

Business Tendency Survey March 2021



In March, the Retail Confidence Index (RCI) was 38.7%, compared to the previous month, this represents an increase of 4.4 pp mainly due to a decrease in the level of stocks and an increase in the current economic situation. The Industrial Confidence Index registered a balance of 6.8%, compared to the previous month, this represents a decrease of 1.4 pp, mainly due to a decrease in the business expectations for the next 3 months.

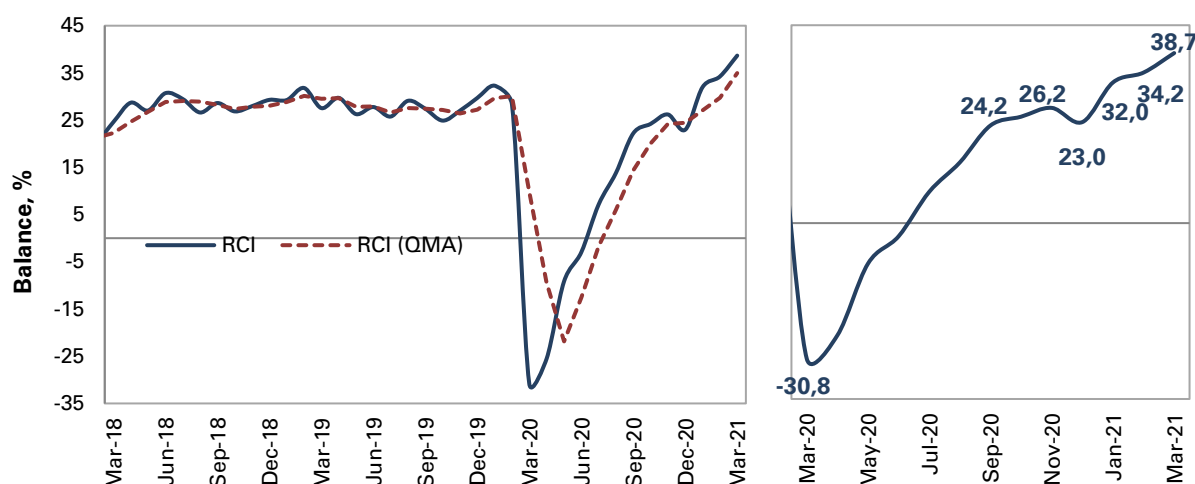
In March, 4.9% of the companies presented problems in their operations, 88% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to a pre-pandemic scenario was 18.6%. Only 33.4% of firms has cash on hand for more than eight weeks of expenses.

The balance of employment expectations for the next quarter was 9.4%, which represents an increase of 0.3 pp compared to the previous quarter. Additionally, in March industrial business perception of contraband had a balance of -8,9%, which represents a decrease of 2 pp with respect to the previous quarter.

Retail Confidence Index – RCI

In March, the Retail Confidence Index (RCI) was 38.7%, which represents an increase of 4.4 percentage points (pp) compared to last month and a growth of 69.5 pp relative to March 2020 (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 stocks¹ and expectations about the economic situation for the next semester**. The results for March of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2020	2021	
	March	February	March
Business current situation	-26.4	47.3	51.2
Level of stocks	3.3	-5.4	-12.5
Business expectations for the next 6 months	-62.8	50.0	52.3
Retail Confidence Index - RCI	-30.8	34.2	38.7

