

Business Tendency Survey November 2018

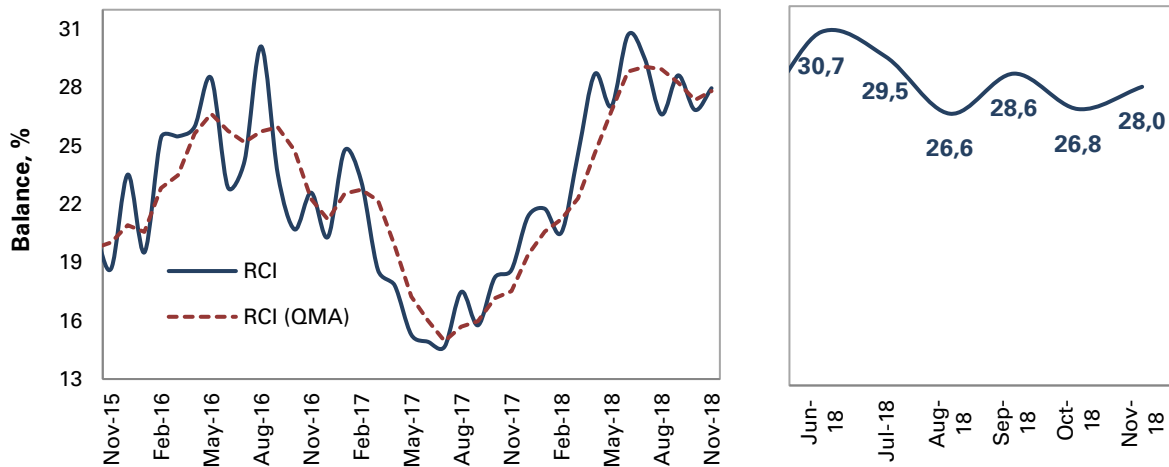


In November, Commercial Confidence Index stood at 28.0%, which implied an improvement compared to previous month and November 2017. Industrial Confidence Index decreased in its original series with respect to previous month and to November of 2017, reaching its lowest value since December 2017. Meanwhile, installed capacity utilization in November reached 75.0%, which represents increases compared to previous quarter and the same period of 2017. Business perception of favorable economic and sociopolitical conditions to invest decreased compared to previous quarter. Finally, construction businesses perception of the current sector's situation decreased relative to previous measurement.

Retail Confidence Index – RCI

In November, the Retail Confidence Index (RCI) was 28.0%, which represents an increase of 9.4 pps compared to November 2017 and an increase of 1.2 percentage points (pps) with respect to October 2018 (Graph 1). The quarterly moving average increased relative to previous month.

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 November of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2017	2018	
	November	October	November
Business current situation	36.3	37.8	43.3
Level of stocks	10.0	1.5	7.5
Business expectations for the next 6 months	29.5	44.2	48.0
Retail Confidence Index - RCI	18.6	26.8	28.0

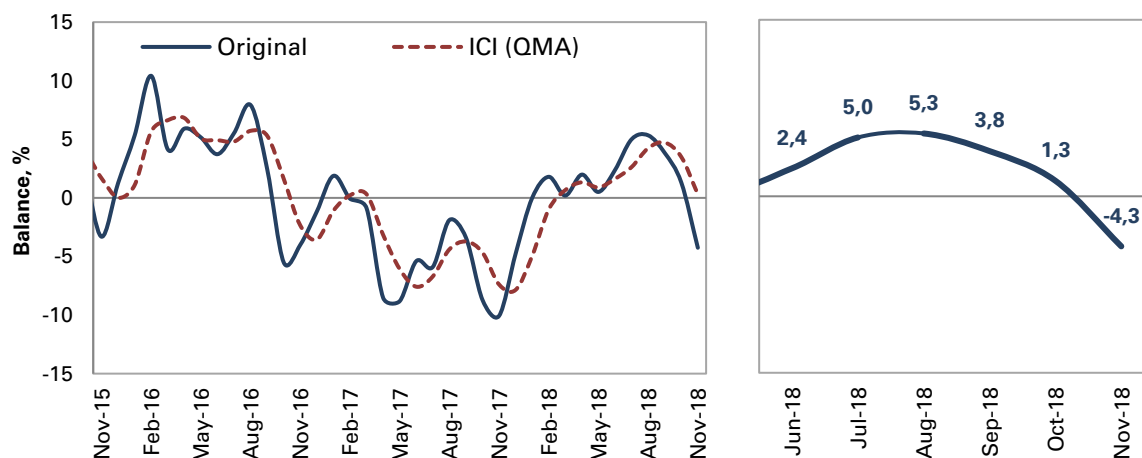
Fuente: Encuesta de Opinión Empresarial (EOE) – Fedesarrollo.

