

## Business Tendency Survey December 2020



In December, the Retail Confidence Index (RCI) was 23.0%, compared to the previous month, this represents a decrease of 3.3 pp mainly due to a decline in the expectations about the economic situation for the next semester and in the current economic situation. The Industrial Confidence Index registered a balance of -1.6%, compared to the previous month, this represents an increase of 5.1 pp, mainly due to an increase in the business expectations for the next 6 months and a decrease in the stocks at the end of the month.

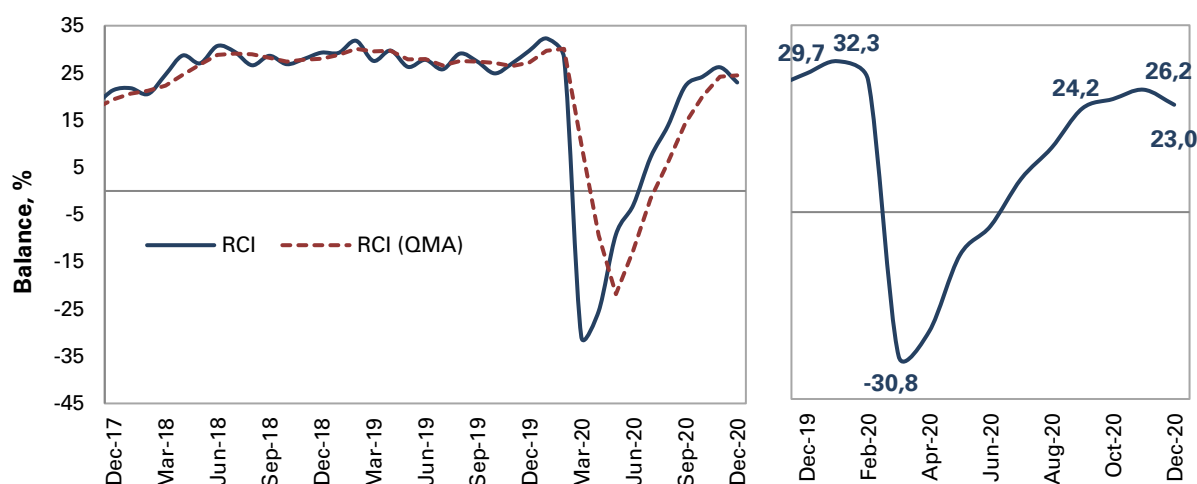
In December, 11.6% of the companies presented problems in their operations, 94.9% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 24.4%. Only 28.4% of firms has cash on hand for more than eight weeks of expenses.

The balance of employment expectations for the next quarter was 9.1%, which represents an increase of 7.4 pp compared to the previous quarter. Additionally, in December industrial business perception of contraband had a balance of -7.0%, which represents an increase of 6.1 pp with respect to the previous quarter.

### **Retail Confidence Index – RCI**

In December, the Retail Confidence Index (RCI) was 23.0%, which represents a decrease of 3.3 percentage points (pp) compared to last month and a decrease of 6.7 pp relative to December 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<sup>1</sup> and expectations about the economic situation for the next semester**. The results for December of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2019		2020
	December	November	December
Business current situation	55.4	38.7	36.9
Level of stocks	9.5	-4.0	-8.9
Business expectations for the next 6 months	43.2	36.0	23.1
<b>Retail Confidence Index - RCI</b>	<b>29.7</b>	<b>26.2</b>	<b>23.0</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

