

Business Tendency Survey January 2023



In January 2023, the **Retail Confidence Index (RCI) stood at 29,6%, which represents an improvement of 7.2 pp compared to the previous month (RCI December 2022: 22.6%)**. The greater dynamic of this index was mainly explained by the optimism in business expectations for the next six months (14.9 pp) and the reduction of 9.6 pp in the business level of stocks. However, there is still a negative sentiment about business current situation which decreased by 2.9 pp. This result shows a recovery in the confidence of traders, a behavior that has been observed since November 2022.

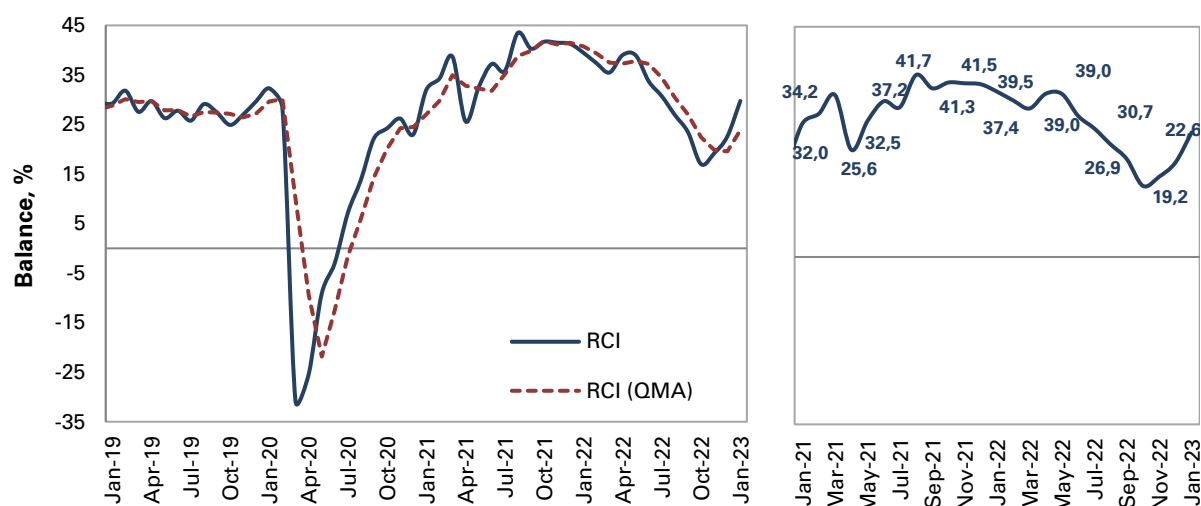
On the other hand, **the Industrial Confidence Index (ICI) stood at 3.6% in January 2023 (4.9 pp higher than the previous month)** after a semester of negative variations in the indicator (except for November 2022). The index variation was given by the increase of 21.2 pp in the expected production for the next three months and from companies in the sector. Nevertheless, the current volume of orders fell by 5.4 pp and the business level of stocks increased in 1,2 pp.

In the fourth quarter of 2022, the value exported in dollars, export orders, the profitability of export activity and the three-month expectations of the value exported in dollars were increased by about 16.4 pp, 13,6 pp, 11.1 pp and 0.8 pp compared to the previous quarter.

Retail Confidence Index – RCI

In January 2023, the Retail Confidence Index (RCI) stood at 29.7%, which represents an increase of 7.2 pp compared to the previous month (RCI December 2022: 22.6%), continuing with the positive trend registered since November 2022. Nevertheless, the index fell by 9.8 pp compared to January 2022 (39.5%).

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 January 2022 and 2023 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2022		2023
	January	December	January
Business current situation	63,9	62,2	59,3
Level of stocks	-8,5	12,1	2,6
Business expectations for the next 6 months	46,1	17,6	32,5
Retail Confidence Index - RCI	39,5	22,6	29,7

Source: Business Tendency Survey (BTS) – Fedesarrollo

According to the results of December, retailers' confidence increased compared to the previous month due to a better perception for the next six months (14.9 pp) and the decrease of the level of stocks by 9.6 pp. However, there is still a negative sentiment about business current situation which decreased by 2.9 pp. In annual terms, the drop