In November, the increase in retailer’s confidence with respect to previous month was due to increases of 5.5 pps and 3.8 pps in the current economic situation indicator and in the expectation’s indicator, respectively. On the other hand, the improvement relative to November 2017 was owed to the decrease of 2.5 pps in the level of stocks indicator and increases in 18.5 pps and 7.0 pps in the expectations and current economic situation indicators, respectively.

Industrial Confidence Index – ICI

In November, the Industrial Confidence Index (ICI) stood at -4.3% in its original series, which represents a fall of 5.6 pps compared to October and an improvement of 5.8 pps relative to November 2017. With this result, the ICI registered its lowest value since December 2017. On the other hand, its quarterly moving average was 0.3%, which represents a reduction of 3.2 pps compared to 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 November 2017 is due to the improvement of 6.4 pps in the indicator of production expectations, the increase of 8.9 pps in the current volume of orders and the decrease of 2.1 pps in the level of stocks component (Table 2).

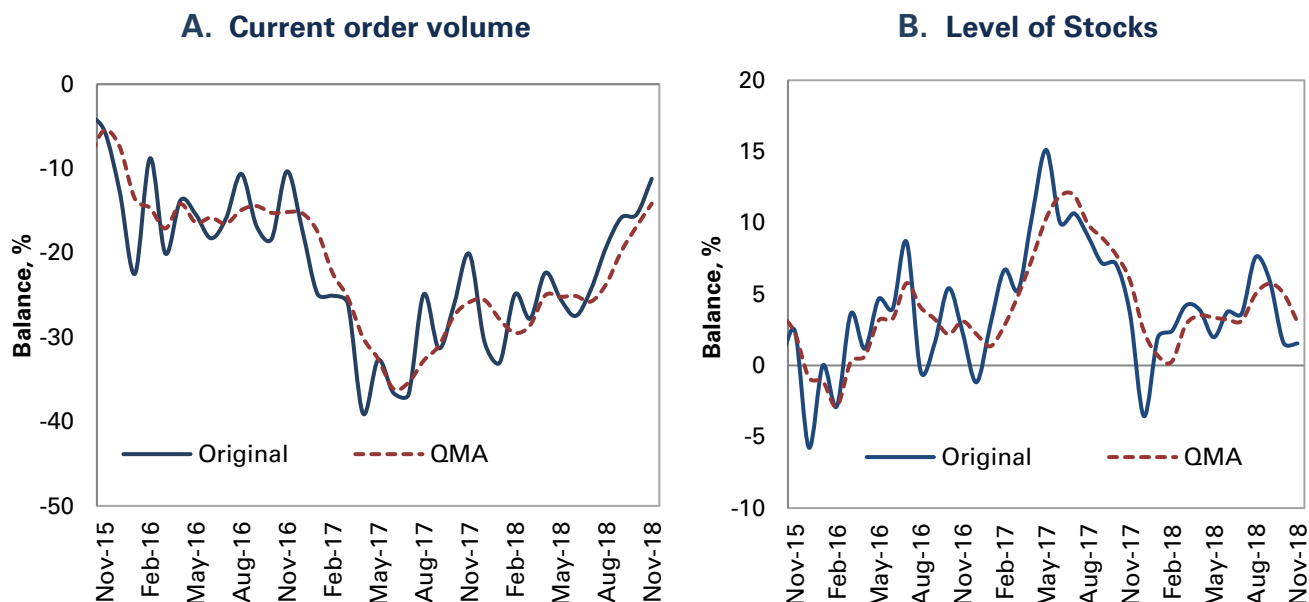
Table 2. Evolution of ICI components

Component (Balance, %)	2017	2018	
	November	October	November
Current volume of orders	-20.1	-15.5	-11.2
Stocks of finished goods at end of this month	3.6	1.6	1.5
Expected production in the next three months	-6.4	21.0	0.0
Industrial Confidence Index - ICI	-10.1	1.3	-4.3

Source: Business Tendency Survey (BTS) – Fedesarrollo.

