

## Business Tendency Survey May 2021



In May, the Retail Confidence Index (RCI) was 32.5%, compared to the previous month, this represents an increase of 6.9 pp mainly due to a decrease in the level of stocks and an increase in the business expectations for the next 6 months. The Industrial Confidence Index registered a balance of -3.2%, compared to the previous month, this represents an increase of 1.9 pp, mainly due to an increase in the business expectations for the next 3 months.

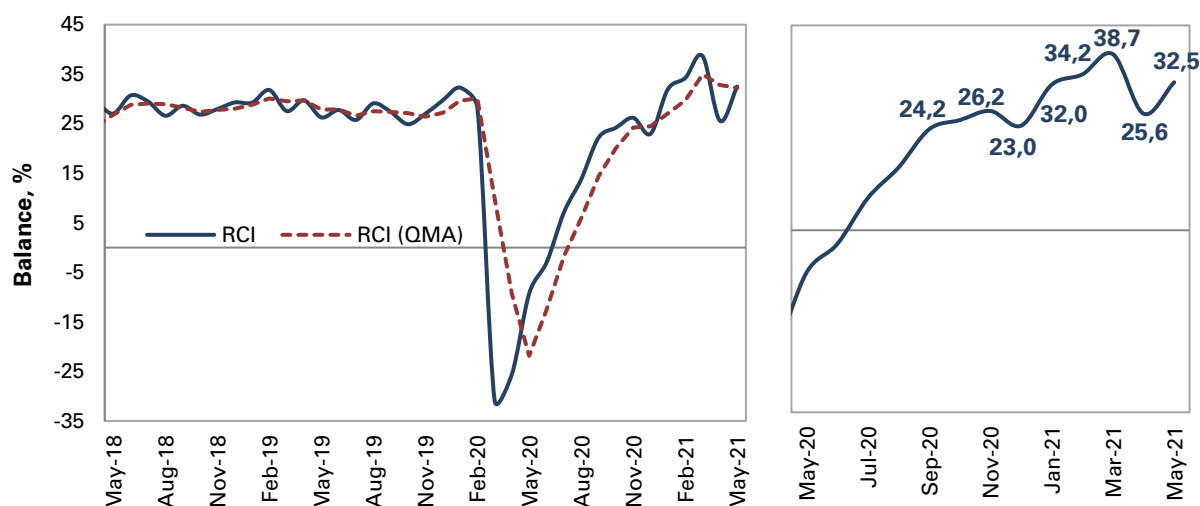
In May, 22.1% of the companies presented problems in their operations, 29.5% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to a pre-pandemic scenario was 22.2%. Only 27.0% of firms has cash on hand for more than eight weeks of expenses.

In May, the industry installed capacity utilization was 69.0%, which represents a decrease of 6.6 pp compared to the previous measurement and a growth of 4.5 pp related to the same period of 2020. In May, business perception of the favorable economic and socio-political conditions to invest decreased compared to the previous quarter. In the construction sector, the current economic situation of companies in the sector, and the expectations about the economic situation for the next semester increased compared to the previous quarter.

### **Retail Confidence Index – RCI**

In May, the Retail Confidence Index (RCI) was 32.5%, which represents an increase of 6.9 percentage points (pp) compared to last month and a growth of 41.7 pp relative to May 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 stocks<sup>1</sup> and expectations about the economic situation for the next semester**. The results for May of the last two years are summarized in Table 1.

**Table 1. Retail Confidence Index Components**

Component (Balance, %)	2020	2021	
	May	April	May
Business current situation	-6.1	30.9	27.3
Level of stocks	7.6	-12.6	-31.0
Business expectations for the next 6 months	-13.9	33.3	39.2
<b>Retail Confidence Index - RCI</b>	<b>-9.2</b>	<b>25.6</b>	<b>32.5</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

