

Business Tendency Survey September 2020



In September, the Retail Confidence Index (RCI) was 22.2%, compared to the previous month, which represents an increase of 8.4 pp mainly due to an increase in the expectation's indicator for the next semester, an increase in the current economic situation and a reduction in the level of stocks. The Industrial Confidence Index registered a balance of 6.1%, compared to the previous month; this represents an increase of 4.6 pp, mainly due to a rise in the current volume of orders and a reduction in the stocks at the end of the month.

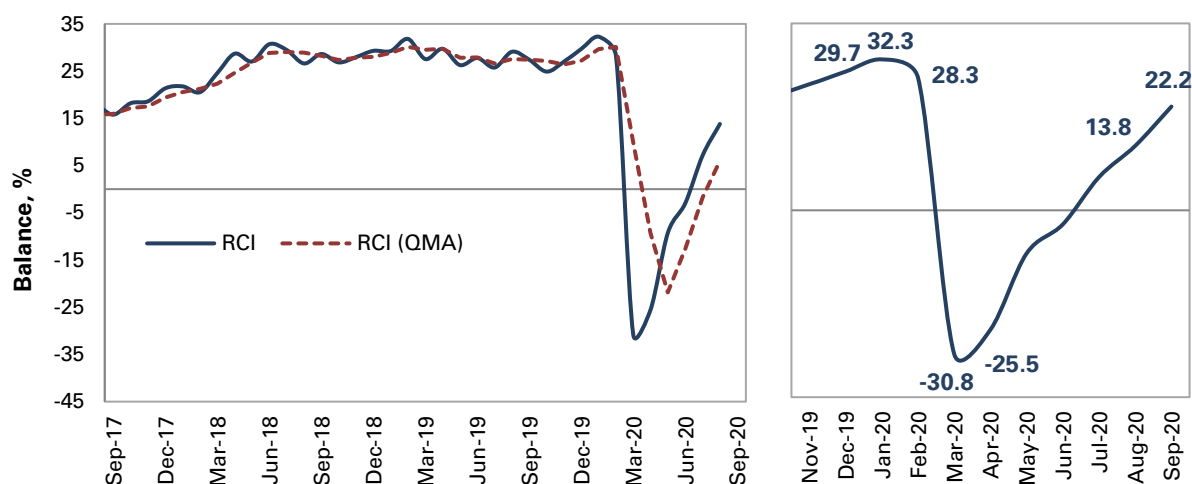
In September, 15.5% of the companies presented problems in its operations, 87.3% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 39.1%. Only 29.3% of firms has cash on hand for more than eight weeks of expenses.

The balance of employment expectations for the next quarter was 1.7%, which represents an increase of 15.0 pps compared to the previous quarter. Additionally, in September industrial business perception of contraband had a balance of -13.1%, which represents an increase of 2.9 pps with respect to the previous quarter.

Retail Confidence Index – RCI

In September, the Retail Confidence Index (RCI) was 22.2%, which represents an increase of 8.4 percentage points (pp) compared to last month and a decrease of 5.2 pp relative to September 2019 (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 September of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

| Component (Balance, %) | 2019 | 2020 | |
|---|-------------|-------------|-------------|
| | September | August | September |
| Business current situation | 51.0 | 23.5 | 32.4 |
| Level of stocks | 6.2 | 2.0 | -2.0 |
| Business expectations for the next 6 months | 37.3 | 19.9 | 32.2 |
| Retail Confidence Index - RCI | 27.4 | 13.8 | 22.2 |

