

Business Tendency Survey May 2019

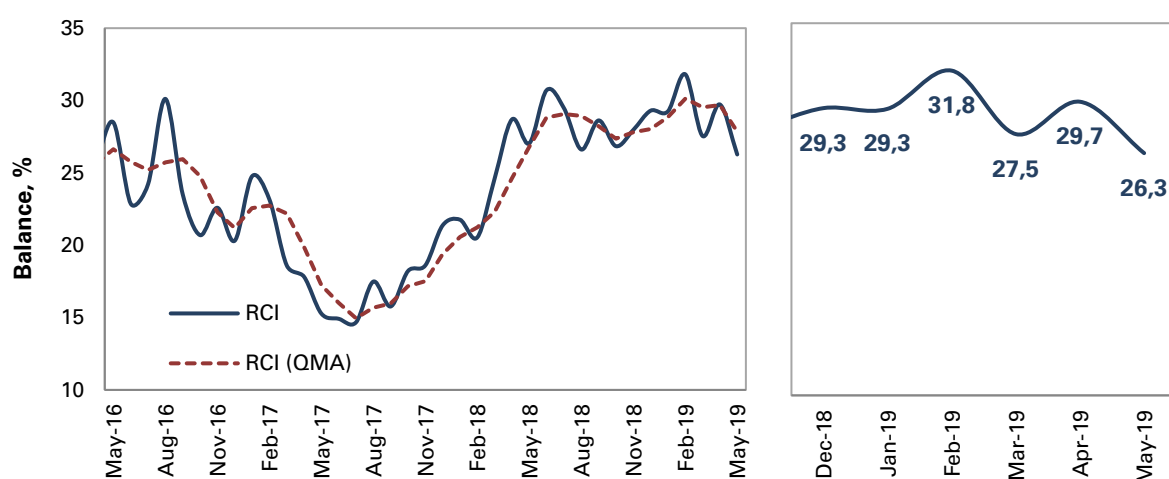


In May, the Retail Confidence Index stood at 26.3%, which is lower than the one of the previous month and the same period one year ago. Industrial Confidence Index increased in its original series with respect to the previous month and May 2018, reaching its highest value since August 2016. Meanwhile, installed capacity utilization in May was 70.1%, which represents a reduction compared to the previous quarter and an increase compared to the same period of 2018. Business perception of the favorable economic and socio-political conditions to invest decreased compared to the previous quarter. Finally, in the construction sector, expectations and construction rate fell compared to the last measurement and relative to the second quarter of 2018.

Retail Confidence Index – RCI

In May, the Retail Confidence Index (RCI) was 26.3%, which represents a reduction of 3.5 percentage points (pps) compared to the previous month and of 0.8 pps compared to May 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 May of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2018 May	2019 April	2019 May
Business current situation	38.6	44.0	43.0
Level of stocks	4.0	4.6	10.9
Business expectations for the next 6 months	46.5	49.7	46.7
Retail Confidence Index - RCI	27.0	29.7	26.3

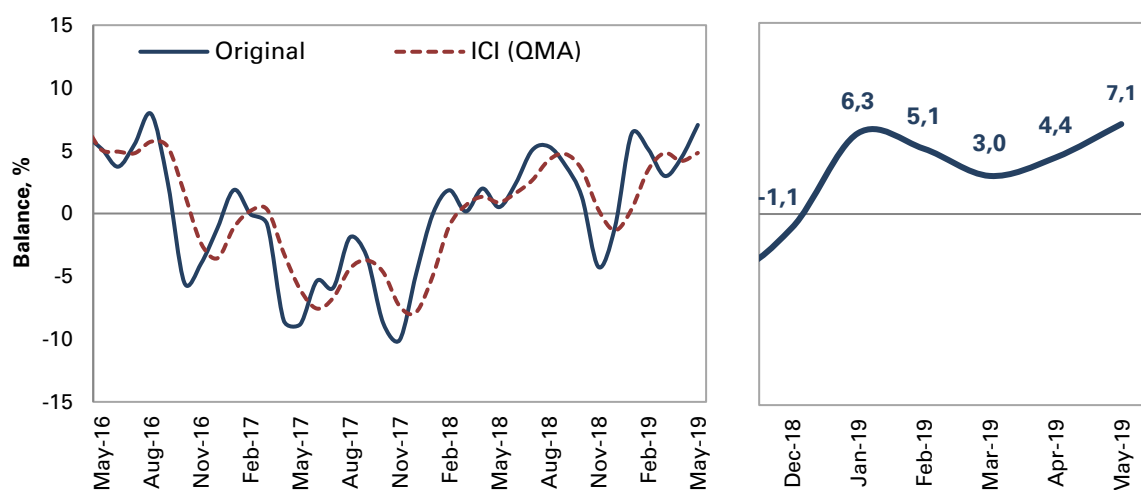
Source: Business Tendency Survey (BTS) – Fedesarrollo