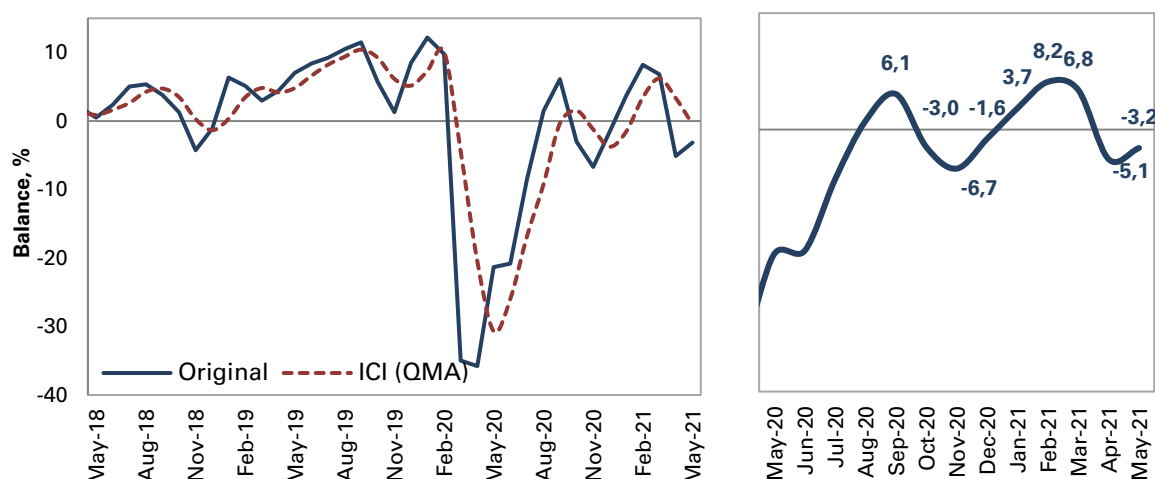
In May, the growth in retailer’s confidence compared to the previous month was mainly due to a decrease of 18.5 pp in the level of stocks and an increase of 5.9 pp in the expectation’s indicator for the next semester. Meanwhile, the indicator of business current situation decreased 3.6 pp. On the other hand, compared to May 2020, the result was mainly due to an increase of 53.1 pp in the expectation’s indicator for the next semester, a decrease of 38.6 pp in the level of stocks and an increase of 33.4 pp in the current economic situation.

<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.

## Industrial Confidence Index – ICI

In May, the Industrial Confidence Index (ICI) stood at -3.2% in its original series, which represents an increase of 1.9 percentage points (pp) compared to last month and an increase of 18.2 pp relative to May 2020. Finally, its quarterly moving average was -0.5%, which is equivalent to a decrease of 3.8 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 growth of the ICI compared to the previous month was mainly due to an increase of 10.5 pp in the expected production for the next three months. Meanwhile, the current volume of orders decreased 3.2 pp and the level of stocks increased 1.1 pp (Graph 3). Excluding seasonal variations, compared to the last month there was a decrease in the current volume of orders and an increase in the level of stocks and in the expected production for the next quarter.

