

## Business Tendency Survey August 2018

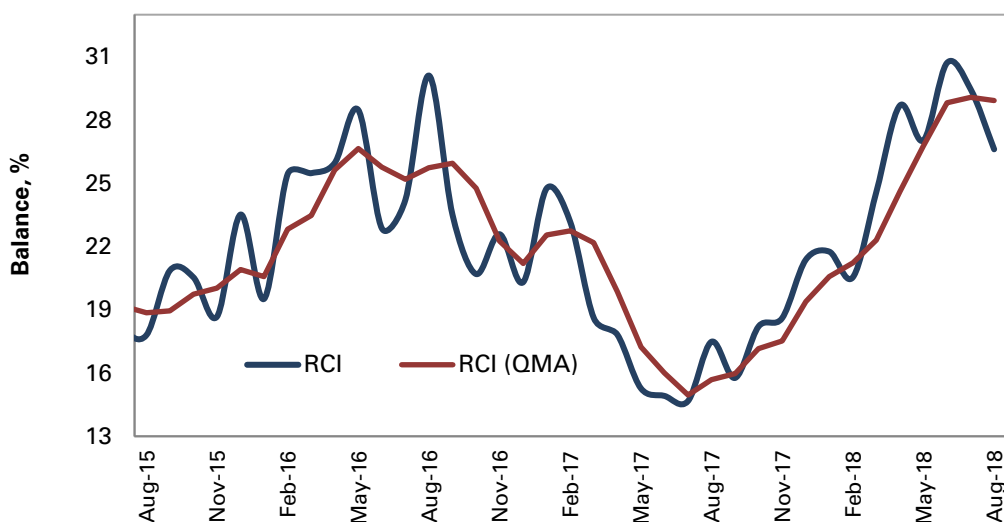


In August, both Retail Confidence Index and Industrial Confidence Index improved compared to August 2017 but deteriorated with respect to the previous month. On the other hand, installed capacity utilization in August reached 72.3%, which represents an increase relative to the previous quarter and the same period one year ago. Business perception of the economic conditions to invest improved compared to the previous quarter. The perception of sociopolitical conditions strongly improved and reached positive territory for the first time since August 2012. Finally, construction businesses perception of the current sector's situation improved relative to previous measurement.

### Retail Confidence Index – RCI

In August, the Retail Confidence Index (RCI) was 26.6%, which represents an increase of 9.1 percentage points (pps) compared to August 2017 and a reduction of 2.9 pps relative to July 2018 (Graph 1). The quarterly moving average slightly reversed the upward trend it presented since July 2017.

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 August of the last three years are summarized in Table 1.

**Table 1. Evolution of RCI components**

Component (Balance, %)	2016	2017	2018	
	August	August	July	August
Business current situation	51.7	30.0	45.6	39.5
Level of stocks	6.9	8.0	5.4	6.9
Business expectations for the next 6 months	45.5	30.5	48.3	47.3
<b>Retail Confidence Index - RCI</b>	<b>30.1</b>	<b>17.5</b>	<b>29.5</b>	<b>26.6</b>

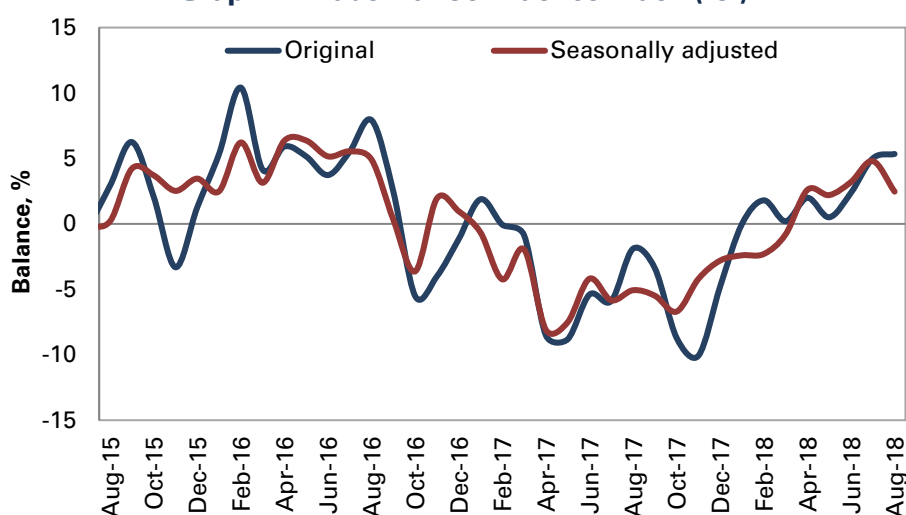
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In August, the reduction in retailer’s confidence with respect to previous month was due to the 1.0 pps reduction in the expectations index for the next semester and the 1.5 pps increase in the level of stocks. The improvement relative to August 2017 was owed to the 1.1 pps decrease in the level of stocks and the 16.8 pps and 9.5 pps increases in the expectations index and the current economic situation component, respectively.