Source: Business Tendency Survey (BTS) – Fedesarrollo

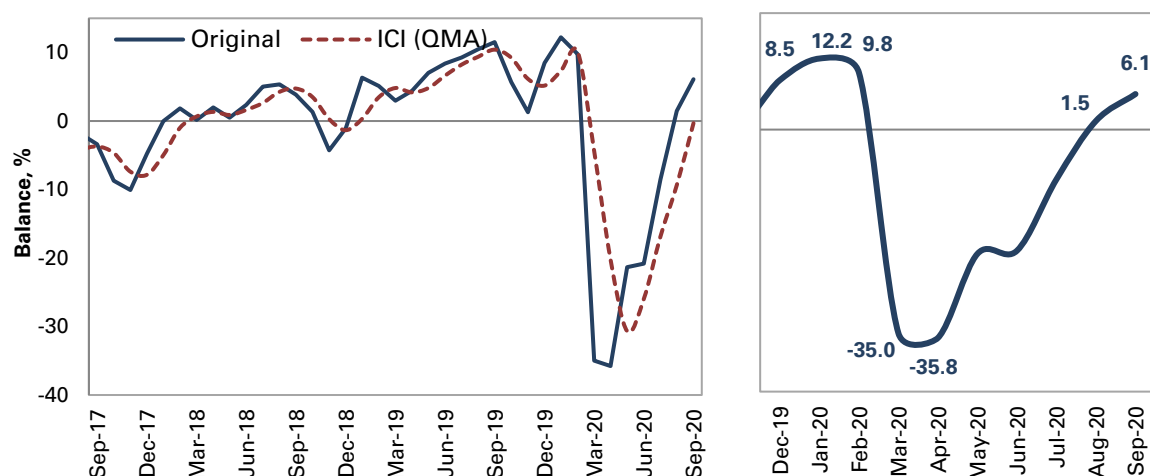
In September, the growth in retailer’s confidence compared to the previous month was mainly due to an increase of 12.3 pp in the expectation’s indicator for the next semester, an increase of 8.8 pp in the indicator of business current situation and a reduction of 4.0 pp in the level of stocks. On the other hand, compared to September 2019, the result was mainly due to a decrease of 18.6 pp in the current economic situation, a decrease of 5.1 pp in the expectation’s indicator for the next semester. Meanwhile the level of stocks decreased 8.1 pp.

Industrial Confidence Index – ICI

In September, the Industrial Confidence Index (ICI) stood at 6.1% in its original series, which represents an increase of 4.6 percentage points (pp) compared to last month and a decrease of 5.4 pp relative to September 2019. Finally, its quarterly moving average

was -0.3%, which is equivalent to an increase of 9.0 pp compared to last month (Graph 2).

Graph 2. Industrial Confidence Index (ICI)



Source: Business Tendency Survey (BTS) – Fedesarrollo

The ICI has three components: **level of stocks¹, current volume of orders and production expectations for the next three months**. In the original series, the increase of the ICI compared to the previous month was mainly due to an increase of 8.6 pp in the level of stocks and a reduction of 5.8 pp in the level of stocks. Meanwhile, the expected production for the next three months decreased 0.5 pp. Excluding seasonal variations, there was an increase in the current volume of orders, in the expected production for the next quarter and a decrease in the level of stocks compared to August (Graph 3).