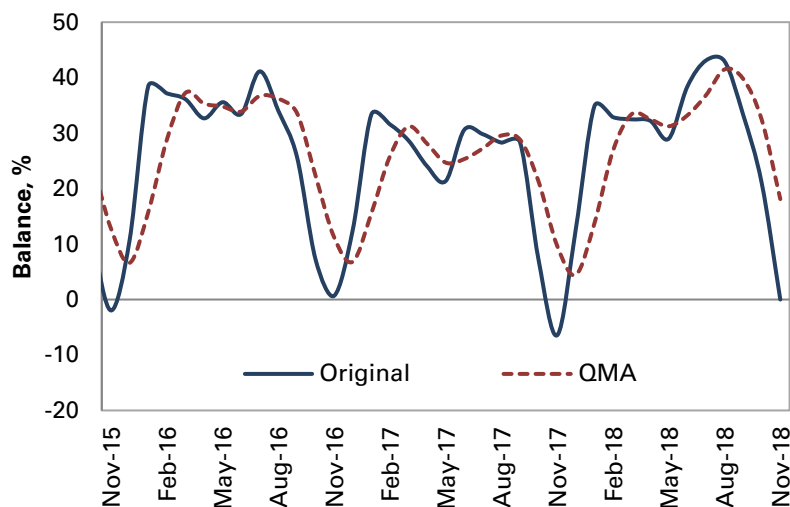
Isolating seasonal variations, relative to October there was a reduction in the level of inventories, an improvement in the indicator of current volume of orders and a deterioration in production expectations for the next quarter (Graph 3).

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

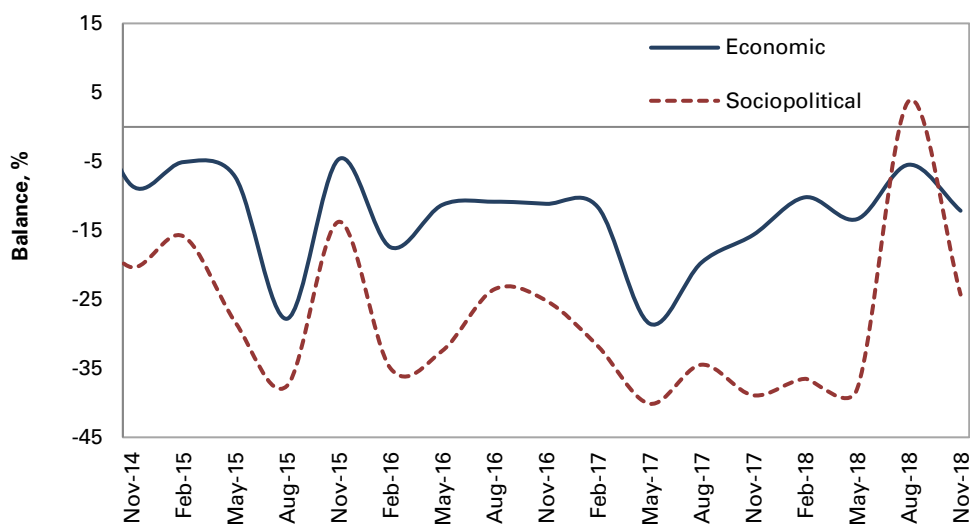


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Quarterly Module: Economic and sociopolitical conditions for investment ²

In November, the balance of the industrial sector about favorable **economic conditions** to invest was -12.2%, which is equivalent to a reduction of 6.7 pps compared to the last measurement (August 2018). 17.0% of respondents believed that current economic conditions are favorable (compared to 18.2% of the previous measurement), while 29.2% of employers considered the opposite and 53.8% believe they are neutral.

