

Business Tendency Survey August 2022



In August 2022, the Retail Confidence Index (RCI) stood at 26.9%, which represents a drop of 3.8 pp compared to the previous month. The decrease in confidence was mainly explained by an increase of 2.5 pp in the level of stocks and a decrease of 9.6 pp in business expectations for the next six months. However, the business current situation showed an increase of 0.5 pp.

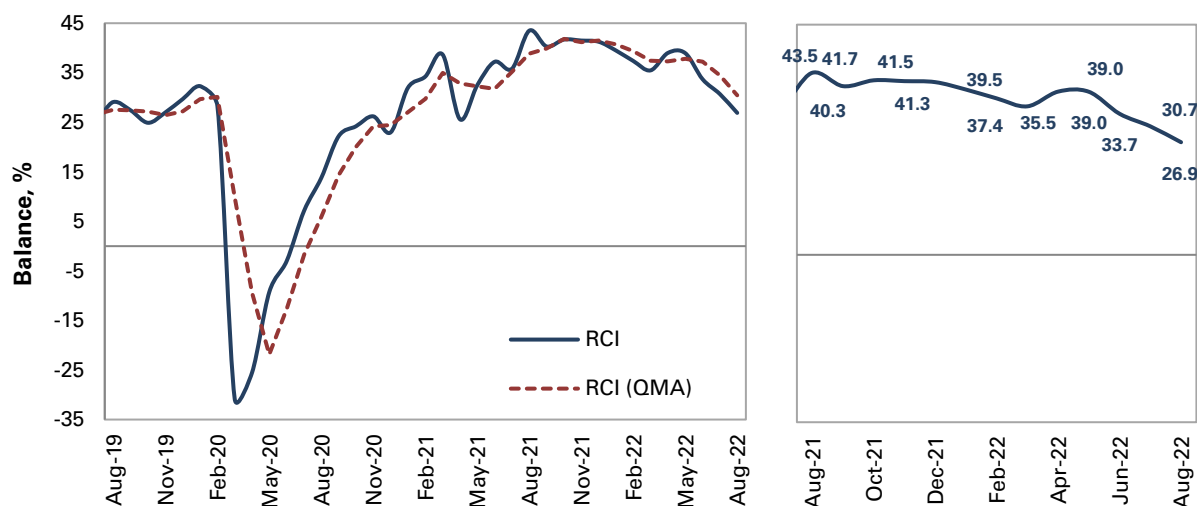
The Industrial Confidence Index stood at 7.1%, decreasing 2.6 pp compared to the previous month. The increase of 4.5 pp in the level of stock of finished goods at the end of this month and the decrease of 4.4 pp reduction in expected production for the next three months explained the decrease in confidence in the industrial sector, despite the increase of 1.3 pp in the current volume of orders from companies in the sector.

The industry installed capacity utilization was 77.6%, decreasing 0.1 pp and increasing 2.1 pp compared to May 2022 and August 2021, respectively. Additionally, business perception of the favorable economic and socio-political conditions to invest decreased compared to the previous measurement. On the other hand, the construction sector in general registered a decrease in the perception of the current economic situation of companies, in the pace of construction and in the expectations of the sector for the next quarter compared to the second quarter of 2022.

Retail Confidence Index – RCI

In August 2022, the Retail Confidence Index (RCI) stood at 26.9%, which represents a decrease of 3.8 pp compared to the previous month and a decline of 16.6 pp compared to August 2021.

