

# Business Tendency Survey

## January 2018

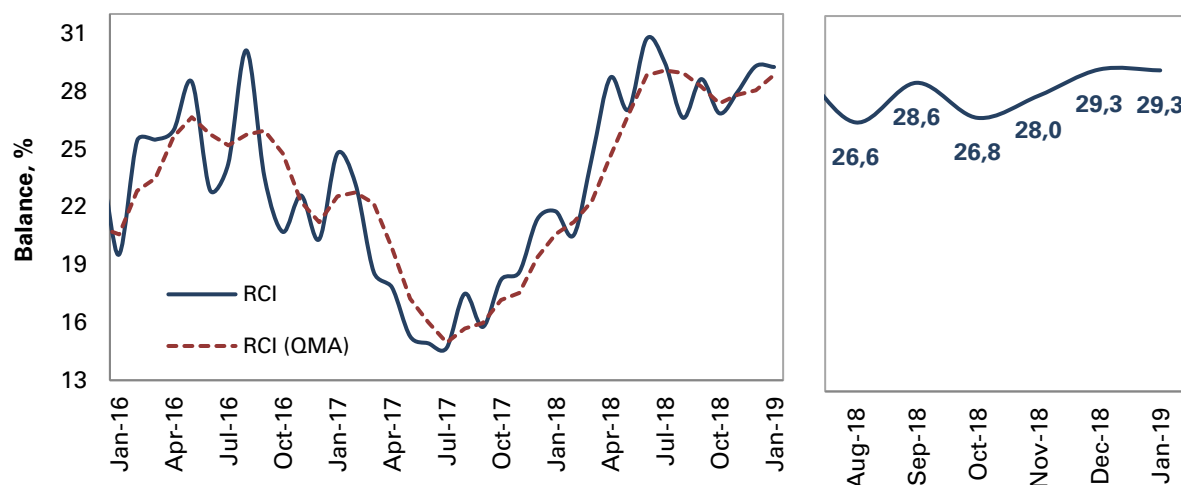


In January, the Industrial Confidence Index in its original series continued its recovery and recorded a balance of 6.3%, which represents an increase of 6.4 percentage points (pps) compared to the previous month and 7.4 pps relative to January 2018. Meanwhile, Retail Confidence Index did not change compared to the previous month and remained at 29.3% but increased with respect to January 2018. Finally, the annual investment module shows that almost two thirds of industrialists expect larger investments this year relative to 2018.

### Retail Confidence Index – RCI

In January, the Retail Confidence Index (RCI) remained at 29.3%, which does not represent variations compared to the previous month, but an increase of 7.5 pps compared to January 2018 (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. Evolution of RCI components**

Component (Balance, %)	2018		2019
	January	December	January
Business current situation	37.8	48.5	47.0
Level of stocks	6.5	5.6	5.1
Business expectations for the next 6 months	34.0	45.0	45.8
Retail Confidence Index - RCI	<b>21.8</b>	<b>29.3</b>	<b>29.3</b>

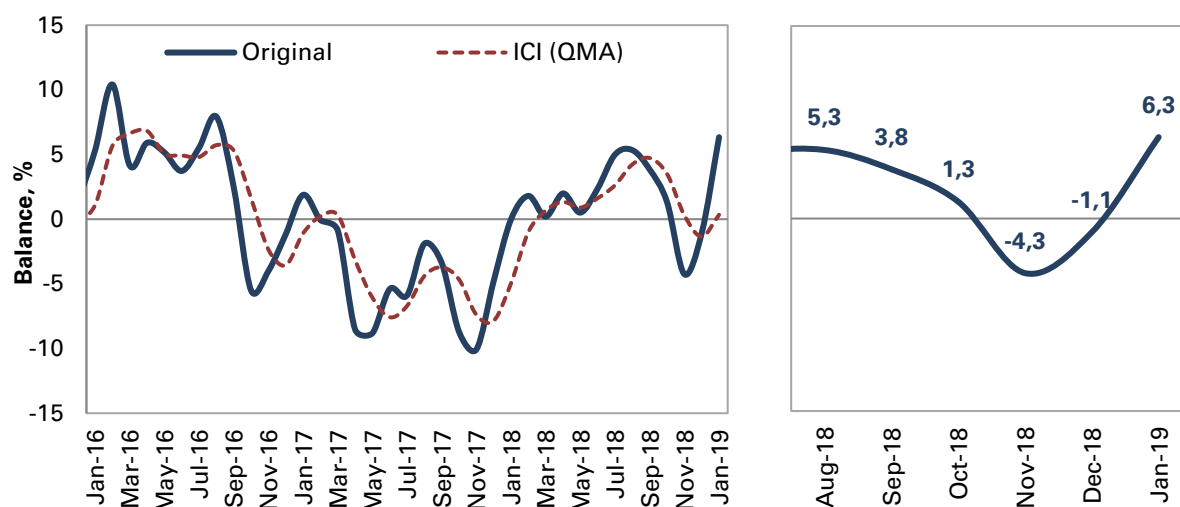
**Source:** Business Tendency Survey (BTS) – Fedesarrollo.