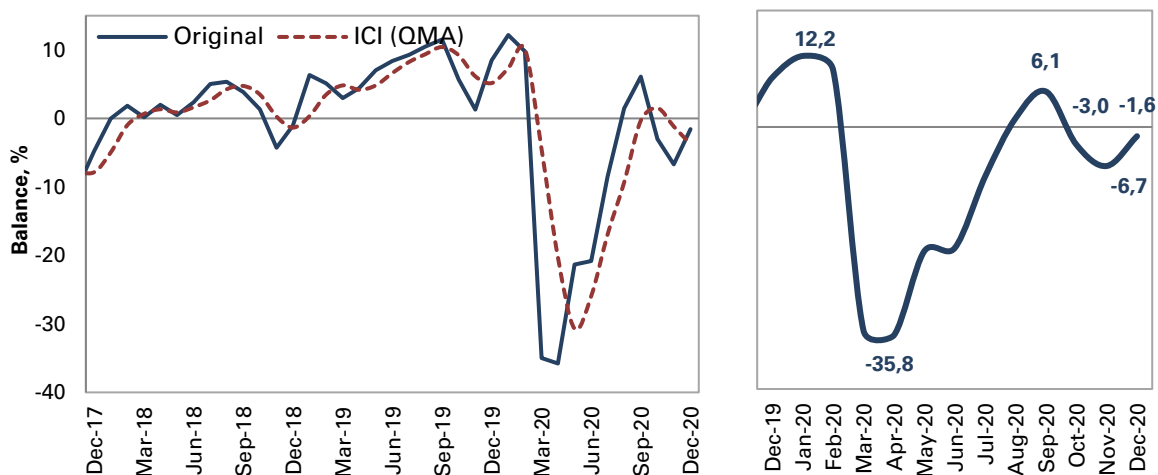
In December, the decline in retailer's confidence compared to the previous month was mainly due to a decrease of 12.9 pp in the expectation's indicator for the next semester and a variation of -1.8 pp in the indicator of business current situation. Meanwhile, the level of stocks decreased 4.9 pp. On the other hand, compared to December 2019, the result was mainly due to a decrease of 20.1 pp in expectation's indicator for the next semester and a decrease of 18.6 pp in the current economic situation. On the other hand, the level of stocks decreased 18.5 pp.

### Industrial Confidence Index – ICI

<sup>1</sup> 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.

In December, the Industrial Confidence Index (ICI) stood at -1.6% in its original series, which represents an increase of 5.1 percentage points (pp) compared to last month and a decrease of 10.1 pp relative to December 2019. Finally, its quarterly moving average was -3.7%, which is equivalent to a decrease of 2.6 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 stocks, current volume of orders and production expectations for the next three months**. In the original series, the growth of the ICI compared to the previous month was mainly due to an increase of 15.0 pp in the expected production for the next three months and a decrease of 7.4 pp in the level of stocks. Meanwhile, the current volume of orders decreased 7.1 pp. (Graph 3). Excluding seasonal variations, compared to the last month there was a decrease in the expected production for the next quarter, a reduction in the current volume of orders and a decrease in the level of stocks.

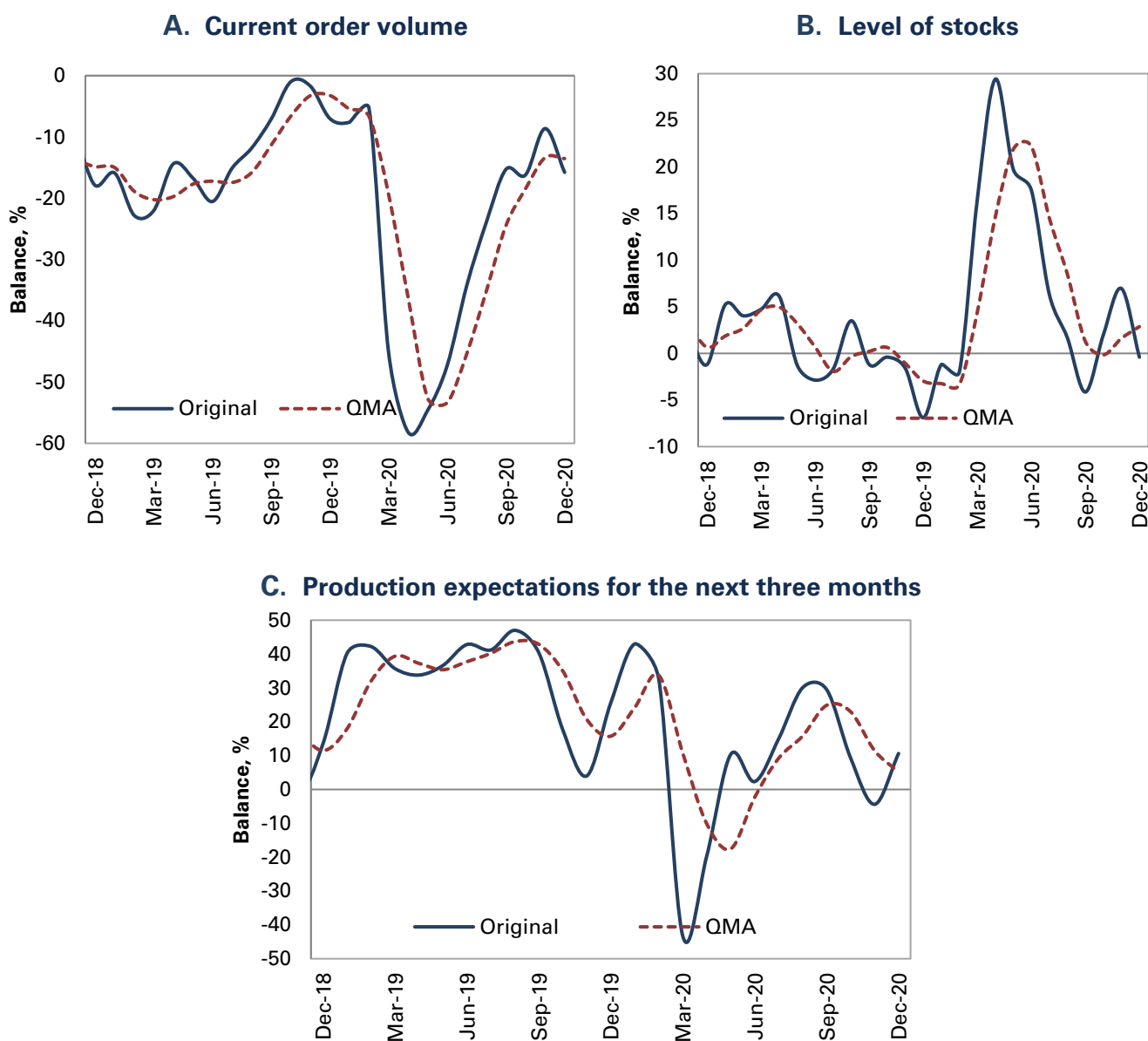
**Table 2. Evolution of ICI components**

