

## Business Tendency Survey February 2023



In February 2023, the **Retail Confidence Index (RCI) stood at 12.7%**, which represents a significant decline of 17.0 percentage points compared to the previous month (January 2023 RCI: 29.7%). The indicator's result compared to the previous month was explained by a 16 percentage point increase in stock levels. Similarly, the unfavorable perception of the economy for the next semester and the sentiment about the current situation in the company, which decreased by 22.1 and 13.0 percentage points, respectively, also affected the indicator.

**In addition, the Industrial Confidence Index (ICI) stood at 4.2% for the month of February 2023, an increase of 0.6 percentage points compared to the previous month.** The positive monthly variation in industrial confidence in February is explained by a 4.4 percentage point increase in the current volume of orders and a 1.6 percentage point decrease in stock levels. However, there is still greater pessimism in production expectations for the next quarter, which decreased by 4.3 percentage points. Overall, the results of the RCI and ICI reveal that the signals from the economy regarding entrepreneurs' confidence are mixed.

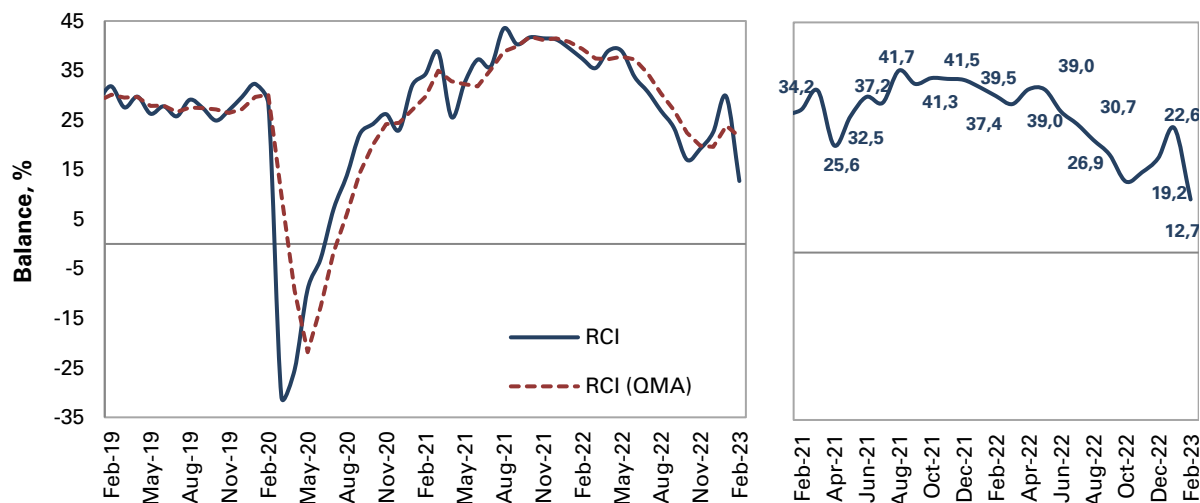
The capacity utilization in the industry for the month of February was 74.5%, decreasing by 4.1 percentage points compared to November 2022. Additionally, although companies' perception of the favorability of economic conditions increased, distrust persists regarding sociopolitical conditions for investment.

On the other hand, the construction sector recorded an increase in the perception of the pace of activity and expectations for the next quarter compared to the fourth quarter of 2022. It is also important to highlight the recovery of the building industry concerning the perception of favorability to invest currently and in the coming months of the year.

## Retail Confidence Index – RCI

In February 2023, the Retail Confidence Index (RCI) stood at 12.7%, representing a decrease of 17.0 percentage points compared to the previous month (29.7%). This drop in the result is surprising, given that such a large monthly variation had not been observed since March 2020 (in that month, the monthly variation was -59.2 percentage points). Additionally, the RCI showed a decrease of 24.6 percentage points compared to February of the immediately preceding year (37.4%).

