

Business Tendency Survey

October 2018

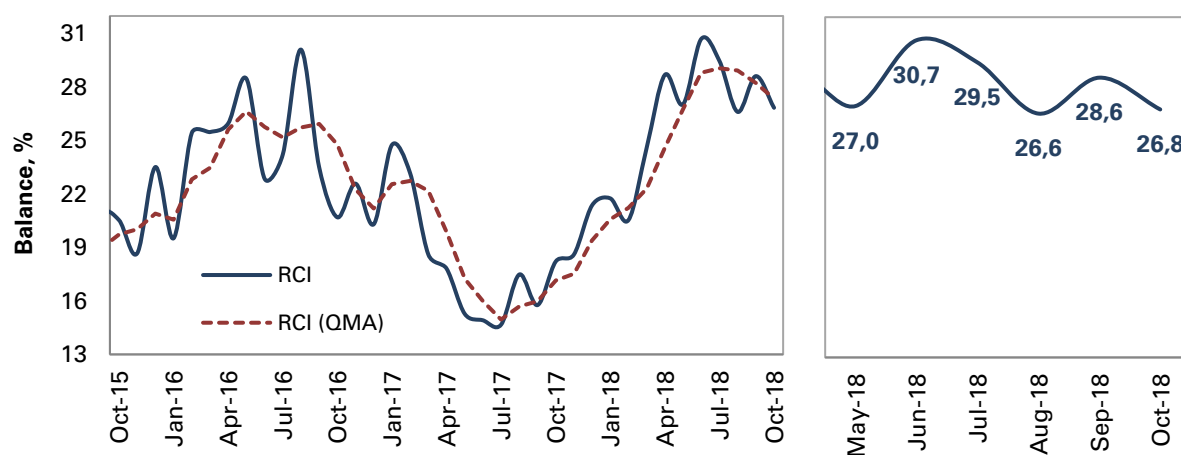


In October, the Industrial Confidence Index, in its original series, deteriorated with respect to previous month and increased relative to October 2017. Meanwhile, the Commercial Confidence Index decreased compared to previous month but increased relative to one year ago. On the other hand, exporter's expectations about the performance of their activity in the next three months reversed its upward trend and decreased relative to the second quarter of 2018.

Retail Confidence Index – RCI

In October, the Retail Confidence Index (RCI) stood at 26.8%, which represents a reduction of 1.8 percentage points (pps) compared to the previous month, but an increase of 8.6 pps compared to October 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 October of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2017	2018	
	October	September	October
Business current situation	36.5	40.3	37.8
Level of stocks	7.9	2.5	1.5
Business expectations for the next 6 months	26.1	48.0	44.2
Retail Confidence Index - RCI	18.2	28.6	26.8

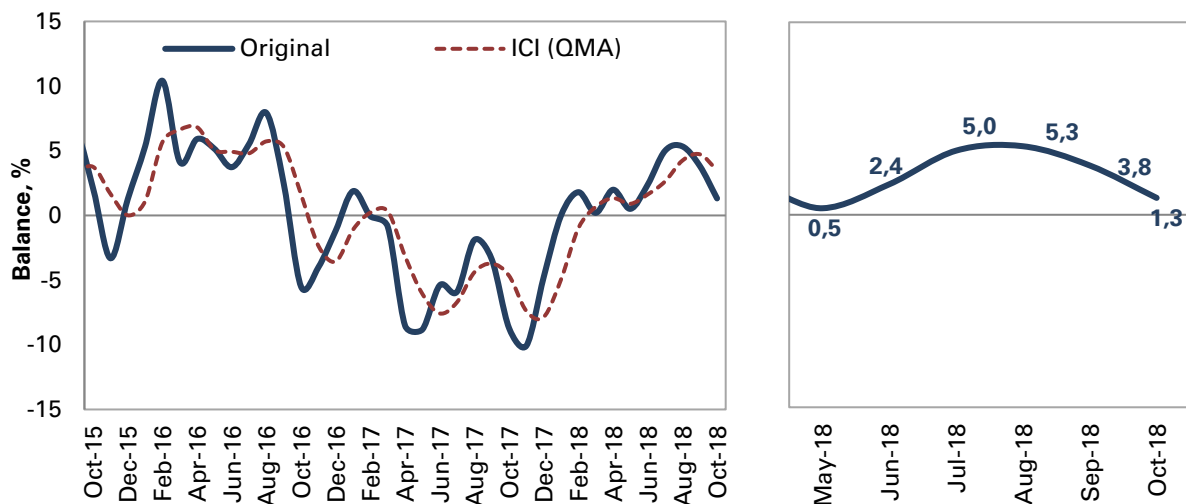
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In October, the deterioration in the retailer’s confidence against the previous month was due to the reduction of 3.8 pps in the expectations index for the next semester and the reduction of 2.5 pps in the business’ current economic situation component. Relative to October 2017, all components improved: the level of stocks decreased 6.4 pps, while expectations and current economic situation indexes increased by 18.1 and 1.4 pps, respectively.