In January, the results of retail confidence against previous month was due to the increase of 0.8 pps in business expectations for the next semester and the reduction of 1.5 pps and 0.6 pps in the component of current economic situation of the company and the level of stocks, respectively. Relative to January 2018, there was an improvement in all components: the level of stocks index decreased 1.5 pps, the expectations index increased 11.8 pps and the current economic situation component increased 9.2 pps.

### Industrial Confidence Index – ICI

In January, the Industrial Confidence Index (ICI) in its original series stood at 6.3%, which represents an increase of 6.4 pps compared to December and an increase of 7.4 pps relative to January 2018. On the other hand, its quarterly moving average recorded 0.3%, which represents an improvement of 1.7 pps compared to the previous month and once again stands in positive territory.

**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 improvement in industrial confidence with respect to January 2018 was mainly due to the increase of 5.3 pps in production expectations, the increase of 17.1 pps in the current volume of orders and the increase of 3, 3 pps in the level of stocks component (Table 2).

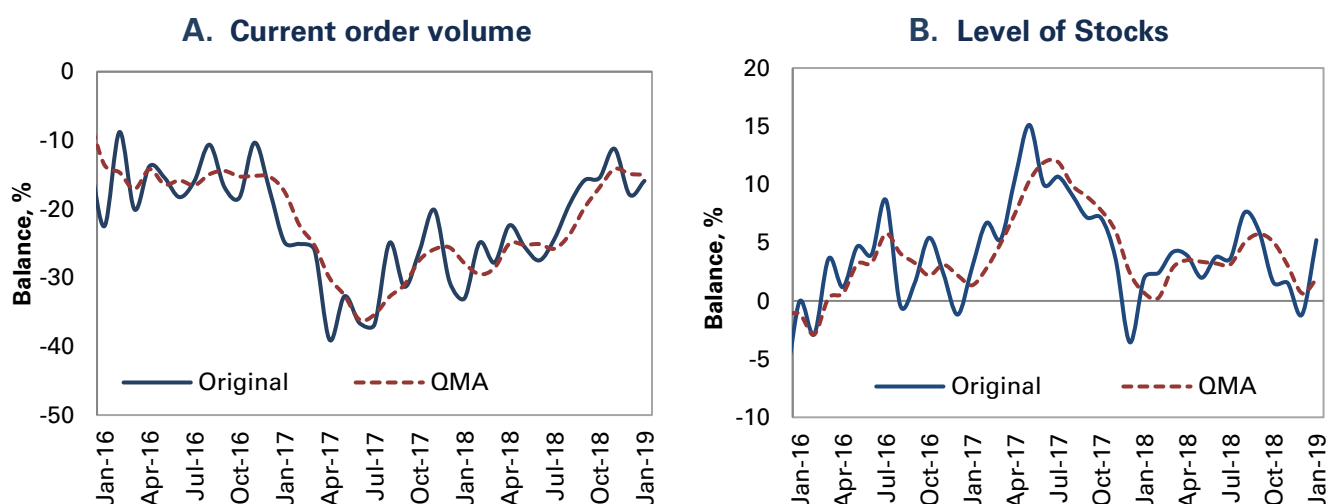
**Table 2. Evolution of ICI components**

Component (Balance, %)	2018		2019
	Enero	Diciembre	Enero
Current volume of orders	-33.0	-17.9	-15.9
Stocks of finished goods at the end of this month	2.0	-1.2	5.2
Expected production in the next three months	34.9	13.5	40.1
Índice de Confianza Industrial – ICI	<b>0.0</b>	<b>-1.1</b>	<b>6.3</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo.

