

## Business Tendency Survey October 2021



In October, the Retail Confidence Index (RCI) was 41.7%, compared to the previous month this represents an increase of 1.4 pp, mainly due to the increase of the business current situation indicator and the decrease in the level of stocks. After the slight drop of the last month, in this edition it is observed a positive tendency in the confidence again, asserting itself on the higher levels of the measurement history.

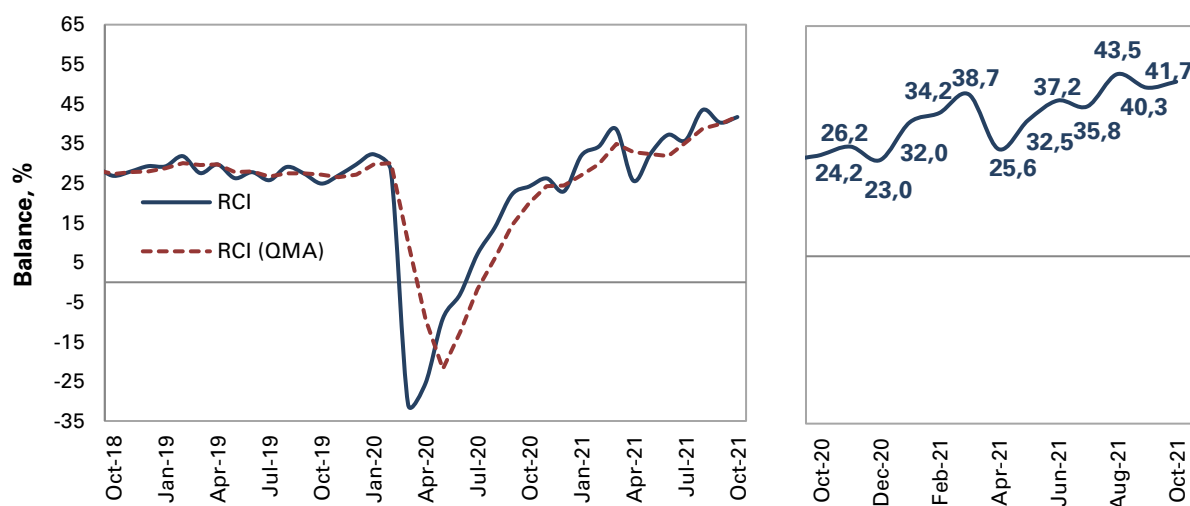
The Industrial Confidence Index (ICI) registered a balance of 12.2%, compared to the previous month this represents a decrease of 8.2 pp, mainly due to a decrease in the expected production in the next three months. In this edition the index had a substantial fall from the historic peak reached in September.

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

### **Retail Confidence Index – RCI**

In October, the Retail Confidence Index (RCI) was 41.7%, which represents an increase of 1.4 percentage points (pp) compared to last month and a growth of 17.5 pp relative to October 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 October of the last two years are summarized in Table 1.

**Table 1. Retail Confidence Index Components**

Component (Balance, %)	2020		2021
	October	September	October
Business current situation	38,5	63,7	66,3
Level of stocks	-6,8	-3,0	-5,5
Business expectations for the next 6 months	27,3	54,2	53,2
<b>Retail Confidence Index - RCI</b>	<b>24,2</b>	<b>40,3</b>	<b>41,7</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

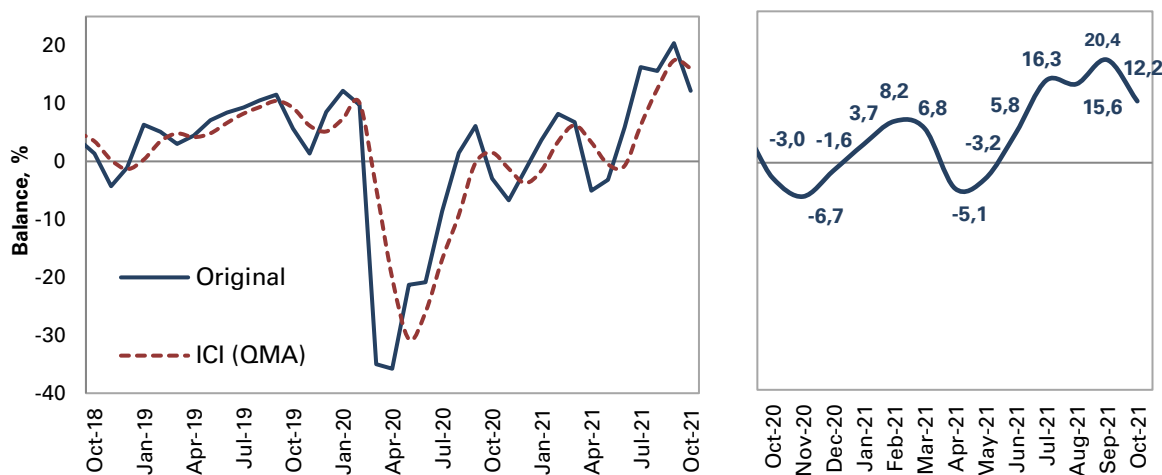
In October, the increase in retailer’s confidence compared to the previous month was mainly due to an increase of 2.7 pp in the business current situation indicator and the decrease of 2.4 pp in the level of stocks. On the other hand, there was a decrease of 1.0 pp in the business expectation’s indicator for the next semester. Compared to October 2020, the result was mainly due to an increase of 27.9 pp in the current economic situation and the increase of 25.9 pp in the business expectation’s indicator for the next semester.

