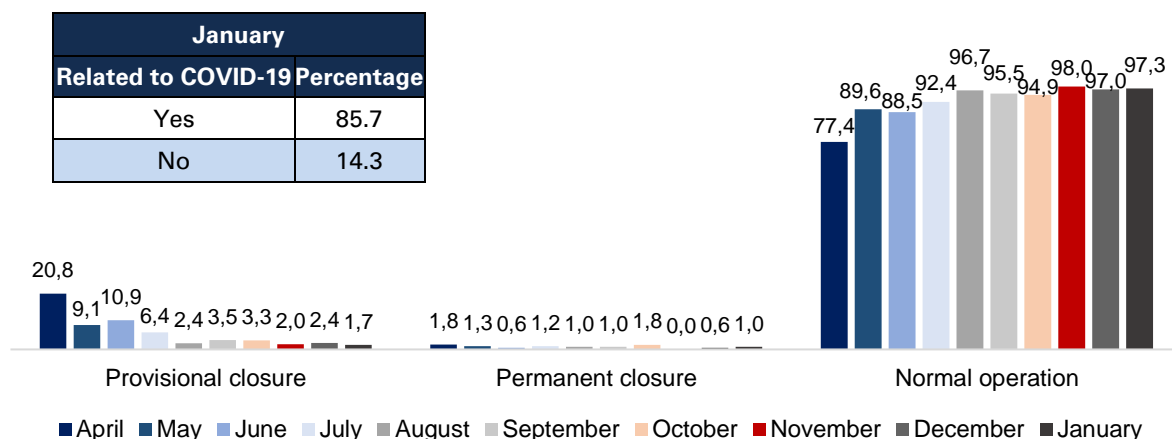
**Graph 4. Operation status of the company and its relation to COVID-19**



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 1.7% of the companies expect to carry out a provisional closure, 1.0% of the companies foresee a permanent closure meanwhile the remaining 97.3% do not plan to carry out any disrupt in their operations (Graph 5). In respect to December, the proportion of companies who do not expect any closure and foresee a permanent closure in the next three months increased 0.3 pp and 0.4 pp respectively, in contrast, the proportion of firms expecting a temporary closure decreased by 0.6 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 was 85.7%.

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

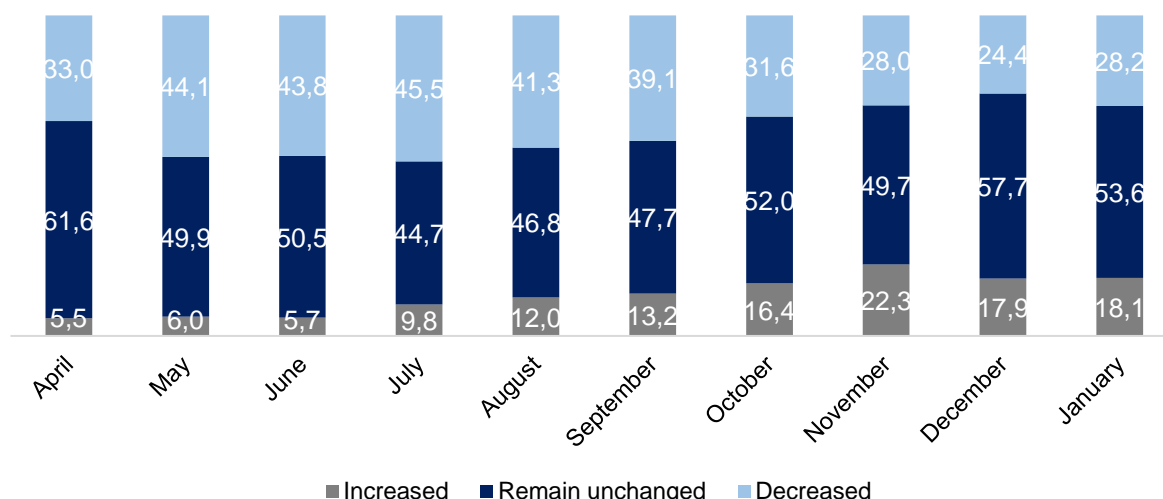


Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, none of the companies increased the number of employees more than 50%, 1% increased it more than 25%, 17.2% of companies rose the number of workers between 1% and 25%, meanwhile 53.6% kept their staff unchanged. 23.9% 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 3.8%, and the remaining 0.6% reduced their number of employees by more than 50%.