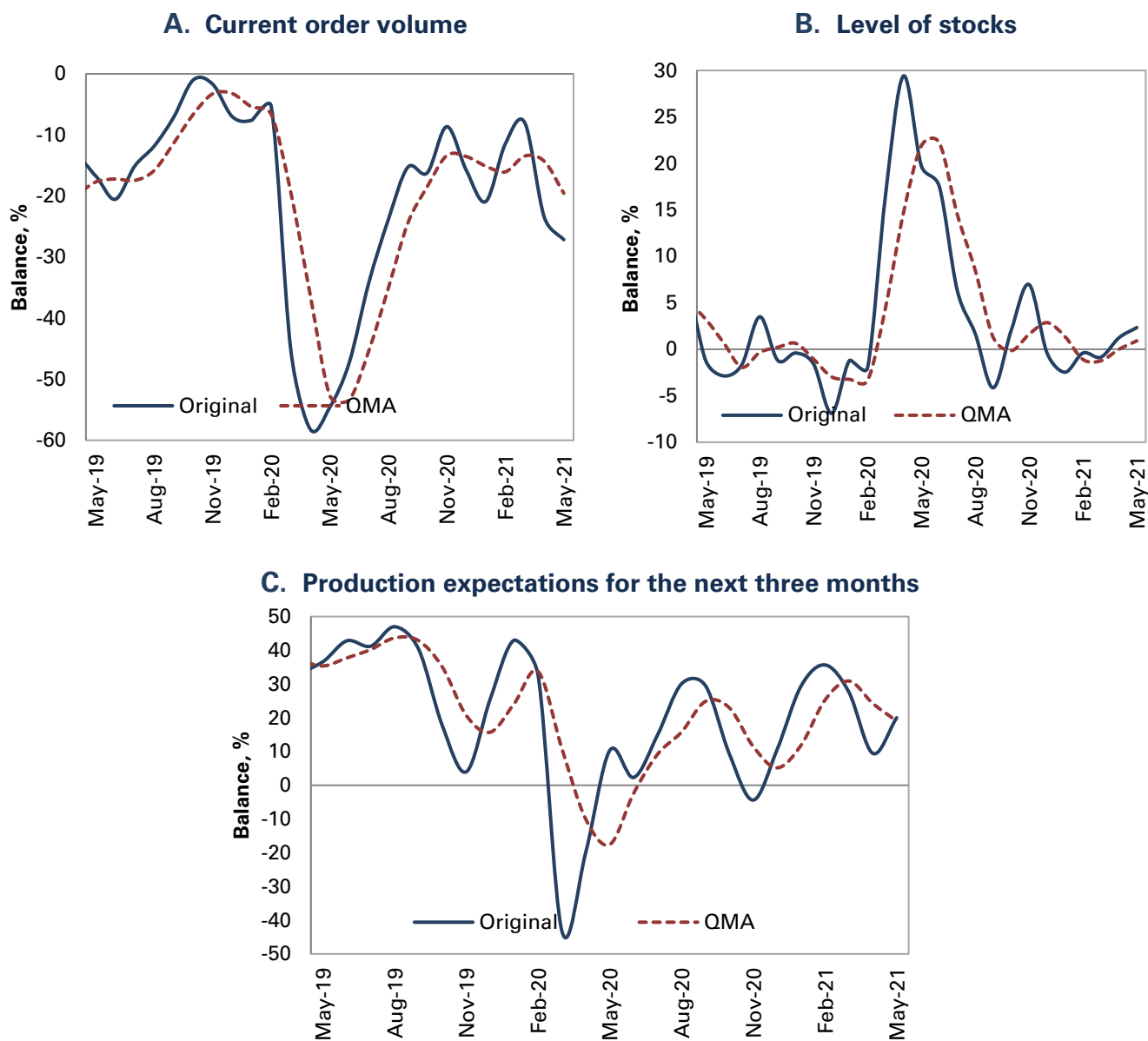
Table 2. Evolution of ICI components

Component (Balance, %)	2020	2021	
	May	April	May
Stocks of finished goods at end of this month	19.7	1.2	2.3
Current volume of orders	-54.6	-23.5	-27.2
Expected production in the next three months	10.3	9.5	20.0
<b>Industrial Confidence Index - ICI</b>	<b>-21.3</b>	<b>-5.1</b>	<b>-3.2</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

The growth in industrial confidence compared to May 2020 was due to an increase of 27.5 in the current volume of orders, a decrease of 17.4 pp in the level of stocks and an increase of 9.7 pp in the expected production in the next three months (Table 2).

