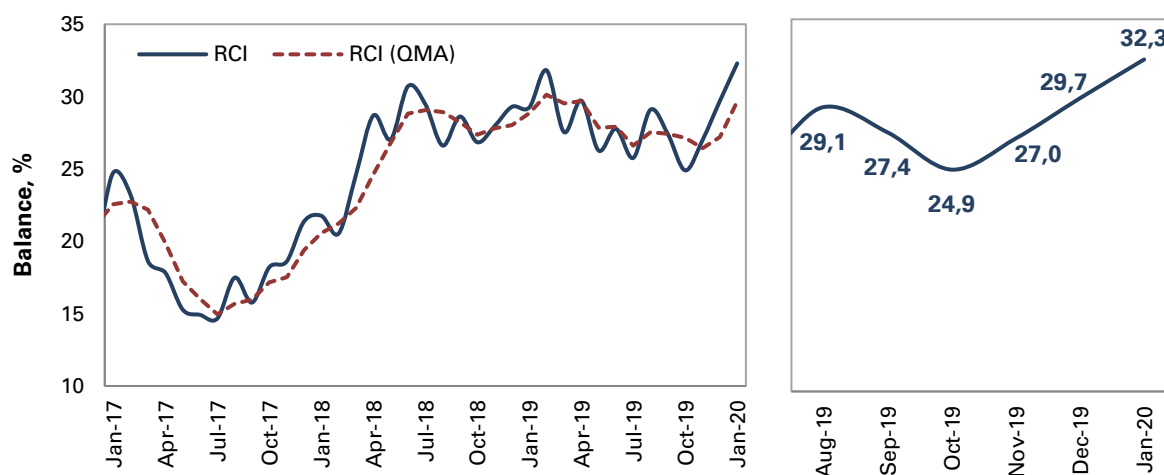


In January, the Retail Confidence Index stood at 32.3%, which represents an increase of 2.6 pps compared to the previous month, due to a decrease in the level of stocks and an increase in the business current situation and the business expectations for the next 6 months. The Industrial Confidence Index registered a balance of 12.2%, which represents an increase of 3.7 pps compared to the last month explained by an increase in the expected production in the next three months. The annual investment module shows that the industrialists expect larger investments this year relative to 2019. On the other hand, the balance of export orders increased compared to the previous quarter, while the indicators of exporters expectations on the performance of their activity in the next three months increased in the same period.

### Retail Confidence Index – RCI

In January, the Retail Confidence Index (RCI) was 32.3%, which represents an increase of 2.6 percentage points (pps) compared to last month and 3.1 pps compared to January 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 January of the last two years are summarized in Table 1.

**Table 1. Retail Confidence Index Components**

Component (Balance, %)	2019		2020
	January	December	January
Business current situation	47,0	55,4	57,1
Level of stocks	5,1	9,5	5,0
Business expectations for the next 6 months	45,8	43,2	44,8
<b>Retail Confidence Index - RCI</b>	<b>29,3</b>	<b>29,7</b>	<b>32,3</b>