In May, the decrease in the retailer's confidence compared to the previous month was due to an increase of 6.3 pps in the level of stocks, and to the reduction of 3.0 pps and 1.0 pps in the expectation's indicator for the next semester and in the current economic situation index, respectively. On the other hand, the result compared to May 2018 is due to the increase of 6.9 pps in the level of stocks, an increase of 4.4 pps in the current economic situation indicator and the 0.2 pps increase in the expectation's indicator.

Industrial Confidence Index – ICI

In May, the Industrial Confidence Index (ICI) stood at 7.1% in its original series, which represents an increase of 2.6 pps compared to April 2019 and an increase of 6.5 pps relative to May of 2018. On the other hand, its quarterly moving average was 4.8%, which represents an increase of 0.6 pps relative 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 compared to May 2018 is due to an increase of 8.8 pps in the indicator of current volume of orders, an increase of 7.6 pps in production expectations for the next quarter and a decrease of 3.3 pps in the level of stocks component (Table 2).

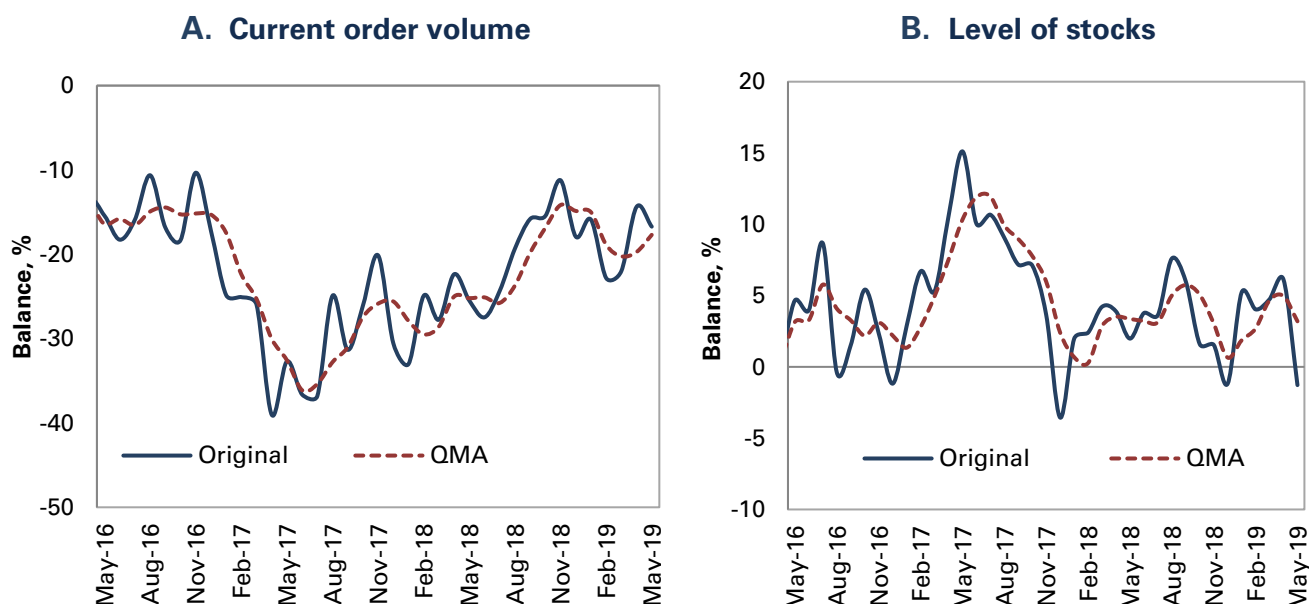
Table 2. Evolution of ICI components

Component (Balance, %)	2018	2019	
	May	April	May
Stocks of finished goods at end of this month	2.0	6.1	-1.3
Current volume of orders	-25.5	-14.4	-16.7
Expected production in the next three months	29.0	33.8	36.6
Industrial Confidence Index - ICI	0.5	4.4	7.1

