

Business Tendency Survey April 2021



In April, the Retail Confidence Index (RCI) was 25.6%, compared to the previous month, this represents a decrease of 13.1 pp mainly due to a decrease in the current economic situation and a decrease of the business expectations for the next 6 months. The Industrial Confidence Index registered a balance of -5.1%, compared to the previous month, this represents a decrease of 11.9 pp, mainly due to a decrease in the business expectations for the next 3 months and a decrease of the current volume of orders.

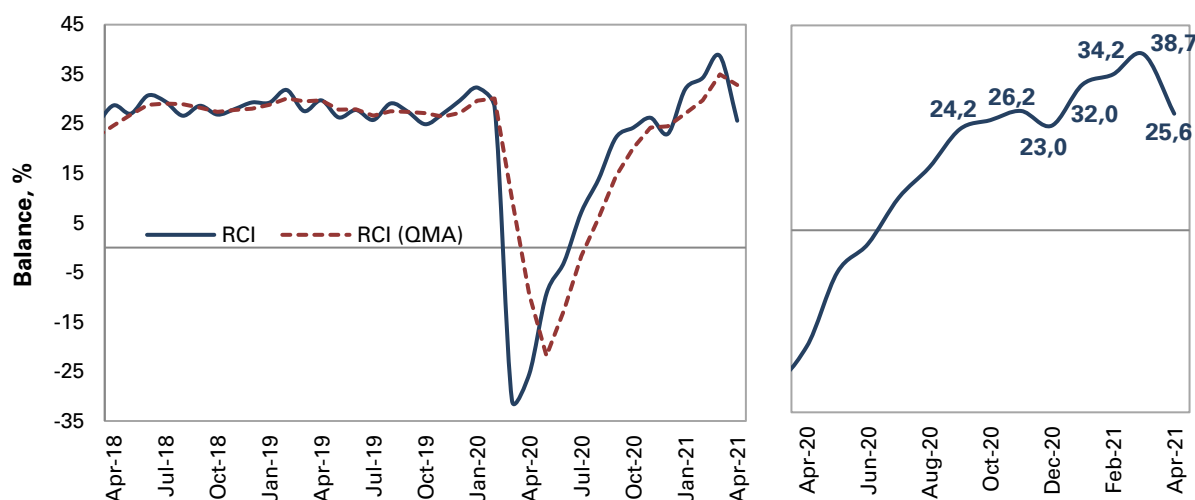
In April, 18.5% of the companies presented problems in their operations, 47.9% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to a pre-pandemic scenario was 19.1%. Only 25.9% of firms has cash on hand for more than eight weeks of expenses.

In the first quarter of 2021, the profitability of the export activity, the exported value in dollars and the balance of export orders increased. Meanwhile the exporters expectations on the performance of their activity in the next three months decreased compared to the previous quarter.

Retail Confidence Index – RCI

In April, the Retail Confidence Index (RCI) was 25.6%, which represents a decrease of 13.1 percentage points (pp) compared to last month and a growth of 51.1 pp relative to April 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 April of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2020	2021	
	April	March	April
Business current situation	-31.4	51.2	30.9
Level of stocks	9.5	-12.5	-12.6
Business expectations for the next 6 months	-35.7	52.3	33.3
Retail Confidence Index - RCI	-25.5	38.7	25.6