Graph 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The RCI brings together three elements: **perception about the business current economic situation, level of stocks¹ and expectations about the economic situation for the next semester**. The results for August 2021 and 2022 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2021	2022	
	August	July	August
Business current situation	61.6	61.4	61.9
Level of stocks	-9.5	11.4	13.9
Business expectations for the next 6 months	59.6	42.3	32.7
Retail Confidence Index - RCI	43.5	30.7	26.9

Source: Business Tendency Survey (BTS) – Fedesarrollo

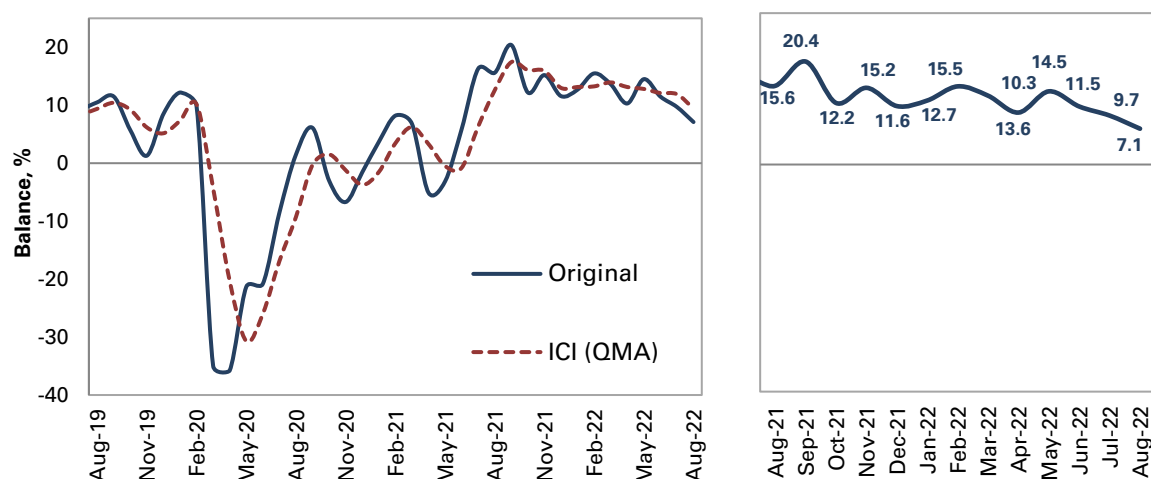
In August, retailers' confidence decreased compared to the previous month due to an increase of 2.5 in the level of stocks and a decrease of 9.6 pp in business expectations for the next 6 months. On the other hand, there was an improvement of 0.5 pp in the perception about the business current economic situation of the companies in the sector. In annual terms, despite the 0.3 pp increase in the business current situation indicator, the drop in retailers' confidence was explained by an increase of 23.4 pp in the level of stocks and by a decrease of 26.8 pp in business expectations for the next 6 months.

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 stocks.

Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) stood at 7.1% in August 2022, showing a decrease of 2.6 pp compared to the previous month and a decrease of 8.5 pp compared to August 2021 (Graph 2). On the other hand, the quarterly moving average reached 9.4% and registered a deterioration of 2.5 pp compared to the same indicator for the previous month.

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**. The results for August 2021 and 2022 are presented in Table 2.

Table 2. Evolution of ICI components

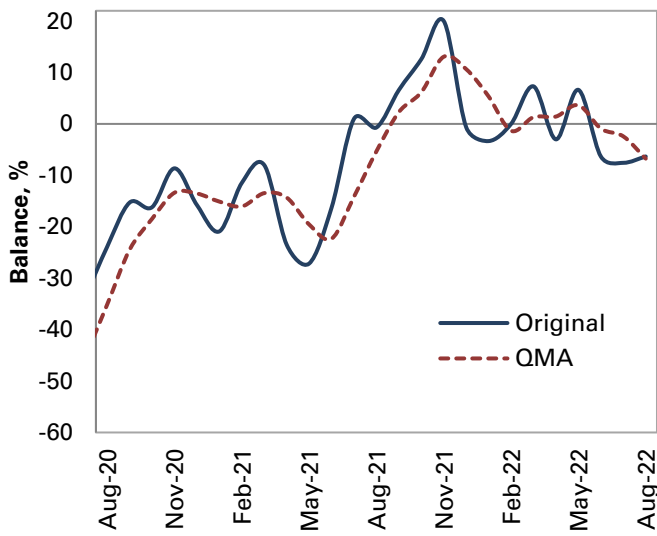
Component (Balance, %)	2021	2022	
	August	July	August
Stocks of finished goods at end of this month	-4.8	-2.5	2.0
Current volume of orders	-0.7	-7.6	-6.3
Expected production in the next three months	42.8	34.1	29.7
Industrial Confidence Index – ICI	15.6	9.7	7.1