<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 October, the Industrial Confidence Index (ICI) stood at 12.2% in its original series, which represents a decrease of 8.2 percentage points (pp) compared to last month and an increase of 15.2 pp relative to October 2020. Its quarterly moving average was 16.1%, which is equivalent to a decrease of 1.4 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 fall of the ICI compared to the previous month was mainly due to the decrease of 27.1 pp in the expected production for the next three months, as well as the increase of 3.4 pp in the stock of finished goods at the end of this month. On the other hand, there was an increase of 6.0 pp in the current volume of orders (Graph 3).

Table 2. Evolution of ICI components

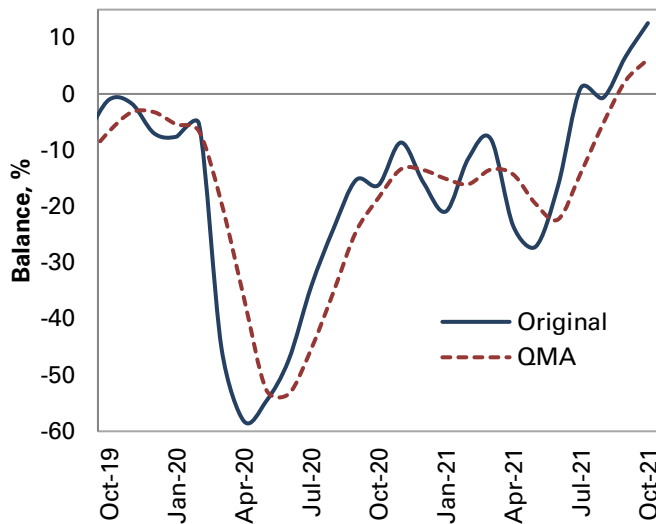
Component (Balance, %)	2020		2021
	October	September	October
Stocks of finished goods at end of this month	2,0	-9,2	-5,8
Current volume of orders	-16,2	6,6	12,6
Expected production in the next three months	9,3	45,3	18,3
<b>Industrial Confidence Index - ICI</b>	<b>-3,0</b>	<b>20,4</b>	<b>12,2</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo

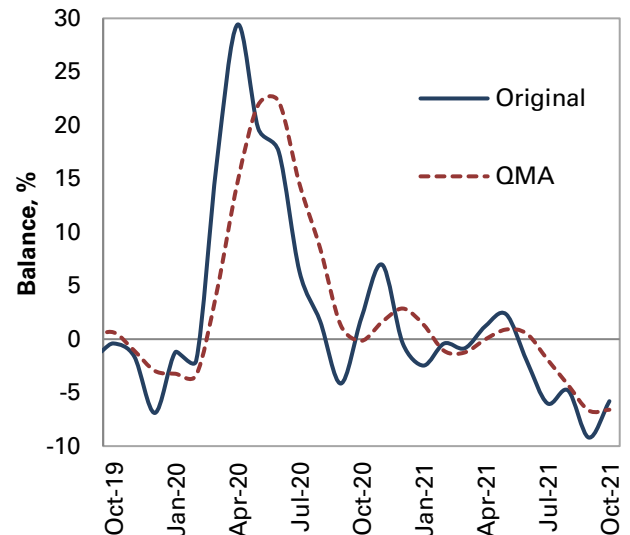
The growth in industrial confidence compared to October 2020 was due to an increase of 28.8 pp in the current volume of orders, an increase of 8.9 pp in the expected production in the next three months and a 7.8 pp reduction in the level of stocks (Table 2).

