

Business Tendency Survey

September 2018

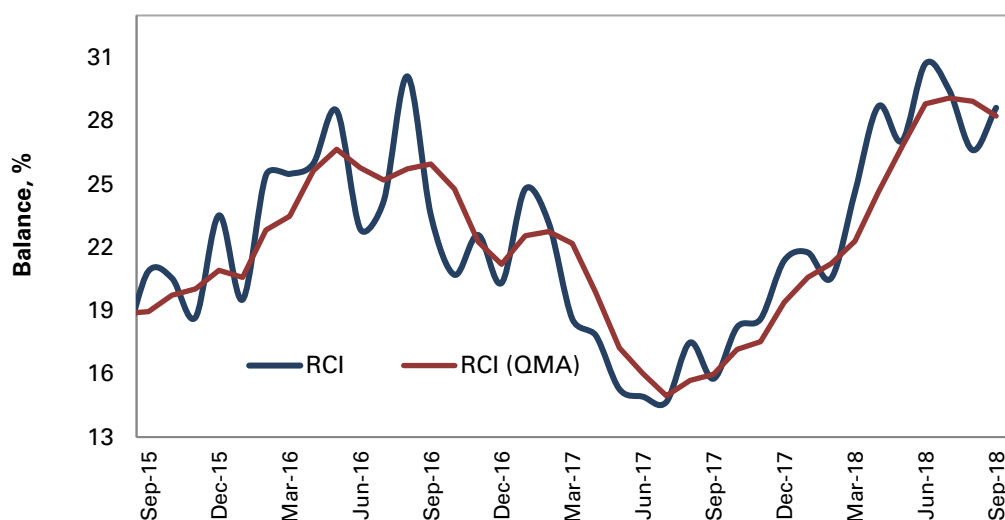


In September, the Retail Confidence Index increased compared to both the previous month and September 2017. On the other hand, the Industrial Confidence Index decreased compared to the previous month but increased relative to the same period of 2017. Employment expectations for the next quarter declined compared to previous measurement but improved relative to the same quarter of 2017. Industrial Business' perception of contraband increased relative to previous quarter and the same period of last year.

Retail Confidence Index – RCI

In September, the Retail Confidence Index (RCI) was 28.6%, which represents an increase of 2.0 percentage points (pps) compared to the previous month and an increase of 12.9 pps compared to September 2017 (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 September of the last three years are summarized in Table 1.

Table 1. Evolution of RCI components

Component (Balance, %)	2016	2017	2018	
	September	September	August	September
Business current situation	48.5	28.9	39.5	40.3
Level of stocks	10.8	10.6	6.9	2.5
Business expectations for the next 6 months	32.8	29.0	47.3	48.0
Retail Confidence Index - RCI	23.5	15.8	26.6	28.6

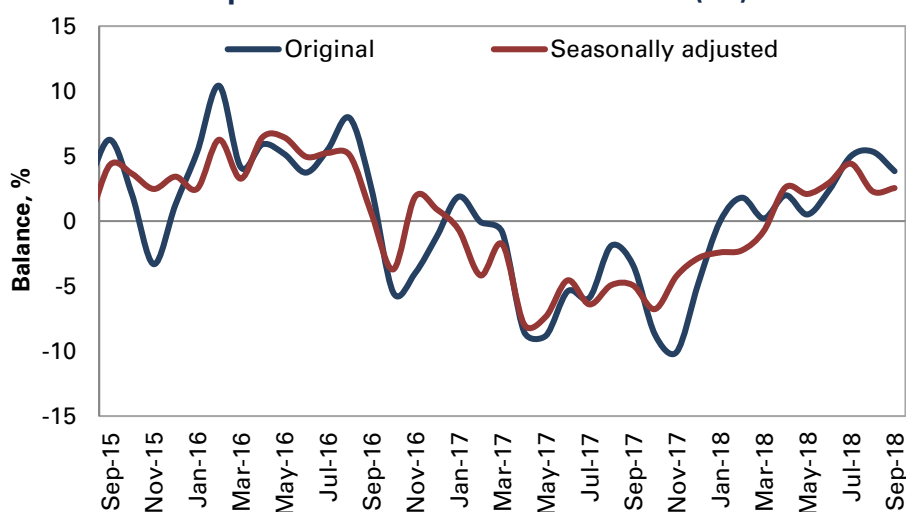
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In September, the improvement in retailer’s confidence relative to previous month is due to the 0.8 pps increase in business expectations for the next semester, the 0.8 pps increase in business current economic situation component and the reduction of 4.5 pps in the level of stocks index. Relative to September 2017, the improvement is explained by the 8.1 pps decrease in the level of stock index and increases of 11.4 pps and 19.0 pps in the current economic situation component and expectations index respectively.