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



Source: Business Tendency Survey – Fedesarrollo.

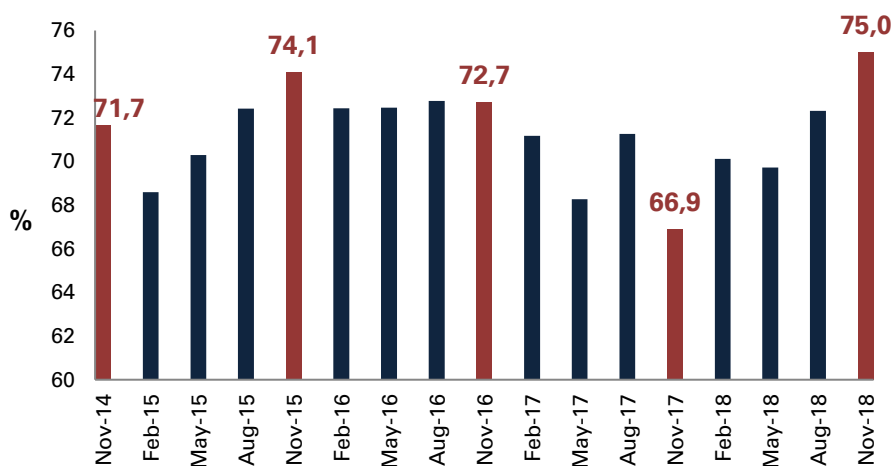
² Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

On the other hand, balance for favorable **sociopolitical conditions** to invest was -24.3%, reflecting a strong decrease of 28.1 pps compared to the previous quarter. The results showed that 10.8% of respondents believed that sociopolitical conditions are favorable, while 35.1% considered that they are unfavorable and 54.2% that they are neutral.

Quarterly Module: Industry Installed Capacity Utilization

In November, industry installed capacity was 75.0%, which represents an increase of 2.7 pps compared to the previous measurement of August 2018 (Graph 7). Compared to the same month of the previous year, there was an increase of 8.1 pps.

Graph 7. Utilization of installed capacity in the industry



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

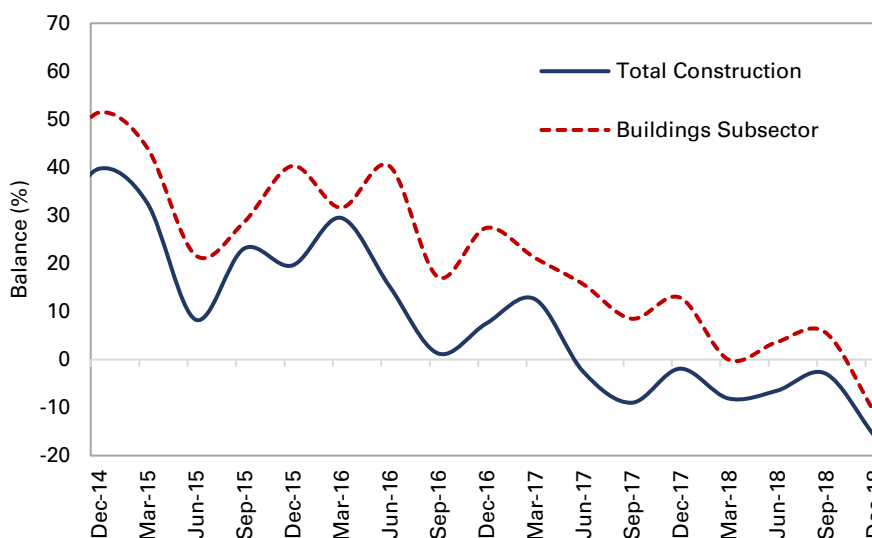
Source: Business Tendency Survey – Fedesarrollo.

Quarterly Construction Survey³

For the 2018 fourth quarter measurement, the balance of the current economic situation of companies in the construction sector stood at -15.7%, equivalent to a decrease of 12.8 pps with respect to previous quarter, and a reduction of 13,8 pps relative to the same period of 2017. **Buildings subsector** registered a balance of -10.7%, which represents a fall of 16.4 pps compared to the previous quarter and a sharp reduction of 23.6 pps compared to a year ago. (Graph 8).