**Graph 3. ICI Components**



Source: Business Tendency Survey (BTS) – Fedesarrollo

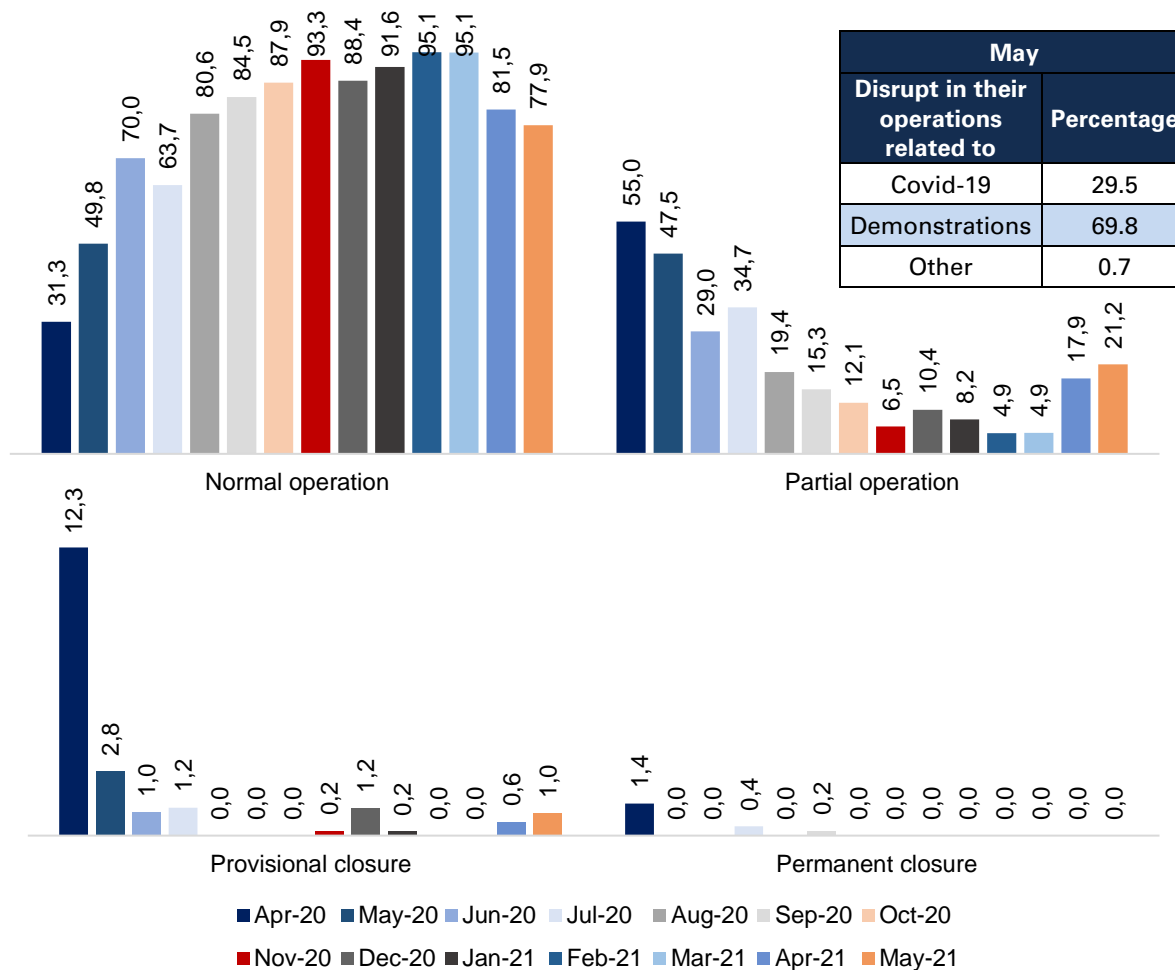
### COVID-19

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 May, regarding the degree of operation of the company, 77.9% of the firms did not present an impact on their operation, 21.2% operated partially, 1.0% 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, 29.5% stated that this was due to COVID-19 and 69.8% said it was due to the demonstrations<sup>2</sup>.

Regarding the previous month, in May the percentage of firms that are on normal operation decreased 3.7 pp. Meanwhile the percentage of firms on partial operation and in provisional closure increased 3.3 pp and 0.4 pp, respectively. The firms in permanent closure remained constant.

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



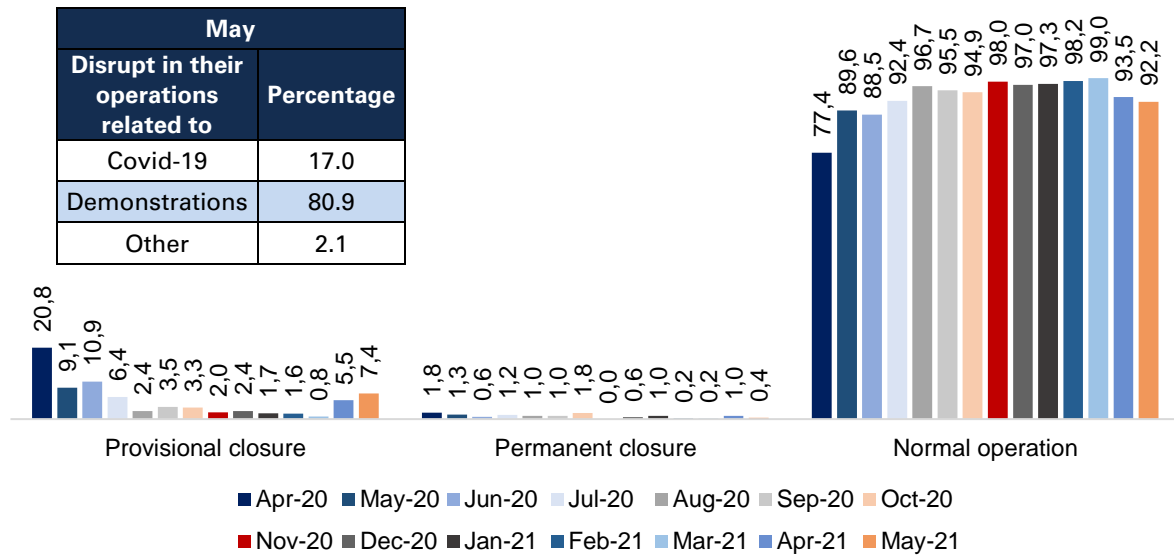
Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 7.4% of the companies expect to carry out a provisional closure, 0.4% of the companies foresee a permanent closure meanwhile the remaining 92.2% do not plan to carry out any disrupt in their operations (Graph 5). In respect to April, the proportion of companies who do not expect any closure decreased 1.3 pp. In contrast, the proportion of firms that foresee a temporary closure increased 1.9 pp, meanwhile the firms that expect a permanent closure in the next three months

<sup>2</sup> Demonstrations due to a national strike that began in Colombia on April 28th

decreased by 0.6 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 and to the demonstrations was 17.0% and 80,9% respectively.