Source: Business Tendency Survey (BTS) – Fedesarrollo

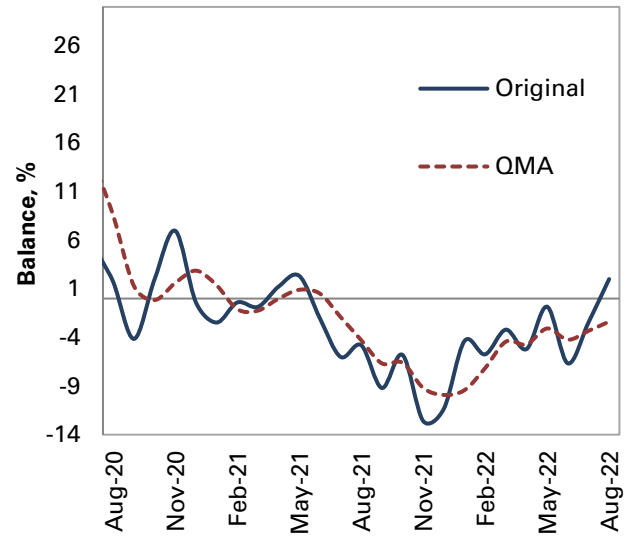
In the same month, the decrease in industrial confidence compared to July is explained by a decrease of 4.4 pp in expected production in the next three months and an increase of 4.5 pp in the stocks of finished goods at end of this month, despite the increase of 1.3 pp in the current volume of orders from companies in the sector (Graph 3). In annual terms, the decrease in industrial confidence was related to a reduction of 5.6 pp and 13.1 pp in the current volume of orders and in expected production in the next three months, respectively, as well as an increase of 6.8 pp in the stocks of finished goods at end of this month.