Industrial Confidence Index – ICI

In October, Industrial Confidence Index (ICI) in its original series stood at 1.3%, which represents a fall of 2.5 pps compared to September and an increase of 10.0 pps relative to October 2017. The quarterly moving average reached 3.5%, which represents a reduction of 1.2 pps compared to the previous month.

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 October 2017 was mainly due to the 13.9 pps improvement in production expectations, the increase of 10.6 pps in current volume of orders and the decrease of 5, 5 pps in the level of stocks (Table 2).

Table 2. Evolution of ICI components

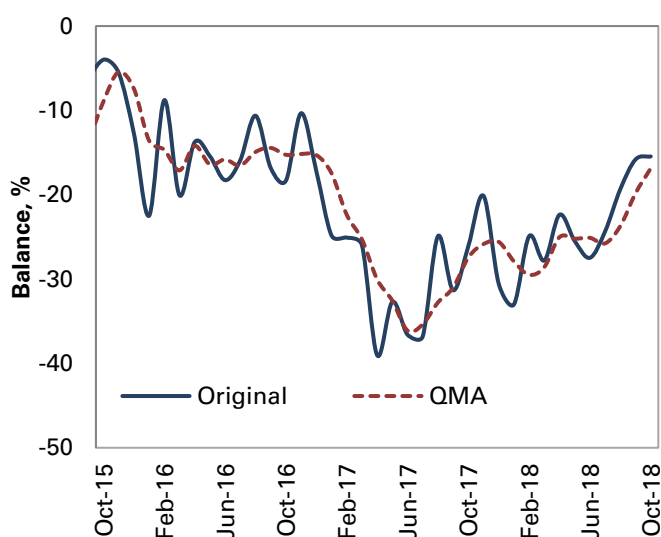
Component (Balance, %)	2017	2018	
	October	September	October
Current volume of orders	-26.1	-15.8	-15.5
Stocks of finished goods at the end of this month	7.1	6.0	1.6
Expected production in the next three months	7.1	33.3	21.0
Industrial Confidence Index - ICI	-8.7	3.8	1.3

Source: Business Tendency Survey (BTS) – Fedesarrollo.

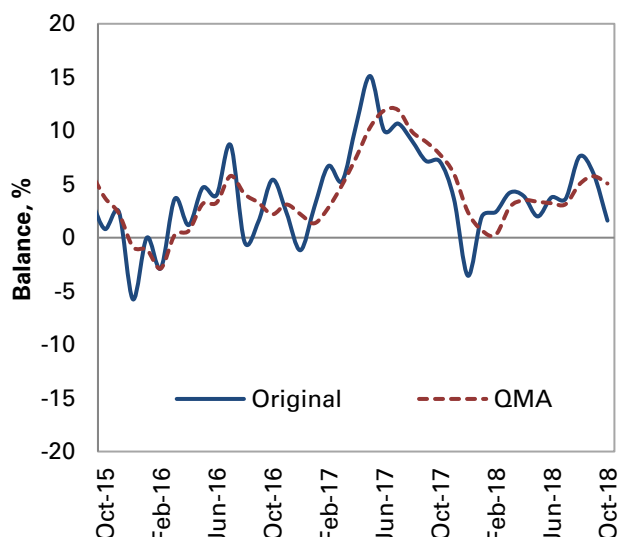
Isolating seasonal variations, the drop of 7.4 pps in production expectations for the next quarter (Chart 3C) and of 0.7 pps in the level of stocks stands out. On the other hand, the current volume of orders registered an increase of 3.0 pps compared to September and continues its upward trend.

