

## Business Tendency Survey August 2021



In August, the Retail Confidence Index (RCI) was 43.5%, compared to the previous month, this represents an increase of 7.7 pp mainly due to the increase in the current business situation and to the decrease in the level of stocks. The Industrial Confidence Index registered a balance of 15.6%, compared to the previous month, this represents a decrease of 0.7 pp, mainly due to a reduction in the current volume of orders.

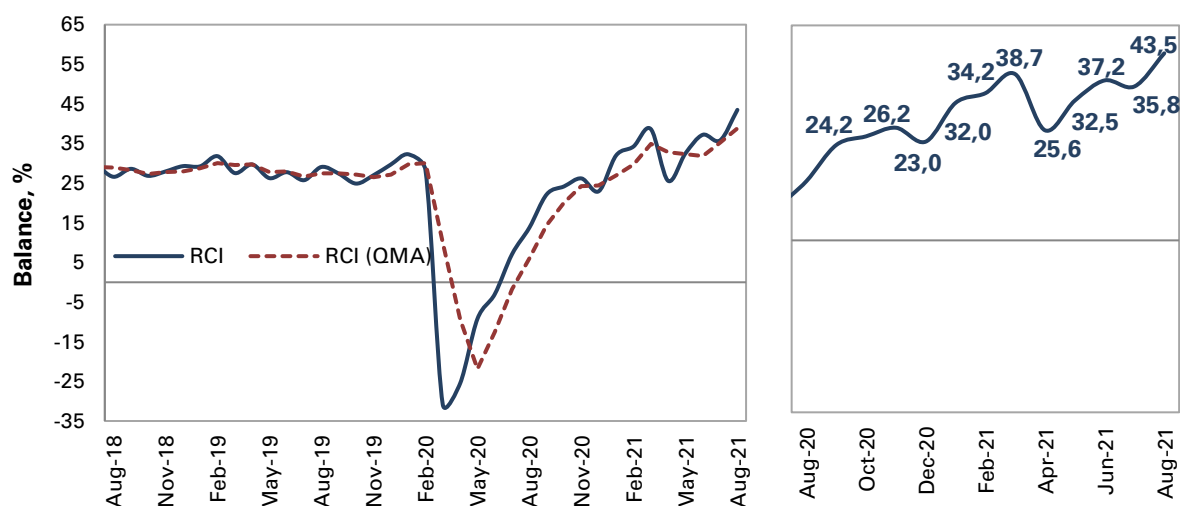
The previous results about retailers and industrialist confidence show historical levels and reflect the good prospects of the productive about the Colombian economy. Regarding the RCI, this month it reached the higher value in 40 years of measurement; meanwhile the ICI results of the last two months are the higher numbers since 2007.

In August, the industry installed capacity utilization was 75,5%, which represents an increase of 6.5 pp compared to the previous measurement and a growth of 2.0 pp related to the same period of 2020. In August, business perception of the favorable economic and socio-political conditions to invest increased compared to the previous quarter. In the construction sector, the current economic situation of companies in the sector, the construction rate, and the expectations about the economic situation for the next semester increased compared to the previous quarter.

### **Retail Confidence Index – RCI**

In August, the Retail Confidence Index (RCI) was 43.5%, which represents an increase of 7.7 percentage points (pp) compared to last month and a growth of 29.7 pp relative to August 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 August of the last two years are summarized in Table 1.

**Table 1. Retail Confidence Index Components**

Component (Balance, %)	2020	2021	
	August	July	August
Business current situation	23,5	51,7	61,6
Level of stocks	2,0	-2,0	-9,5
Business expectations for the next 6 months	19,9	53,7	59,5
<b>Retail Confidence Index - RCI</b>	<b>13,8</b>	<b>35,8</b>	<b>43,5</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