Source: Business Tendency Survey (BTS) – Fedesarrollo

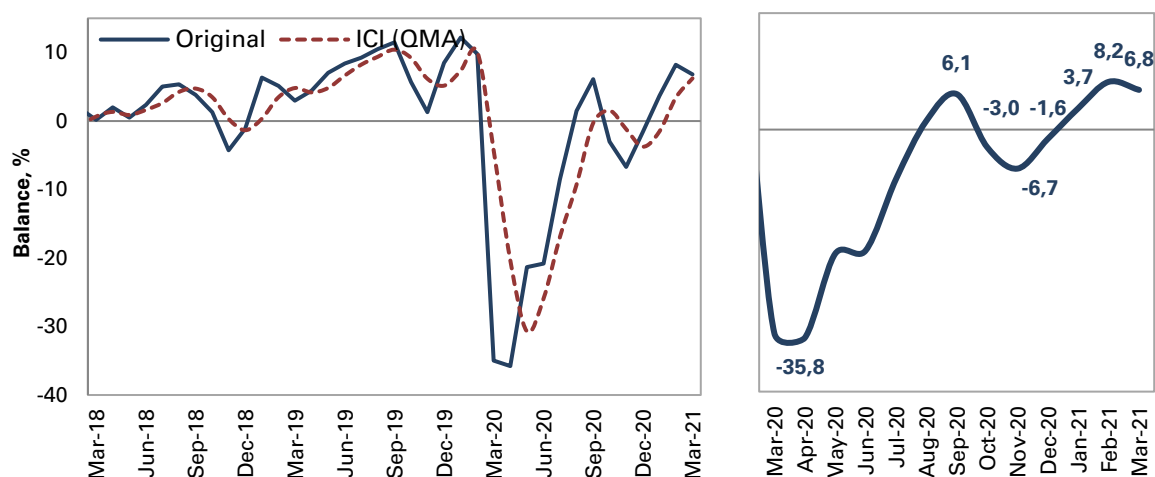
In March, the growth in retailer's confidence compared to the previous month was mainly due to a decrease of 7.1pp in the level of stocks, an increase of 4.0 pp in the indicator of business current situation and a growth of 2.3 pp in the expectation's indicator for the next semester. On the other hand, compared to March 2020, the result was mainly due to an increase of 115.1 pp in the expectation's indicator for the next semester, an increase of 77.6 pp in the current economic situation and a decrease of 15.8 pp in the level of stocks.

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.

Industrial Confidence Index – ICI

In March, the Industrial Confidence Index (ICI) stood at 6.8% in its original series, which represents a decrease of 1.4 percentage points (pp) compared to last month and an increase of 41.8 pp relative to March 2020. Finally, its quarterly moving average was 6.2%, which is equivalent to an increase of 2.8 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 decrease of the ICI compared to the previous month was mainly due to a decrease of 8.1 pp in the expected production for the next three months. Meanwhile the current volume of orders increased 3.5 pp and the level of stocks decreased 0.4 pp (Graph 3). Excluding seasonal variations, compared to the last month there was an increase in the current volume of orders and a decrease in the level of stocks and the expected production for the next quarter.

Table 2. Evolution of ICI components

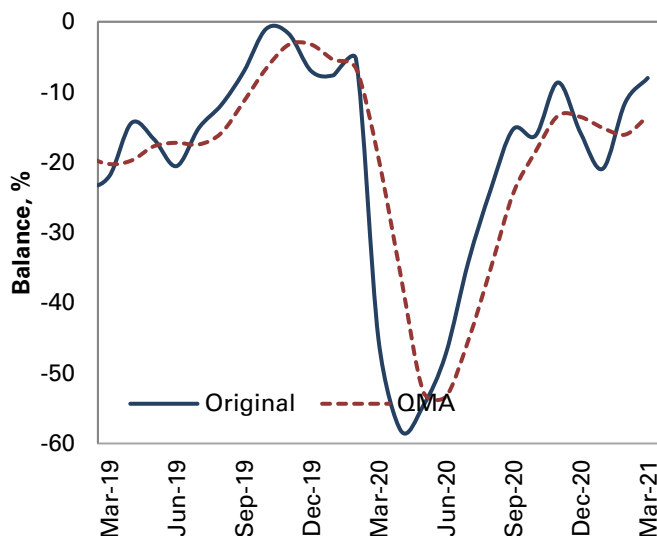
Component (Balance, %)	2020	2021	
	March	February	March
Stocks of finished goods at end of this month	16.5	-0.4	-0.9
Current volume of orders	-45.1	-11.5	-8.0
Expected production in the next three months	-43.3	35.7	27.6
Industrial Confidence Index - ICI	-35.0	8.2	6.8