**Graph 3. ICI Components**

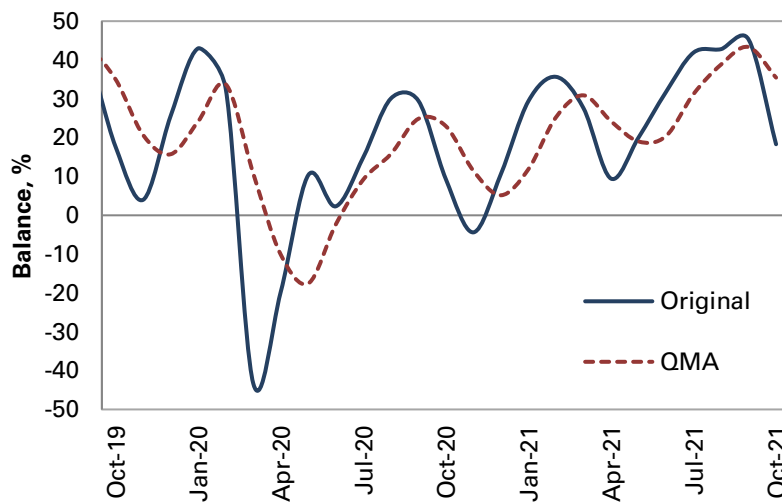
**A. Current order volume**



**B. Level of stocks**



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



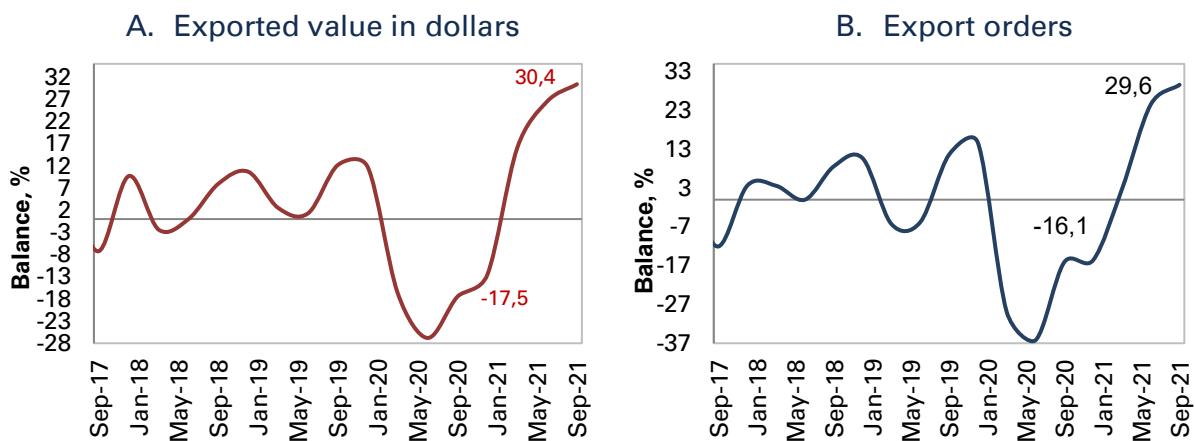
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module:

Exports<sup>2</sup>

During the third quarter of 2021, the balance of answers about exported value in dollars was 30.4%, which indicates that the percentage of respondents with increasing exports was greater than the percentage with decreasing exports. This result represents an increase of 3.9 pp compared to the previous quarter and an increase of 47.9 pp compared to the same quarter of 2020. On the other hand, the balance of export orders was 29.6% which implies an increase of 5.1 pp compared to the previous quarter and an increase of 45.7 pp relative to the same quarter of 2020 (Graph 4).

**Graph 4. Exported value in dollars and export orders in the first quarter of 2020 compared to the same quarter of the previous year**