**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 stocks<sup>1</sup> and expectations about the economic situation for the next semester**. The results for February 2022 and 2023 are presented in Table 1.

**Table 1. Retail Confidence Index Components**

Component (Balance, %)	2022	2023	
	February	January	February
Business current situation	63,7	59,3	46,3
Level of stocks	-2,0	2,6	18,5
Business expectations for the next 6 months	46,5	32,5	10,4
<b>Retail Confidence Index - RCI</b>	<b>37,4</b>	<b>29,7</b>	<b>12,7</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

According to the results of the month of February, the lower confidence of retailers compared to the previous month was mainly due to an increase of 16 pp in the stock

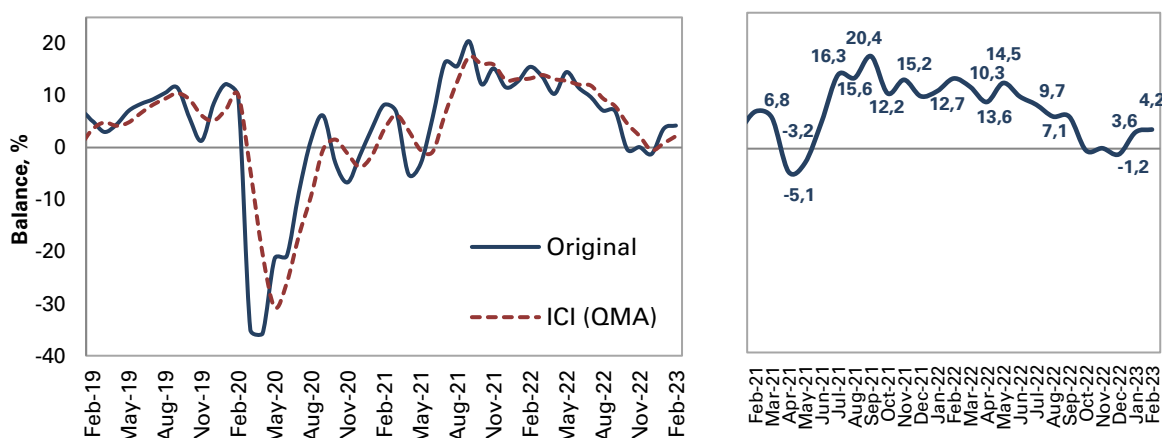
<sup>1</sup> Both industrial producers and retailers are asked if the level of stocks is high, low or normal. The balance corresponds to the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent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

levels. Similarly, the unfavorable perception about the economy for the next six months and the current situation in the company also affected the indicator. These two categories decreased by 22.1 pp and 13.0 pp, respectively. In annual terms, the drop in retailers' confidence was explained by an increase of 20.5 pp in the stock levels, as well as a decrease of 17.3 pp and 36.1 pp in the perception of the current economic situation and for the next six months, respectively.

### Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) reached 4.2% in February 2023, representing an increase of 0.6 pps compared to the previous month (January 2023 ICI: 3.6%) and a decrease of 11.3 pps compared to the same month of the year 2022 (February 2022 ICI: 15.5%) (Graph 2). Additionally, the three-month moving average was 2.2%, which represents an improvement of 1.4 pps compared to the same indicator for January 2023 (0.8%) and places the February result above the average of the last three months. However, the results of both the RCI and the ICI reveal mixed signals from the economy regarding the confidence of business owners.

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 February 2022 and 2023 are presented in Table 2.