Graph 3. ICI Components

A. Current order volume

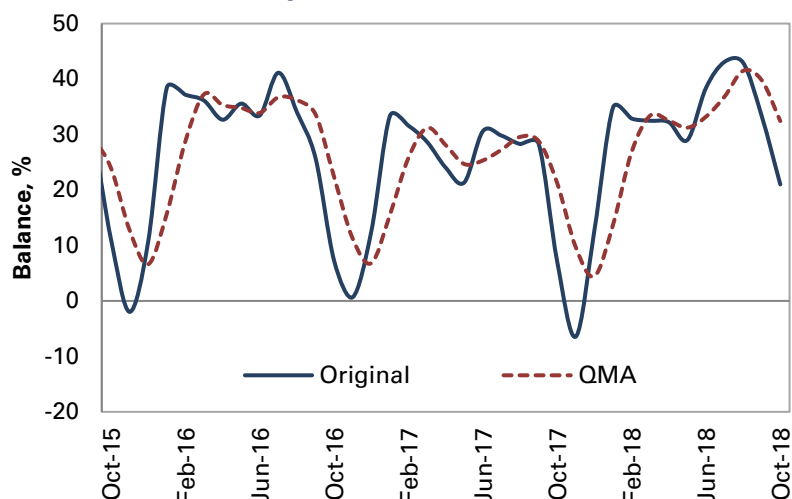


B. Stock level



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

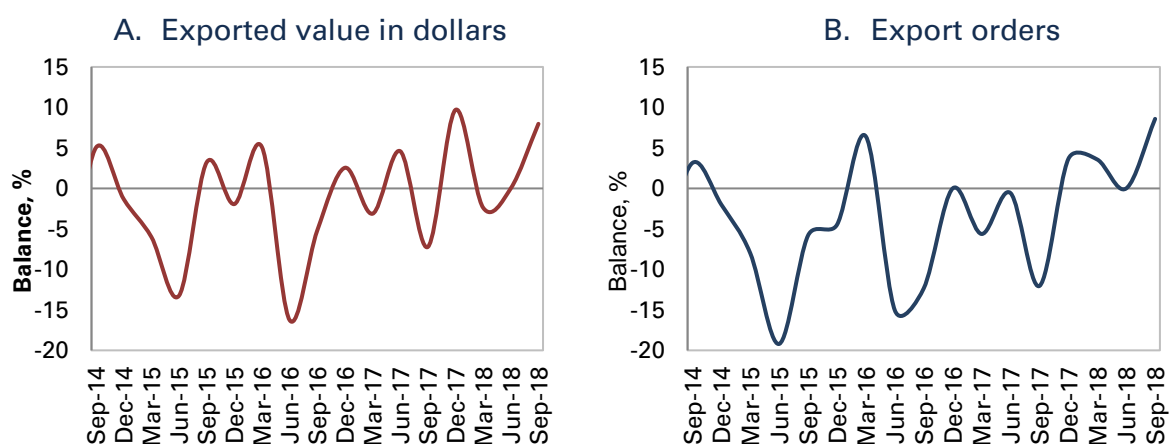


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Exports²

For the third quarter, the balance on the value exported in dollars was 8.0%, which implies that the percentage of respondents with increasing exports relative to the previous quarter was greater than the percentage with decreasing exports. This result represents an improvement of 8.0 pps compared to the balance in the previous quarter and an increase of 15.20 pps compared to the same quarter of 2017. On the other hand, the balance of export orders was 8.6%, which implies an increase of 8.6 pps compared to the previous quarter and a strong increase of 20.6 pps compared to the same quarter of 2017 (Graph 4).

Graph 4. Exported value in dollars and export orders in the first quarter of 2018 compared to the same quarter of the previous year