Table 2. Evolution of ICI components

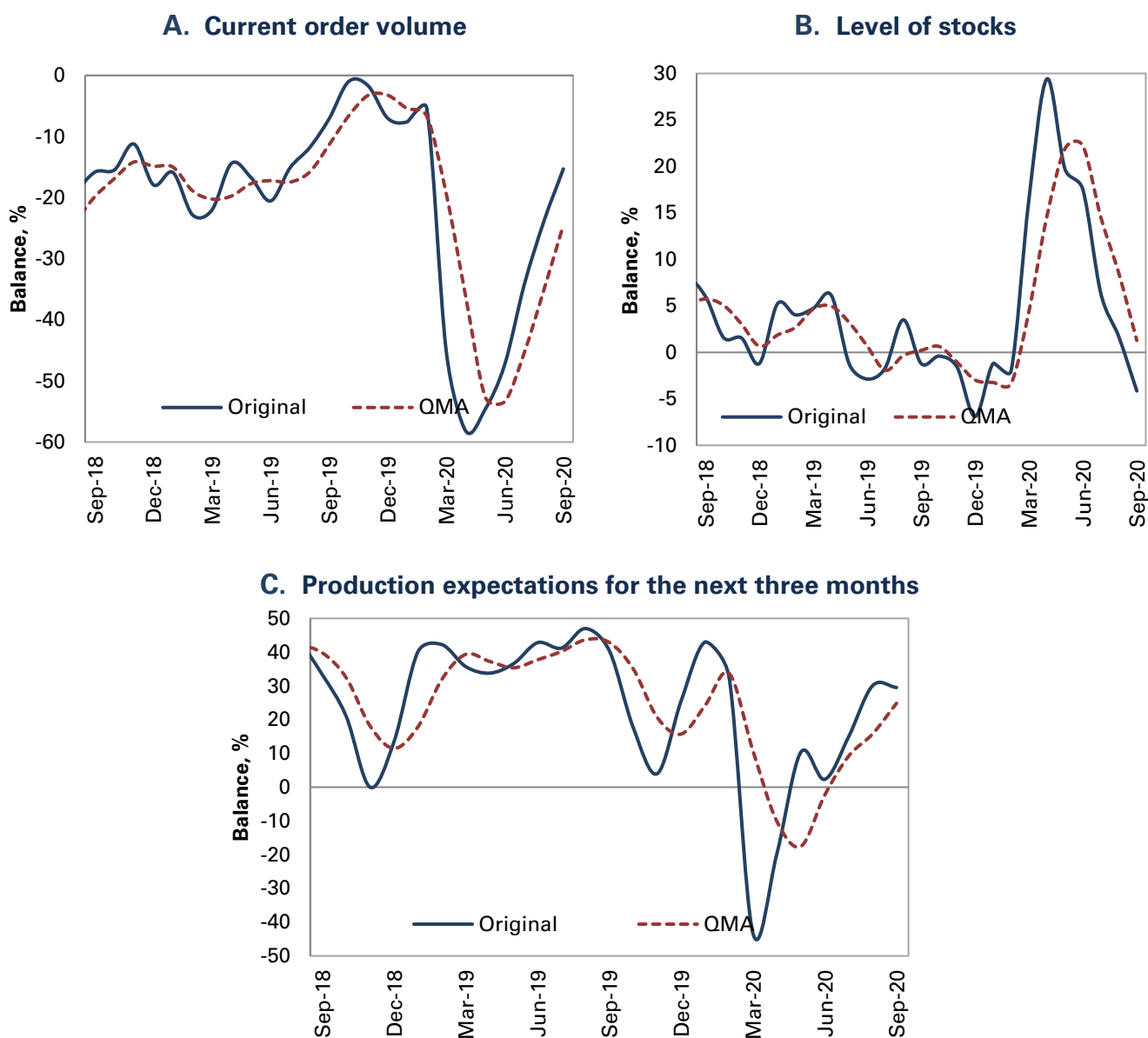
| Component (Balance, %) | 2019 | | 2020 |
|---|-------------|------------|------------|
| | September | August | September |
| Stocks of finished goods at end of this month | -1.2 | 1.7 | -4.1 |
| Current volume of orders | -7.1 | -23.9 | -15.3 |
| Expected production in the next three months | 40.4 | 30.1 | 29.5 |
| Industrial Confidence Index - ICI | 11.5 | 1.5 | 6.1 |

Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to September 2019 was due to a decrease of 10.9 pp in the expected production in the next three months and a reduction of 8.2 pps in the current volume of orders. Conversely, the level of stocks decreased 2.9 pp (Table 2).

¹ Both industrial producers and retailers are asked if the level of stocks is high, low or normal. The balance corresponds to 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.