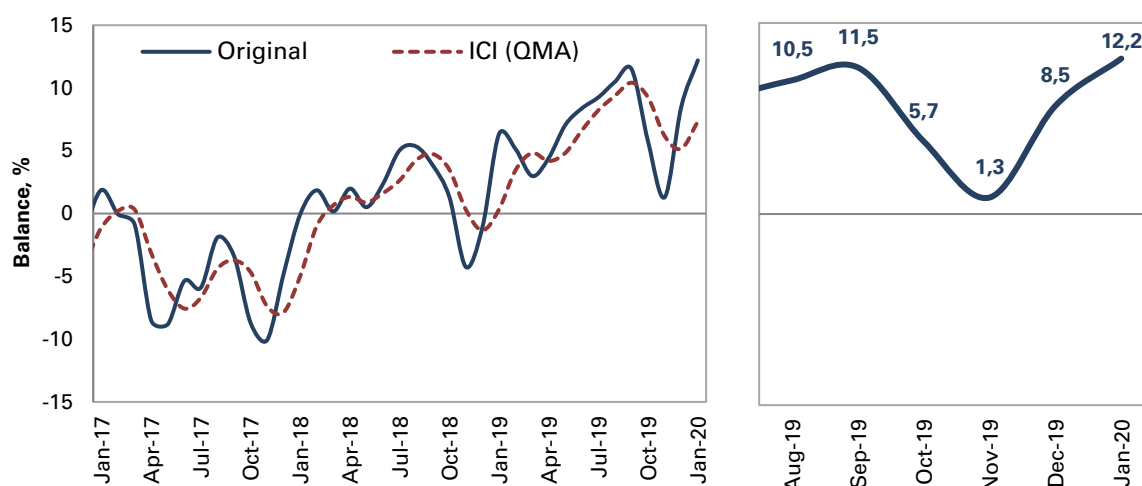
**Source:** Business Tendency Survey (BTS) – Fedesarrollo

In January, the growth in retailer's confidence compared to the previous month was mainly due to a decrease of 4.6 pps in the level of stocks, and an increase of 1.6 pps and 1.6 pps in the business current situation indicator and the expectation's indicator for the next semester, respectively. On the other hand, compared to January 2019, the result was due to an increase of 10.0 pps the current economic situation indicator and a decrease of 0.1 pps in the the level of stocks indicator, while the expectations indicator, fell 0.9 pps.

### **Industrial Confidence Index – ICI**

In January, the Industrial Confidence Index (ICI) stood at 12.2% in its original series, which represents an increase of 3.7 pps compared to December 2019 and 5.8 pps relative to January of 2019. On the other hand, its quarterly moving average was 7.3%, which is equivalent to an increase of 2.2 pps 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 due to an increase of 17.4 pps in the expected production in the next three months, while the level of stocks increase 5.7 pps and the current volume of orders indicator decrease 0.6 pps. Isolating seasonal variations, there was an increase in the level of stocks, an increase in expected production for the next quarter and a decrease in the current volume of orders compared to December (Graph 3).