### Industrial Confidence Index – ICI

In August, the Industrial Confidence Index (ICI) was 5.3%, the highest value since September 2016. Compared to the same month of 2017, the index improved by 7.2 pps. Adjusting for seasonal factors, a reduction of 2.1 pps compared to last month was observed.

**Graph 2. Industrial Confidence Index (ICI)**



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current volume of orders, level of stocks<sup>1</sup> and production expectations for the next three months**. The increase in industrial confidence with respect to August 2017 is due to the improvement of 14.7 pps in the indicator of production expectations, the increase of 5.6 pps in the current volume of orders and the 1.5 pps reduction in the level of stocks (Table 2).

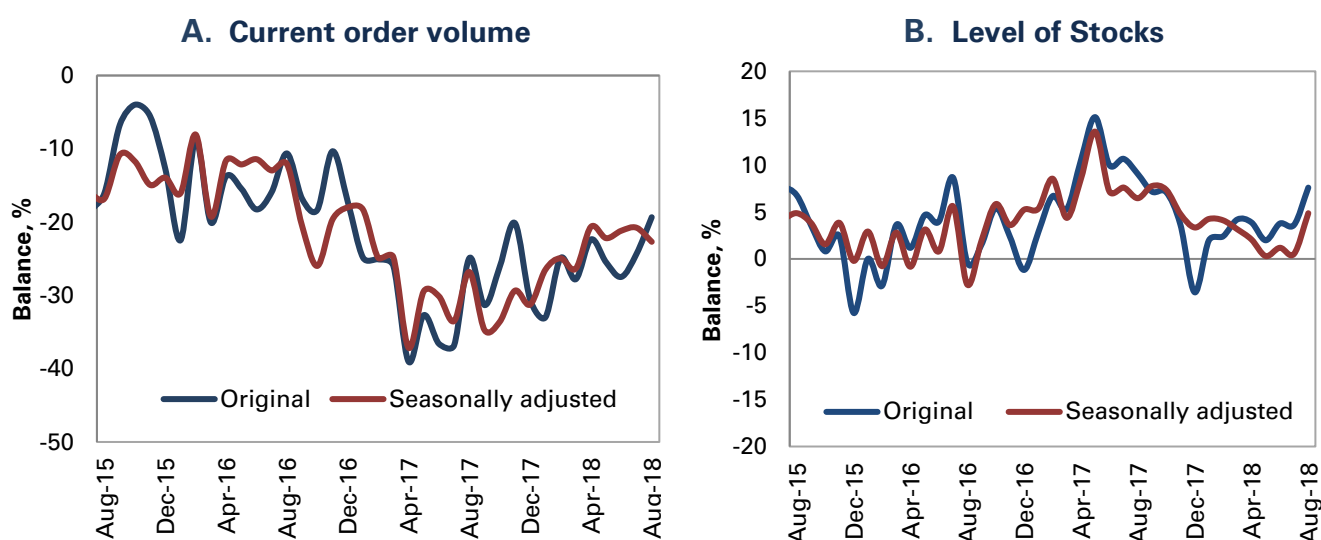
**Table 2. Evolution of ICI components**

Component (Balance, %)	2016	2017	2018	
	August	August	July	August
Current volume of orders	-10.6	-24.9	-24.3	-19.3
Stocks of finished goods at the end of this month	-0.4	9.1	3.6	7.6
Expected production in the next three months	34.0	28.3	43.1	43.0
<b>Industrial Confidence Index - ICI</b>	<b>7.9</b>	<b>-1.9</b>	<b>5.0</b>	<b>5.3</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo.

