

Business Tendency Survey January 2022



In January 2022, the Retail Confidence Index (RCI) stood at 39,5%, showing a drop of 1,8 pp compared to the previous month. The decrease in the RCI was mainly explained by a reduction of 10,2 pp in the business current situation indicator. However, there was a 0,9 pp drop in the level of inventories and a 4,0 pp increase in the business expectations indicator for the next six months.

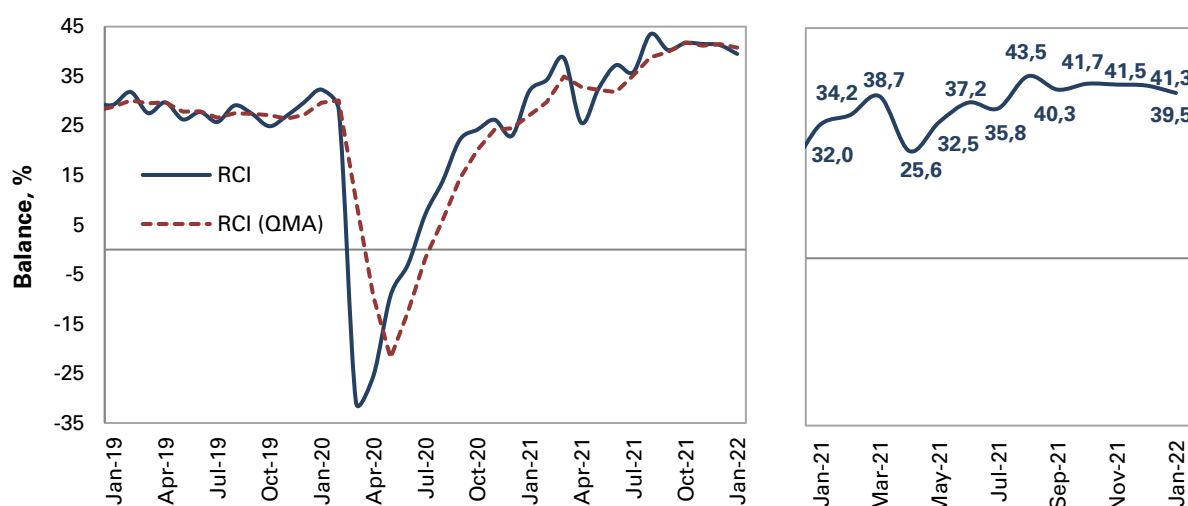
On the other hand, the Industrial Confidence Index (ICI) reached 12,7%, increasing by 1,1pp compared to the previous month. This result is entirely due to a 13,0 pp increase in production expectations for the next quarter. However, the 2,7 pp reduction in the current volume of orders and the 7,0 pp increase in the level of inventories generated downward pressures on the confidence of the industrial sector.

In the fourth quarter of 2021, the profitability of export activity, export orders and dollar value exported grew versus the previous quarter. In contrast, three-month expectations for dollar value exported decreased.

Retail Confidence Index – RCI

In January 2022, the Retail Confidence Index (RCI) stood at 39.5%, showing a decrease of 1,8 percentage points (pp) compared to last month and an increase of 7,5 pp compared to January 2021 (Graph 1).

Graph 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The RCI brings together three elements: **perception about the business current economic situation, level of stocks¹ and expectations about the economic situation for the next semester**. The results for January 2021 and 2022 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2021		2022
	January	December	January
Business current situation	42,4	74,1	63,9
Level of stocks	-9,6	-7,6	-8,5
Business expectations for the next 6 months	44,0	42,1	46,1
Retail Confidence Index - RCI	32,0	41,3	39,5