Component (Balance, %)	2019		2020
	December	November	December
Stocks of finished goods at end of this month	-6,9	7,0	-0,4
Current volume of orders	-7,0	-8,6	-15,8
Expected production in the next three months	25,6	-4,4	10,6
<b>Industrial Confidence Index - ICI</b>	<b>8,5</b>	<b>-6,7</b>	<b>-1,6</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to December 2019 was due to a decrease of 15.0 pp in the expected production in the next three months, a decrease of 8.8 pp in the current volume of orders and an increase of 6.5 pp in the level of stocks (Table 2).

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

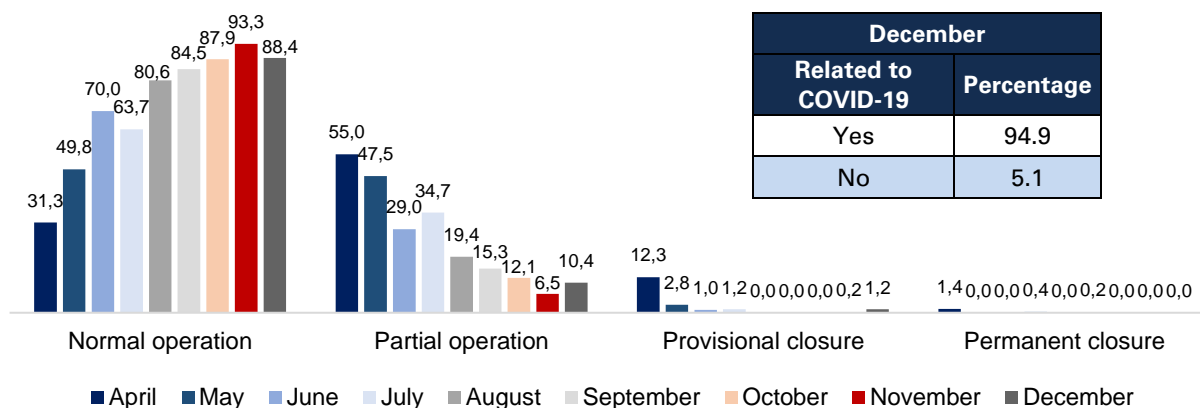
### COVID-19

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 December, regarding the degree of operation of the company, 88.4% of the firms did not present an impact on their operation, 10.4% operated partially, 1.2% had a provisional closure and none of them had a permanent closure (Graph 4). Concerning the companies that had some degree of impairment in their operations, 94.9% stated that this was due to COVID-19.