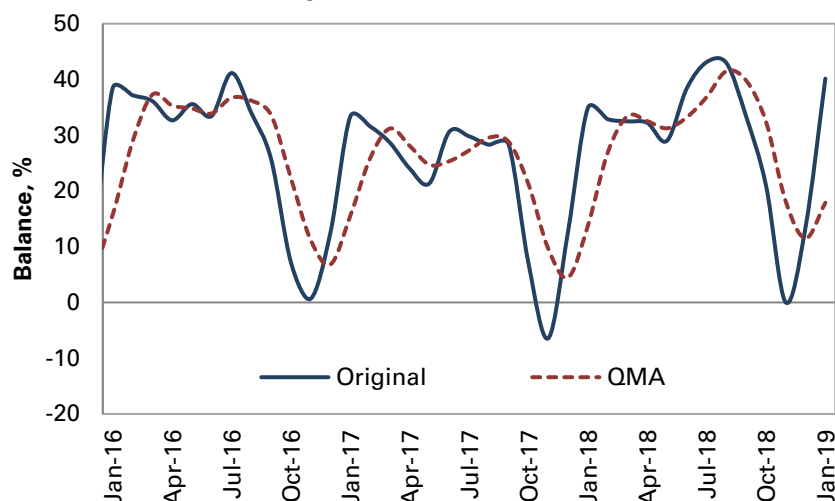
In the original series, the improvement in January of the ICI relative to previous month was due to the 26.6 pps increase in production expectations for the next quarter and, to a lesser extent, to the 2.0 pps increase in the current volume indicator of orders. Isolating seasonal variations, there was an increase in all ICI components (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.

### Investment of the Industrial Sector

In January, the BTS for the industrial sector contains an **annual module** on investment spending. **In January 2018, 50.5% of the respondents said that the investment increased compared to the previous year, while in the January 2019 this percentage increased to 56.2%.** On the other hand, 43.8% of the respondents considered that investment in 2018 was lower than in 2017, which represents a 5.7 pps drop relative to January 2017 survey (Table 3).

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

Percentage of responses	Investment Expenditure*		Budgeted Investment	
	2017 vs 2016	2018 vs 2017	2018 vs 2017	2019 vs 2018
Increase	50,5	56,2	55,7	64,6
Decrease	49,5	43,8	44,3	35,4

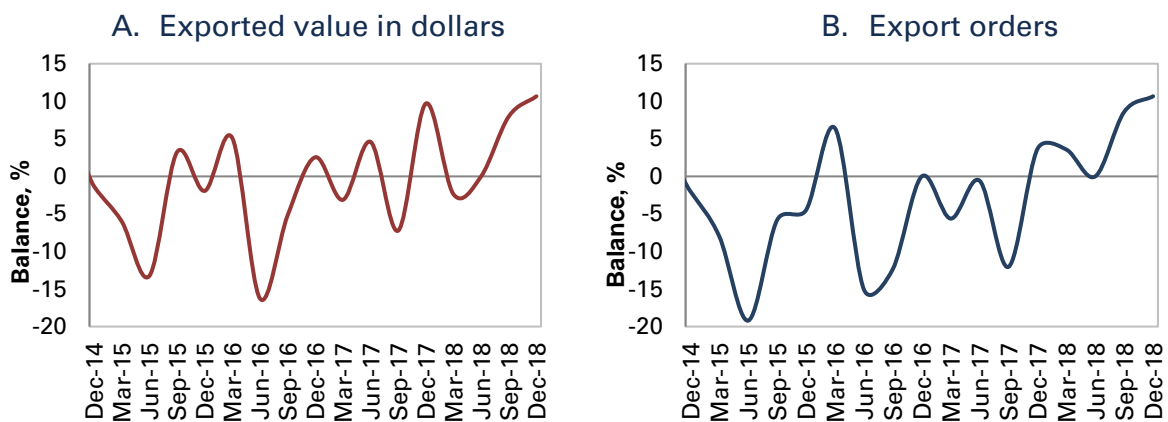
\* Question about investment in machinery, equipment and construction during previous year  
Source: Business Tendency Survey - Annual investment module

On the other hand, **64.6% of the industry has an increase in investment spending planned for this year relative to 2018**, while 35,4% considers a reduction. Comparing the results with January 2018 measurement, there is an increase in the percentage of industrial producers that have investment plans for this year.

## Exports<sup>2</sup>

For the fourth quarter of the year, the balance on the value exported in dollars was 10.7%, 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 2.7 pps compared to the previous quarter and an increase of 0.97 pps compared to the same quarter of 2017. On the other hand, the balance of export orders was 10.7%, which implies an increase of 2.1 pps compared to the previous quarter and an increase of 7.03 pps relative to the same quarter of 2017 (Graph 4).