Table 2. Evolution of ICI components

Component (Balance, %)	2022		2023	
	February	January	January	February
Stocks of finished goods at end of this month	-5,7	2,0	0,4	0,4
Current volume of orders	0,0	-17,7	-13,3	-13,3
Expected production in the next three months	40,7	30,6	26,4	26,4
<b>Industrial Confidence Index – ICI</b>	<b>15,5</b>	<b>3,6</b>	<b>4,2</b>	<b>4,2</b>

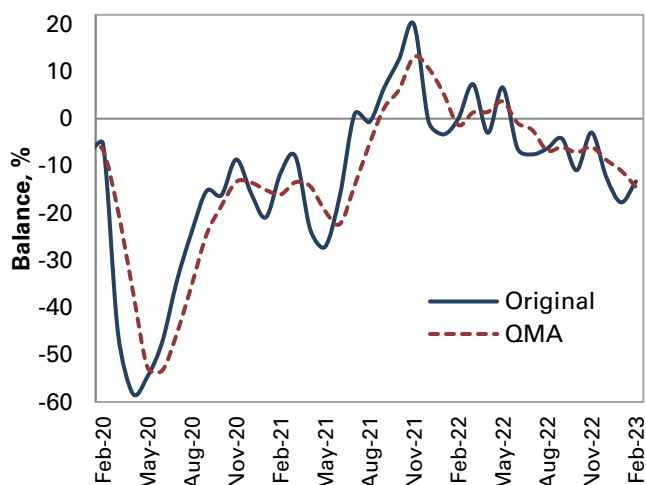
Source: Business Tendency Survey (BTS) – Fedesarrollo.

The positive monthly variation in industrial confidence in February can be explained by a 4.4 pp increase in the current volume of orders (-13.3% vs. -17.7% in January 2023) and a 1.6 pp decrease in the level of stocks (0.4% vs. 2.0% in January 2023). However, pessimism persists in production expectations for the next quarter, which decreased by 4.3 pp (26.4% vs. 30.6% in January 2023).

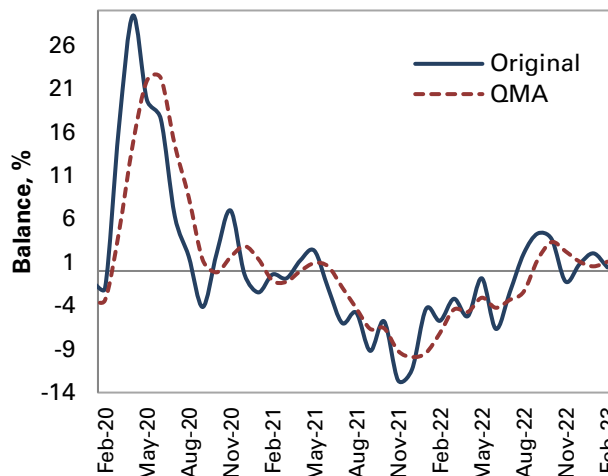
In annual terms, the decrease in industrial confidence was mainly explained by a 13.3 pp reduction in the current volume of orders and a 14.4 pp reduction in production expectations for the next quarter. Additionally, the annual variation was explained by a 6.1 pp increase in the level of stocks.