**Table 2. Evolution of ICI components**

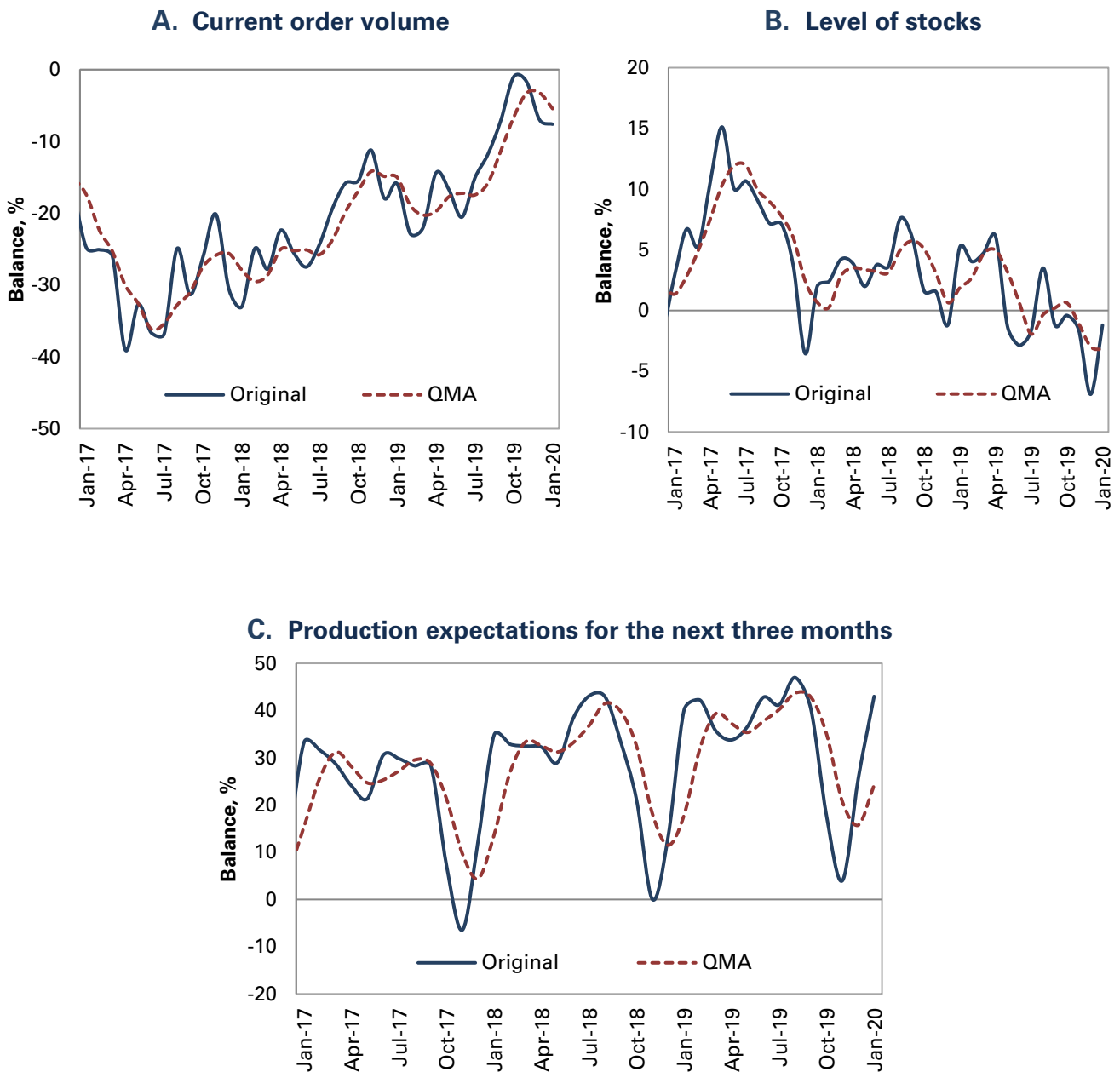
Component (Balance, %)	2019		2020
	January	December	January
Stocks of finished goods at end of this month	5,2	-6,9	-1,2
Current volume of orders	-15,9	-7,0	-7,6
Expected production in the next three months	40,1	25,6	43,0
<b>Industrial Confidence Index - ICI</b>	<b>6,3</b>	<b>8,5</b>	<b>12,2</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

The increase in industrial confidence compared to January 2019 was due to an increase of 8.3 pps in the current volume of orders indicator and 2.9 pps in the expected production in the next three months, while the level of stocks decreased 6.4 pps (Table 2).

<sup>1</sup> Both industrial producers and retailers are asked if the level of stocks is high, low or normal and the balance is 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

### Investment of the Industrial Sector

In January, the BTS for the industrial sector contains an **annual module** on investment spending. **In January 2019, 56.2% of the respondents said that the investment increased compared to the previous year, while in the January 2020 this percentage increased to 64.9%.** On the other hand, 35.1% of the respondents considered that investment in 2019 was lower than in 2018, which represents an 8.7 pps drop relative to January 2018 survey (Table 3).