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

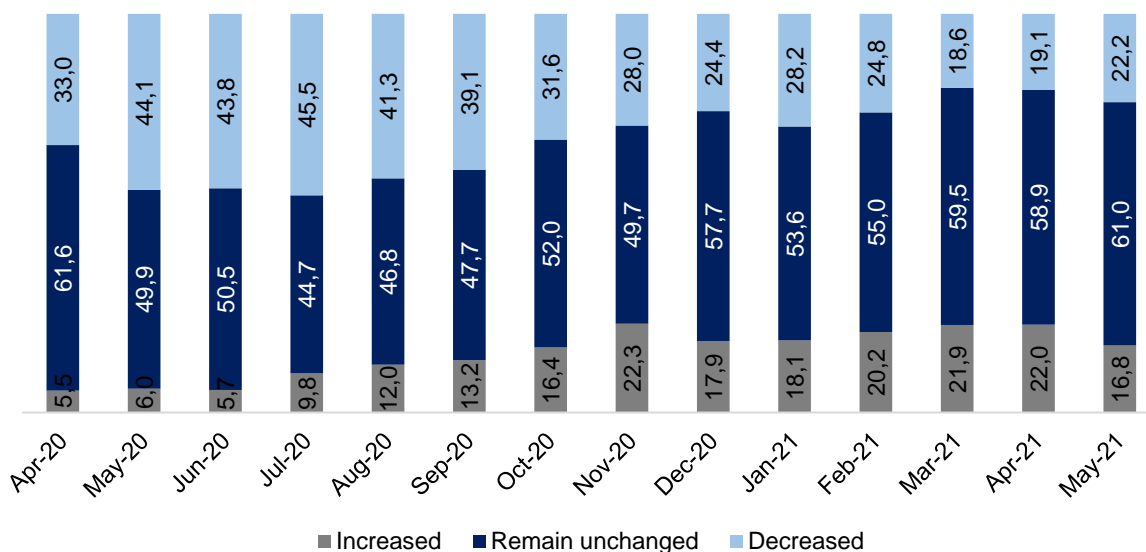


Source: Business Tendency Survey (BTS) – Fedesarrollo

Compared to a pre-pandemic scenario, 0.6% of the companies increased the number of employees more than 50%, 0.8% increased it more than 25%, 15.5% of companies rose the number of workers between 1% and 25%, meanwhile 61.0% kept their staff unchanged. 18.4% 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 2.7%, and the remaining 1.1% reduced their number of employees by more than 50%.

Compared to April the percentage of companies who increased the number of employees decreased 5.2 pp, the percentage of companies in which the number of employees remained unchanged increased 2.1 pp, while the percentage of companies who decreased the number of employees increased 3.1 pp (Graph 6).

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



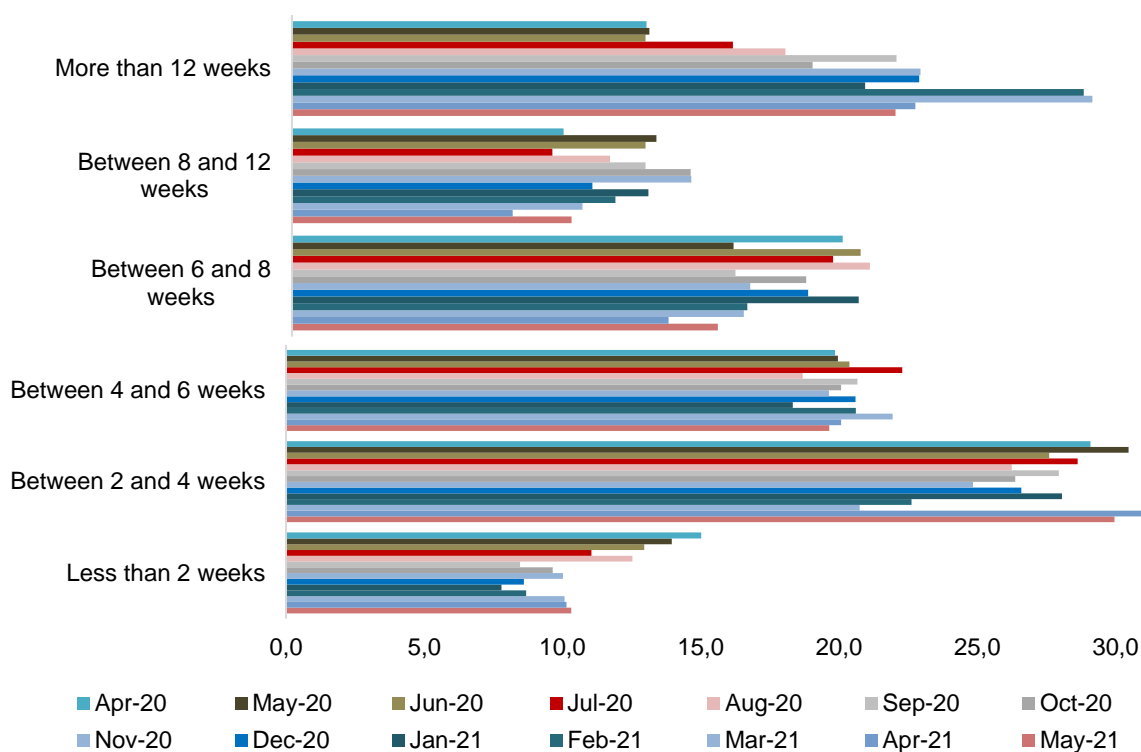
Source: Business Tendency Survey (BTS) – Fedesarrollo