Source: Business Tendency Survey (BTS) – Fedesarrollo

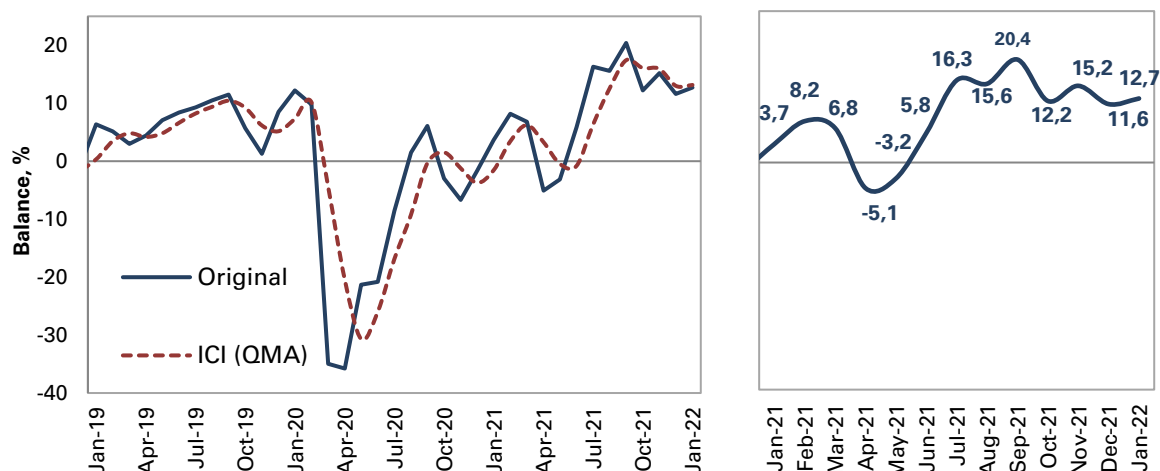
In January, the decrease in retailers' confidence compared to the previous month is entirely due to a 10,2 pp drop in the business current situation. This was partially offset by a 0,9 pp drop in inventory levels and a 4,0 pp increase in business expectations for the next six months. On an annual basis, the increase in retailers' confidence was explained by a 21,5 pp rise in the business current situation and by a 2,1 pp improvement in business expectations for the next six months. However, the increase in inventory levels by 1,1 pp put downward pressure on the annual change of this indicator.

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 January 2022, the Industrial Confidence Index (ICI) stood at 127%, showing an increase of 1,1 pp and 9.0 pp, compared to December and January 2021, respectively. On the other hand, the quarterly moving average reached 13,2% and registered a slight increase of 0,2 pp compared to the same measurement of the previous 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**. The results for January 2021 and 2022 are presented in Table 2.