**Graph 3. ICI Components**

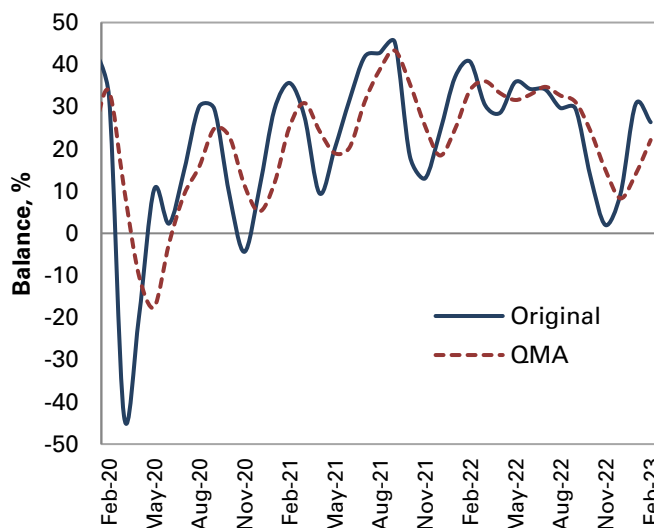
**A. Current volume of orders**



**B. Level of stocks**



**C. Production expectations for the next three months**

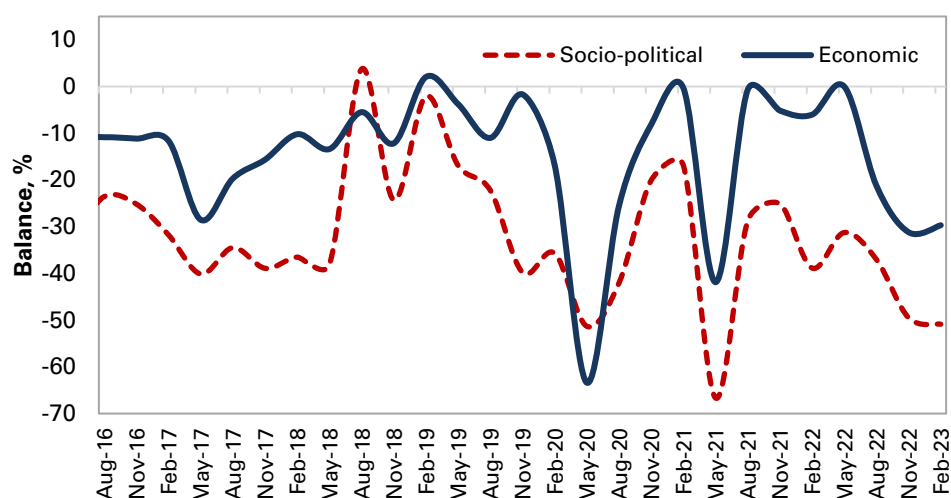


**Source:** Business Tendency Survey (BTS) – Fedesarrollo

## Quarterly Module: Economic and sociopolitical conditions for investment <sup>2</sup>

In February 2023, the balance of the industrial sector regarding the favorability of **economic conditions** for investing was -29.7%, representing an improvement of 1.5 pps compared to the measurement in November 2022 (-31.2%) (Graph 4). The results show that 43.0% of respondents consider current economic conditions to be unfavorable (compared to 45.4% in the previous measurement). Similarly, 13.3% of entrepreneurs consider current conditions to be favorable (compared to 14.2% in the previous measurement), while 43.7% state that they are neutral (compared to 40.3% in the previous measurement).

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



Source: Business Tendency Survey (BTS) – Fedesarrollo

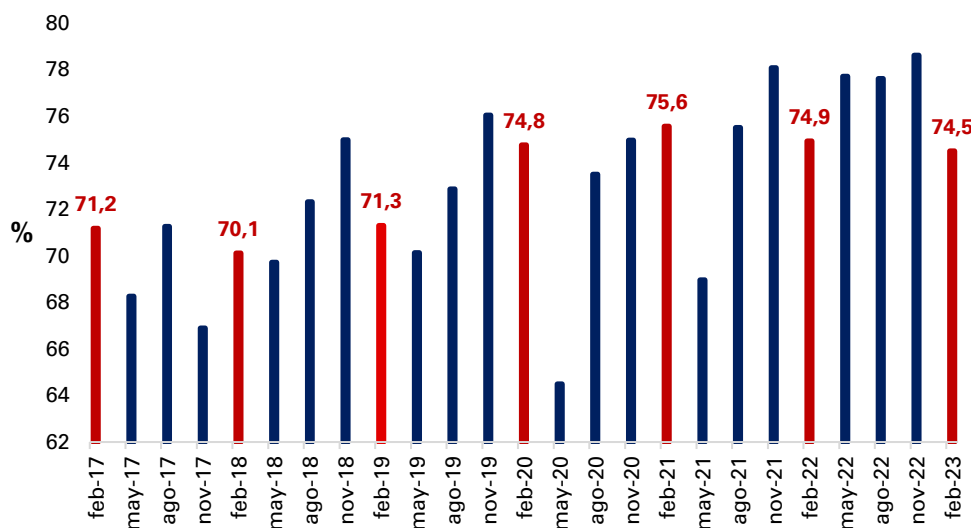
On the other hand, the balance on the favorability of **sociopolitical conditions** for investment stood at -50.9%, reflecting a decrease of 1.4 pps compared to the previous quarter (-49.5% in November 2022). The results show that 6.3% of respondents consider sociopolitical conditions to be favorable (compared to 4.4% in the previous measurement). Meanwhile, 57.1% of entrepreneurs consider current conditions to be unfavorable, representing an increase of 3.2 pps compared to November 2022 (53.9%), while the remaining 36.6% affirm that conditions are neutral (compared to 41.7% in the previous measurement). Therefore, it is possible to affirm that, while the perception of favorability on economic conditions improved partially, sociopolitical conditions continue to represent an important factor in the sector's confidence.