In May, the percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses<sup>3</sup> is 10.3 %, meanwhile 30.0% 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 19.6%, 13.0% consider it to be between 6 and 8 weeks, 8.6% claims to have cash on hand between 8 and 12 weeks, and 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 increased 0.2 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses decreased 2.4 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses decreased 0.4 pp. The companies who consider it to be between 6 and 8 weeks increased 1.5 pp, the ones who claim to have cash on hand between 8 and 12 weeks increased 1.8 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses decreased 0.6 pp (Graph 7).

<sup>3</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

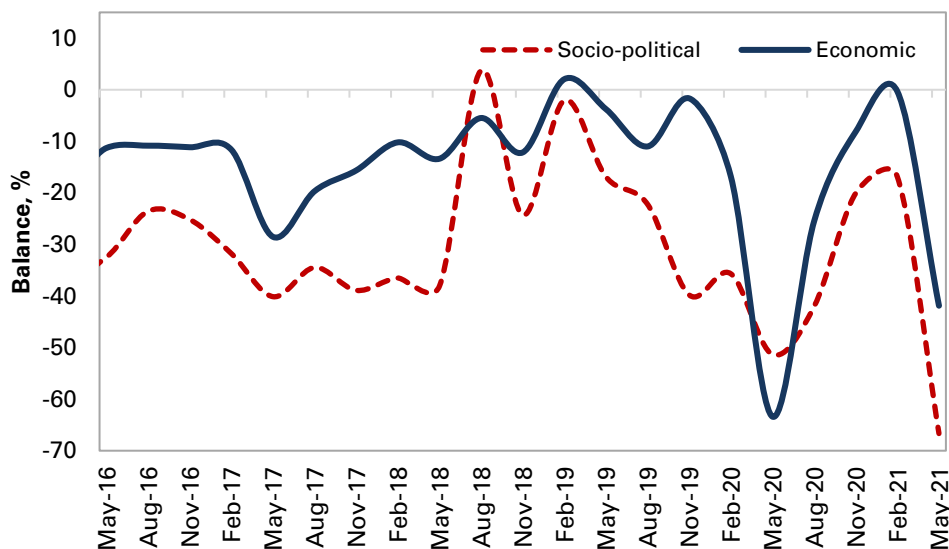
#### Quarterly Module: Economic and sociopolitical conditions for investment <sup>4</sup>

In May, the balance of the industrial sector about favorable **economic conditions** to invest was -41.9%, which is equivalent to a decrease of 41.5 pp compared to the last measurement (February 2021). The results show that 51.0% of respondents believe that current economic conditions are unfavorable, compared to 22.3% of the previous measurement, while 9.1% of respondents considered that the current conditions are favorable compared to the 22.0% of the previous measurement. Moreover, 39.9% affirm they are neutral compared to the 55.7% of the previous measurement.

<sup>4</sup> Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.