Source: Business Tendency Survey (BTS) – Fedesarrollo

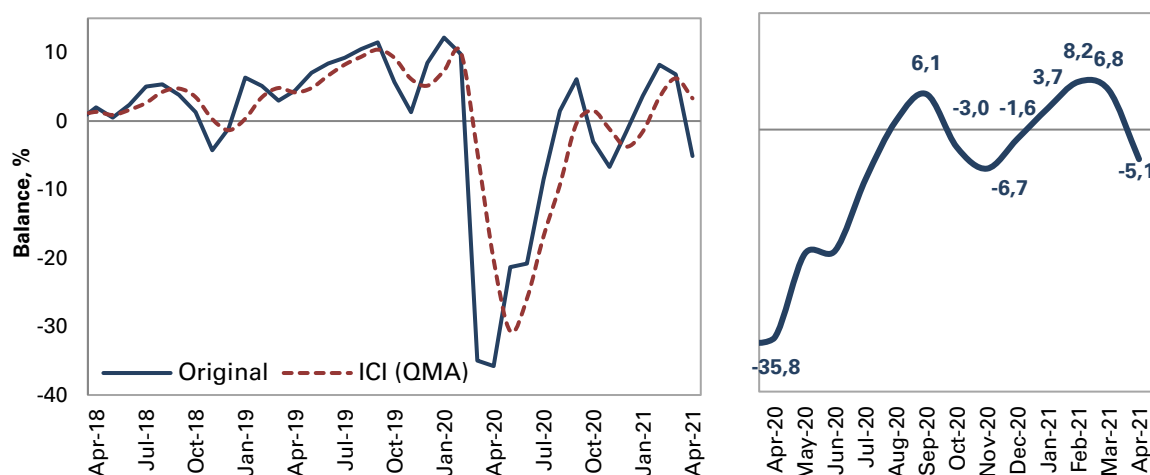
In April, the decrease in retailer's confidence compared to the previous month was mainly due to a decrease of 20.3 pp in the indicator of business current situation and a decrease of 18.9 pp in the expectation's indicator for the next semester. Meanwhile, the level of stocks decreased 0.1 pps. On the other hand, compared to April 2020, the result was mainly due to an increase of 69.0 pp in the expectation's indicator for the next semester, an increase of 62.3 pp in the current economic situation and a decrease of 22.1 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 April, the Industrial Confidence Index (ICI) stood at -5.1% in its original series, which represents a decrease of 11.9 percentage points (pp) compared to last month and an increase of 30.7 pp relative to April 2020. Finally, its quarterly moving average was 3.3%, which is equivalent to a decrease of 2.9 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 18.1 pp in the expected production for the next three months, a decrease of 15.5 pp in the current volume of orders and an increase of 2.1 pp in the level of stocks (Graph 3). Excluding seasonal variations, compared to the last month there was a decrease in the current volume of orders, in the level of stocks and in the expected production for the next quarter.

