

Business Tendency Survey April 2023



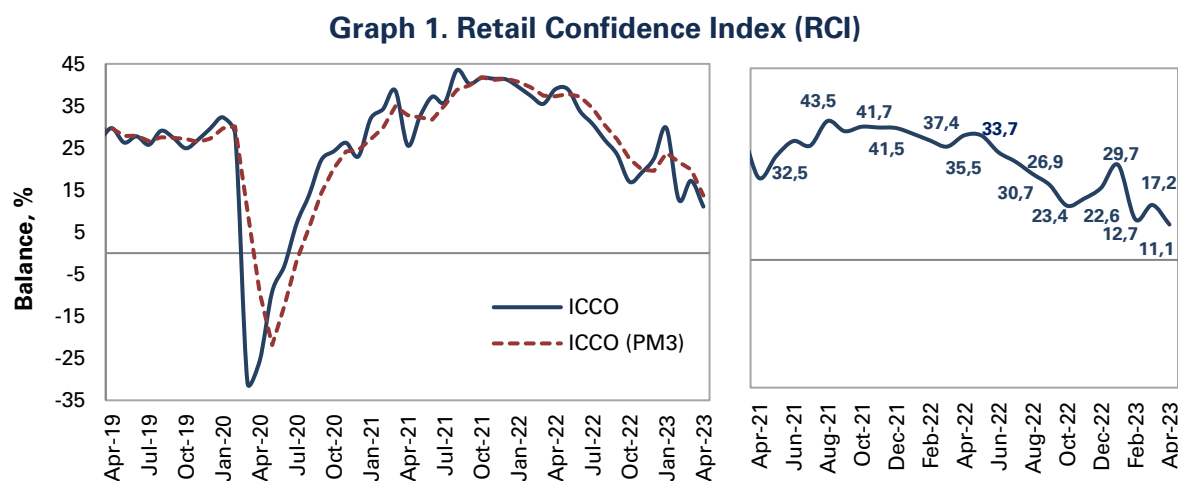
In April 2023, the **Retail Confidence Index stood at 11.1%**, which represents **6.1 percentage points decrease compared to the previous month (March 2023 RCI: 17.2%)**. The decrease in the retail confidence was explained by the unfavorable perception of the economy for the next semester, which decreased by 12.9 pp. Likewise, the perception of the current situation of the companies dropped by 11.6 pp. However, the stock levels decreased by 6.2 pp. The result of April's RCI is the lowest since July of 2020 (7.1%).

In addition, the **Industrial Confidence Index (ICI) stood at -5.9% for the month of April 2023, a decrease in 9.4 percentage points compared to the previous month (March 2023 ICI: 3.5)**. The negative monthly variation in industrial confidence in April is explained by a 16.5 pp decrease in the production expectations for next semester. Furthermore, the industrial confidence result is also explained by the 10.0 pp drop in the volume of orders and the 1.7 pp increase in the stock levels. The result of April's ICI is the lowest since November of 2020 (-6.7%).

In the first quarter of 2023, there was a negative quarterly variation in the exported value in dollars (44.7 pp), export orders (34.4 pp), profitability of export activity (29.8 pp), and expectations of the exported value in dollars for the next 3 months (10.5 pp).

Retail Confidence Index – RCI

In April 2023, the Retail Confidence Index (RCI) stood at 11.1%, representing a decrease of 6.1 pps compared to the previous month (17.2%). Similarly, the RCI showed a decrease of 27.9 pps compared to April of the previous year (39.0%). This result is the lowest since July 2020 (7.1%).



Source: Business Tendency Survey (BTS) – Fedesarrollo.

The RCI brings together three elements: **perception about the business current economic situation, level of stocks and expectations about the economic situation for the next semester**. The results for April 2022 and 2023 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2022		2023
	April	March	April
Business current situation	67,0	42,4	30,8
Level of stocks	3,5	17,3	11,1
Business expectations for the next 6 months	53,5	26,4	13,4
Retail Confidence Index - RCI	39,0	17,2	11,1