Industrial Confidence Index – ICI

In September, the Industrial Confidence Index (ICI) slightly reversed the upward trend observed in previous months and registered a balance of 3.8%. Adjusting the series by seasonal factors the ICI increased by 0.3 pps with respect to previous month. Compared to September 2017, ICI increased by 7.2 pps.

Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The ICI consists of three components: **current volume of orders, level of stocks¹ and production expectations for the next three months**. The increase in industrial confidence with respect to September 2017 is mainly due to the improvement of 15.5 pps in the current volume of orders index, the increase of 5.0 pps in production expectations and the decrease of 1.2 pps in the stock level component (Table 2)

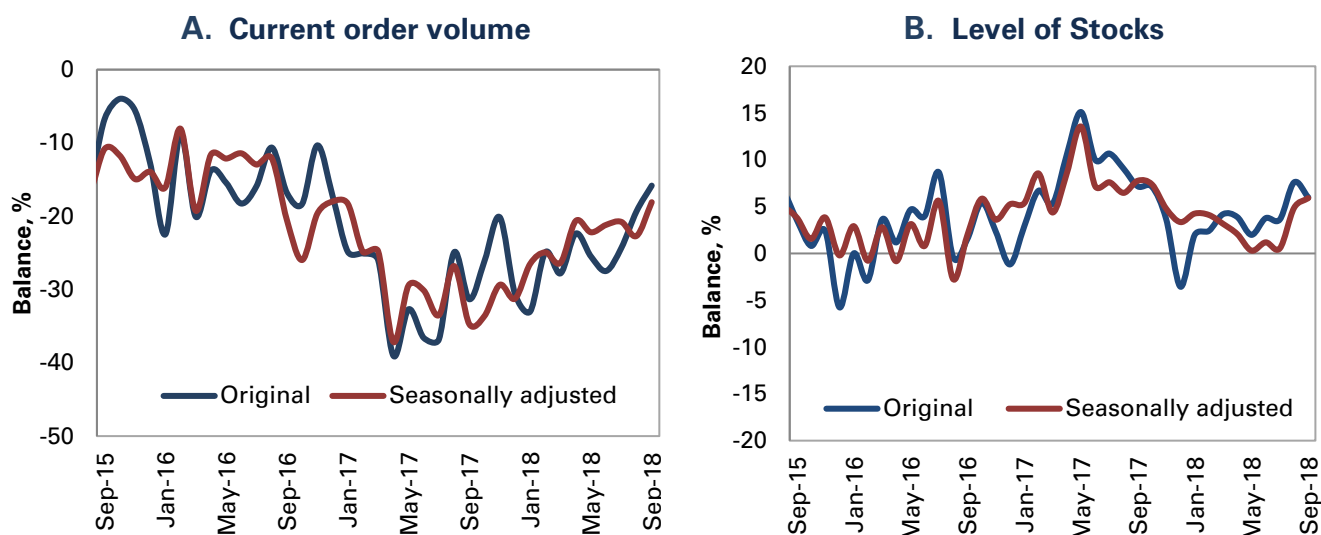
Table 2. Evolution of ICI components

Component (Balance, %)	2016	2017	2018	
	September	September	August	September
Current volume of orders	-16.8	-31.3	-19.3	-15.8
Stocks of finished goods at the end of this month	1.5	7.2	7.6	6.0
Expected production in the next three months	25.7	28.3	43.0	33.3
Industrial Confidence Index - ICI	2.5	-3.4	5.3	3.8

Source: Business Tendency Survey (BTS) – Fedesarrollo.