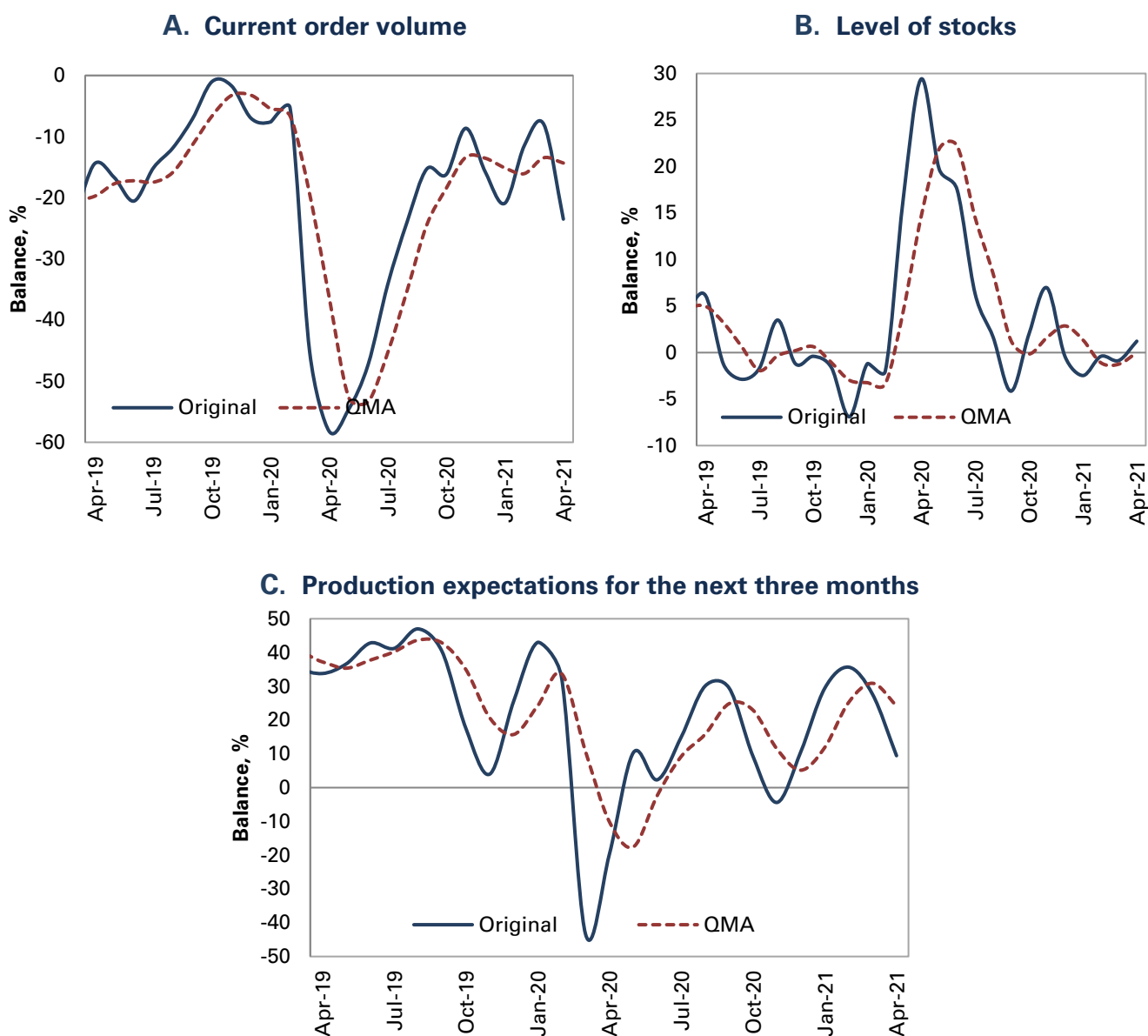
Table 2. Evolution of ICI components

Component (Balance, %)	2020	2021	
	April	March	April
Stocks of finished goods at end of this month	29.4	-0.9	1.2
Current volume of orders	-58.2	-8.0	-23.5
Expected production in the next three months	-19.7	27.6	9.5
Industrial Confidence Index - ICI	-35.8	6.8	-5.1

Source: Business Tendency Survey (BTS) – Fedesarrollo

The growth in industrial confidence compared to April 2020 was due to an increase of 34.7 in the current volume of orders, an increase of 29.2 pp in the expected production in the next three months and a decrease of 28.2 pp in the level of stocks (Table 2).