Source: Business Tendency Survey (BTS) – Fedesarrollo

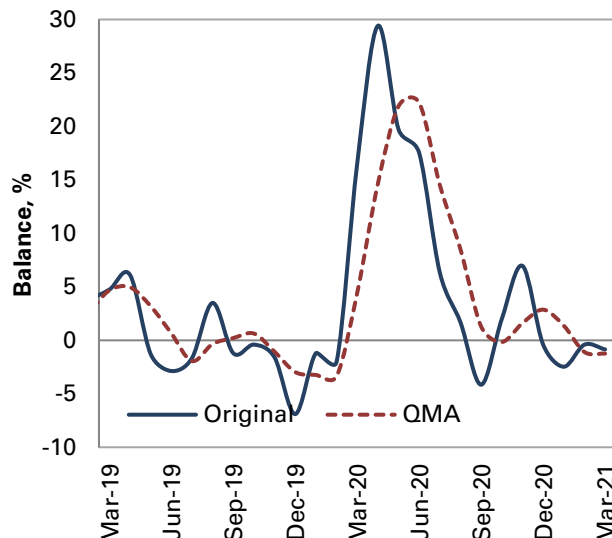
The growth in industrial confidence compared to March 2020 was due to an increase of 70,9 pp in the expected production in the next three months, an increase of 37.1 in the current volume of orders and a decrease of 17.4 pp in the level of stocks (Table 2).