**Graph 8. Favorability of current economic and socio-political conditions for investment**



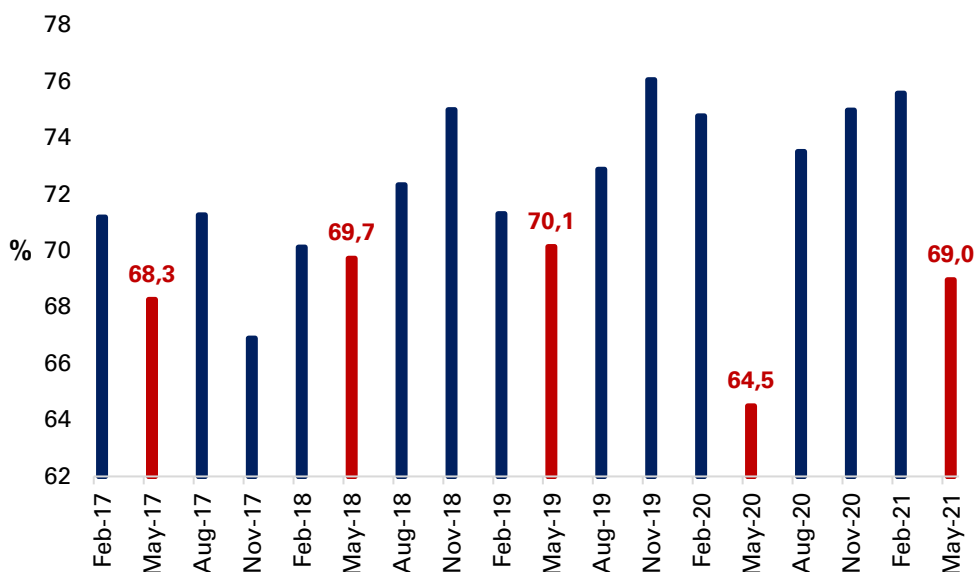
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -66.7%, a decrease of 49.8 pp compared to the previous quarter. The results show that 4.9% of the respondents believe that the sociopolitical conditions are favorable compared to 10.1% of the previous measurement, while 71.5% consider that they are unfavorable compared to 27.0% of the previous measurement and 23.6% consider that they are neutral compared to 62.8% of the previous measurement.

#### Quarterly Module: Industry Installed Capacity Utilization

In May, industry installed capacity utilization was 69.0%, which represents a decrease of 6.6 pp compared to February 2021 measurement and a growth of 4.5 pp compared to the same month of the previous year (Graph 9).

**Graph 9. Utilization of installed capacity in the industry**



**Note:** The series of utilization of installed capacity was revised backwards.

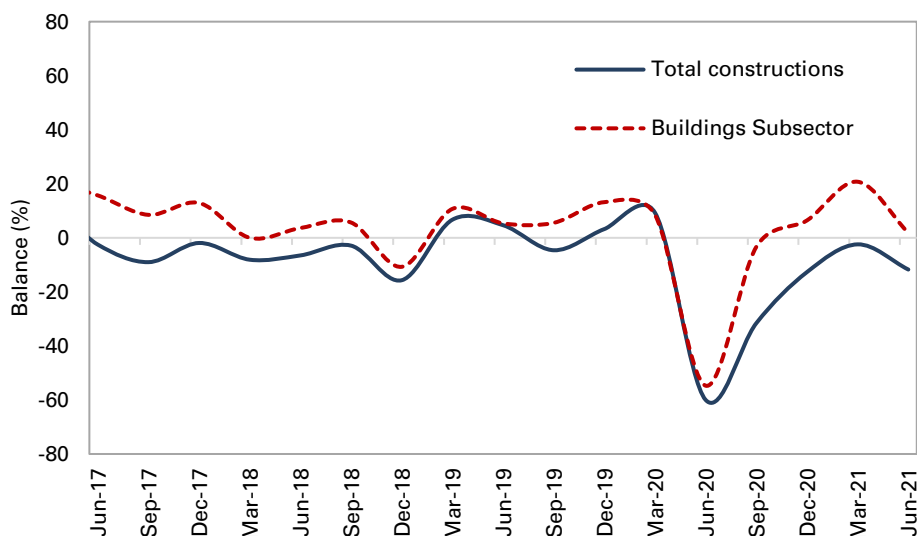
**Source:** Business Tendency Survey (BTS) – Fedesarrollo

### Quarterly Construction Survey

Fedesarrollo conducts a quarterly survey focused on entrepreneurs in the construction sector to know their perception of the current economic situation and their future expectations.

For the second quarter of 2021, the balance of the current economic situation of companies in the construction sector stood at -11.7%, equivalent to a decrease of 9.3 pp compared to the previous quarter and an increase of 48.3 pp compared to the same period of 2020. The **building subsector** registered a balance of 1.8%, 18.9 pp lower than the registered during the previous quarter and 56.5 pps higher compared to one year ago (Graph 10).

