

Business Tendency Survey June 2019

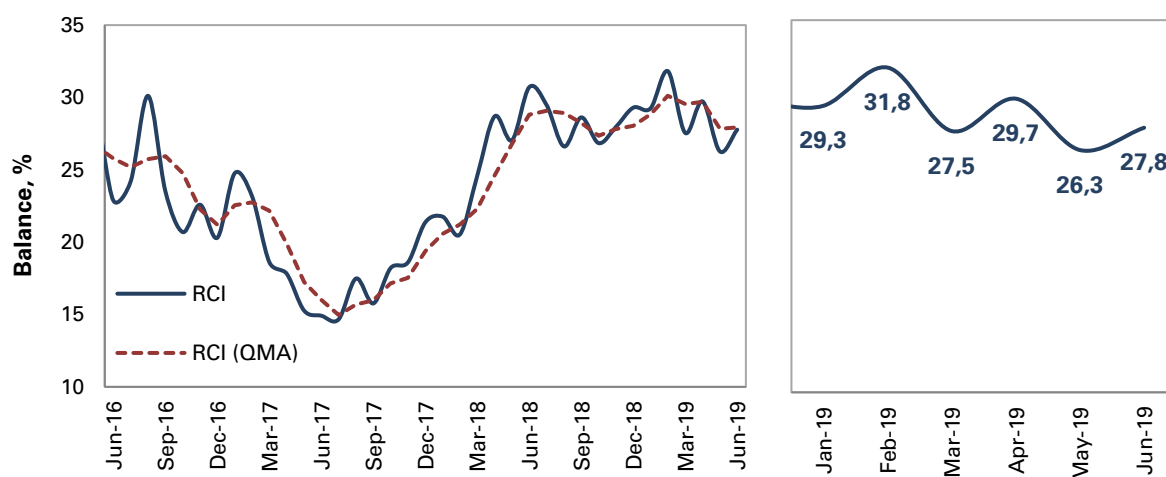


In June, the Retail Confidence Index stood at 27.8%, which represents an increase of 1.5 pps compared to the previous month. On the other hand, the Industrial Confidence Index registered a balance of 8.4%, which represents an increase of 1.3 pps compared to last month. The industrial employment expectations for the next quarter increased 3.1 pps compared to the previous quarter, while there was a 0.5 pps increase in the industrial business' perception of contraband compared to last quarter.

Retail Confidence Index – RCI

In June, the Retail Confidence Index (ICCO) stood at 27.8%, which represents an increase of 1.5 percentage points (pps) compared to last month and a reduction of 2.9 pps compared to June 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 June of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2018	2019	
	June	May	June
Business current situation	39.9	43.0	42.0
Level of stocks	3.5	10.9	4.6
Business expectations for the next 6 months	55.7	46.7	45.9
Retail Confidence Index - RCI	30.7	26.3	27.8

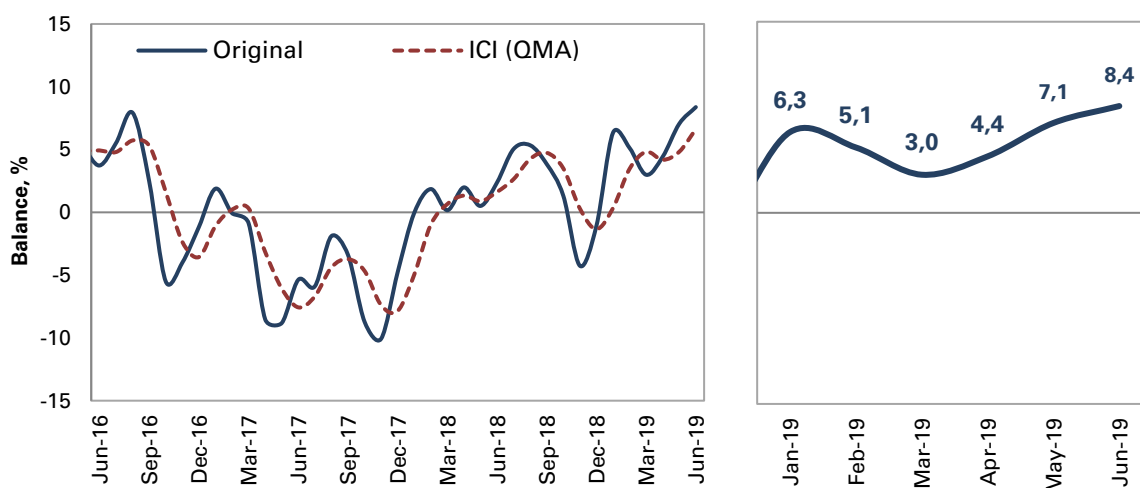
Source: Business Tendency Survey (BTS) – Fedesarrollo

In June, the increase in the retailer’s confidence compared to the previous month was mainly due to a 6.3 pps reduction in the level of stocks, considering that both the business current situation of the company and the expectation’s indicator for the next semester decreased 1.0 pps and 0.8 pps respectively. On the other hand, the result compared to June 2018 was due to the reduction of 9.8 pps in the expectations indicator and the increase in 1.1 pps in the level of stocks; although the current economic situation indicator increased 2.1 pps.