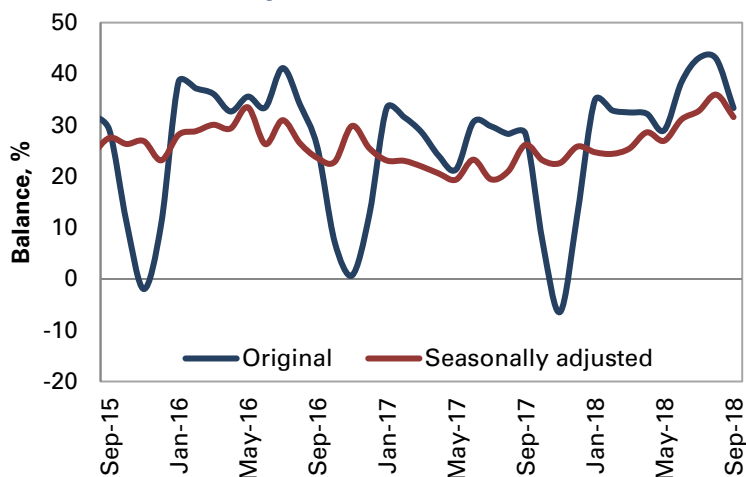
Isolating seasonal variations, there was a slight deterioration in production expectations for the next quarter and in the level of stocks, while the indicator for the current volume of orders improved (Graph 3)

Graph 3. ICI Components



¹ 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

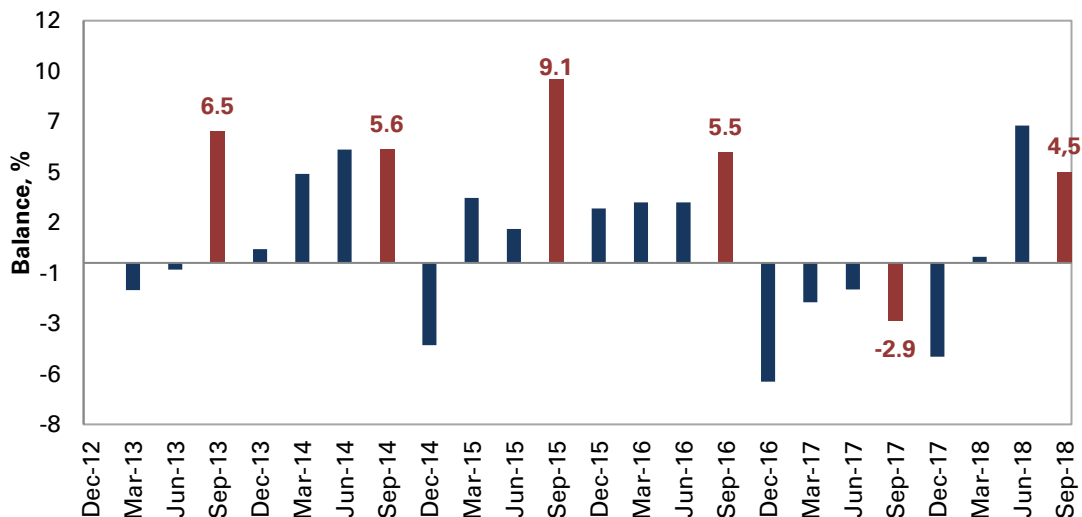


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Employment Expectations and Contraband Perception²

In September, the balance on employment expectations for the next quarter was 4.5%, which represents a reduction of 2.3 pps relative to the previous quarter and an increase of 7.4 pps compared to the same period of 2017 (Graph 4). Disaggregating by answer choice, 13.1% of respondents believe that employment in the industry will increase, 8.6% believe that it will decrease and 78.3% say that it will remain the same.

Graph 4. Employment expectations in the industry



Source: Business Tendency Survey – Fedesarrollo.

² The Business Opinion Survey contains a quarterly module inquiring about employers' perception of employment expectations and the perception of contraband in the industry.

On the other hand, the percentage of industrial business perceiving contraband in the industry as equal to or greater than last quarter increased from 86.6% in June to 91.0% in September, a result that is also higher than that observed in September 2017 (87.6%) (Table 3).

Table 3. Contraband Perception

Answers	2016	2017	2018	
	September	September	June	September
Higher	11.3	20.5	13.3	19.6
Equal	75.9	67.1	73.3	71.4
Lower	12.8	12.4	13.3	9.0
Balance	-1.5	8.1	0.0	10.6

Source: Business Tendency Survey (BTS) – 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 October 24, 2018

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