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

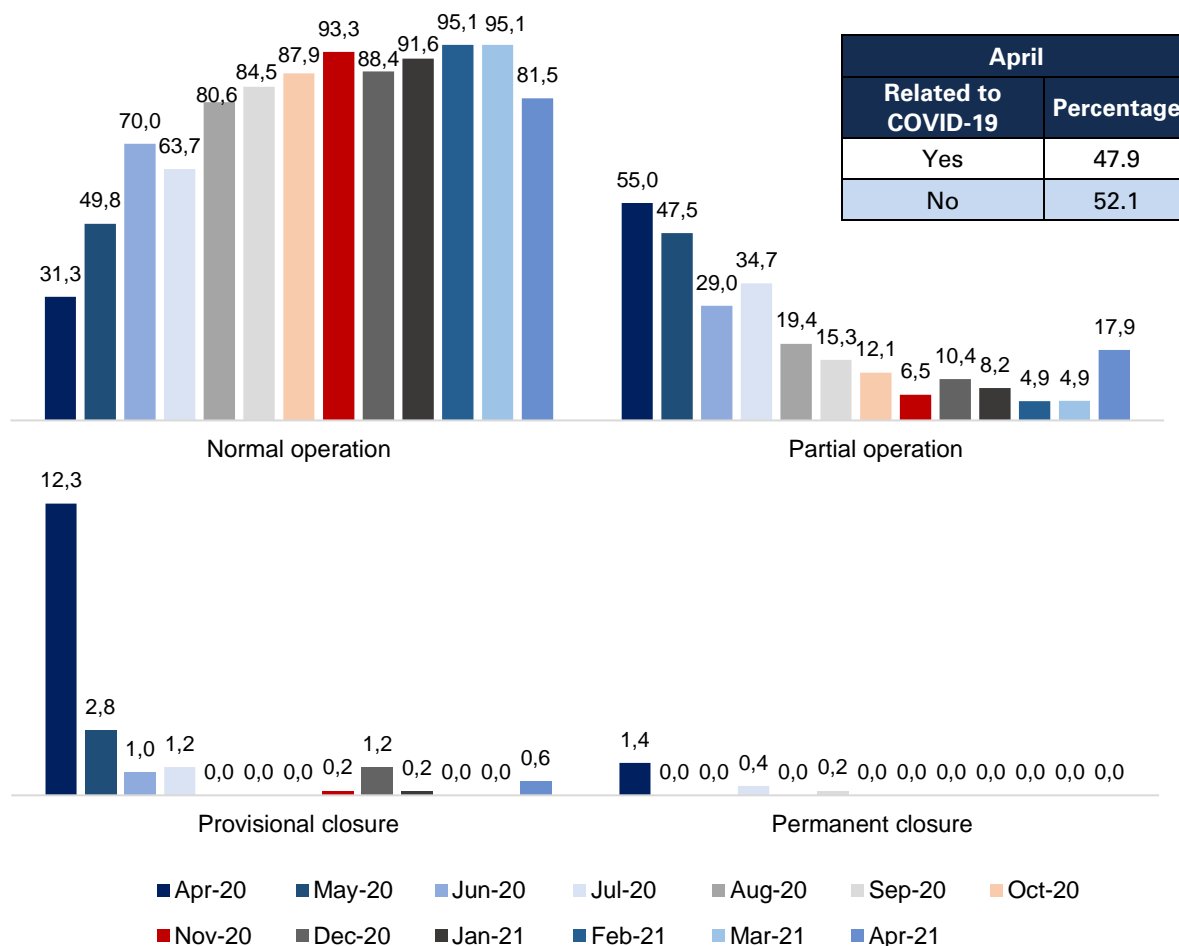
COVID-19

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 April, regarding the degree of operation of the company, 81.5% of the firms did not present an impact on their operation, 17.9% operated partially, 0.6% 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, 47.9% stated that this was due to COVID-19.

Regarding the previous month, in April the percentage of firms that are on normal operation decreased 13.5 pp. Meanwhile the percentage of firms on partial operation and in provisional closure increased 12.9 pp and 0.6 pp, respectively. The firms in permanent closure remained constant.

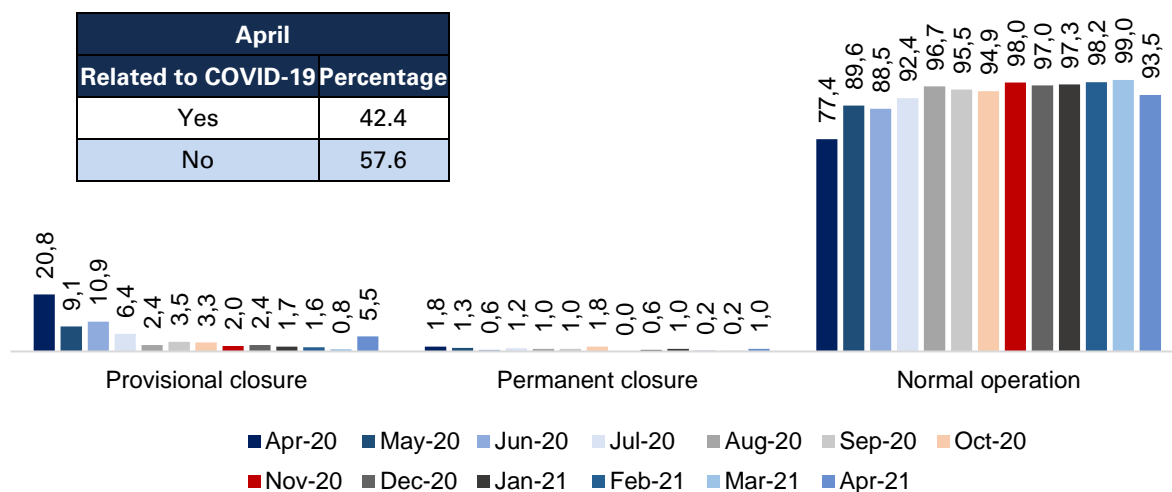
Graph 4. Operation status of the company and its relation to COVID-19