Regarding the previous month, in December the percentage of firms that are on normal operation decreased 4.9 pp, conversely the percentage that are on partial operation increased 3.9 pp, the percentage that are in provisional closure increased 1 pp and the proportion which are in permanent closure remained constant.

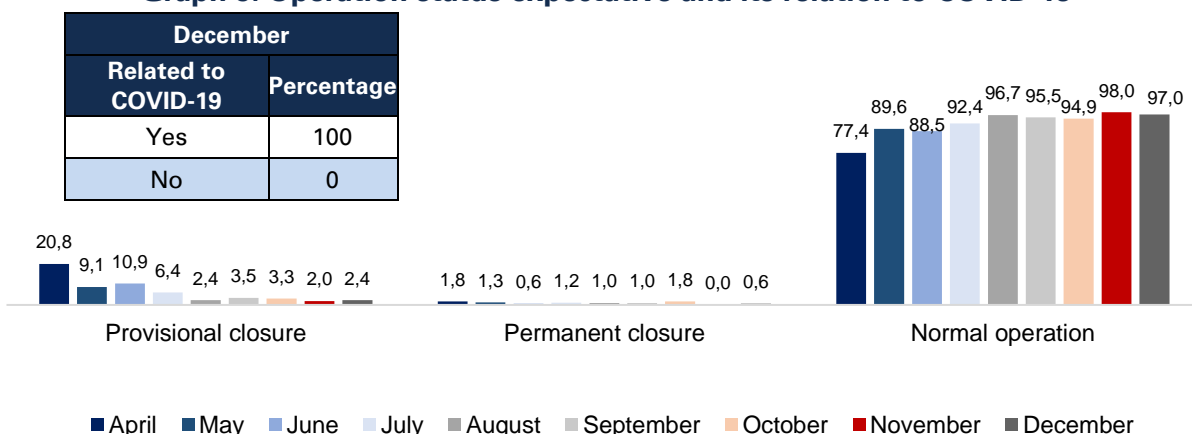
**Graph 4. Operation status of the company and its relation to COVID-19**



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 2.4% of the companies expect to carry out a provisional closure, 0.6% of the companies foresee a permanent closure meanwhile the remaining 97.0% do not plan to carry out any disrupt in their operations (Graph 5). In respect to November, the proportion of companies who do not expect any closure in the next three months decreased 1 pp, in contrast, the proportion of firms expecting a permanent closure and a temporary closure increased by 0.6 pp and 0.4 pp respectively. The percentage of companies that associates the impact on their operation status to the COVID-19 was 100%.

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



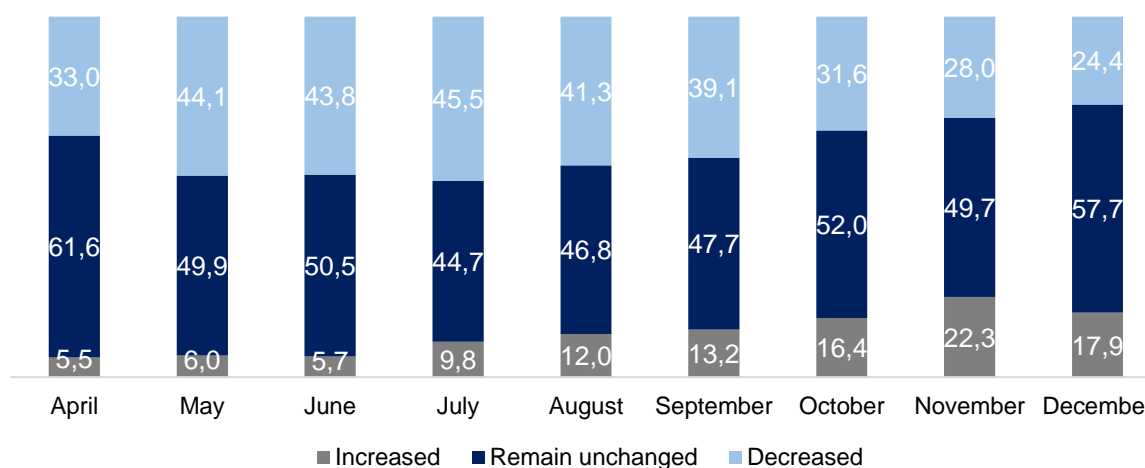
Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, none of the companies increased the number of employees more than 50%, 1% increased it more than 25%, 16.9% of companies rose the number of workers between 1% and 25%, meanwhile 57.7% kept their staff unchanged. 20.3% 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 3.5%, and the remaining 0.6% reduced their number of employees by more than 50%.