Industrial Confidence Index – ICI

In June, the Industrial Confidence Index (ICI) stood at 8.4%, in its original series, which represents an increase of 1.3 pps compared to May 2019 and an increase of 6.0 pps relative to June of 2018. On the other hand, its quarterly moving average was 6.6%, which represents an increase of 1.8 pps compared to last month (Graph 2).

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 June 2018 is due to an increase of 6.9 pps in the current volume of orders, an increase of 4.4 pps in production expectations for the next quarter and a reduction of 6.6 pps in the level of stocks (Table 2).

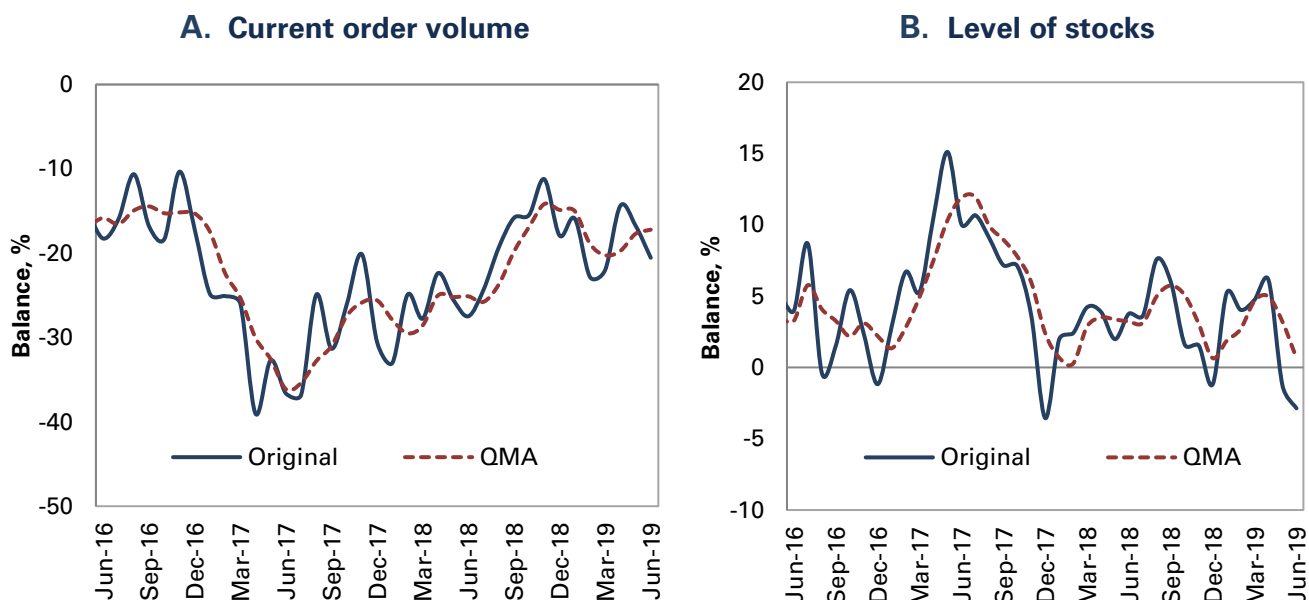
Table 2. Evolution of ICI components

Component (Balance, %)	2018	2019	
	June	May	June
Stocks of finished goods at end of this month	3.8	-1.3	-2.9
Current volume of orders	-27.5	-16.7	-20.5
Expected production in the next three months	38.4	36.6	42.8
Industrial Confidence Index - ICI	2.4	7.1	8.4