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

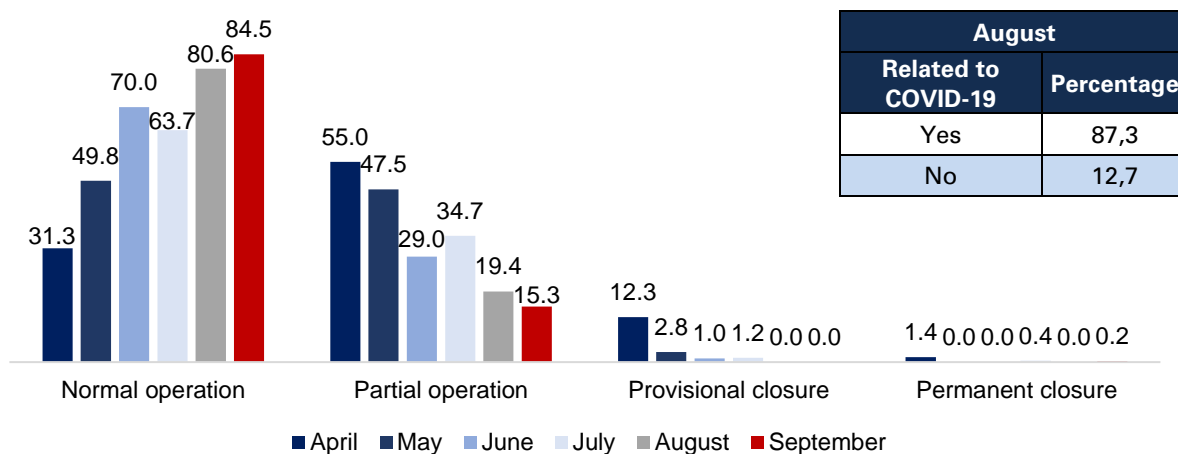
COVID-19

In order to identify the impact on the business sector caused by COVID-19 and the containment measures decreed by the National Government, the Business Opinion Survey identified four main aspects that may be affected. These are: i) the company's operation status, ii) expectations of operation status, iii) employment and iv) financial fragility.

In September, regarding the degree of operation of the company, 84.5% of the firms did not present an impact on their operation, 15.3% operated partially, none of the companies had a provisional closure and 0.2% had a permanent closure (Graph 4). Regarding the companies that had some degree of impairment in their operations, 87.3% stated that this was due to COVID-19.

Regarding the previous month, in September the percentage of firms that are on normal operation increased 3.9 pp, conversely the percentage that are on partial operation decreased 4.1 pp, the percentage that are in provisional closure remained constant and permanent closure increased 0.2 pp.

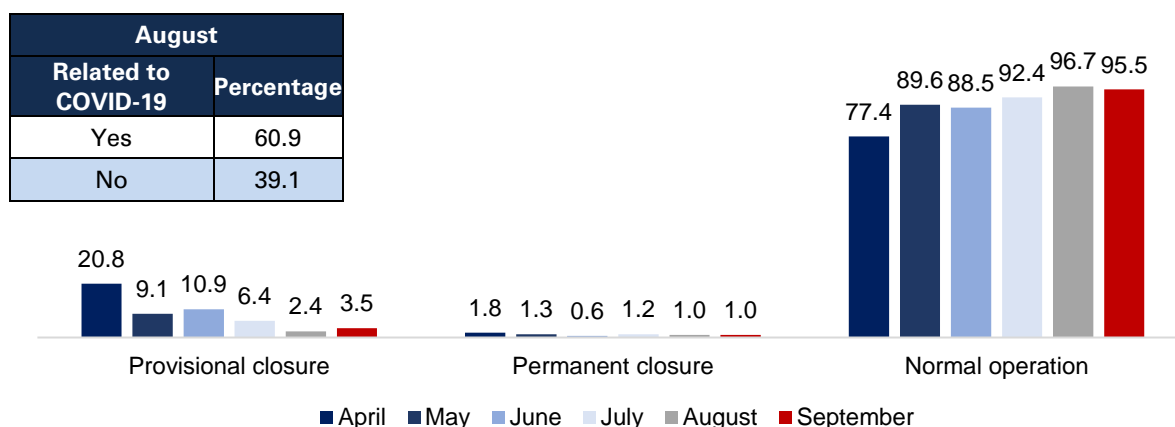
Graph 4. Operation status of the company and its relation to COVID-19