Compared to December the percentage of companies who increased the number of employees increased 0.2 pp, the percentage of companies in which the number of employees remained unchanged decreased 4.1 pp, while the percentage of companies who decreased the number of employees grew 3.8 pp (Graph 6).

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

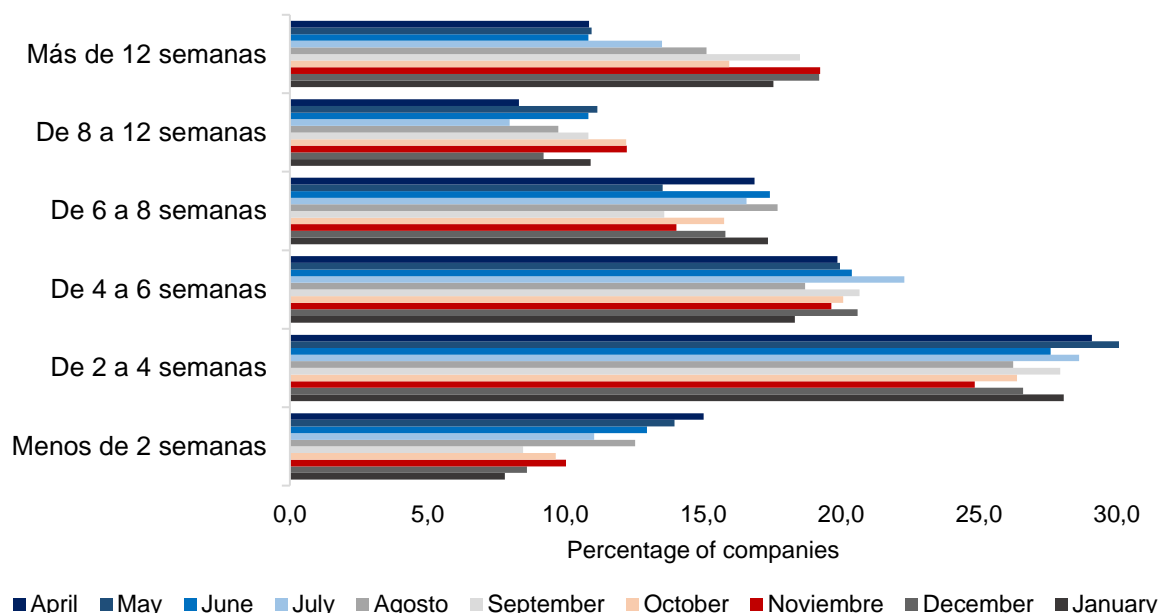


Source: Business Tendency Survey (BTS) – Fedesarrollo

In January, the percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses<sup>2</sup> is 7.8 %, meanwhile 28.1% 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 18.3%, 17.3% consider it to be between 6 and 8 weeks, 10.9% claims to have cash on hand between 8 and 12 weeks, the remaining 17.5% 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 decreased 0.8 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses increased 1.5 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses decreased 2.3 pp. The companies who consider it to be between 6 and 8 weeks increased 1.5 pp, the ones who claim to have cash on hand between 8 and 12 weeks increased 1.7 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses decreased 1.7 pp (Graph 7).