Source: Business Tendency Survey (BTS) – Fedesarrollo

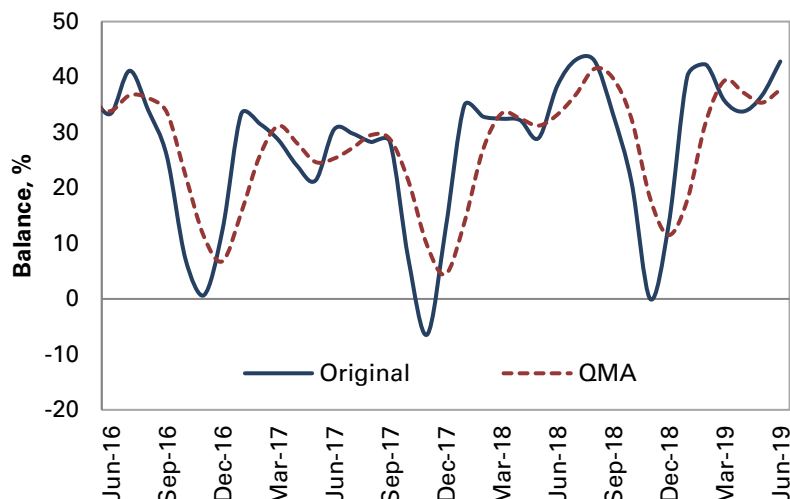
In the original series, the increase in June of the ICI compared to the previous month was mainly due to the increase of 6.2 pps in production expectations and to a lesser extent to the reduction of 1.6 pps in the level of stocks; however, there was a decrease of 3.8 pps in the current volume of orders. Isolating seasonal variations, compared to May, there was an increase in the current volume of orders, a reduction in the level of stocks and an increase 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

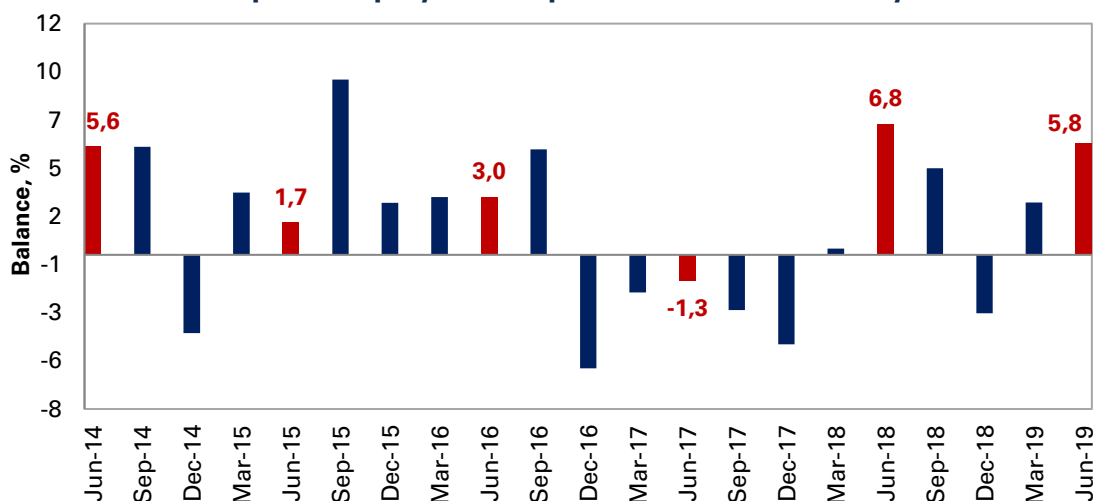


Source: Business Tendency Survey (BTS) – Fedesarrollo

Employment Expectations and Contraband Perception²

In June, the balance of employment expectations for the next quarter was 5.8%, which represents an increase of 3.1 pps compared to the previous quarter and a reduction of 1.0 pp compared to the same period of 2018 (Graph 4). Disaggregating by answer choice, 15.3% of respondents believe that employment in the industry in the next quarter will increase, 9.5% believe that it will decrease and 75.2% say it will remain the same.

Graph 4. Employment expectations in the industry



Note: Not seasonally adjusted.

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, in June industrial business' perception of contraband had a balance of 5.5%, which represents an increase of 0.5 pps with respect to the data of the previous quarter and an increase of 5.5 pps relative to June 2018. Specifically, 17.6% of respondents stated that contraband in the April - June quarter increased in relation to the previous quarter, 70.3% said they remained the same, while 12.1% considered it to be lower (Table 3).

Table 3. Contraband Perception

Answers (%)	2018	2019	
	June	March	June
Higher	13.3	18.7	17.6
Equal	73.3	67.6	70.3
Lower	13.3	13.7	12.1
Balance	0.0	4.9	5.5

Source: Business Tendency Survey – Fedesarrollo.



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Contact us if you would like to have access to disaggregated results by region, industrial sector and other survey questions

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