Table 2. Evolution of ICI components

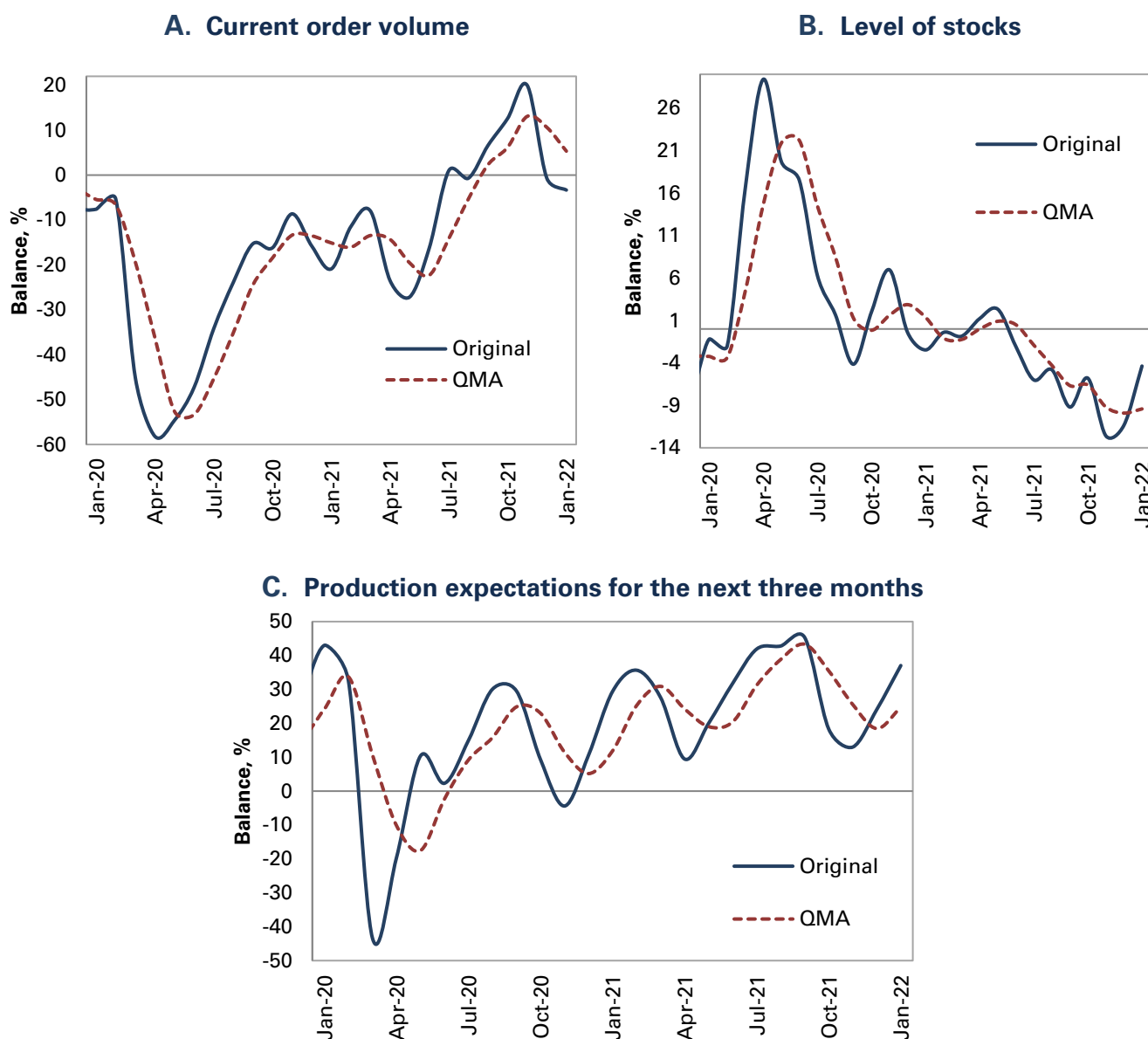
Component (Balance, %)	2021		2022
	January	December	January
Stocks of finished goods at end of this month	-2,5	-11,3	-4,4
Curren volume of orders	-20,9	-0,7	-3,3
Expected production in the next three months	29,4	24,1	37,0
Industrial Confidence Index – ICI	3,7	11,6	12,7

Source: Business Tendency Survey (BTS) – Fedesarrollo

In the original series, the improvement in industrial confidence versus the previous month is entirely due to the 13,0 pp increase in production expectations for the next quarter (Graph 3). In contrast, there was a drop in the current volume of orders and an increase in inventories of 2,7 pp and 7.0 pp, respectively. In annual terms, the increase in industrial confidence was related to a 17,6 pp and 7,6 pp rise in the current volume of

orders and production expectations for the next quarter, respectively, as well as a 1,9 pp reduction in the level of inventories.