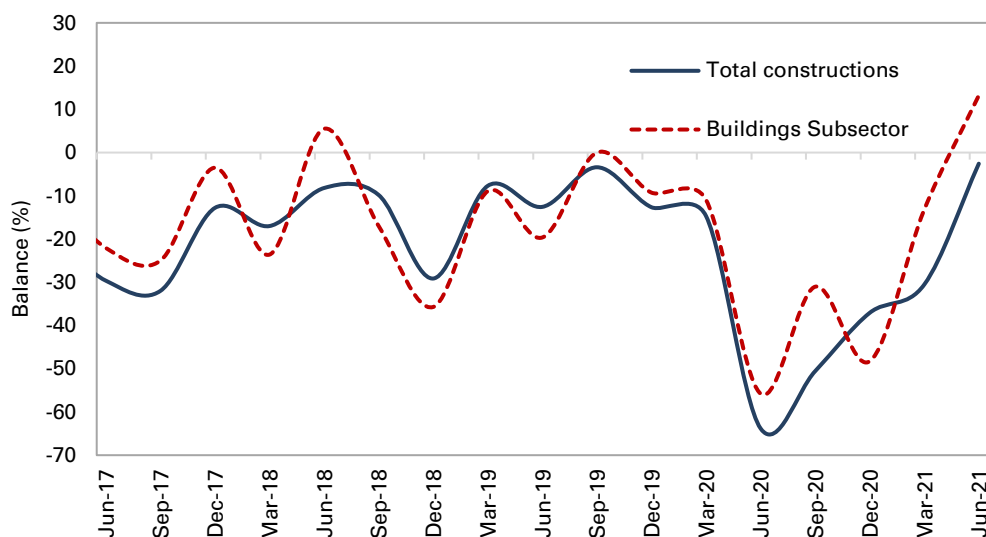
**Graph 10. Current situation of companies in the construction sector**



**Source:** Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -2.6%, showing an increase of 28.0 pp compared to the previous quarter and an increase of 61.2 pp compared to the second quarter of 2020. For the building subsector, this indicator registered a balance of 13.2%, which shows an increase of 26.4 pp compared to the previous quarter and 69.0 pp higher compared to a year ago (Graph 11).

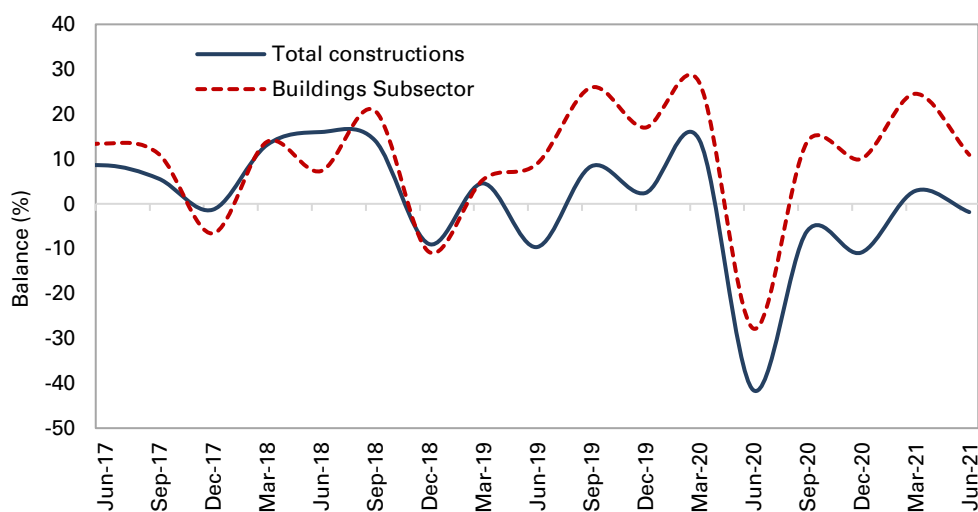
**Graph 11. Construction rate compared to the previous year**



**Source:** Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was -1.8%, showing a decrease of 4.7 pp compared to the previous measurement and a growth of 39.6 pp compared to the second quarter of 2020. In the building subsector, expectations recorded a balance of 10.9%, which represents a decrease of 13.6 pp compared to the previous quarter and a growth of 38.7 pp compared to the same quarter of last year (Graph 12).

**Graph 12. Construction expectations for the next quarter**



**Source:** Quarterly Construction 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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