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



Source: Business Tendency Survey (BTS) – Fedesarrollo

### Exports<sup>3</sup>

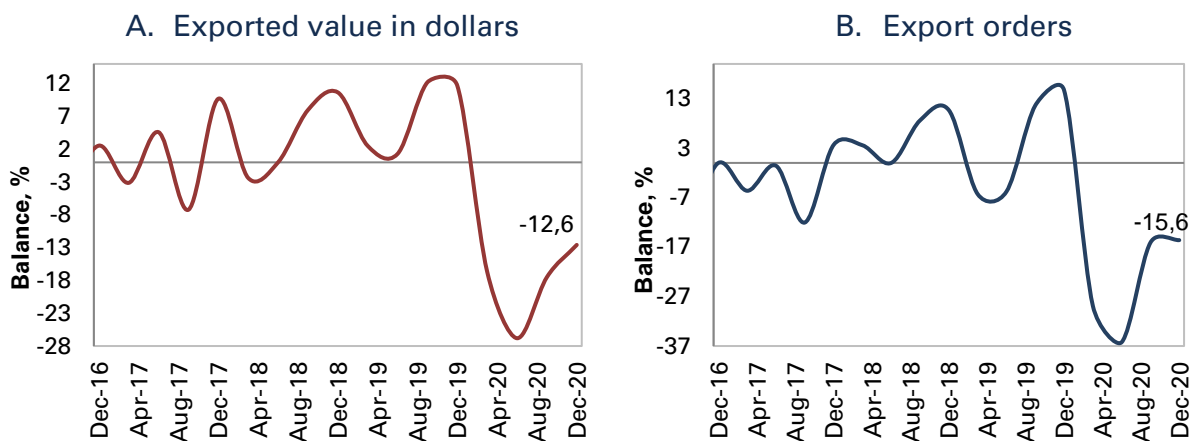
During the fourth quarter of 2020, the balance of answers about exported value in dollars was -12.6%, which indicates that the percentage of respondents with decreasing exports was greater than the percentage with increasing exports relative to the previous quarter. This result represents an increase of 4.9 pp compared to the previous quarter and a decrease of 24.2 pp compared to the same quarter of 2019. On the other hand, the balance of export orders was -15.6%. which implies an increase of 0.5 pp compared to

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

<sup>3</sup>On a quarterly basis, the Business Tendency Survey includes a special module for the industrial sector, which inquiries about the expectations and the perception of industrialists about the value exported in dollars and export orders.

the previous quarter and a decrease of 30.3 pp relative to the same quarter of 2019 (Graph 8).

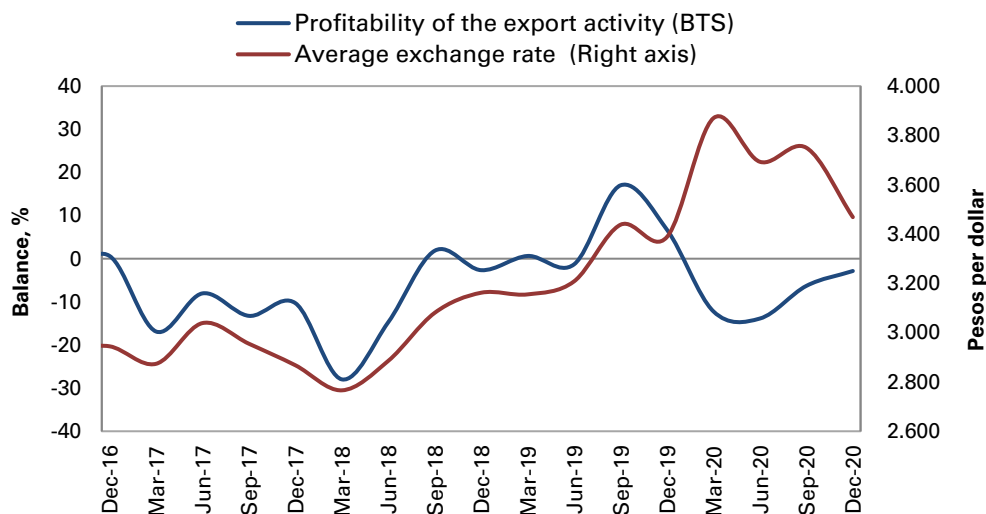
**Graph 8. Exported value in dollars and export orders in the first quarter of 2020 compared to the same quarter of the previous year**



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

Regarding the perception about exports profitability, the balance was -2.9%, which is equivalent to a 3.4 pp increase compared to the previous quarter and a 9.6 pp decrease relative to the same quarter of 2019. The balance of exports profitability in this quarter is not related to the behavior of the exchange rate (Graph 9).