Graph 3. ICI Components

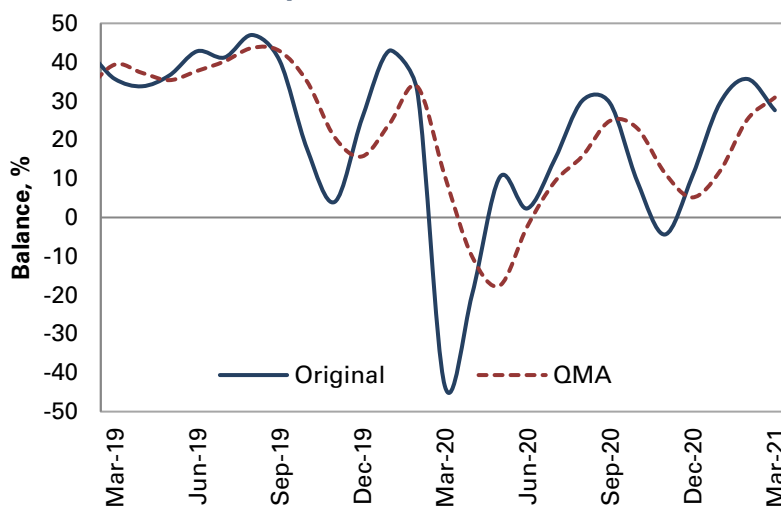
A. Current order volume



B. Level of stocks



C. Production expectations for the next three months



Source: Business Tendency Survey (BTS) – Fedesarrollo

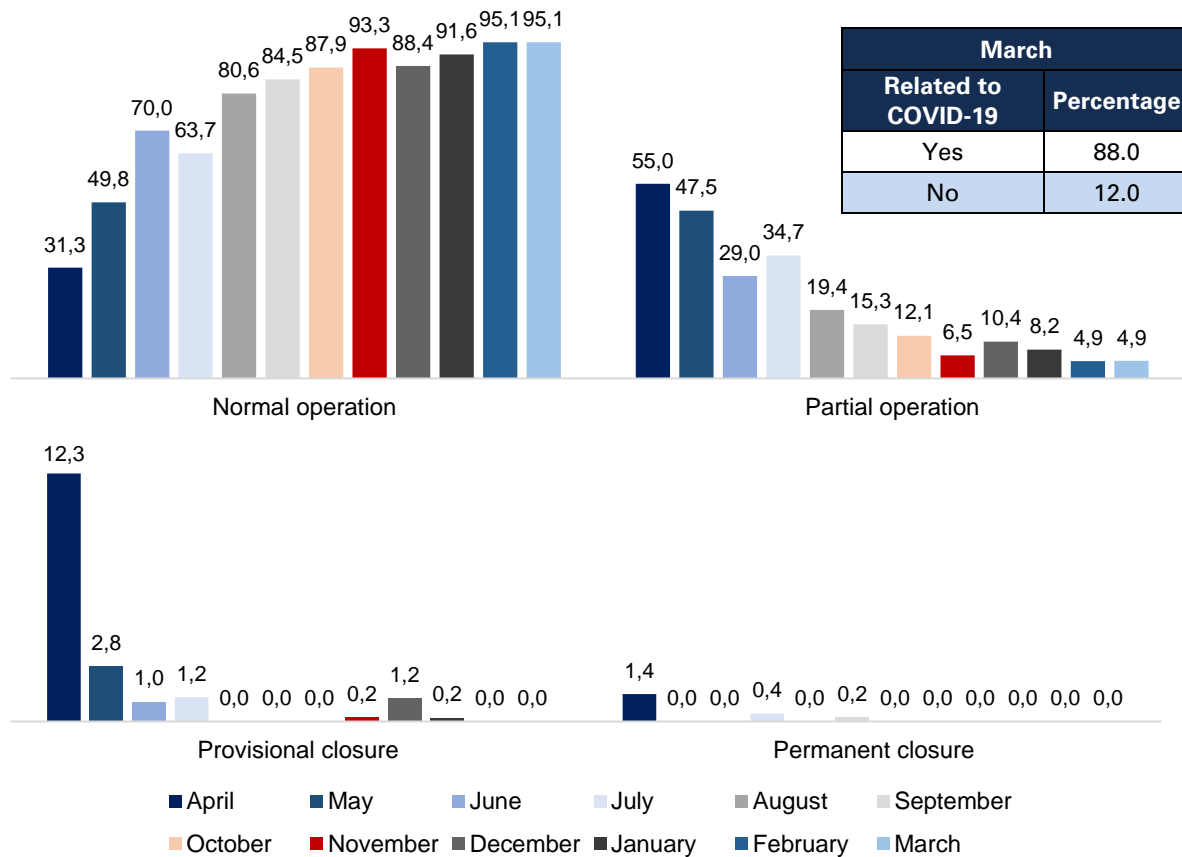
COVID-19

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 March, regarding the degree of operation of the company, 95.1% of the firms did not present an impact on their operation, 4.9% operated partially, 0% 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, 88.0% stated that this was due to COVID-19.

Regarding the previous month, in March the percentage of firms that are on normal operation, on partial operation, in provisional closure and in permanent closure remained constant.

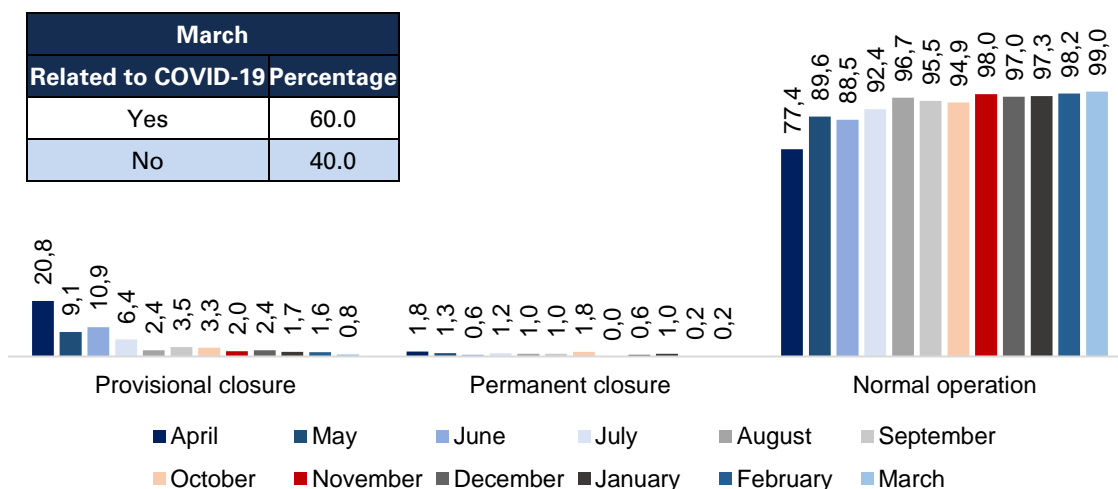
Graph 4. Operation status of the company and its relation to COVID-19