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 5.5% of the companies expect to carry out a provisional closure, 1.0% of the companies foresee a permanent closure meanwhile the remaining 93.5% do not plan to carry out any disrupt in their operations (Graph 5). In respect to March, the proportion of companies who do not expect any closure decreased 5.5 pp. In contrast, the proportion of firms that foresee a temporary closure and permanent closure in the next three months increased by 4.7 pp and 0.8 pp, respectively. The percentage of companies that associates the impact on their operation status to the COVID-19 was 42.4%.

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

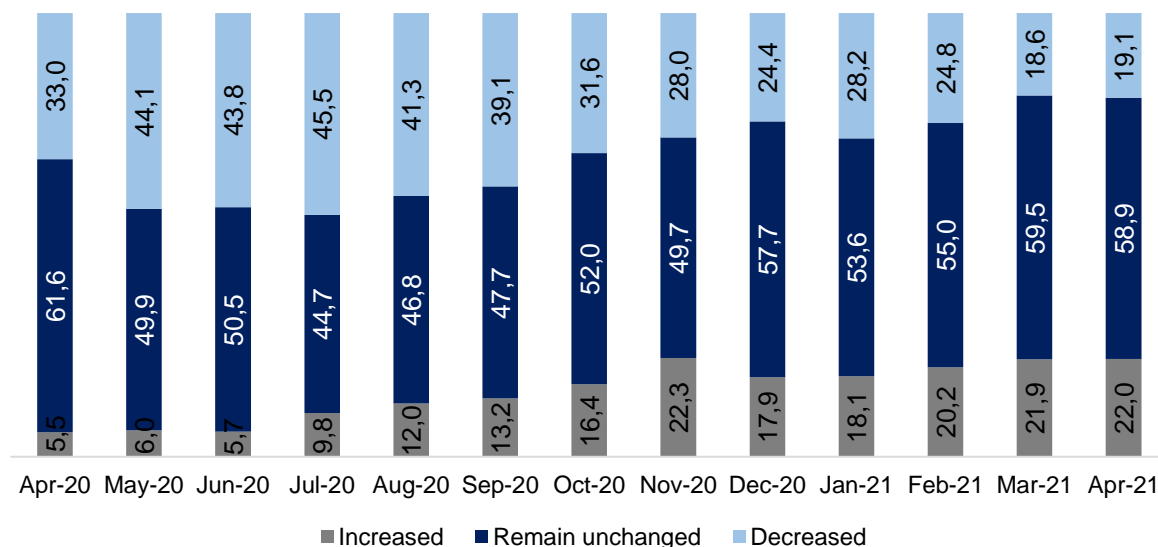


Source: Business Tendency Survey (BTS) – Fedesarrollo

Compared to a pre-pandemic scenario, 0.2% of the companies increased the number of employees more than 50%, 1.8% increased it more than 25%, 20.1% of companies rose the number of workers between 1% and 25%, meanwhile 58.9% kept their staff unchanged. 17.1% 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 0.8% reduced their number of employees by more than 50%.

Compared to March the percentage of companies who increased the number of employees increased 0.1 pp, the percentage of companies in which the number of employees remained unchanged decreased 0.6 pp, while the percentage of companies who decreased the number of employees increased 0.5 pp (Graph 6).