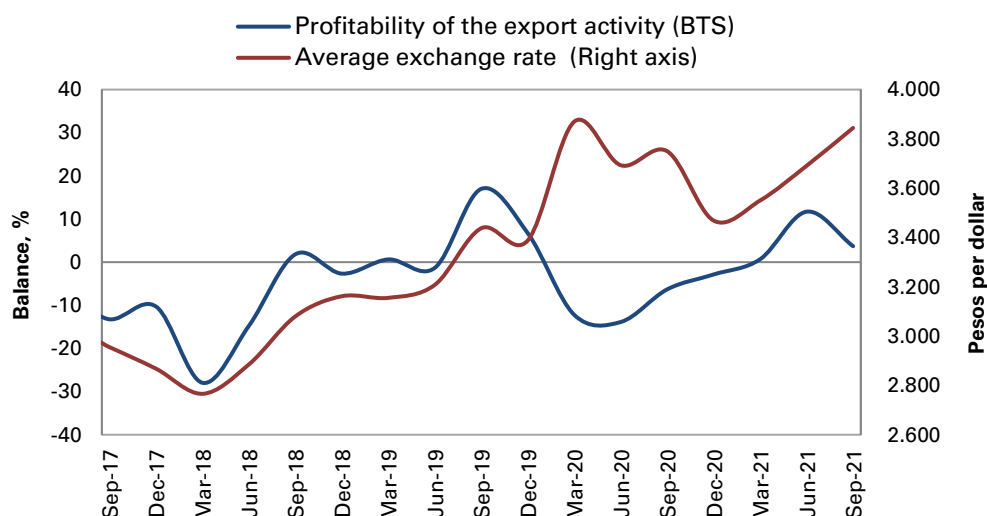


Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the perception about exports profitability, the balance was 3.7%, which is equivalent to a 8.0 pp decrease compared to the previous quarter and a 10.0 pp increase relative to the same quarter of 2020. The balance of exports profitability in this quarter is far from the behavior of the exchange rate (Graph 5).

<sup>2</sup>On a quarterly basis, the Business Tendency Survey includes a special module for the industrial sector, which inquires about the expectations and the perception of industrialists about the value exported in dollars and export orders.

**Graph 5. Profitability exports activity and exchange rate**



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

For the third quarter of 2021, the Plan Vallejo System (14.9%), the trade policies of the purchasing countries (14.3%) and the availability and cost of credit (11.6%) were the most favorable factors for the export activity. The internal transportation in Colombia (-22.9%) was the factor that improved the most, increasing 34.6 pp. On the other hand, the most unfavorable factors were the international transport (-55.3%), the production costs (-44.5%) and the port services in Colombia (-24.0%). Relative to the previous quarter, the balance of the international transport decreased 7.9 pp.

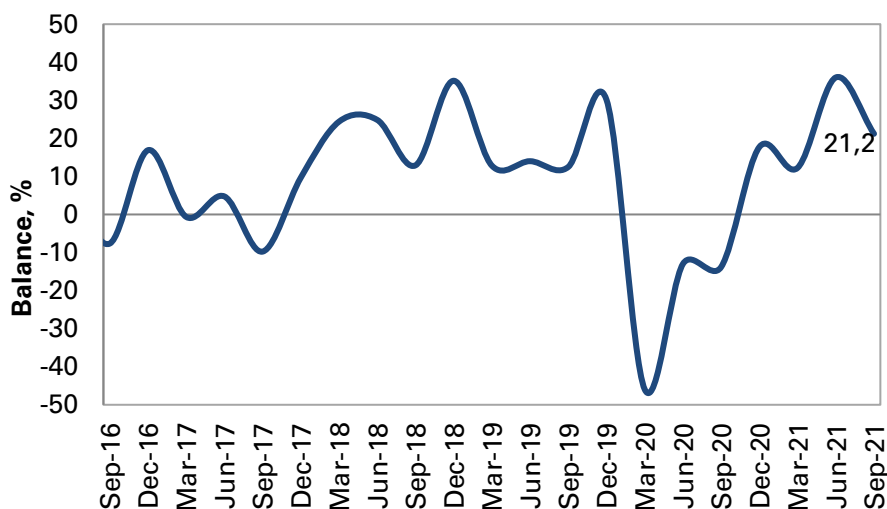
**Table 3. Main factors that affected the export activity**

Factor (Balance, %)	2020-III	2021-II	2021-III
International transport	-18,2	-47,4	-55,3
Production costs	-18,9	-40,9	-44,5
Internal transportation in Colombia	-14,7	-57,5	-22,9
Economic situation of the purchasing country	-20,3	-9,1	7,1
Competitive position in the target markets	0,0	-14,0	2,4
Port services in Colombia	4,2	-36,5	-24,0
Dollar-currency exchange rate of the buyer country	9,8	0,0	-6,4
Colombian information and marketing services	7,7	2,8	11,4
Trade policies of the purchasing countries	-3,5	1,4	14,3
Availability and cost of credit	5,6	7,2	11,6
Peso-dollar exchange rate	5,6	6,8	2,4
Export procedures in Colombia	2,1	-15,9	-3,1
Plan Vallejo System	11,9	9,0	14,9

**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 21.2%, which is equivalent to a 14.8 pp decrease compared to the previous measurement and a 35.0 pp increase compared to the third quarter of 2020 (Graph 6). In this measurement, 39.4% of respondents said that their exports will increase over the next three months, while 18.2% believe that their exports will decrease and 42.2% expect them to remain the same.

**Graph 6. 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**

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