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 0.8% of the companies expect to carry out a provisional closure, 0.2% of the companies foresee a permanent closure meanwhile the remaining 99% do not plan to carry out any disrupt in their operations (Graph 5). In respect to February, the proportion of companies who do not expect any closure increased 0.8 pp. In contrast, the firms that foresee a permanent closure in the next three months remained constant and the proportion of firms expecting a temporary closure decreased by 0.8 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 was 60%.

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

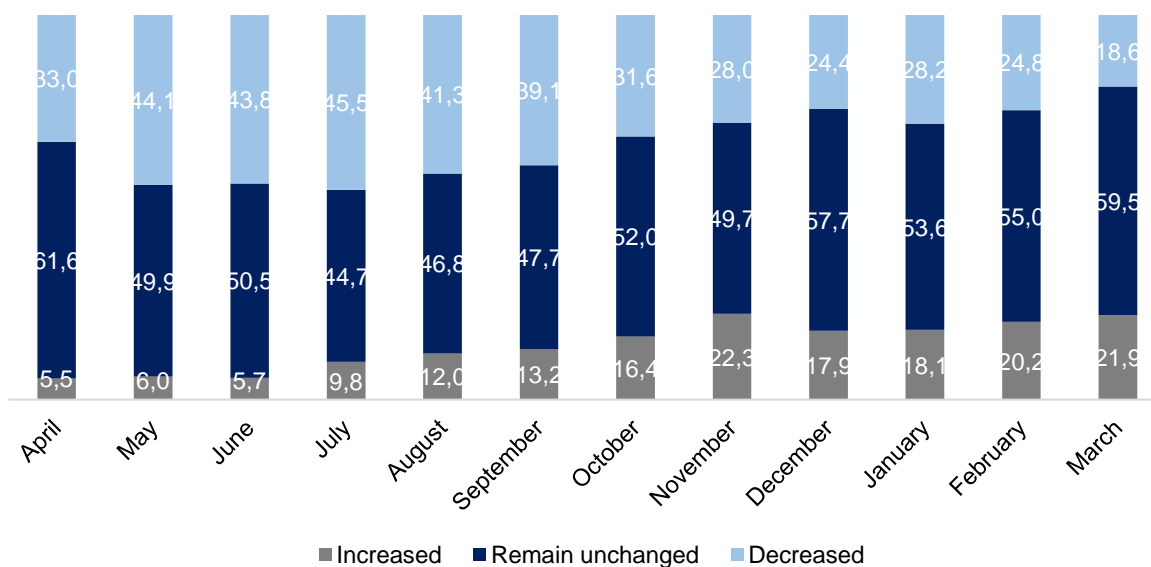


Source: Business Tendency Survey (BTS) – Fedesarrollo

Compared to a pre-pandemic scenario, 0.4% of the companies increased the number of employees more than 50%, 1.4% increased it more than 25%, 20.2% of companies rose the number of workers between 1% and 25%, meanwhile 59.5% kept their staff unchanged. 17% 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 1.2%, and the remaining 0.4% reduced their number of employees by more than 50%.

Compared to February the percentage of companies who increased the number of employees increased 1.7 pp, the percentage of companies in which the number of employees remained unchanged increased 4.4 pp, while the percentage of companies who decreased the number of employees decreased 6.2 pp (Graph 6).

Graph 6. Number of employees compared to a pre-pandemic scenario.