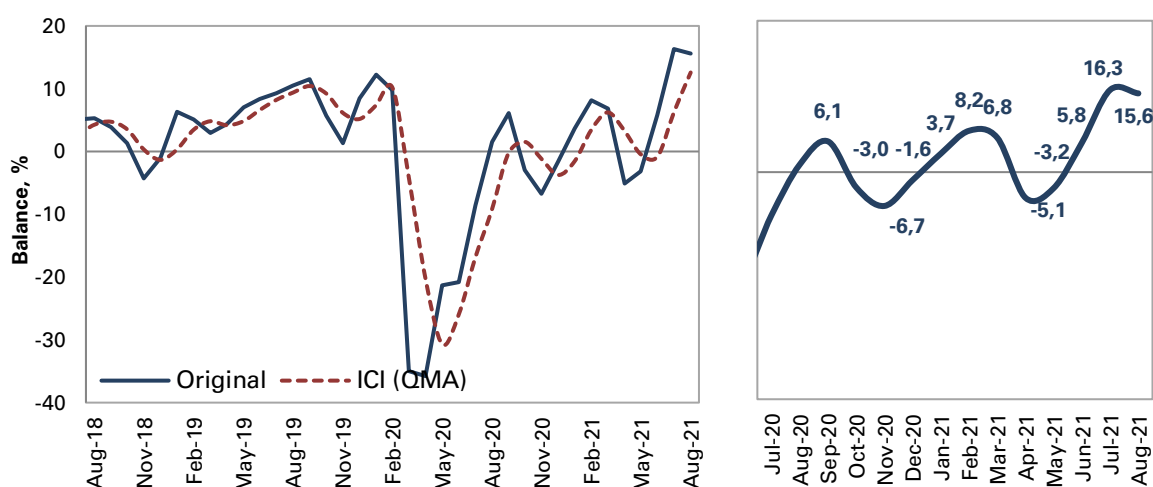
In August, the increase in retailer's confidence compared to the previous month was mainly due to an increase of 9.9 pp in the business current situation indicator and the decrease of 7.5 pp in the level of stocks; in the same way, there was an increase of 5.8 pp in the expectation's indicator for the next semester. On the other hand, compared to August 2020, the result was mainly due to an increase of 39.6 pp in the expectation's indicator for the next semester, the increase of 38.0 pp in the current economic situation and the decrease of 11.5 pp in the level of stocks.

<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 August, the Industrial Confidence Index (ICI) stood at 15.6% in its original series, which represents a decrease of 0.7 percentage points (pp) compared to last month and an increase of 14.2 pp relative to August 2020. Finally, its quarterly moving average was 12.6%, which is equivalent to an increase of 6.3 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 drop of the ICI compared to the previous month was mainly due to a reduction of 1.7 pp in the current volume of orders, as well as the increase of 1.3 pp in the stock of finished goods at end of this month. Meanwhile, it is observed an increase of 0.9 pp in the expected production for the next three months (Graph 3).

Table 2. Evolution of ICI components

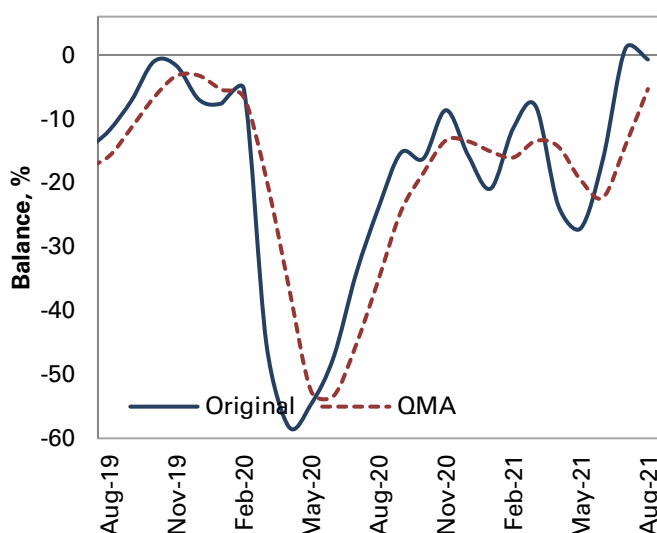
Component (Balance, %)	2020	2021	
	August	July	August
Stocks of finished goods at end of this month	1,7	-6,0	-4,8
Current volume of orders	-23,9	1,0	-0,7
Expected production in the next three months	30,1	41,9	42,8
<b>Industrial Confidence Index - ICI</b>	<b>1,5</b>	<b>16,3</b>	<b>15,6</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