Graph 3. ICI Components

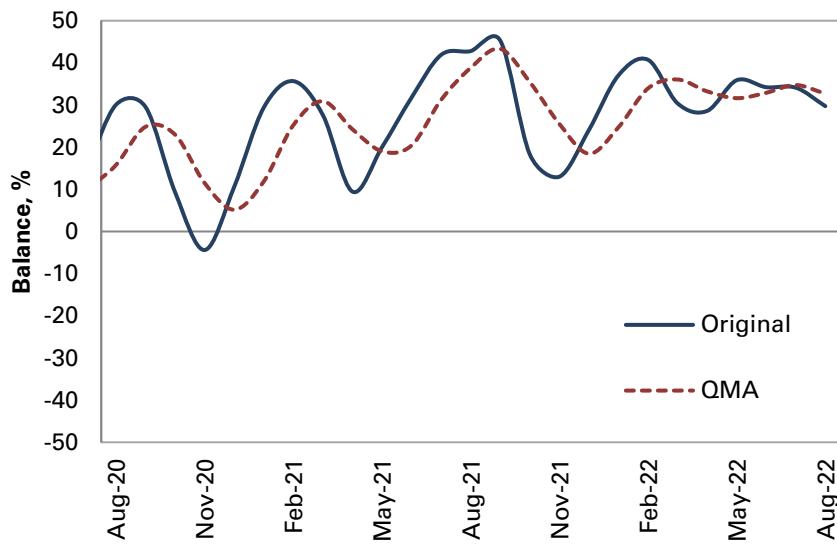
A. Current volume of orders



B. Level of stocks



C. Production expectations for the next three months

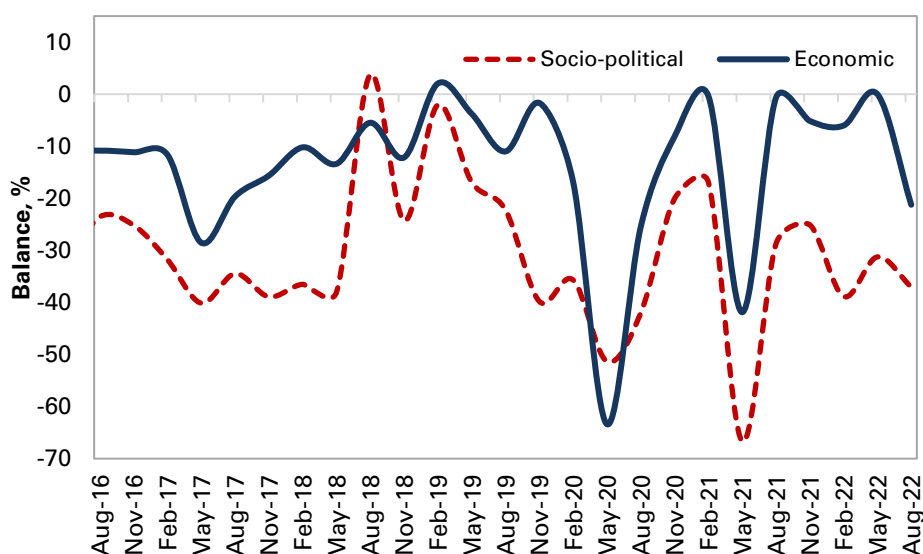


Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module: Economic and sociopolitical conditions for investment ²

In August, the balance of the industrial sector about the favorability of **economic conditions** for investing stood at -21.2%, which is equivalent to a decrease of -21.2 pp compared to the measurement of May 2022 (Graph 4). The results show that 39.4% of respondents believe that current economic conditions are unfavorable, compared to 23.8% in the previous measurement. On the other hand, 18.2% of businessmen believe that current conditions are favorable, compared to 23.8% in the previous measurement. Moreover, 42.5% affirm that they are neutral, compared to 52.4% in the previous measurement.

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



Source: Business Tendency Survey (BTS) – Fedesarrollo

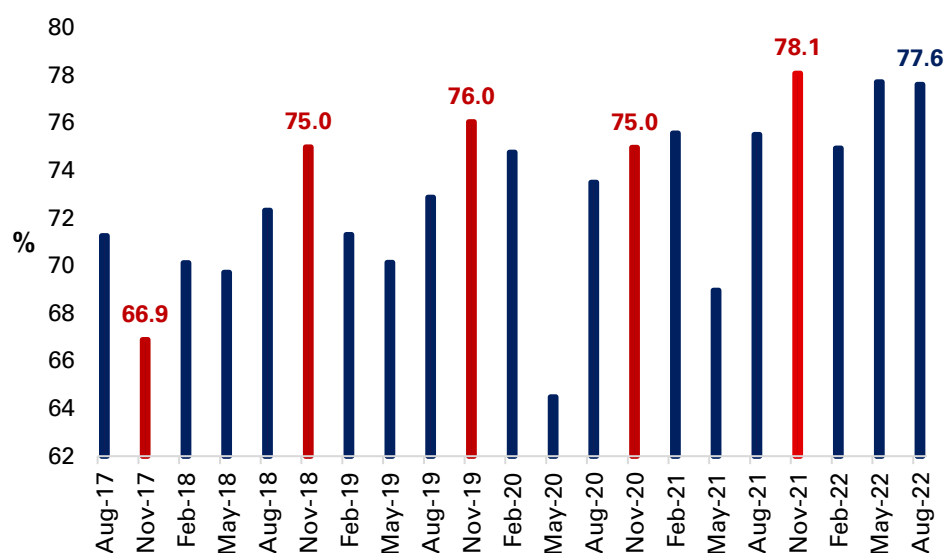
On the other hand, the balance on the favorability of **socio-political conditions** for investment was -37.0%, reflecting a decrease of 5.7 pp compared to the previous quarter. The results show that 9.3% of those surveyed believe that the socio-political conditions are favorable compared to 11.5% in the previous measurement. For their part, 46.4% of businessmen consider that current conditions are unfavorable compared to 42.7% in the previous measurement. Finally, 44.3% affirm that they are neutral, compared to 45.8% in the previous measurement.

² Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

Quarterly Module: Industry Installed Capacity Utilization

In August, the industry installed capacity utilization was 77.6%, registering a decrease of 0.1 pp and an increase of 2.1 pp compared to the measurement made in May 2022 and August 2021, respectively (Graph 5).

Graph 5. Utilization of installed capacity in the industry



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

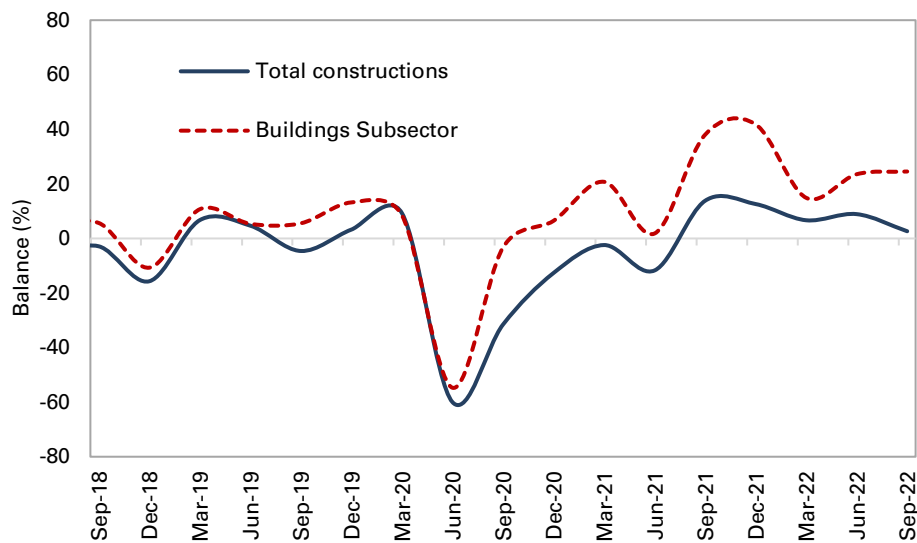
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Construction Survey³

In the third quarter of 2022, the balance of the current economic situation of companies in the construction sector stood at 2.6%, equivalent to a decrease of 6.3 pp compared to the previous quarter and a decrease of 11.2 pp compared to the same period of 2021. The building sector registered a balance 24.5%, increasing 1.0 pp and decreasing 13.5 pp compared to the previous quarter and the same quarter of 2021, respectively (Graph 6).

³ On a quarterly basis, Fedesarrollo conducts a survey focused on businessmen in the construction sector, in order to know their perception of the current economic situation and their expectations for the future.