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module:

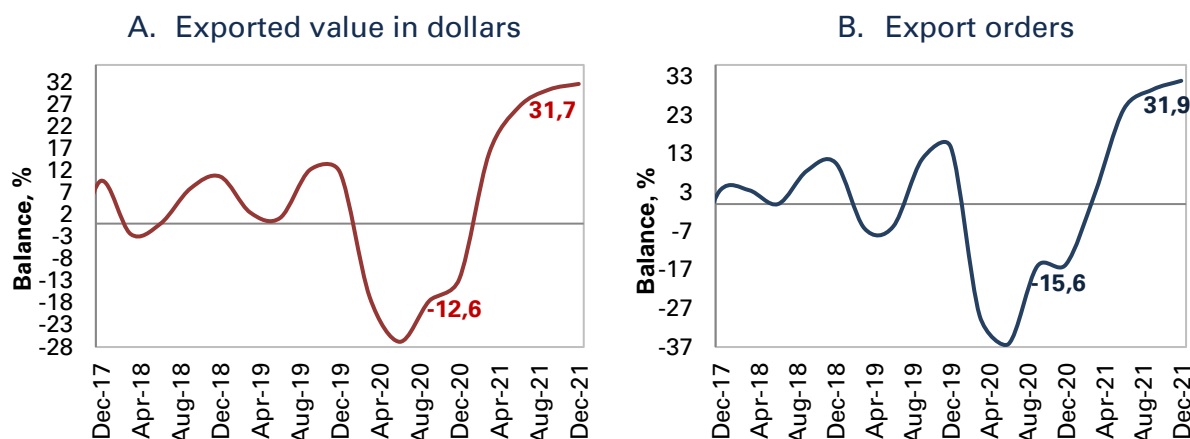
Exports²

In the fourth quarter of 2021, the balance on dollar value exported was 31,7%, indicating that the percentage of respondents who had an increase in exports was higher than those whose exports decreased (Graph 4). This result represents an increase of 1,3 pp and 44,3 pp versus the third quarter of 2021 and the fourth quarter of 2020, respectively.

²On 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.

Meanwhile, the balance of export orders was 31,9%, representing an increase of 2,3 pp and 47,5 pp compared to the previous quarter and the same quarter of 2020, respectively.

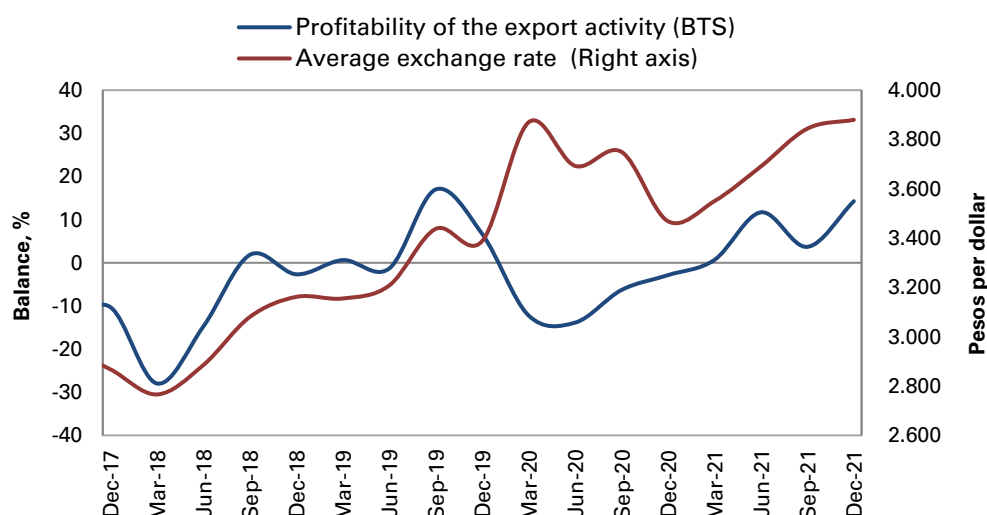
Graph 4. Exported value in dollars and export orders in the fourth quarter of 2021



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

Regarding the question that inquires about the perception of entrepreneurs on the profitability of the export activity, a balance of 14,3% was obtained, which means that the percentage of respondents who perceived an increase in profitability was higher than those who considered a decrease. This represented an increase of 10,6 pp compared to the previous quarter and an increase of 17,1 pp compared to the fourth quarter of 2020. In addition, the balance of the profitability of export activity in the fourth quarter of 2021 was consistent with the behaviour of the exchange rate (Graph 5).