Compared to November the percentage of companies who increased the number of employees decreased 4.4 pp, the percentage of companies in which the number of employees remained unchanged increased 8 pp, while the percentage of companies who decreased the number of employees declined 3.6 pp (Graph 6).

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



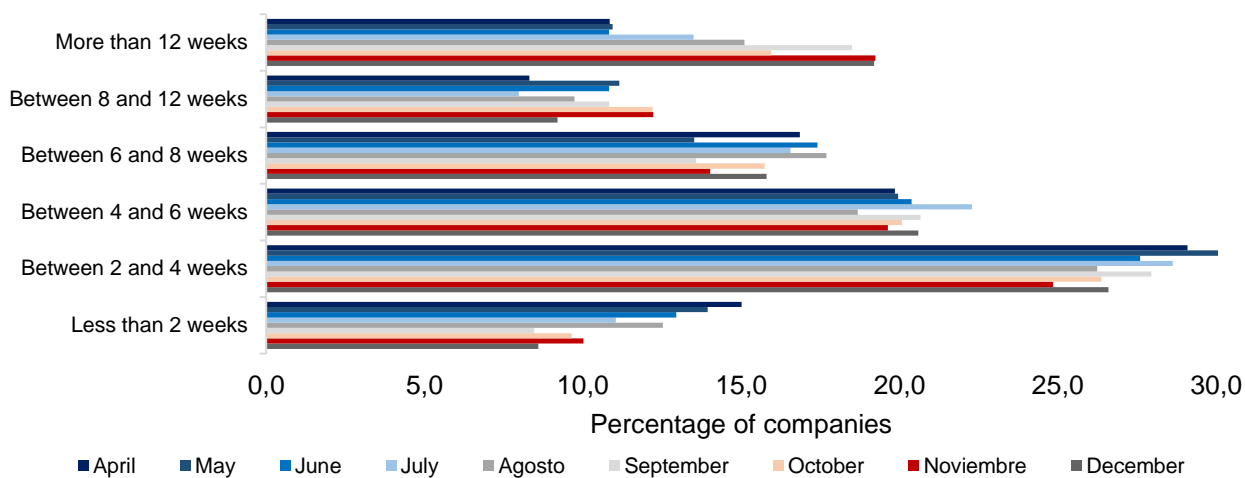
**Source:** Business Tendency Survey (BTS) – Fedesarrollo

In December, the percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses<sup>2</sup> is 8.6%, meanwhile 26.6% 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 20.6%, 15.8% consider it to be between 6 and 8 weeks, 9.2% claims to have cash on hand between 8 and 12 weeks, the remaining 19.2% 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 1.4 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses increased 1.8 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses increased 1 pp. The companies who consider it to be between 6 and 8 weeks increased 1.8 pp, the ones who claim to have cash on hand between 8 and 12 weeks decreased 3 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses remained constant (Graph 7).