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

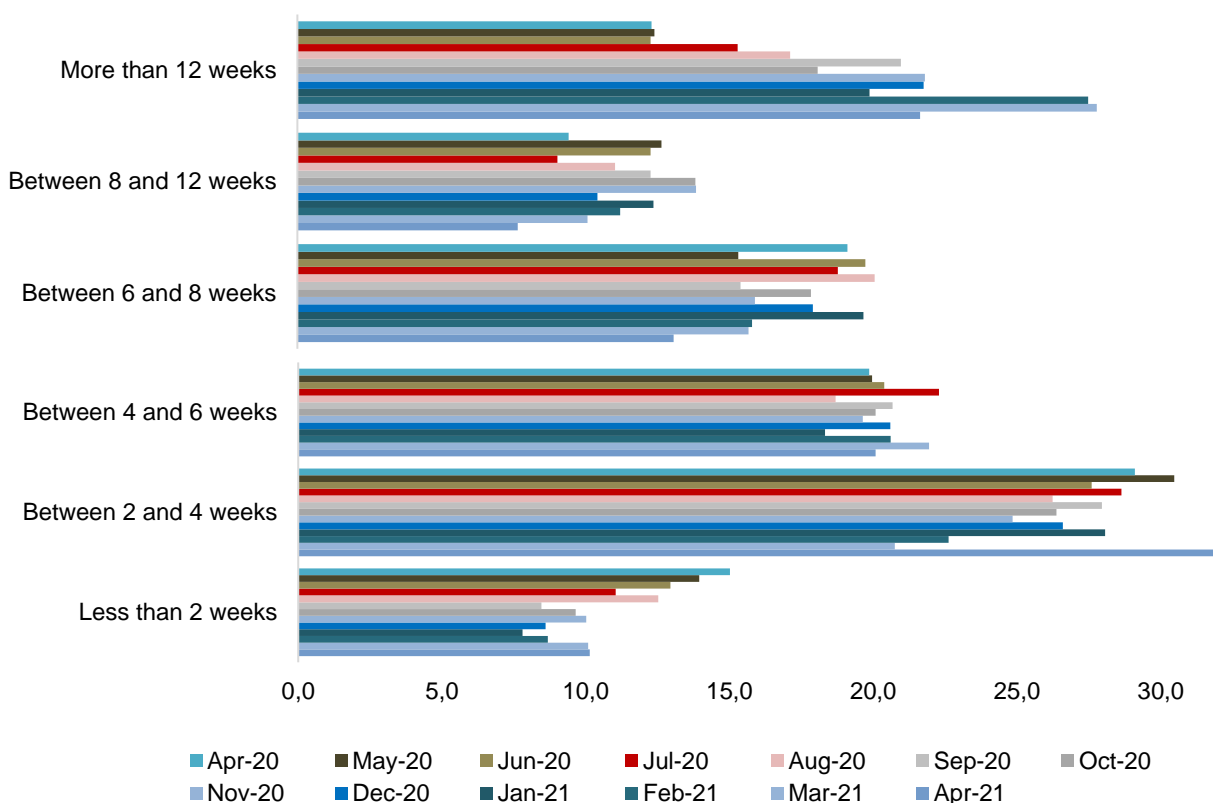


Source: Business Tendency Survey (BTS) – Fedesarrollo

In April, the percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses² is 10.1 %, meanwhile 32.4% 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 weeks³ of expenses is 20.1%, 11.5% consider it to be between 6 and 8 weeks, 6.8% claims to have cash on hand between 8 and 12 weeks, and the remaining 19.1% 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 weeks³ of expenses increased 0.1 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks³ of expenses increased 11.7 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses decreased 1.9 pp. The companies who consider it to be between 6 and 8 weeks decreased 2.3 pp, the ones who claim to have cash on hand between 8 and 12 weeks decreased 2.1 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses decreased 5.4 pp (Graph 7).