Source: Business Tendency Survey (BTS) – Fedesarrollo

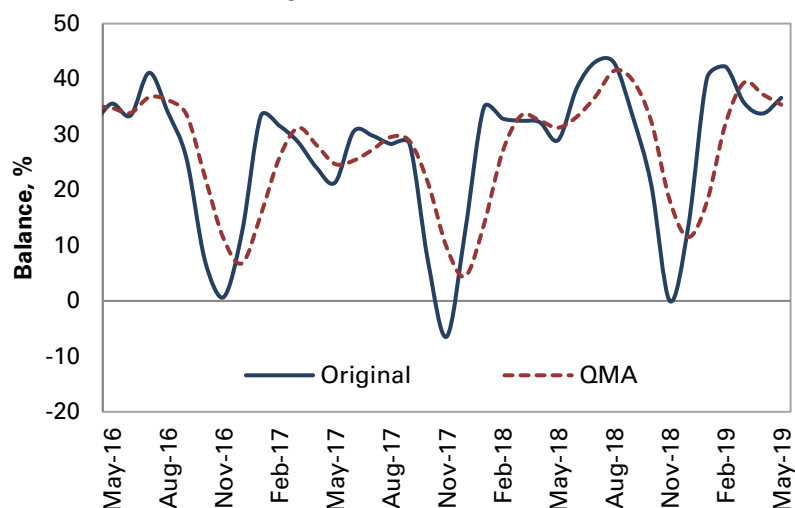
In the original series, the increase in May of the ICI compared to the previous month is mainly due to the reduction of 7.4 pps in the level of stocks and to a lesser extent to the increase of 2.8 pps in the indicator of production expectations, however, there was a reduction of 2.3 pps in the current volume of orders. Isolating seasonal variations, compared to April there was an increase in the current volume of orders, a reduction in the level of stocks and a decrease 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

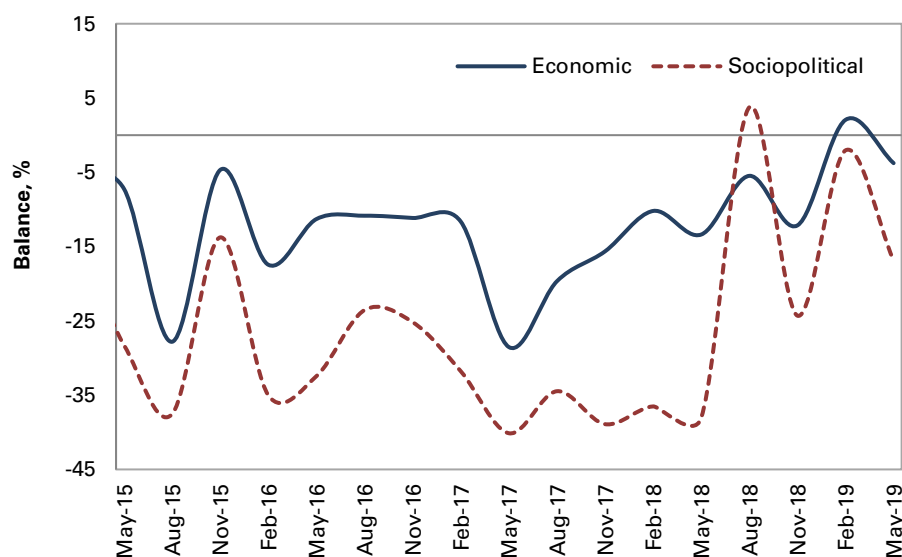


Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module: Economic and sociopolitical conditions for investment²

In May, the balance of the industrial sector about favorable **economic conditions** to invest was -3.8%, which is equivalent to a reduction of 5.8 pps compared to the last measurement (February 2019). The results show that 26.0% of respondents believe that current economic conditions are unfavorable, compared to 20.9% of the previous measurement, while 22.3% of employers considered that the current conditions are favorable and 51.7% affirm they are neutral.