<sup>2</sup> 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 February, the capacity utilization rate (CUR) in the industry stood at 74.5%. Based on this result, the CUR decreased by 4.1 percentage points compared to the measurement of November 2022 (78.6%) and by 0.4 percentage points compared to February 2022 (74.8%) (Graph 5).

**Graph 5. Utilization of installed capacity in the industry**



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

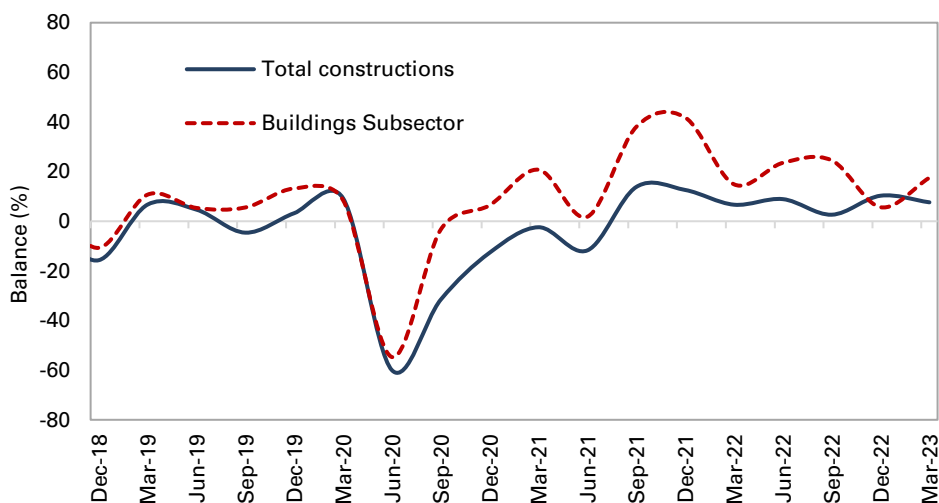
**Source:** Business Tendency Survey (BTS) – Fedesarrollo

## Quarterly Construction Survey<sup>3</sup>

In the first quarter of 2023, the balance of the current economic situation of companies in the **construction** sector was 7.6%, which represents a decrease of 2.7 percentage points compared to the previous quarter (10.3%) and an increase of 1 percentage point compared to the same period in 2022 (6.7%). Meanwhile, the balance of the **building subsector** was 17.5%, a significant recovery of 11.9 percentage points and 2.7 percentage points compared to the previous quarter (5.7%) and the same quarter in 2022 (14.9%), respectively (Graph 6).