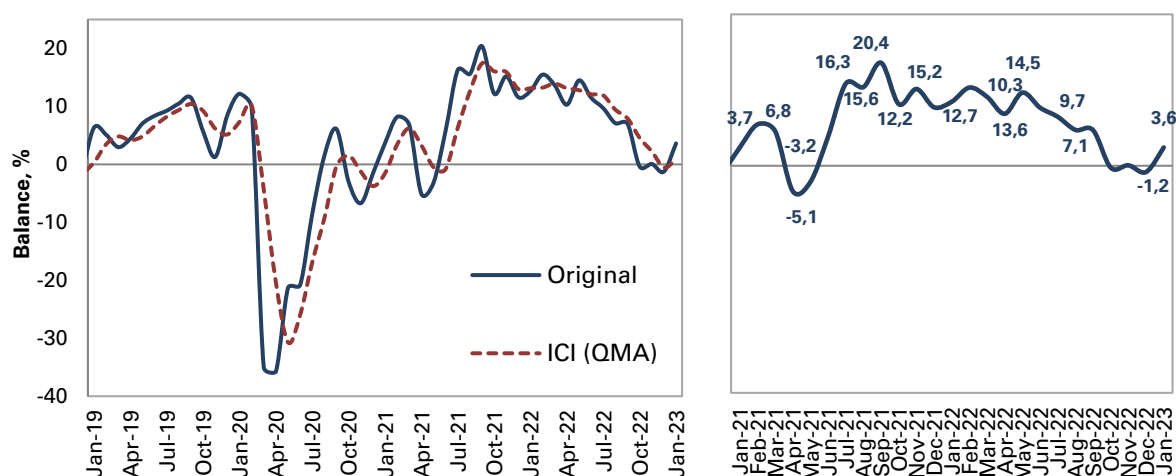
¹ Both industrial producers and retailers are asked if the level of stocks is high, low or normal. The balance corresponds to the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement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

in retailers' confidence was explained by an increase of 11.1 pp in the level of stocks and the decrease of 4.6 pp and 13.6 pp in the perception about the business current economic situation and the business expectations for the next six months, respectively.

Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) stood at 3.6% in January 2023, after a semester of negative variations in the indicator (except for November 2022). The ICI grew 4.9 pp compared to the previous month and fell 9.1 pp compared to January 2022 (Graph 2). On the other hand, the quarterly moving average decrease to 0.8% and registered an improvement of 1.3 pp compared to the same indicator for the previous month (-0.5%).

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 January 2022 and 2023 are presented in Table 2.

Table 2. Evolution of ICI components

Component (Balance, %)	2022		2023
	January	December	January
Stocks of finished goods at end of this month	-4,4	0,8	2,0
Current volume of orders	-3,3	-12,4	-17,7
Expected production in the next three months	37,0	9,4	30,6
Industrial Confidence Index – ICI	12,7	-1,2	3,6

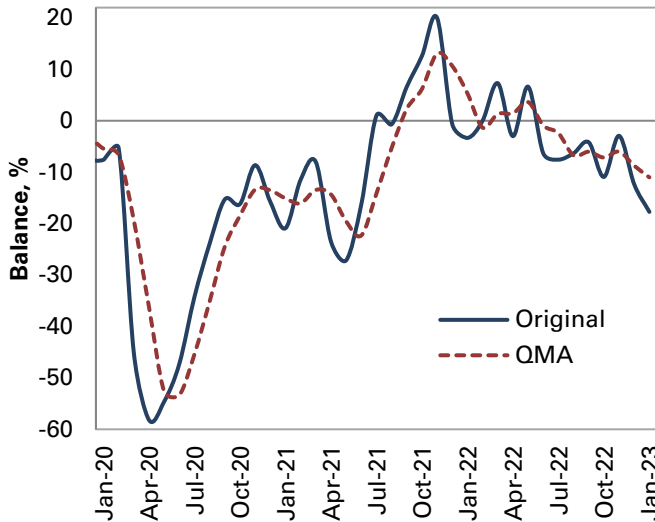
Source: Business Tendency Survey (BTS) – Fedesarrollo

The positive monthly variation of industrial confidence is explained by an important rising of 21.2 pp the expected production for the next three months and from companies in the sector. Nevertheless, the current volume of orders fell by about 5.4 pp and the stocks of finished goods at end of this month was increased by 1.2 pp.

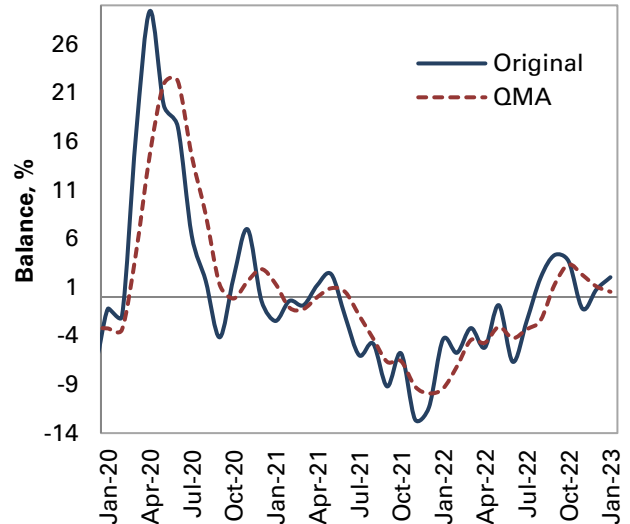
In annual terms, the decrease in industrial confidence was related to a reduction of 6.4 pp and 14.4 pp in expected production in the next three months and the current volume of orders, respectively. Likewise, the annual variation was explained by an increase of 6.4 pp in the stocks of finished goods at end of this month.