Graph 5. Profitability of the export activity and exchange rate



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

In the fourth quarter of 2021, the Plan Vallejo system (16,5%), the availability and cost of credit (5,3%) and the trade policies of the purchasing countries (2,7%) were the most

favorable factors affecting export activity. On the other hand, the most unfavorable factors were international transport (-60,2%), production costs (-50,8%) and internal transportation in Colombia (-47,8%). In contrast with the previous quarter, the factor that showed the greatest improvement was the dollar exchange rate per currency of the purchasing country (-3,5%), increasing by 2,9 pp. On the other hand, the factor that registered the largest decline was the internal transportation conditions in Colombia (-47,8%), decreasing by 24,9 pp.

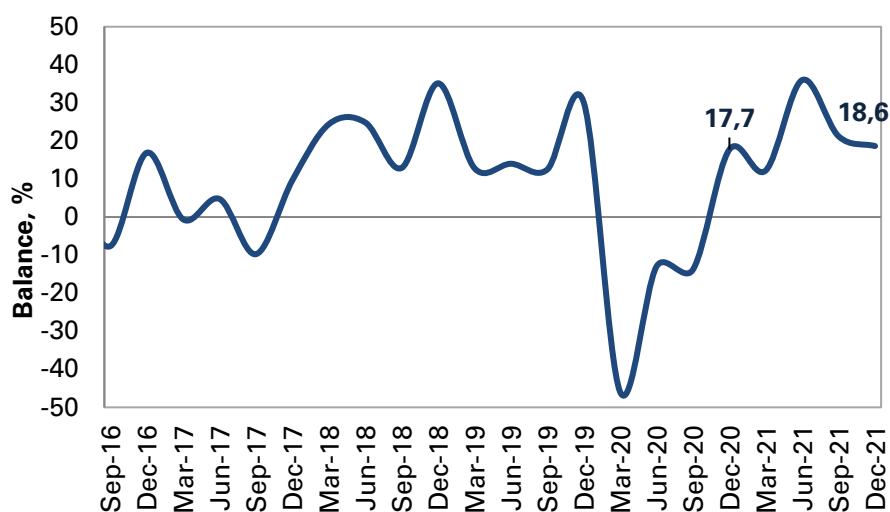
Table 3. Main factors affecting export activity

Factor (Balance, %)	2020-IV	2021-III	2021-IV
International transport	-22,3	-55,3	-60,2
Production costs	-7,1	-44,5	-50,8
Internal transportation in Colombia	-11,6	-22,9	-47,8
Economic situation of the purchasing country	-23,5	7,1	-0,9
Competitive position in the target markets	-10,7	2,4	1,7
Port services in Colombia	-11,3	-24,0	-43,0
Dollar-currency exchange rate of the purchasing country	3,8	-6,4	-3,5
Colombian information and marketing services	2,3	11,4	-1,8
Trade policies of the purchasing countries	-6,9	14,3	2,7
Availability and cost of credit	-1,4	11,6	5,3
Peso-dollar exchange rate	-0,7	2,4	-3,4
Export procedures in Colombia	8,7	-3,1	-0,9
Plan Vallejo System	13,8	14,9	16,5

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

The balance of the three-month expectation of export value in dollar months stood at 18,6%, which is equivalent to a decrease of 2,6 pp compared to the third quarter of 2021 and a slight increase of 0,9 pp compared to the fourth quarter of 2020 (Graph 6). In this question, 27,1% of respondents stated that their exports will increase in the next three months, while 8,5% believe their exports will decrease, and the remaining 64,4% expect their exports to remain the same.

Graph 6. Three-month expectations of export 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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Published February 23, 2022

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