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 3.5% of the companies expect to carry out a provisional closure, 1.0% foresee a permanent closure meanwhile the remaining 95.5% do not plan to carry out any disrupt in their operations (Graph 5). In respect to August the proportion of companies who don't expect any closure in the next three months decreased 1.2pp, in contrast, the proportion who foresee a permanent closure remained permanent, and the proportion who expect a provisional closure increased 1.2 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 was 60.9%.

Graph 5. Operation status expectative and its relation to COVID-19



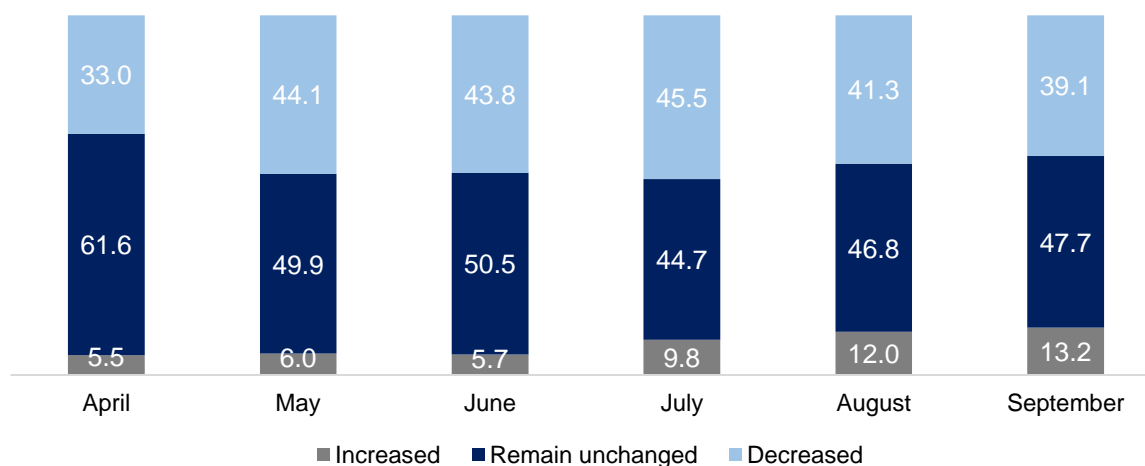
Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, 0.2% of the companies increased the number of employees more than 50%, 0.4% increased it more than 25%, 12.6% of companies rose

the number of workers between 1% and 25%, meanwhile 47.7% kept their staff unchanged. 32.8% of the firms reduced their employees in a range between 1% and 25%, the percentage of companies that reduced the number of their workers between 25% and 50% was 4.9%, and the remaining 1.4% reduced it more than 50%.

Compared to August the percentage of companies who increased the number of employees raised 1.2 pp, also the percentage of companies in which the number of employees remained unchanged increased 1.0 pp, while the percentage of companies who decreased the number of employees lessened 2.2 pp (Graph 6).

Graph 6. Number of employees in comparison with January 2020.