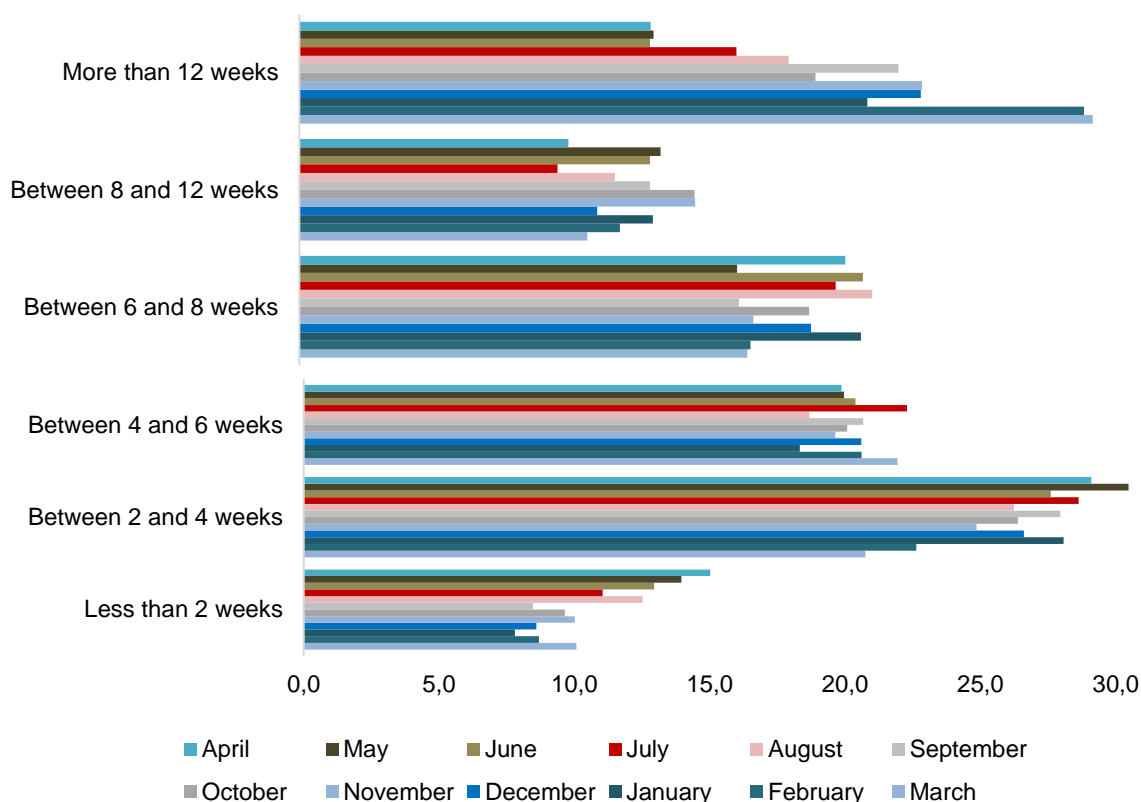


Source: Business Tendency Survey (BTS) – Fedesarrollo

In March, the percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses² is 10.1 %, meanwhile 20.8% 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 21.9%, 13.8% consider it to be between 6 and 8 weeks, 8.9% claims to have cash on hand between 8 and 12 weeks, and the remaining 24.5% 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 increased 1.4 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks’ of expenses decreased 1.9 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses increased 1.3 pp. The companies who consider it to be between 6 and 8 weeks decreased 0.1 pp, the ones who claim to have cash on hand between 8 and 12 weeks decreased 1.0 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses increased 0.3 pp (Graph 7).

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



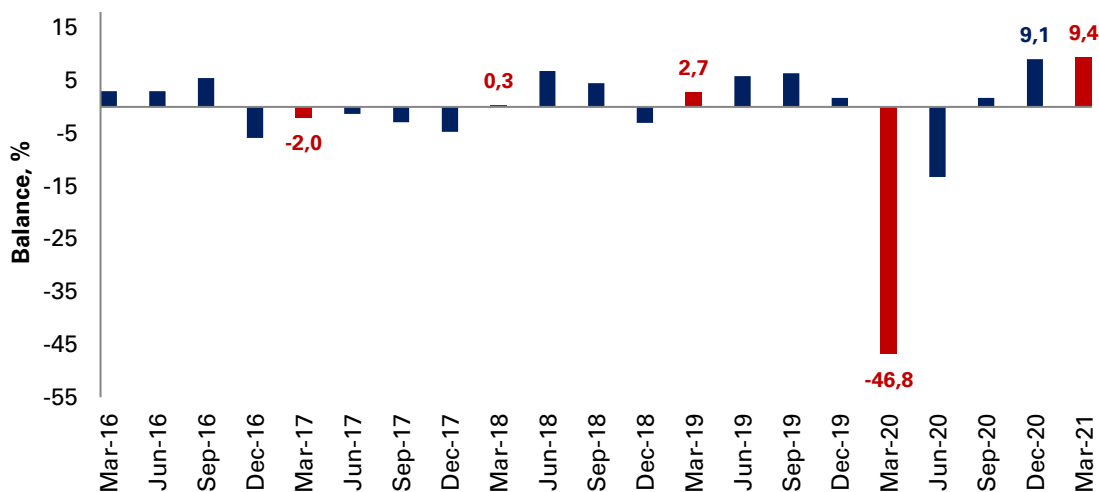
Source: Business Tendency Survey (BTS) – Fedesarrollo