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

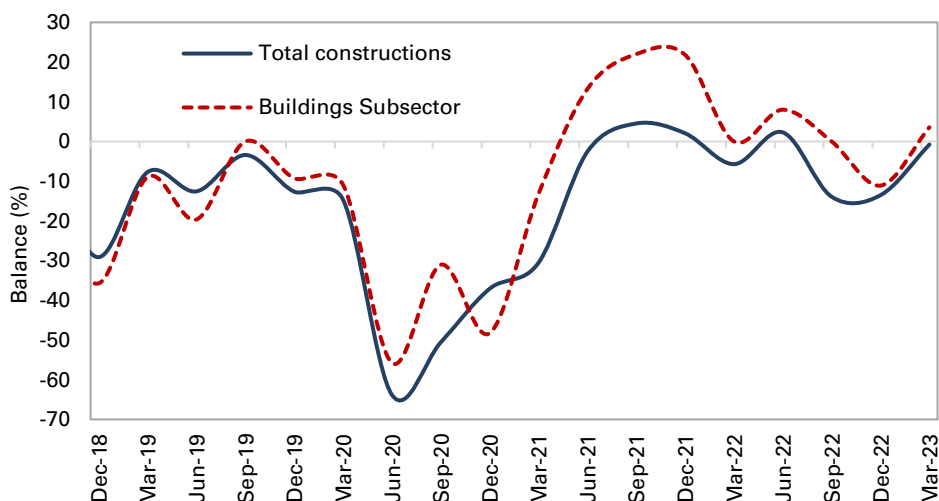
**Graph 6. Current situation of companies in the construction sector**



Source: Quarterly Construction Survey - Fedesarrollo.

The construction pace indicator was -0.8%, showing an increase of 12.7 pps compared to the previous quarter (-13.5%) and 4.9 pps compared to the first quarter of 2022 (-5.7%). A similar behavior was observed for the subsector of buildings, which recorded a balance of 3.6%, representing an improvement of 14.7 pps compared to the previous quarter (-11.1%) and 3.6 pps compared to a year ago (0.0%) (Graph 7).

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

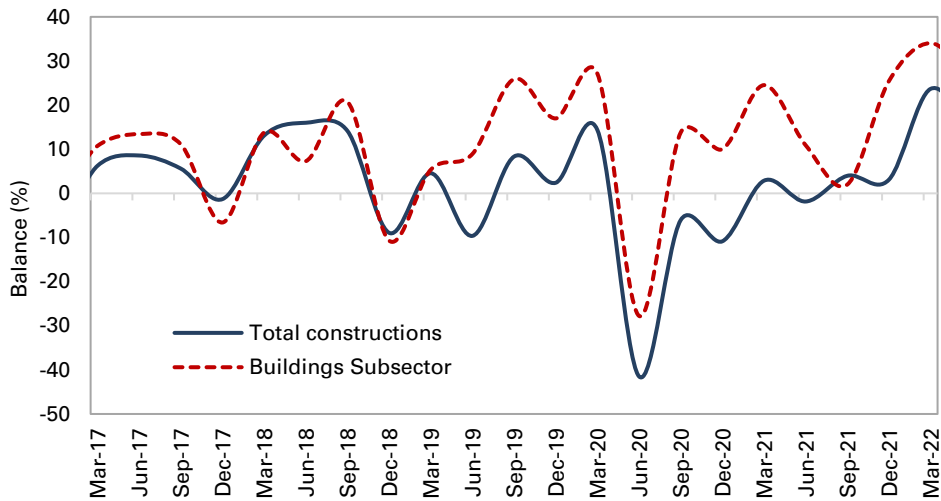


Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction sector expectations for the next quarter stood at 6.4%, showing an increase of 4.7 pps compared to the previous quarter (1.7%) and a decrease of 17.3 pps compared to the same quarter in 2022 (23.7%). Meanwhile, in the subsector of buildings, expectations registered a balance of 16.1%, which represents a significant recovery of 19.8 pps compared to the previous quarter (-3.7%) and a drop of 18.0 pps compared to the same quarter last year (34.0%) (Graph 8). Each of the results described

above for the building construction subsector denotes a more optimistic perception about current conditions and for the rest of the year.

**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**

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