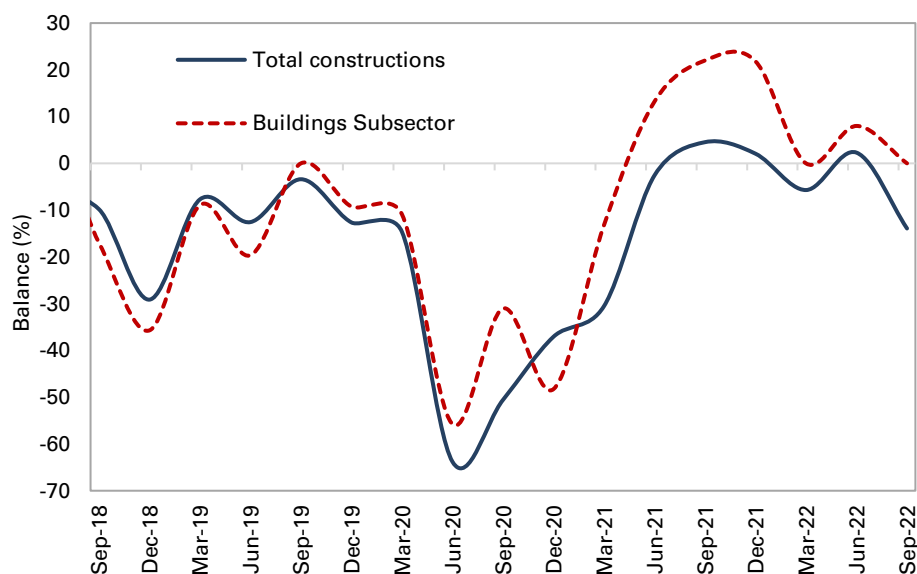
Graph 6. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The construction rate indicator stood at -13.9%, showing a decrease of 16.2 pp compared to the previous quarter and a decrease of 18.4 pp compared to the third quarter of 2021. For the building sector, this indicator registered a balance of 0.0%, which shows a decrease of 8.0 pp compared to the previous quarter and a decrease of 22.0 pp compared to a year ago (Graph 7).

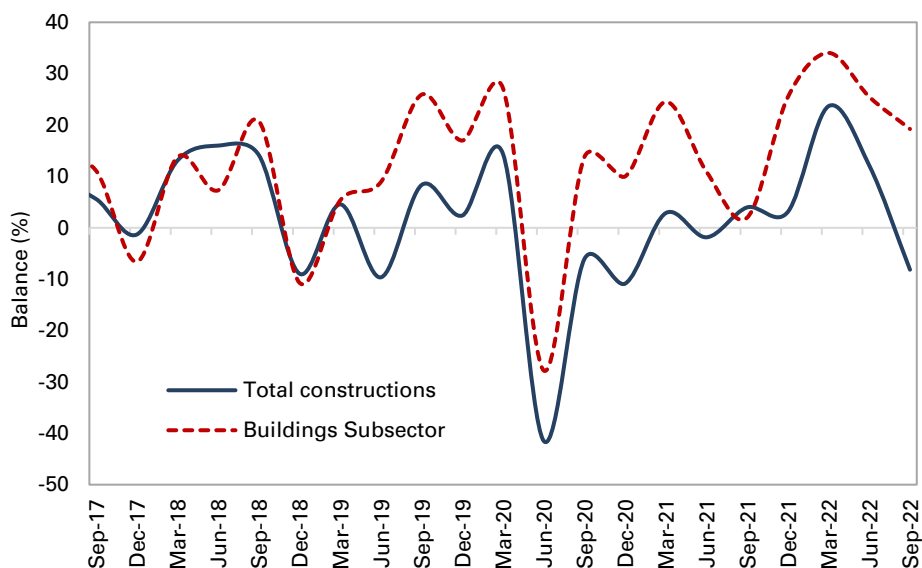
Graph 7. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

The balance regarding construction expectations for the next quarter stood at -8.2%, showing a drop of 20.3 pp compared to the previous quarter and a decrease of 12.2 pp compared to the same quarter of 2021. For its part, in the building subsector, construction expectations registered a balance of 19.2%, which represents a decrease of 6.3 pp compared to the previous quarter and an increase of 17.2 pp compared to the same quarter of last year (Graph 8).

Graph 8. 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

+57 1 3259777 ext. 340
comercial@fedesarrollo.org.co

Published September 21, 2022

Comments to Germán Camilo Rodríguez Perilla: grodriguez@fedesarrollo.org.co