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



Source: Business Tendency Survey (BTS) – Fedesarrollo

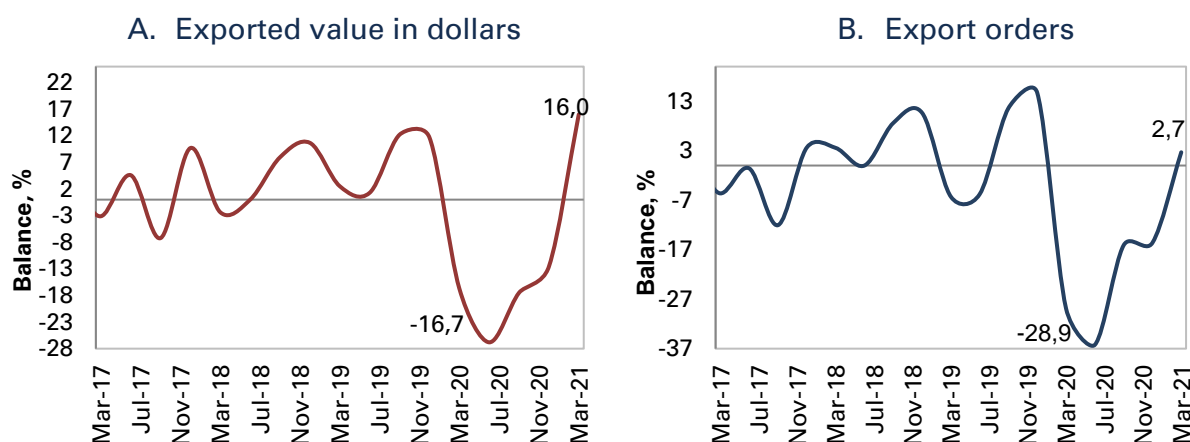
Exports³

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

³On a quarterly basis, the Business Tendency Survey includes a special module for the industrial sector, which inquiries about the expectations and the perception of industrialists about the value exported in dollars and export orders.

During the first quarter of 2021, the balance of answers about exported value in dollars was 16.0%, which indicates that the percentage of respondents with increasing exports was greater than the percentage with decreasing exports relative to the previous quarter. This result represents an increase of 28.6 pp compared to the previous quarter and an increase of 32.7 pp compared to the same quarter of 2020. On the other hand, the balance of export orders was 2.7%, which implies an increase of 18.3 pp compared to the previous quarter and an increase of 31.6 pp relative to the same quarter of 2020 (Graph 8).

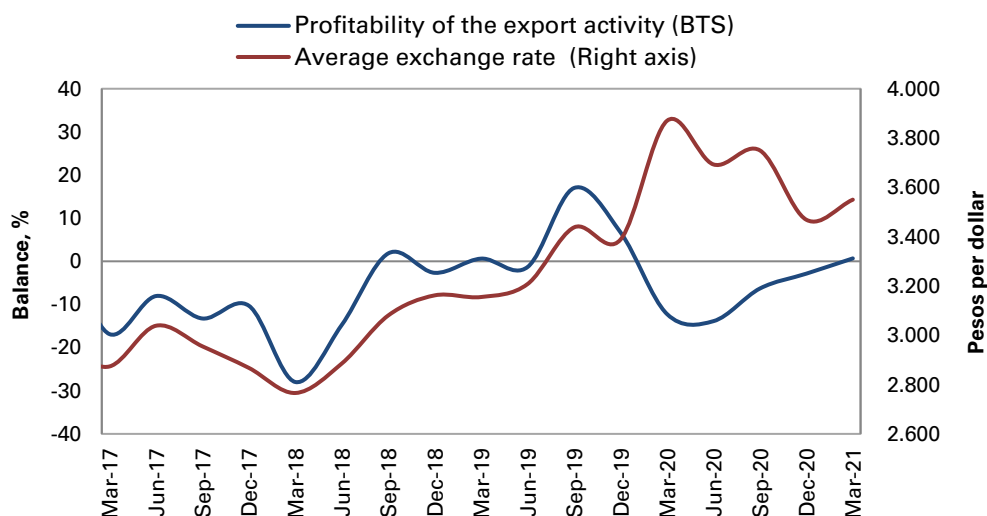
Graph 8. Exported value in dollars and export orders in the first quarter of 2020 compared to the same quarter of the previous year



Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the perception about exports profitability, the balance was 0.7%, which is equivalent to a 3.5 pp increase compared to the previous quarter and a 12.9 pp increase relative to the same quarter of 2020. The balance of exports profitability in this quarter is related to the behavior of the exchange rate (Graph 9).