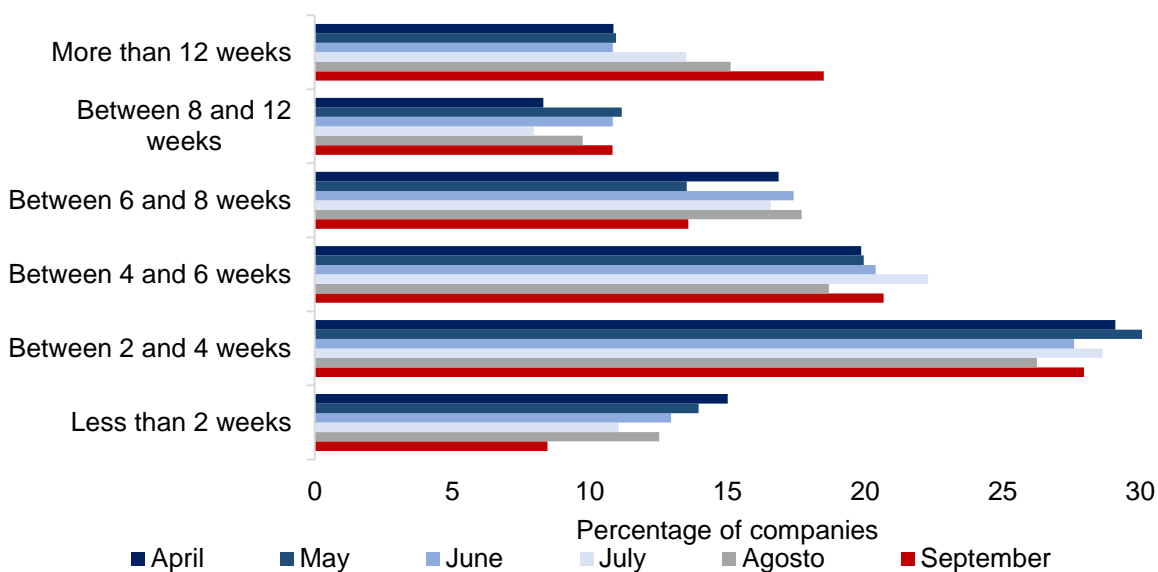
Source: Business Tendency Survey (BTS) – Fedesarrollo

The percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses² is 8.5%, meanwhile 28.0% considers having cash on hand worth of between 2 and 4 weeks of expenses. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks' of expenses is 20.7%, 13.6% consider it to be between 6 and 8 weeks, 10.8% claims to have cash on hand between 8 and 12 weeks, the remaining 18.5% of companies have cash to pay more than 12 weeks of expenses.

In comparison with the previous month, the percentage of companies who considers to have cash on hand worth of less than 2 weeks' of expenses decreased 4.1 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses increased 1.7 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses increased 2.0 pp. The companies who consider it to be between 6 and 8 weeks decreased 4.1 pp, the ones who claim to have cash on hand between 8 and 12 weeks increased 1.1 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses increased 3.4 pp (Graph 7).

² Refers to all its fixed costs (wages, social benefits, rent, etc.)

Graph 7. Maximum of weeks with cash on hand to pay all expenses.