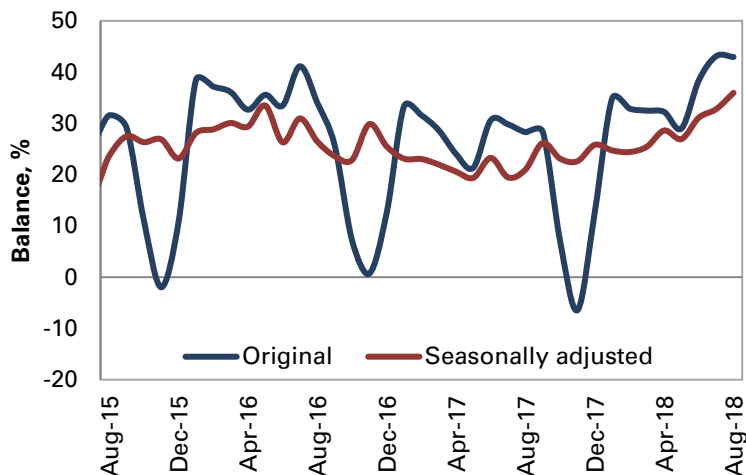
Isolating seasonal variations, relative to July there was a deterioration in the level of inventories and an improvement in the indicator of production expectations for the next quarter (Graph 3).

**Graph 3. ICI Components**



<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.

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

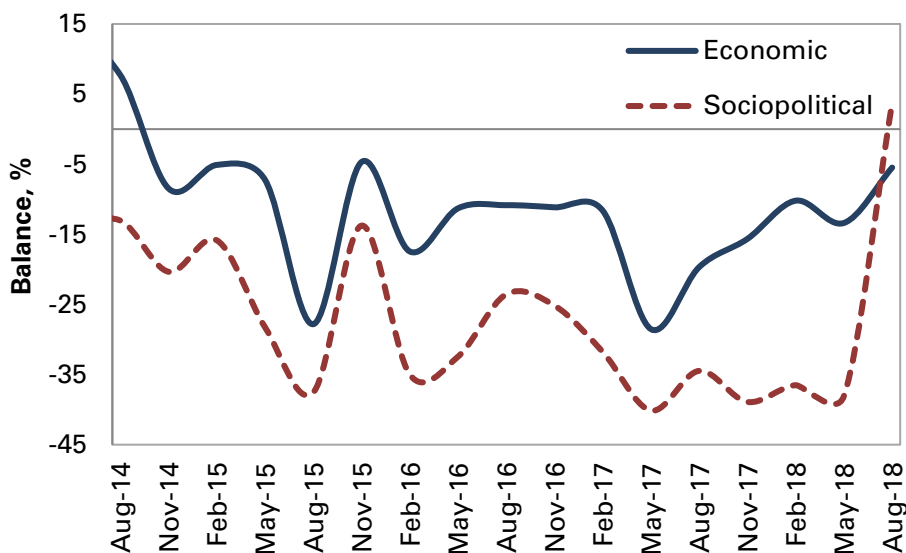


Source: Business Tendency Survey (BTS) – Fedesarrollo.

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

In August, industrial sector balance about favorable **economic conditions** to invest was -5.5%, which is equivalent to an increase of 7.9 pps compared to the last measurement (May 2018). 18.2% of respondents believe that current economic conditions are favorable (16.4% of the previous measurement), while 23.6% of employers consider the opposite and 58.2% believe they are neutral.