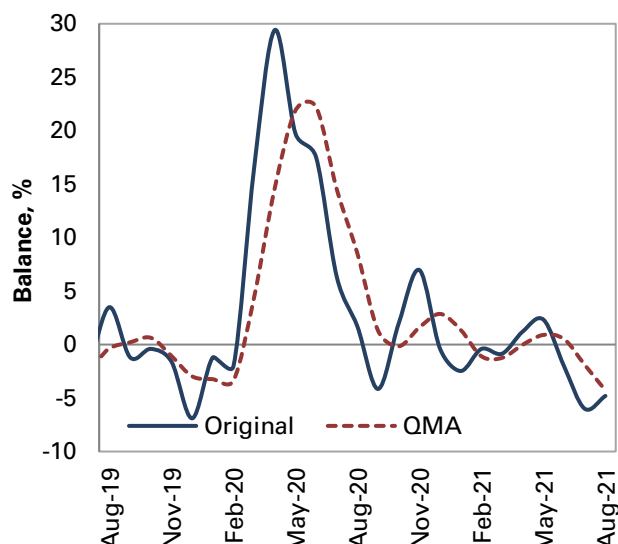
The growth in industrial confidence compared to August 2020 was due to an increase of 23.3 pp in the current volume of orders, an increase of 12.7 pp in the expected production in the next three months and a 6.5 pp reduction in the level of stocks (Table 2).

**Graph 3. ICI Components**

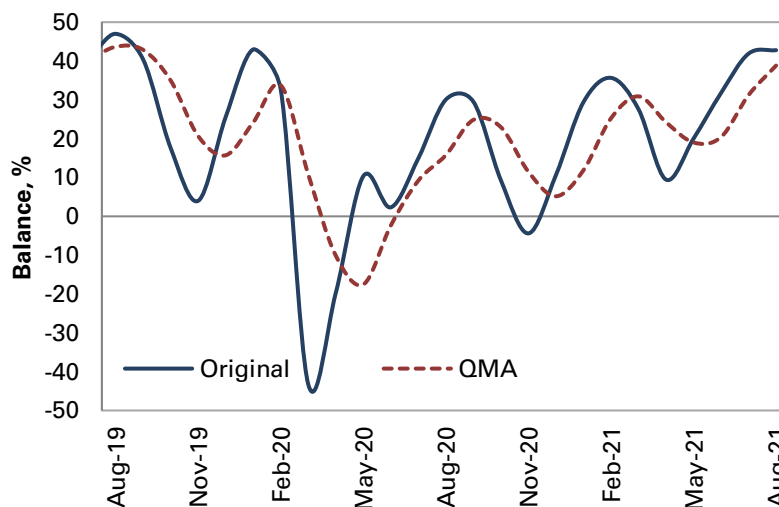
**A. Current order volume**



**B. Level of stocks**



**C. Production expectations for the next three months**

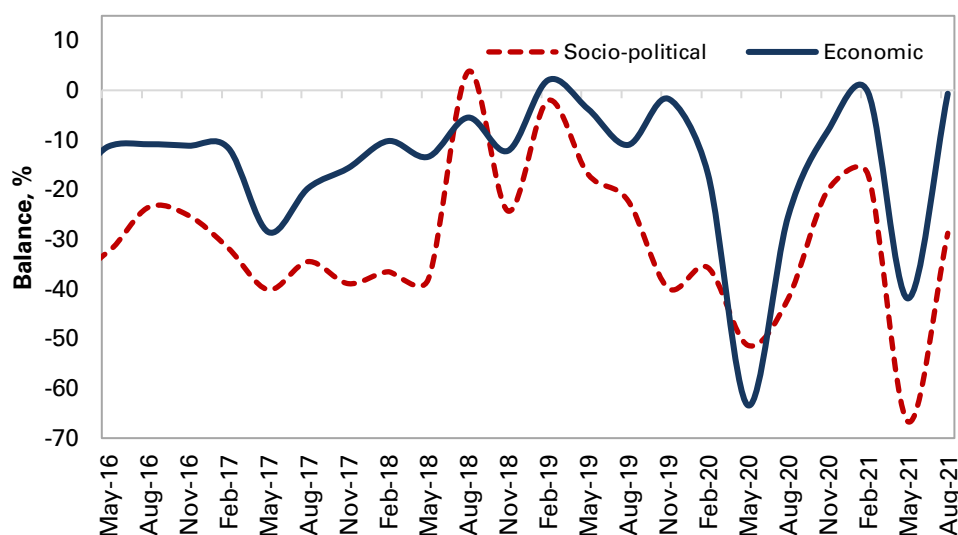


Source: Business Tendency Survey (BTS) – Fedesarrollo

## Quarterly Module: Economic and sociopolitical conditions for investment <sup>2</sup>

In August, the balance of the industrial sector about favorable **economic conditions** to invest was -0.7%, which is equivalent to an increase of 41.2 pp compared to the last measurement (May 2021). The results show that 27.1% of respondents believe that current economic conditions are unfavorable, compared to 51.0% of the previous measurement, while 26.4% of respondents considered that the current conditions are favorable compared to the 9.1% of the previous measurement. Moreover, 46.3% affirm they are neutral compared to the 39.9% of the previous measurement.