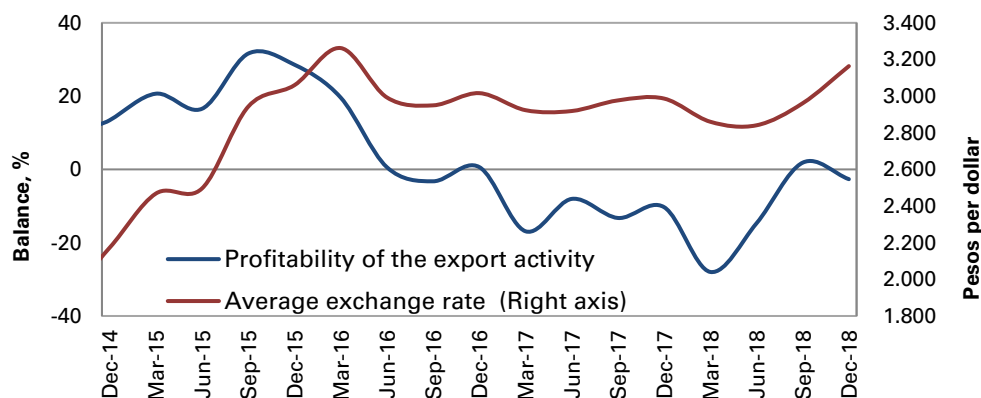
**Graph 4. Exported value in dollars and export orders in the fourth quarter of 2018 compared to the same quarter of the previous year**



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

Perception of industrial producers regarding exports' profitability recorded a balance of -2.7%, which is equivalent to a deterioration of 4.5 pps compared to the previous quarter and an increase of 7.6 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.

<sup>2</sup>On 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.

For the fourth quarter of 2018, the most unfavorable factors for exports were internal transportation in Colombia and the competitive position in the target markets, whose balance were -36.99% and -21.33%, respectively, worsening with respect to last year and previous quarter. Likewise, only the peso-dollar exchange rate factor was considered favorable for export activity, while other factors remained in negative levels, although the perception of production costs and port services in the country showed a slight increase compared to the previous measurement.

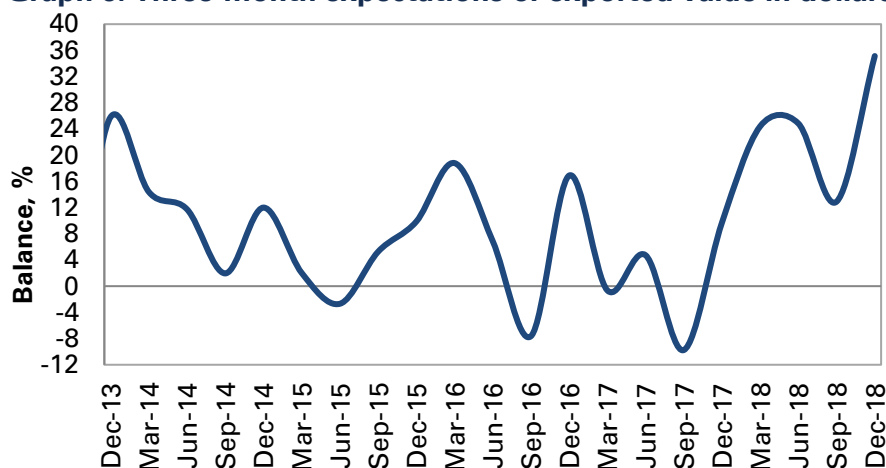
**Table 3. Main factors that affected the export activity**

Factor (Balance, %)	2017 - IV	2018 - III	2018 - IV
Internal transportation in Colombia	-33.3	-25.8	-37.0
Competitive position in the target markets	-4.8	-11.0	-21.3
Production costs	-26.7	-25.2	-17.3
Trade policies of the purchasing countries	-11.5	-6.1	-16.0
Economic situation of the purchasing country	-10.9	0.0	-10.7
International transport	-2.4	-8.6	-9.3
Export procedures in Colombia	-3.0	-3.7	-9.3
Port services in Colombia	-8.5	-10.4	-8.0
Dollar-currency exchange rate of the buyer country	-14.5	0.6	-8.0
Peso-dollar exchange rate	-21.2	15.3	17.3

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 35.1%, which is a significant increase of 22.2 pps compared to the previous measurement and an increase of 25.4 pps compared to the third quarter of 2017 (Graph 6). In this measurement, 45.9% of respondents said that their exports will increase in the next three months, while 10.8% believe that their exports will decrease, and 43.2% 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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