**Graph 9. Profitability exports activity and exchange rate**



Source: Business Tendency Survey (BTS) – Fedesarrollo and Central Bank of Colombia.

For the fourth quarter of 2020, the Plan Vallejo System (13.8%), the export procedures in Colombia (8.7%) and the Dollar-currency exchange rate of the buyer country (3.8%) were the most favorable factors for the export activity. Specifically, the balance of the Plan Vallejo System increased 1.9 pps compared to the previous quarter. On the other hand, the most unfavorable factors were economic situation of the purchasing country (-23.5%), the international transport (-22.3%) and the internal transportation in Colombia (-11.6%). Relative to the previous quarter, balances of economic situation of the purchasing country decreased 3.2 pp and the international transport decreased 4.1 pp.



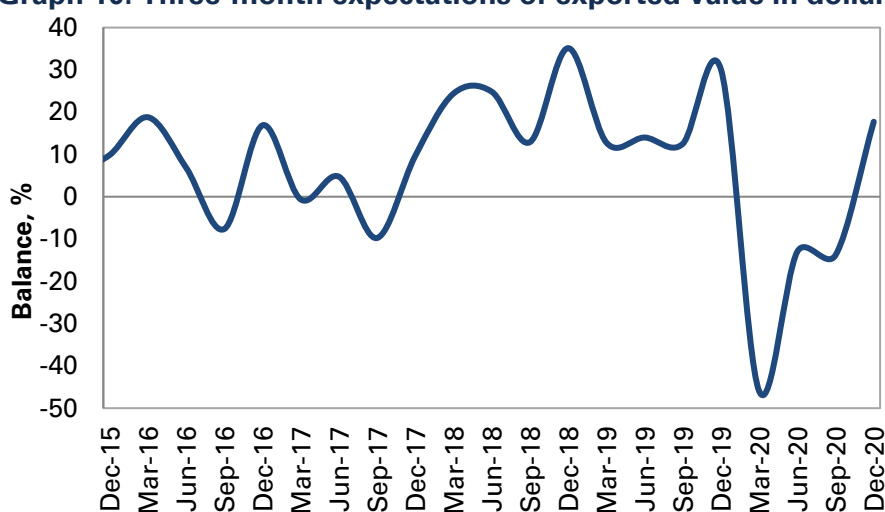
**Table 3. Main factors that affected the export activity**

Factor (Balance, %)	2019-IV	2020-III	2020-IV
Economic situation of the purchasing country	8,0	-20,3	-23,5
International transport	3,1	-18,2	-22,3
Internal transportation in Colombia	-23,5	-14,7	-11,6
Port services in Colombia	-4,9	4,2	-11,3
Competitive position in the target markets	-5,5	0,0	-10,7
Production costs	-19,8	-18,9	-7,1
Trade policies of the purchasing countries	-3,1	-3,5	-6,9
Availability and cost of credit	0,6	5,6	-1,4
Peso-dollar exchange rate	20,2	5,6	-0,7
Colombian information and marketing services	-1,8	7,7	2,3
Dollar-currency exchange rate of the buyer country	4,3	9,8	3,8
Export procedures in Colombia	0,6	2,1	8,7
Plan Vallejo System	20,4	11,9	13,8

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 17.7%, which is equivalent to a 31.5 pp increase compared to the previous measurement and a 12.3 pp decrease compared to the fourth quarter of 2019 (Graph 10). In this measurement, 33.3% of respondents said that their exports will increase over the next three months, while 15.6% believe that their exports will decrease, and 51.1% expect them to remain the same.

**Graph 10. 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

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