Graph 3. ICI Components

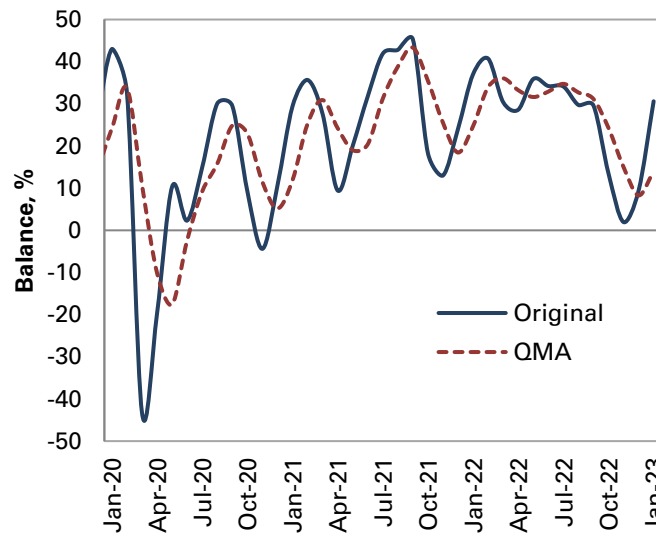
A. Current volume of orders



B. Level of stocks



C. Production expectations for the next three months



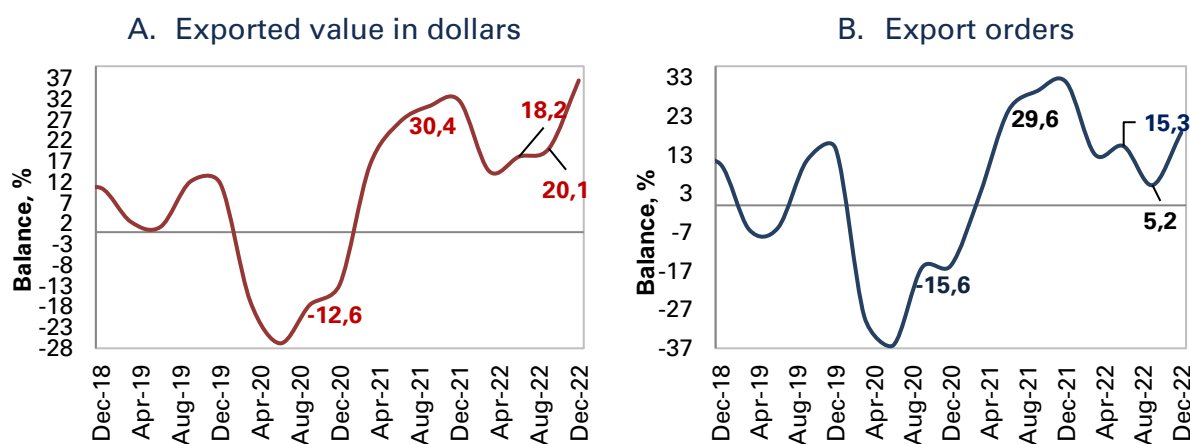
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module:

Exports²

In the fourth quarter of 2022, the balance on the value exported in dollars was 36.6%, indicating that the percentage of respondents who had an increase in exports was greater than those whose exports decreased (Graph 4). This result represents an increase of 16.4 pp and a 4.9 pp compared to the third quarter of 2022 and the fourth quarter of 2021, respectively. Meanwhile, the balance of export orders was 18.8%, representing an increase of 13.6 pp compared to the previous quarter and a decrease of 13.1 pp compared to the same quarter of 2021.

Graph 4. Exported value in dollars and export orders in the fourth quarter of 2021