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

Employment Expectations and Contraband Perception³

In March, the balance of employment expectations for the next quarter was 9.4%, which represents an increase of 0.3 pp compared to the previous quarter and an increase of 56.2 pp relative to the same period of 2020 (Graph 8). Disaggregating by answers, 13.7% of respondents believe that employment in the industry in the next quarter will increase, 4.3% believe that it will decrease and 81.9% considers it will remain the same.

Graph 8. Employment expectations in the industry



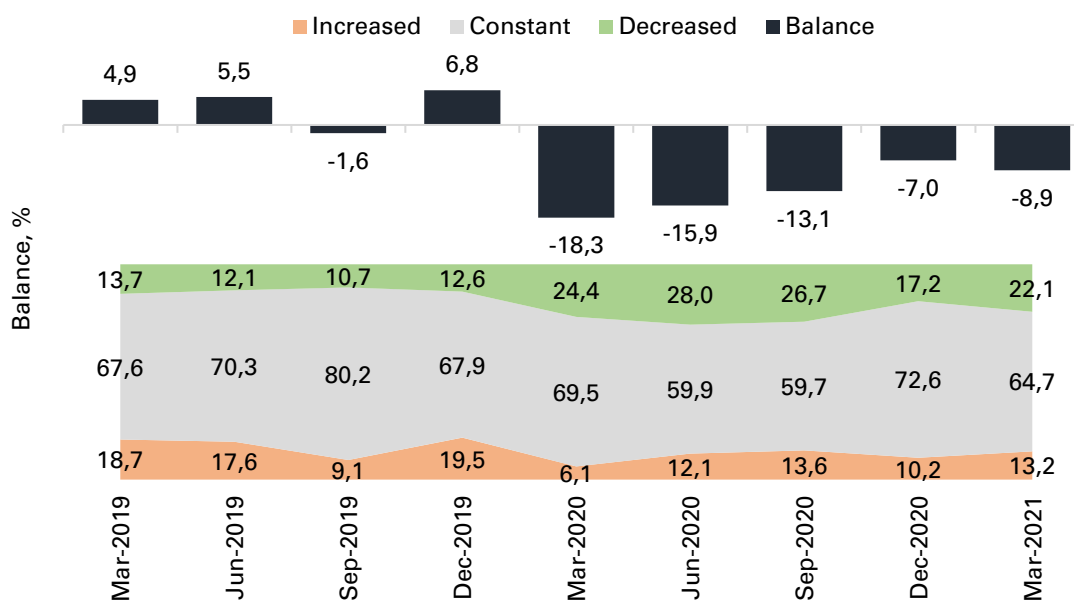
Note: Not seasonally adjusted.

Source: Business Tendency Survey – Fedesarrollo.

Furthermore, in March industrial business perception of contraband had a balance of -8.9%, which represents a decrease of 2 pp with respect to the data of the previous quarter and an increase of 9.3 pp relative to March 2020. Specifically, 13.2% of respondents stated that contraband in the January - March quarter increased in relation to the previous quarter, 64.7% stated it will remain the same, while 22.1% considered it to be lower (Graph 9).

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

Graph 9. Contraband Perception



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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