**Graph 6. Favorability of current economic and socio-political conditions for investment**



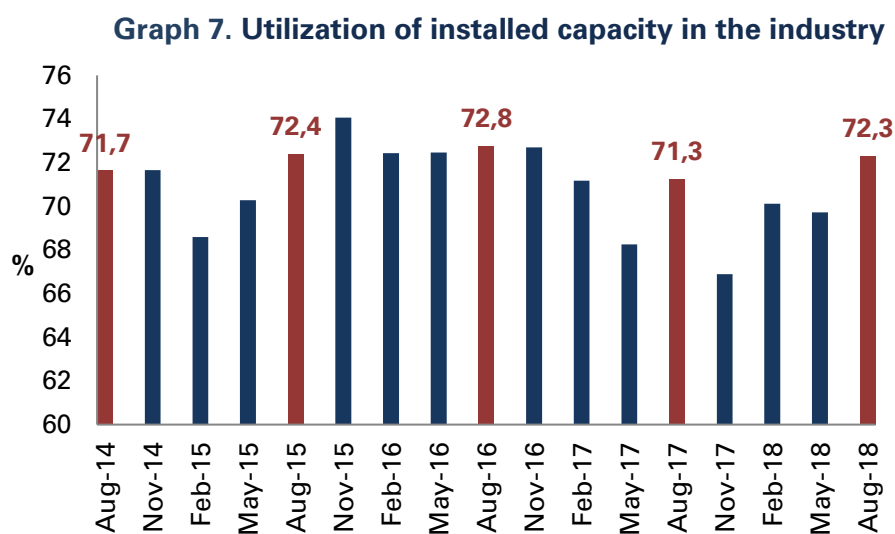
Source: Business Tendency Survey – Fedesarrollo.

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

On the other hand, the balance on favorable **sociopolitical conditions** to invest reached 3.8%, reflecting a strong increase of 41.8 pps compared to the previous quarter. The results show that 22.9% of respondents believe that sociopolitical conditions are favorable, while 19.1% consider that they are unfavorable and 58.0% that they are neutral.

### Quarterly Module: Industry Installed Capacity Utilization

In August, industry installed capacity utilization was 72.3%, which represents an increase of 2.6 pps compared to the previous measurement of May 2018 (Graph 7). Compared to August 2017, there was an increase of 1.1 pps.



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

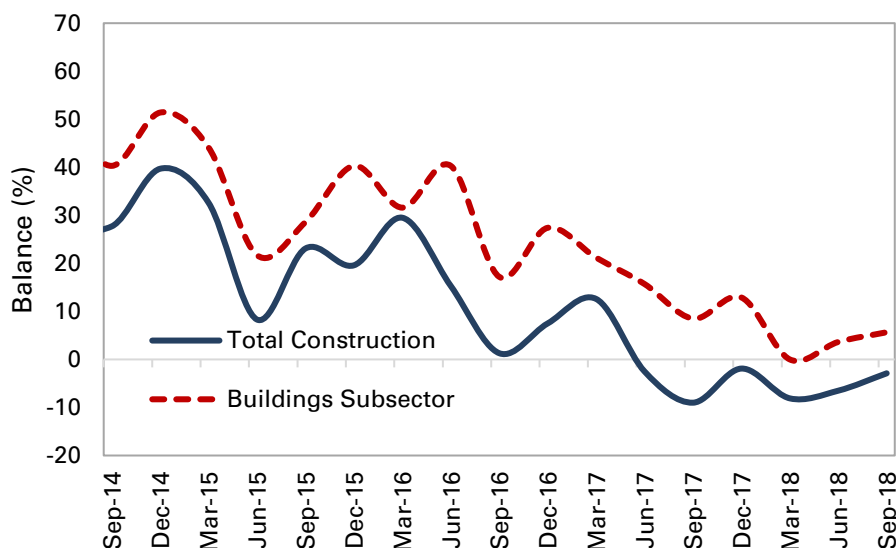
**Source:** Business Tendency Survey – Fedesarrollo.

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

For the 2018 third quarter measurement, the balance of the current economic situation of companies in the construction sector stood at -2.9%, equivalent to an increase of 3.6 pps compared to the previous quarter and an increase of 6,1 pps relative to 2017 second quarter. **Buildings subsector** registered a balance of 5.7%, which represents an increase of 2.0 pps compared to the previous quarter and a reduction of 2.8 pps compared to a year ago (Graph 8).