**Graph 4. Favorability of current economic and socio-political conditions for investment**



Source: Business Tendency Survey (BTS) – Fedesarrollo

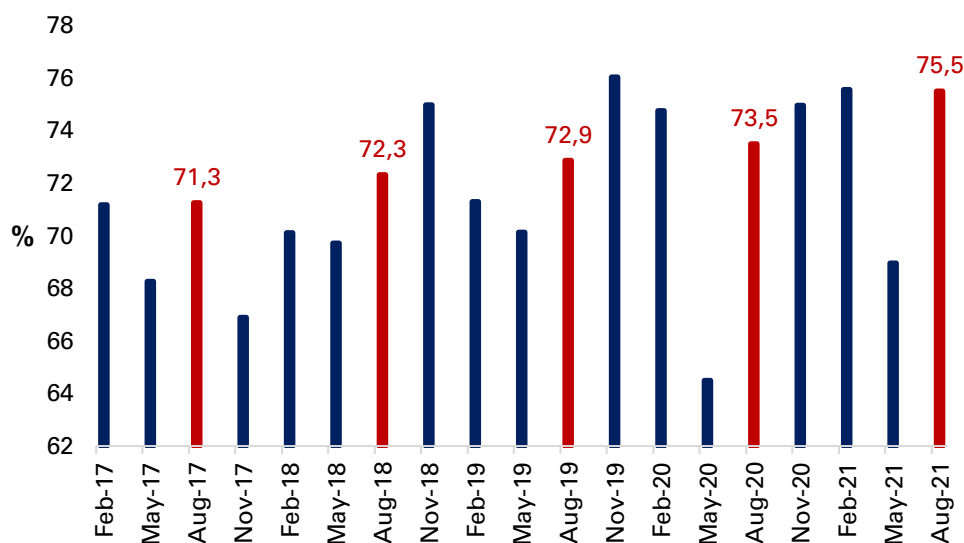
On the other hand, the balance for favorable **sociopolitical conditions** to invest was -28.8%, which means an increase of 37.9 pp compared to the previous quarter. The results show that 9.9% of the respondents believe that the sociopolitical conditions are favorable compared to 4.9% of the previous measurement, while 38.7% consider that they are unfavorable compared to 71.5% of the previous measurement and 51.4% consider that they are neutral compared to 23.6% of the previous measurement.

<sup>2</sup> Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

### Quarterly Module: Industry Installed Capacity Utilization

In August, industry installed capacity utilization was 75.5%, which represents an increase of 6.5 pp compared to May 2021 measurement and a growth of 2.0 pp compared to the same month of the previous year (Graph 9).

**Graph 5. Utilization of installed capacity in the industry**



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

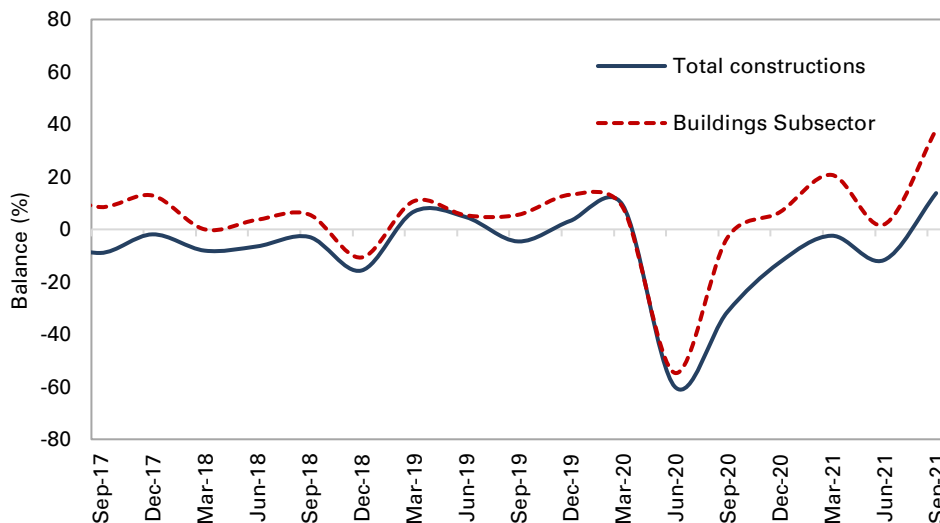
**Source:** Business Tendency Survey (BTS) – Fedesarrollo

### 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 third quarter of 2021, the balance of the current economic situation of companies in the construction sector stood at 13.8%, equivalent to an increase of 25.5 pp compared to the previous quarter and an increase of 45.4 pp compared to the same period of 2020. The **building subsector** registered a balance of 38.8%, 36.2 pp higher than the registered during the previous quarter and 41.3 pps higher compared to one year ago (Graph 10).