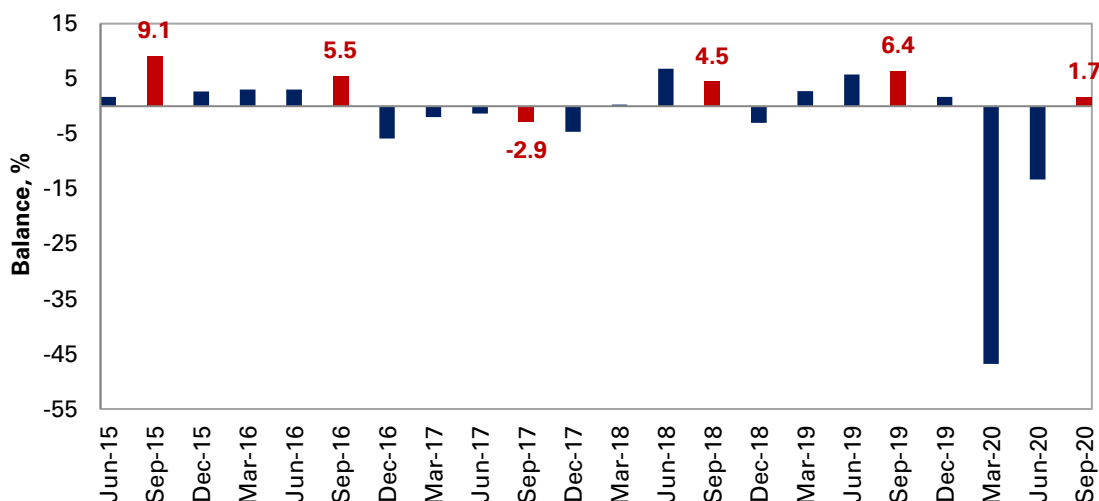


Source: Business Tendency Survey (BTS) – Fedesarrollo

Employment Expectations and Contraband Perception³

In September, the balance of employment expectations for the next quarter was 1.7%, which represents an increase of 15.0 pps compared to the previous quarter and a decrease of 4.7 pps relative to the same period of 2019 (Graph 4). Disaggregating by answers, 9.7% of respondents believe that employment in the industry in the next quarter will increase, 8.1% believe that it will decrease and 82.2% considers it will remain the same.

Graph 4. Employment expectations in the industry



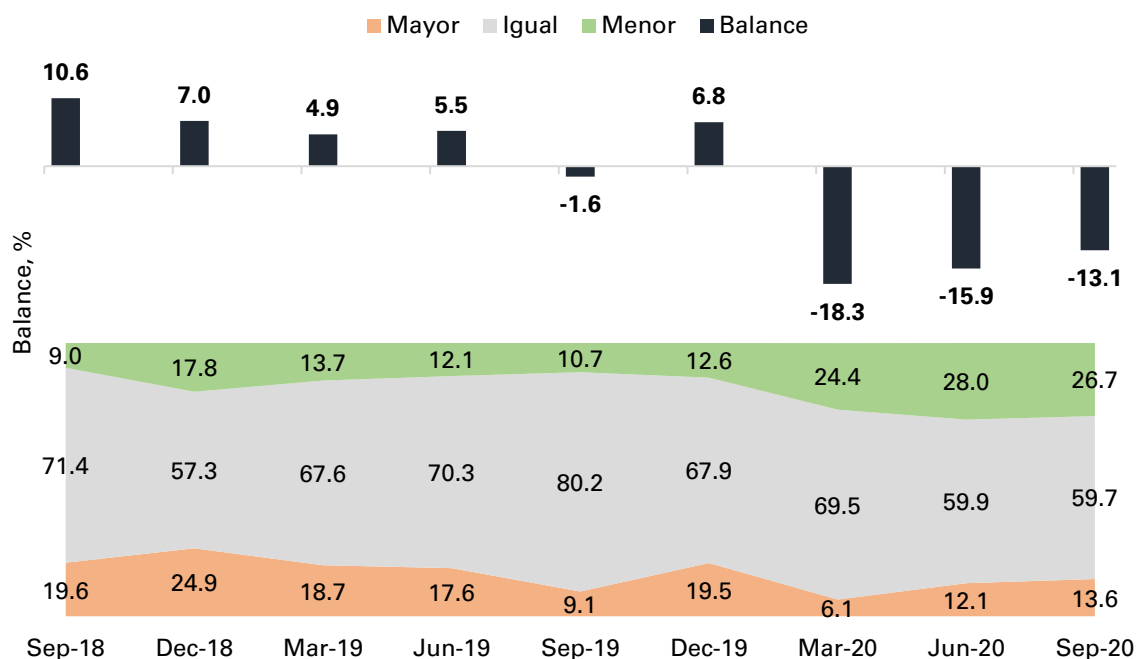
Note: Not seasonally adjusted.

Source: Business Tendency Survey – Fedesarrollo.

³ The Business Opinion Survey contains a quarterly module inquiring about employers' perception of employment expectations and the perception of contraband in the industry.

Furthermore, in September industrial business perception of contraband had a balance of -13.1%, which represents an increase of 2.9 pps with respect to the data of the previous quarter and a decrease of 11.5 pps relative to September 2019. Specifically, 13.6% of respondents stated that contraband in the July - September quarter increased in relation to the previous quarter, 59.7% stated it will remain the same, while 26.7% considered it to be lower (Table 3).

Table 3. Contraband Perception



Source: Business Tendency 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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