Graph 9. Profitability exports activity and exchange rate



Source: Business Tendency Survey (BTS) – Fedesarrollo and Central Bank of Colombia.

For the first quarter of 2021, the Plan Vallejo System (11.9%), the export procedures in Colombia (1.4%) and the peso-dollar exchange rate (1.4%) were the most favorable factors for the export activity. Specifically, the balance of the Plan Vallejo System increased 8.5 pps compared to the same quarter of 2020. On the other hand, the most unfavorable factors were the international transport (-39.9%), the production costs (-38.6%) and the internal transportation in Colombia (-38.5%). Relative to the previous quarter, balances of the international transport and the production costs decreased 17.6 pp and 31.5 pp, respectively.

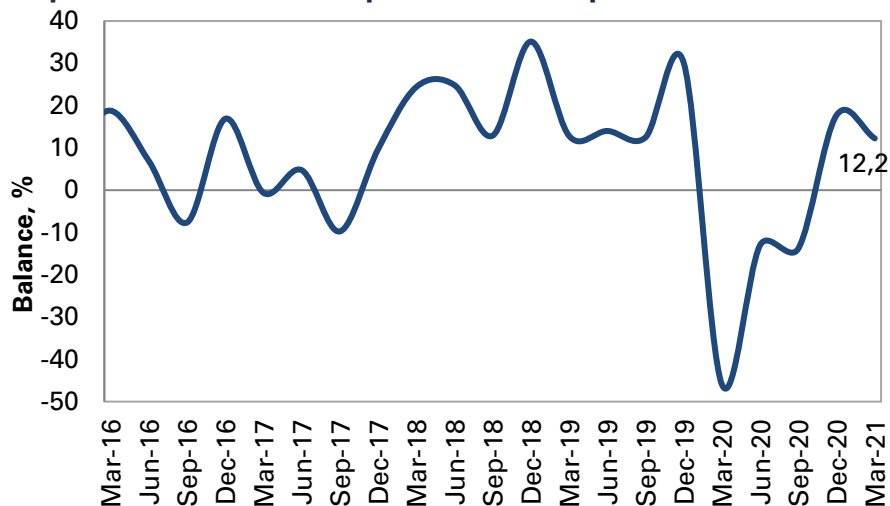
Table 3. Main factors that affected the export activity

Factor (Balance, %)	2020-I	2020-IV	2021-I
International transport	-35.6	-22.3	-39.9
Production costs	-21.1	-7.1	-38.6
Internal transportation in Colombia	-35.6	-11.6	-38.5
Economic situation of the purchasing country	-36.7	-23.5	-19.3
Competitive position in the target markets	-13.3	-10.7	-11.2
Port services in Colombia	-24.4	-11.3	-9.0
Dollar-currency exchange rate of the buyer country	3.3	3.8	-3.5
Colombian information and marketing services	10.0	2.3	-2.1
Trade policies of the purchasing countries	-6.7	-6.9	0.0
Availability and cost of credit	-16.7	-1.4	0.0
Peso-dollar exchange rate	27.8	-0.7	1.4
Export procedures in Colombia	-13.3	8.7	1.4
Plan Vallejo System	3.3	13.8	11.9

Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

The balance of exporters' expectations regarding the performance of their activity in the next three months was 12.2%, which is equivalent to a 5.5 pp decrease compared to the previous measurement and a 58.2 pp increase compared to the first quarter of 2020 (Graph 10). In this measurement, 28.6% of respondents said that their exports will increase over the next three months, while 16.3% believe that their exports will decrease, and 55.1% expect them to remain the same.

Graph 10. Three-month expectations of exported value in dollars



Source: Business Tendency Survey (BTS) – Exports module (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

Published May 21, 2021

Comments to **Sebastián Bernal Hernández**: sbernal@fedesarrollo.org.co