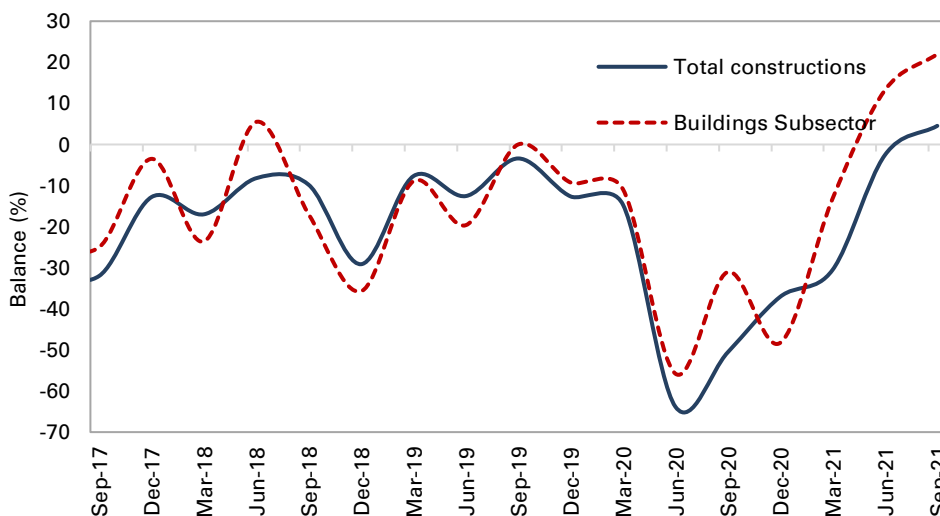
**Graph 6. Current situation of companies in the construction sector**



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was 4.5%, showing an increase of 7.1 pp compared to the previous quarter and an increase of 55.1 pp compared to the third quarter of 2020. For the building subsector, this indicator registered a balance of 22.0%, which shows an increase of 8.8 pp compared to the previous quarter and 53.0 pp higher compared to a year ago (Graph 11).

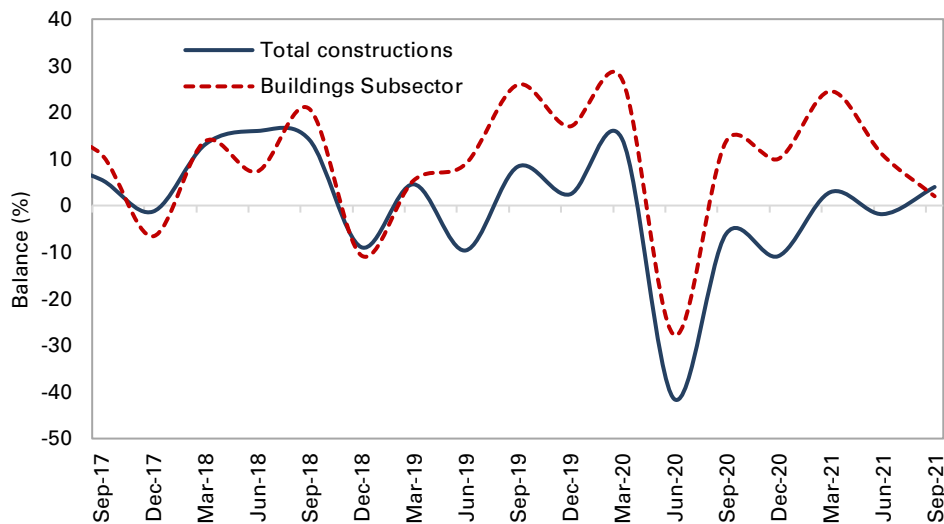
**Graph 7. Construction rate compared to the previous year**



Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was 4.0%, showing an increase of 5.8 pp compared to the previous measurement and a growth of 10.0 pp compared to the third quarter of 2020. In the building subsector, expectations recorded a balance of 2.0%, which represents a decrease of 8.9 pp compared to the previous quarter and a drop of 11.8 pp compared to the same quarter of last year (Graph 12).

**Graph 8. Construction expectations for the next quarter**



**Source:** Quarterly Construction 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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