**Table 3. Investment expenditure in the previous year and budgeted investment**

Percentage of responses	Investment Expenditure*		Budgeted Investment	
	2018 vs 2017	2019 vs 2018	2019 vs 2018	2020 vs 2019
Increase	56.2	64.9	64.6	66.8
Decrease	42.8	35.1	35.4	33.2

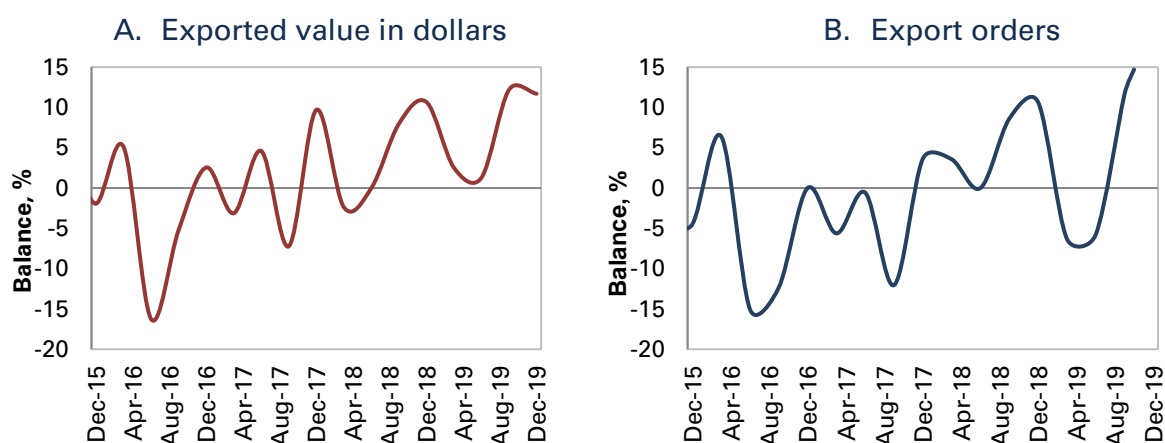
\* Question about investment in machinery, equipment and construction during previous year  
**Source:** Business Tendency Survey - Annual investment module

On the other hand, **66.8% of the industry has an increase in investment spending planned for this year relative to 2019**, while 33,2% considers a reduction. Comparing the results with January 2019 measurement, there is an increase in the percentage of industrial producers that have investment plans for this year.

### Exports<sup>2</sup>

During the fourth quarter of 2019, the balance of answers about exported value in dollars was 11.7%, which indicates that the percentage of respondents with increasing exports was greater than the percentage with decreasing exports relative to the previous quarter. This result represents a decrease of 0.6 pps compared to the previous quarter and an increase of 1.0 pps compared to the same quarter of 2018. On the other hand, the balance of export orders was 14.7%. which implies an increase of 3.2 pps compared to the previous quarter and 4.1 pps relative to the same quarter of 2018 (Graph 4).

**Graph 4. Exported value in dollars and export orders in the fourth quarter of 2019 compared to the same quarter of the previous year**



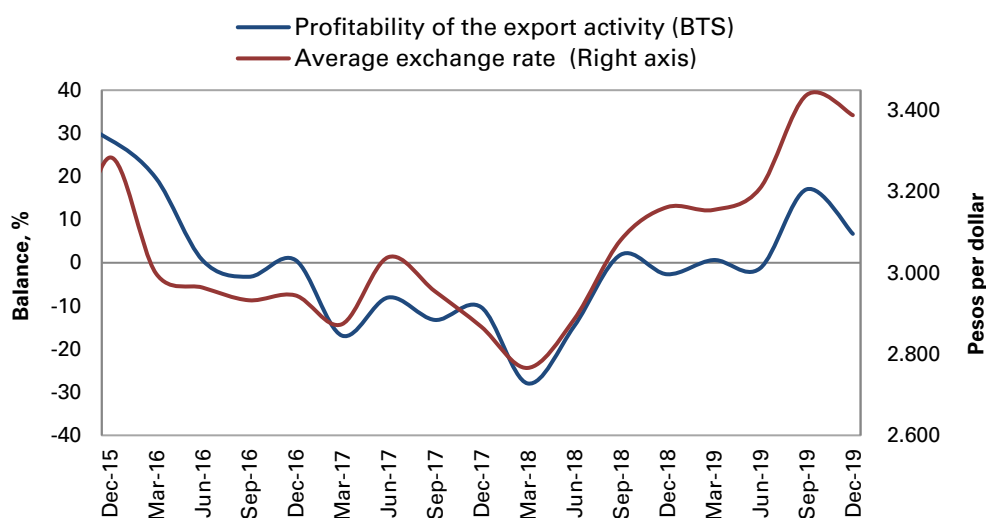
**Source:** Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the perception about exports profitability, the balance was 6.7%, which is equivalent to an 10.3 pps decrease compared to the previous quarter and a 15.2 pps