³ 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.

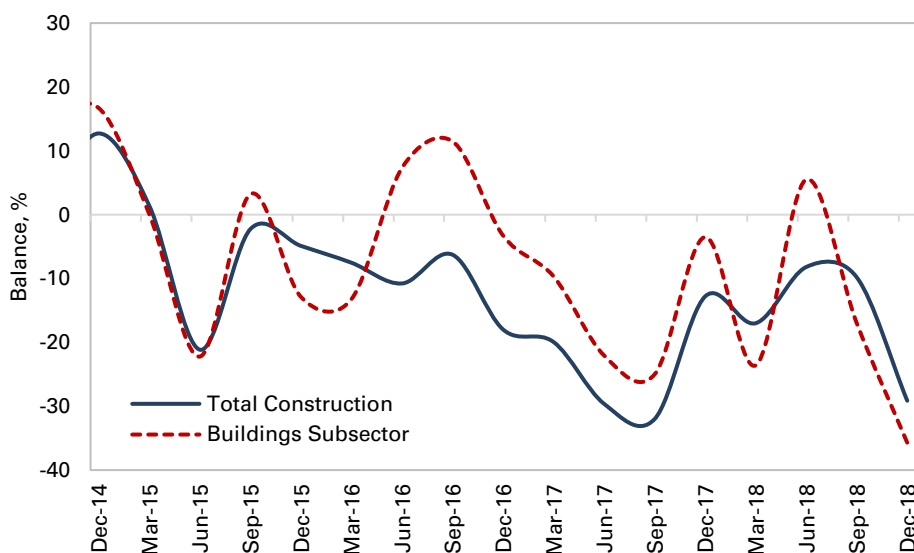
Graph 8. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of the pace of construction was -29.1%, showing a reduction of 19.3 pps compared to the previous quarter and a fall of 16.3 pps compared to the fourth quarter of 2017. For **buildings subsector**, this indicator registered a balance of -35.7%, a strong reduction of 18.7 pps compared to the previous quarter, and a reduction of 32.2 pps compared to a year ago (Graph 9).

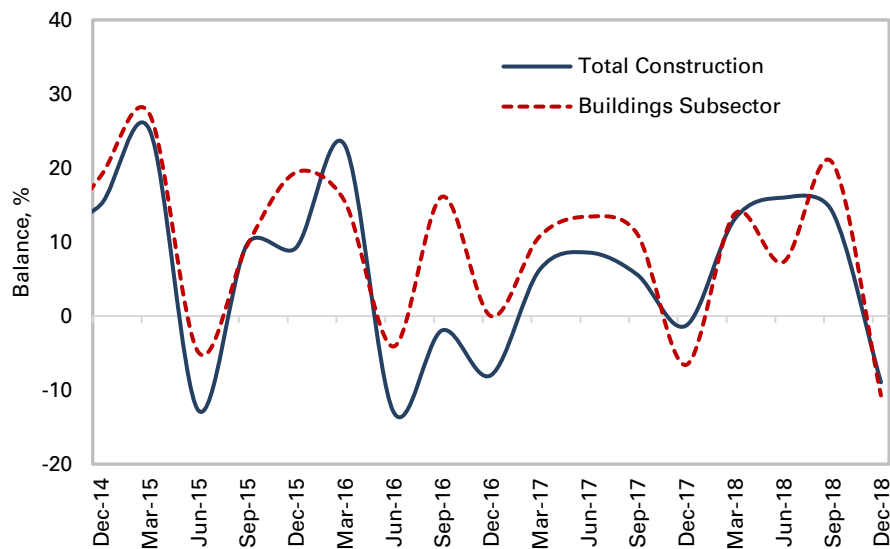
Graph 9. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

Finally, construction expectations for the next quarter showed a strong deterioration of 23.1 pps compared to the previous measurement and a reduction of 7.6 pps compared to the fourth quarter of 2017. For the same periods, the **buildings subsector** expectations showed decreases of 31.5 pps and 4.1 pps, respectively. (Graph 10).

Graph 10. 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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