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



Source: Business Tendency Survey (BTS) – Fedesarrollo

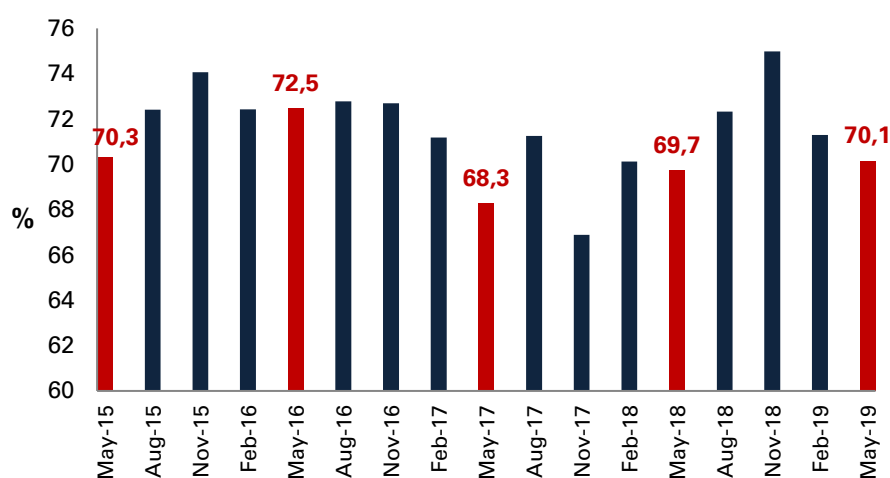
² Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -16.9%, a reduction of 14.8 pps compared to the previous quarter. The results show that 12.8% of the respondents believe that the sociopolitical conditions are favorable, while 29.7% consider that they are unfavorable and 57.6% that they are neutral.

Quarterly Module: Industry Installed Capacity Utilization

In May, industry installed capacity utilization was 70.1%, which represents a decrease of 1.2 pps compared to the February 2019 measurement and an increase of 0.4 pps compared to the same month of the previous year (Graph 7).

Graph 7. Utilization of installed capacity in the industry



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

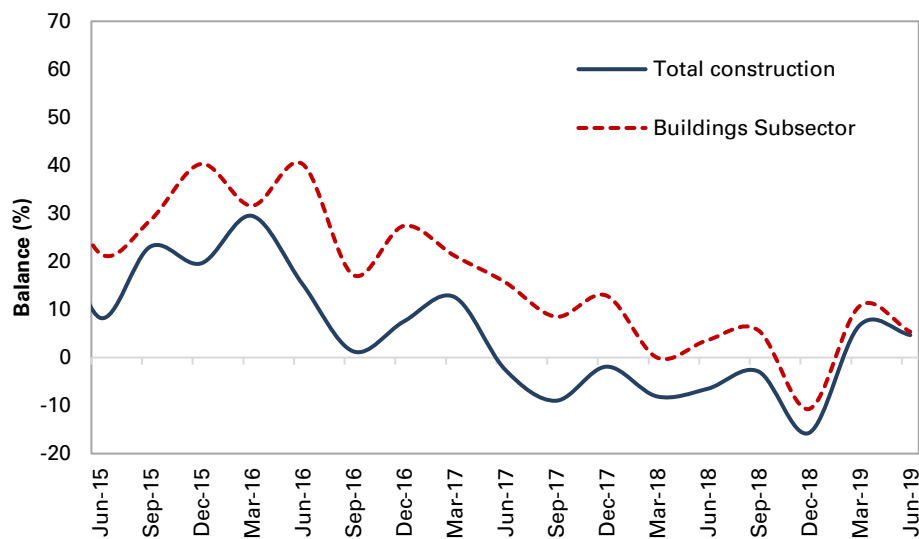
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Construction Survey³

For the second quarter of 2019, the balance of the current economic situation of companies in the construction sector stood at 4.7%, equivalent to a reduction of 2.0 pps compared to the previous quarter and an increase of 11.2 pps compared to the same period of 2018. **Buildings subsector** registered a balance of 5.4%, 5.4 pps lower than the registered during the previous quarter and 1.7 pps higher compared to one 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.