<sup>2</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.

increase relative to the same quarter of 2018. The balance of exports profitability is related to the behavior of the exchange rate (Graph 5).

**Graph 5. Profitability exports activity and exchange rate**



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

For the fourth quarter of 2019, the factors “Plan Vallejo System” (20.4%) and Peso-dollar exchange rate (20.2%) were the most favorable factors for the export activity. Specifically, the balance of “Plan Vallejo System” increased 4,7 pps compared to the previous measurement. On the other hand, the most unfavorable factors were internal transport in Colombia (-23.5%) and production costs (-19.8%). Relative to the previous quarter, balances of production costs and internal transport increased 5.1 pps and 8.8 pps respectively.

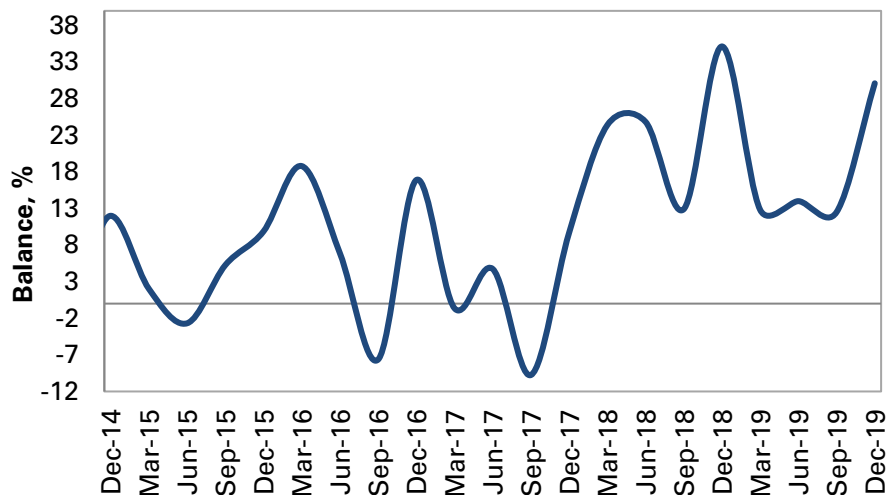
**Table 3. Main factors that affected the export activity**

Factor (Balance, %)	2018 - IV	2019 - III	2019 - IV
Internal transportation in Colombia	-37,0	-28,6	-23,5
Production costs	-17,3	-28,6	-19,8
Competitive position in the target markets	-21,3	-3,4	-5,5
Port services in Colombia	-8,0	-6,9	-4,9
Trade policies of the purchasing countries	-16,0	-5,5	-3,1
Colombian information and marketing services	9,3	4,8	-1,8
Export procedures in Colombia	-9,3	-4,1	0,6
Availability and cost of credit	2,7	1,4	0,6
International transport	-9,3	-11,6	3,1
Dollar-currency exchange rate of the buyer country	-8,0	0,0	4,3
Economic situation of the purchasing country	-10,7	-4,8	8,0
Peso-dollar exchange rate	17,3	21,9	20,2
Plan Vallejo System	8,8	15,7	20,4

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 30.1%, which is equivalent to a 17.6 pps increase compared to the previous measurement and a 5.1 pps decrease compared to the fourth quarter of 2018 (Graph 6). In this measurement, 40.5% of respondents said that their exports will increase over the next three months, while 10.4% believe that their exports will decrease, and 49.1% expect them to remain the same.

**Graph 6. 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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Published February 26, 2019

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