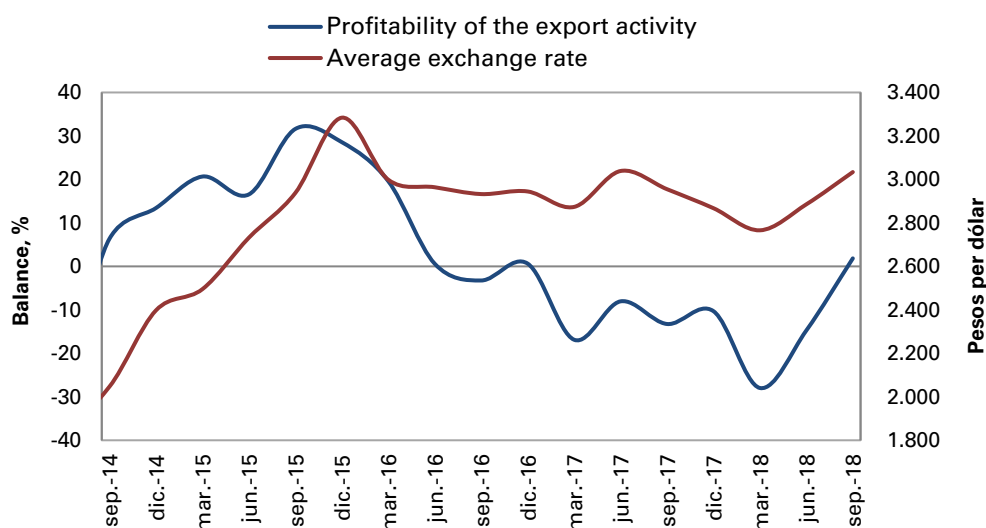


Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

²On a quarterly basis, the Business Tendency Survey includes a special module for the industrial sector, which inquires about the expectations and the perception of industrialists about the value exported in dollars and export orders.

Regarding the perception about exports profitability the balance was -1.8%, which is equivalent to an increase of 16.6 pps compared to the previous quarter and an increase of 15.1 pps relative to the same quarter of 2017. The balance of exports profitability is directly 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 third quarter of 2018, the exchange rate factor was considered favorable for exports. On the other hand, the most unfavorable factors were domestic transportation in Colombia and production costs, whose balances were -25.8% and -25.2%, respectively. However, several factors, such as the commercial and customs policies of the purchasing countries, the economic situation of the buyer country and the dollar-currency exchange rate of the purchasing country and peso-dollar improved with respect to the previous quarter.

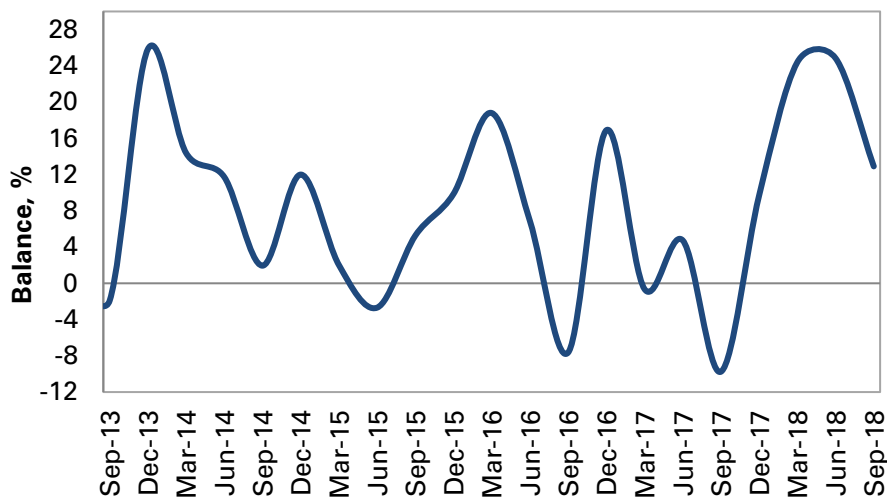
Table 3. Main factors that affected the export activity

Factor (Balance, %)	2017 - III	2018 - II	2018 - III
Internal transportation in Colombia	-42.3	-24.54	-25.8
Production costs	-29.6	-23.31	-25.2
Competitive position in the target markets	-18.9	-9.82	-11.0
Port services in Colombia	-13.1	-4.29	-10.4
International transport	-3.0	-4.29	-8.6
Trade policies of the purchasing countries	-18.7	-12.88	-6.1
Export procedures in Colombia	-7.1	-3.07	-3.7
Economic situation of the purchasing country	-12.0	-8.59	0.0
Dollar-currency exchange rate of the buyer country	-7.1	-5.52	0.6
Peso-dollar exchange rate	6.5	-3.07	15.3

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

The balance of exporter's expectations about the performance of their activity in the next three months was 12.9%, which is equivalent to a deterioration of 11.9 pps compared to the previous measurement and an increase of 22.7 pps versus the third quarter of 2017 (Graph 6). The level of expectations reversed the upward trend observed since the third quarter of 2017. In this measurement, 31.6% of respondents said that their exports will increase in the next three months, while the 18.7% believe that their exports will decrease, and 49.7% expect them to remain the same.

Graph 6. Three-month expectations of the 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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