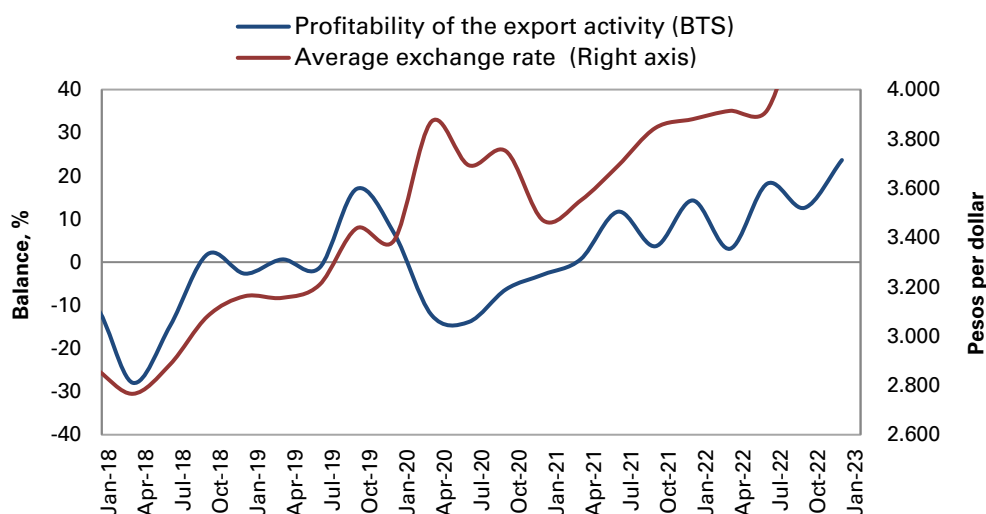


Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the question that inquiries about the perception of entrepreneurs regarding the profitability of the export activity, a balance of 23.7% was obtained, which means that the percentage of respondents who perceived an increase in profitability was considerably higher compared to who considered a decrease. This represented an increase of 11.1 pp compared to the previous quarter and by 9.4 pp compared to the fourth quarter of 2021. Additionally, the balance of the profitability of the export activity in the fourth quarter of 2022 was consistent with the behavior of the exchange rate (Graph 5).

²On 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.

Graph 5. Profitability of the export activity and exchange rate



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

For the fourth quarter of 2022, Peso-dollar exchange rate (10,6%), Plan Vallejo System (7,6%) and export procedures in Colombia (2,4%) were the most favorable factors for export activity. On the other hand, the most unfavorable factors were Production costs (-38,2%), Internal transportation in Colombia (-30,7%) and International transport (-25,8%). In contrast to the previous quarter, the factor that showed the greatest improvement was peso-dollar exchange, increasing 18.2 pp. On the other hand, the factor that recorded the greatest decline was Competitive position in the target markets, decreasing 14.8 pp.

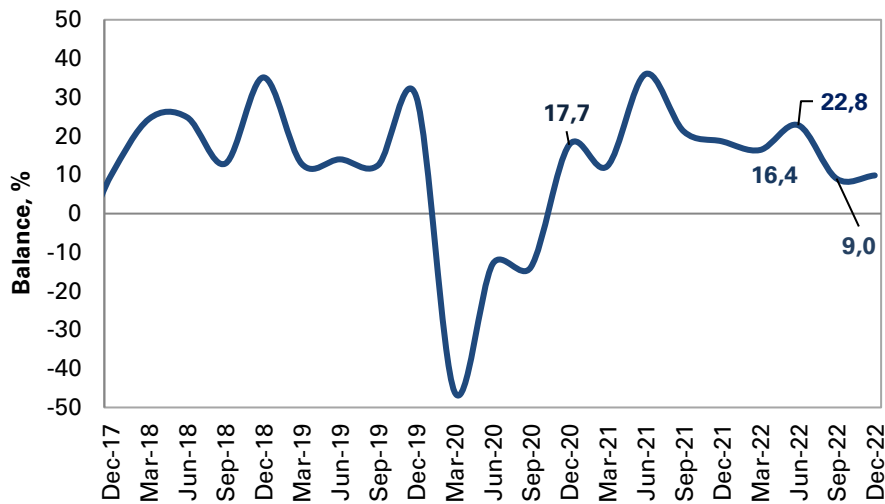
Table 3. Main factors affecting export activity

Factor (Balance, %)	2021-IV	2022-III	2022-IV
International transport	-60,2	-37,7	-25,8
Production costs	-50,8	-52,3	-38,2
Internal transportation in Colombia	-47,8	-27,7	-30,7
Economic situation of the purchasing country	-43,0	-11,6	-12,6
Competitive position in the target markets	-0,9	-6,9	2,4
Port services in Colombia	1,7	10,0	-4,8
Dollar-currency exchange rate of the buyer country	5,3	-10,3	-18,3
Colombian information and marketing services	-3,5	-0,8	0,0
Trade policies of the purchasing countries	2,7	2,3	-0,8
Availability and cost of credit	16,5	7,8	7,6
Peso-dollar exchange rate	-3,4	-7,6	10,6
Export procedures in Colombia	-1,8	2,3	-6,4
Plan Vallejo System	-0,9	-2,3	2,4

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

The balance of the fourth-month expectation of export value in dollar months stood at **9.8%**, which is equivalent to an increase of 0.8 pp compared to the third quarter of 2022 and a decrease of 8.8 pp compared to the fourth quarter of 2021 (Graph 6). In this question, 28.8% of respondents stated that their exports will increase in the next three months, while 18.9% believe their exports will decrease, and the remaining 52.3% expect their exports to remain the same.

Graph 6. Three-month expectations of export 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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