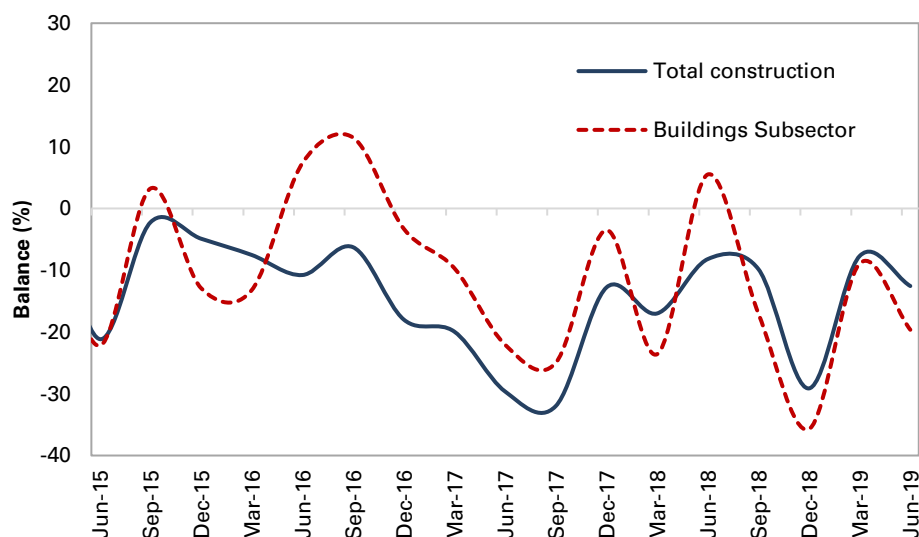
Graph 8. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -12.6%, showing a reduction of 4.9 pps compared to the previous quarter and 4.4 pps compared to the second quarter of 2018. For the building's subsector, this indicator registered a balance of -19.6%, which shows a decrease of 10.7 pps compared to the previous quarter and a reduction of 25.1 pps compared to a year ago (Graph 9).

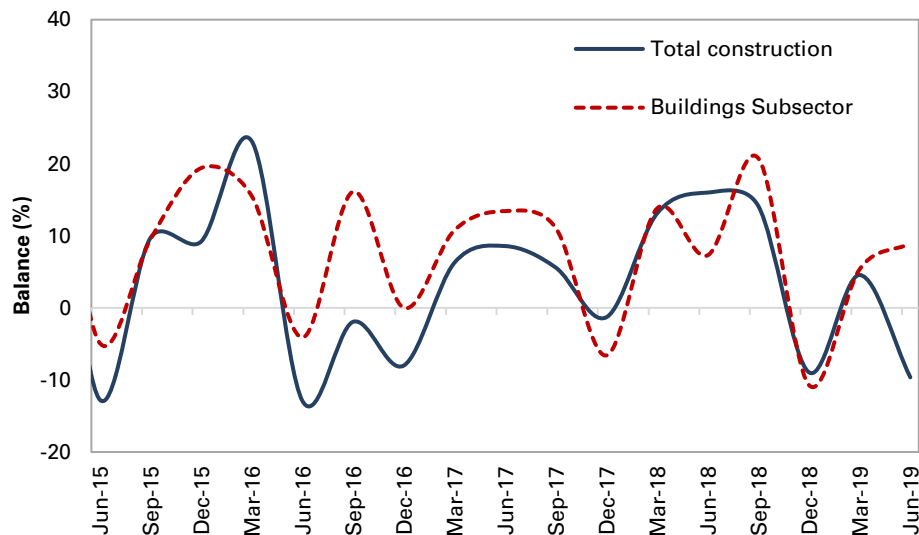
Graph 9. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

Finally, the balance of construction expectations for the next quarter was -9.6%, showing a decrease of 14.2 pps compared to the previous measurement and a reduction of 25.6 pps compared to the second quarter's 2018. In the building's subsector, expectations recorded a balance of 8.9%, which represents an increase of 3.6 pps compared to the previous month and an increase of 1.6 pps over the same quarter of last year (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

+57 1 3259777 ext. 340
comercial@fedesarrollo.org.co

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Comments to **David Francisco Lara:** dlara@fedesarrollo.org.co