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

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

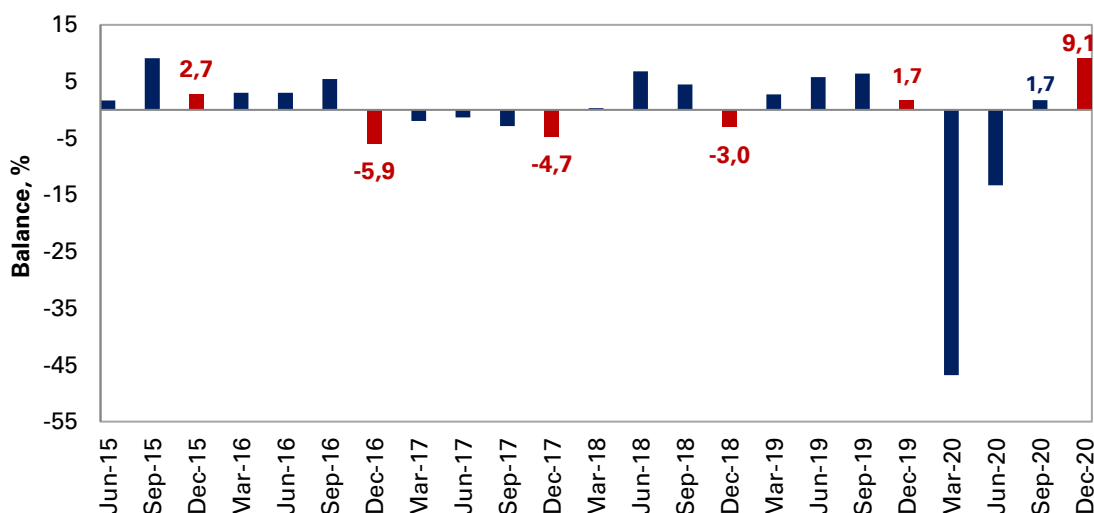


Source: Business Tendency Survey (BTS) – Fedesarrollo

### Employment Expectations and Contraband Perception<sup>3</sup>

In December, the balance of employment expectations for the next quarter was 9.1%, which represents an increase of 7.4 pps compared to the previous quarter and an increase of 7.4 pps relative to the same period of 2019 (Graph 8). Disaggregating by answers, 15.8% of respondents believe that employment in the industry in the next quarter will increase, 6.7% believe that it will decrease and 77.5% considers it will remain the same.

**Graph 8. Employment expectations in the industry**



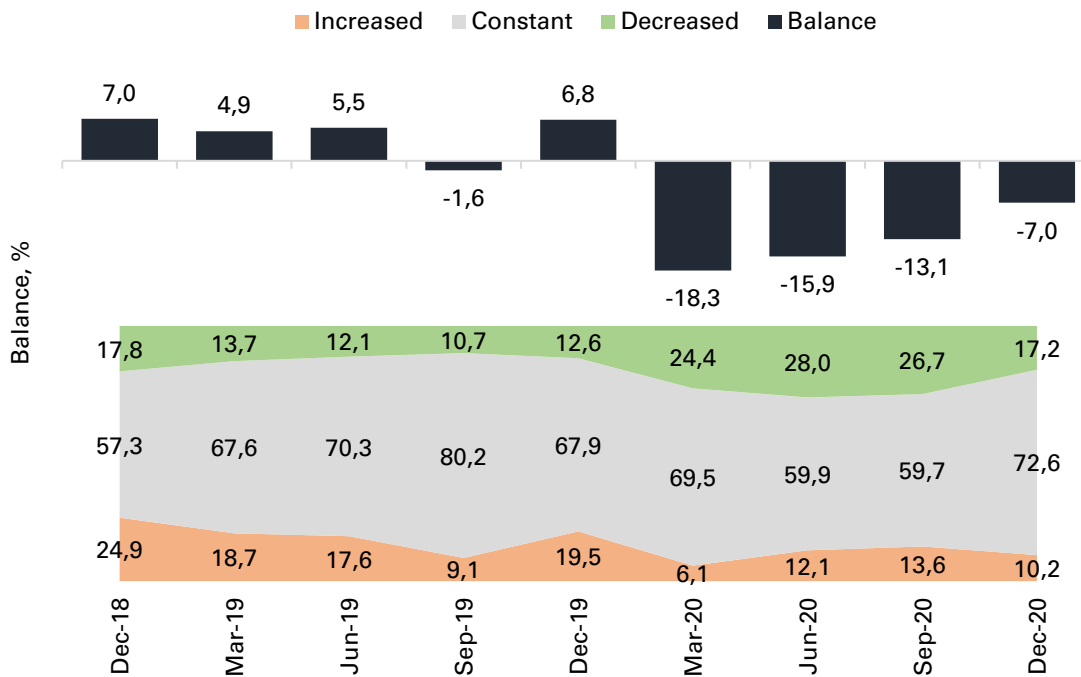
Note: Not seasonally adjusted.

Source: Business Tendency Survey – Fedesarrollo.

<sup>3</sup> 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 December industrial business perception of contraband had a balance of -7.0%, which represents an increase of 6.1 pps with respect to the data of the previous quarter and a decrease of 13.8 pps relative to December 2019. Specifically, 10.2% of respondents stated that contraband in the October - December quarter increased in relation to the previous quarter, 72.6% stated it will remain the same, while 17.2% considered it to be lower (Graph 9).

**Graph 9. 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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