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

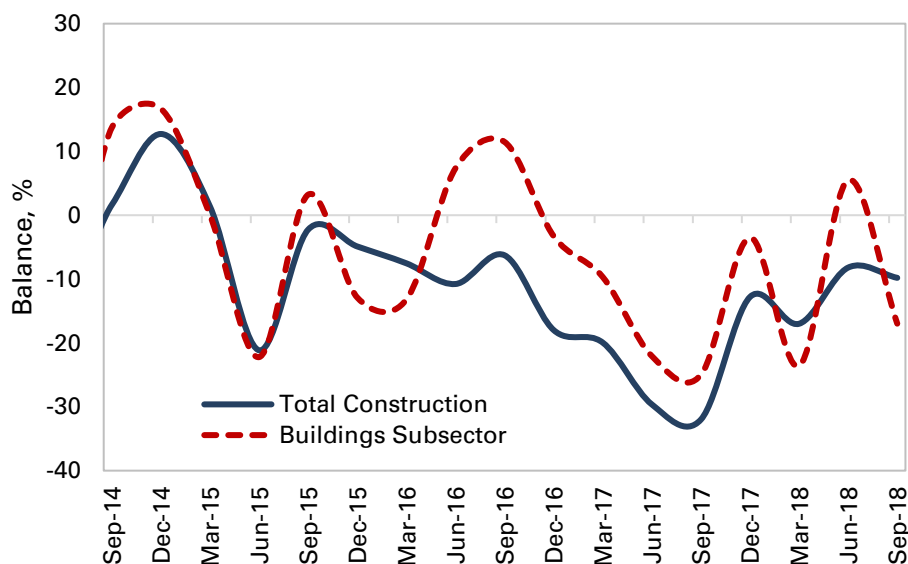
**Graph 8. Current situation of companies in the construction sector**



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of the pace of construction was -9.8%, showing a reduction of 1.6 pps compared to the previous quarter and an increase of 22.2 pps compared to the third quarter of 2017. For **buildings subsector**, this indicator registered a balance of -17.0%, with a sharp reduction of 22.5 pps compared to the previous quarter and an increase of 8.0 pps compared to a year ago (Graph 9).

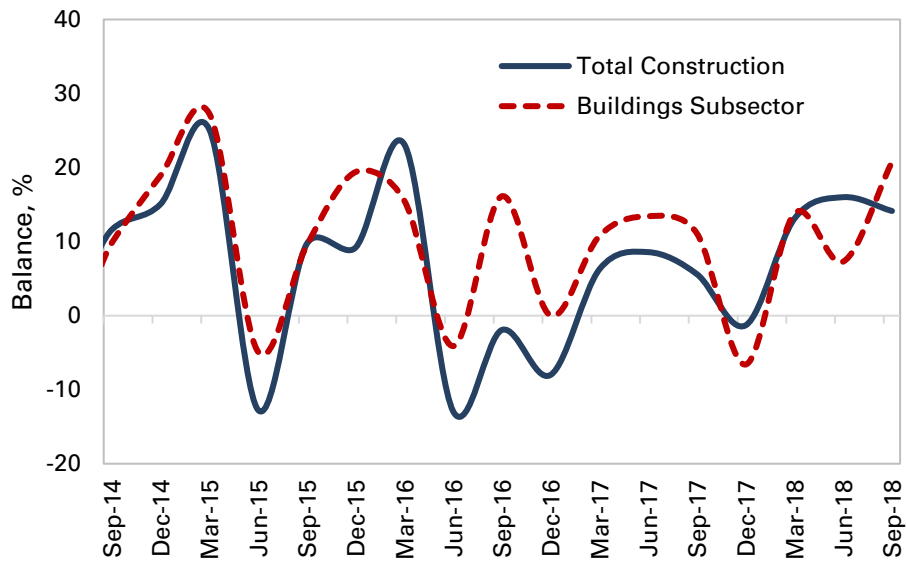
**Graph 9. Construction rate compared to the previous year**



Source: Quarterly Construction Survey - Fedesarrollo

Finally, construction expectations for the next quarter showed a deterioration of 1.9 pps compared to the previous measurement and an increase of 8.5 pps compared to 2017 third quarter. For the same periods, **buildings subsector** expectations showed increases of 13.5 pps and 9.7 pps, respectively (Graph 10).

**Graph 10. Construction expectations for the next quarter**



**Source:** Quarterly Construction Survey - Fedesarrollo



**FEDESARROLLO**  
Centro de Investigación Económica y Social

**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](mailto:comercial@fedesarrollo.org.co)

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Comments to **Diego Alejandro Gutiérrez:** [agutierrez@fedesarrollo.org.co](mailto:agutierrez@fedesarrollo.org.co)