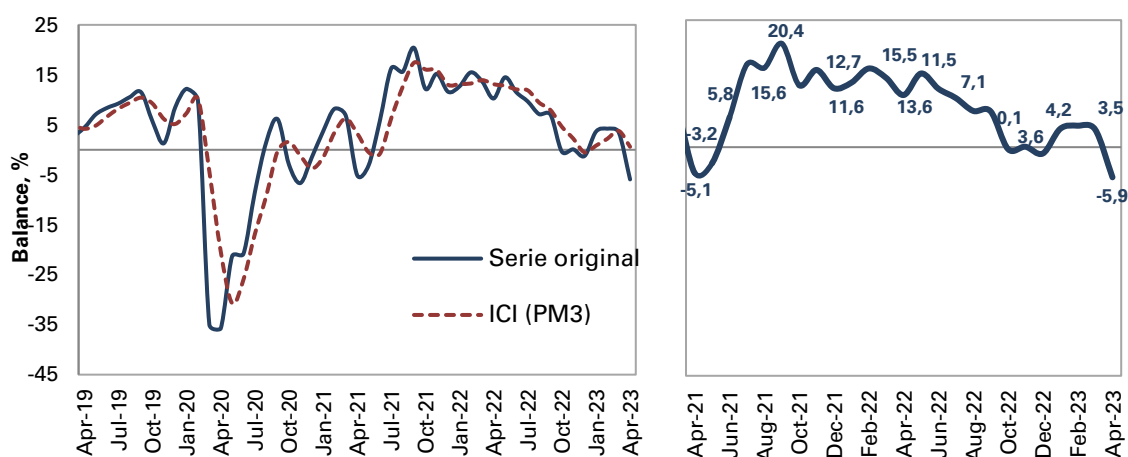
Source: Business Tendency Survey (BTS) – Fedesarrollo.

The lower confidence of retailers compared to the previous month was mainly due to the unfavorable perception of the current economic situation of the company, which decreased by 11.6 pp. Likewise, it was negatively affected by the decrease of 12.9 pp in expectations regarding the economic situation for the next semester. However, the stock levels decreased by 6.2 pp. In annual terms, the decline in the retailer confidence index was explained by a decrease of 40.1 pp in economic expectations for the next semester, as well as a drop of 36.2 pp in the current economic perception and an increase of 7.6 pp in stock levels, based on the RCI.

Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) stood at -5.9% for April 2023. This represents a decrease of 9.4 pp compared to the previous month (March 2023 ICI: 3.5%) and a decline of 16.2 pp compared to the same month in 2022 (April 2022 ICI: 10.3%) (Graph 2). Meanwhile, the quarterly moving average was at 0.6%, indicating a drop of 3.2 pps compared to the same indicator for the month of March 2023 (3.8%). The April 2023 ICI result is the lowest since November 2020 (-6.7%).

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 April 2022 and 2023 are presented in Table 2.

Table 2. Evolution of ICI components

Component (Balance, %)	2022		2023
	April	March	April
Stocks of finished goods at end of this month	-5,2	2,8	4,4
Current volume of orders	-3,0	-14,7	-24,7
Expected production in the next three months	28,6	27,8	11,3
Industrial Confidence Index – ICI	10,3	3,5	-5,9

Source: Business Tendency Survey (BTS) – Fedesarrollo.

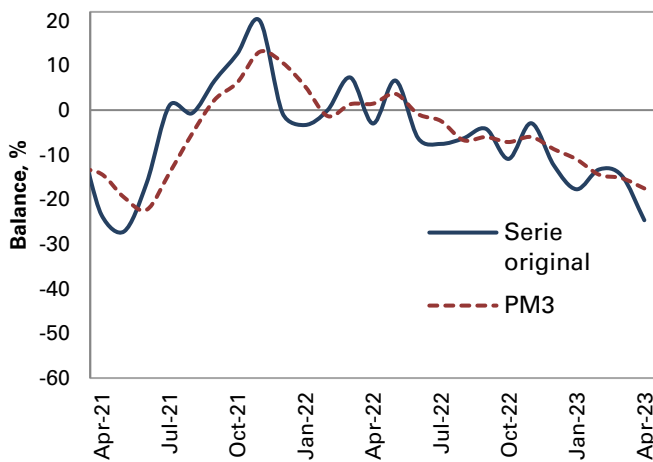
The negative monthly variation in industrial confidence in April can be explained by the production expectations for the next quarter, which reflected less optimism. This category decreased by 16.5 pp (11.3% compared to 27.8% in March 2023). Similarly, there was a decrease of 10.0 pp in the current volume of orders (-24.7% compared to -14.7% in March 2023) and an increase of 1.7 pp in the level of stock (4.4% compared to 2.8% in March 2023).

In annual terms, the decrease in industrial confidence was mainly explained by the reduction of 21.7 pp and 17.3 pp in the current volume of orders and production expectations for the next quarter, respectively. Additionally, the annual variation was influenced by the increase of 9.7 pps in the stock level.

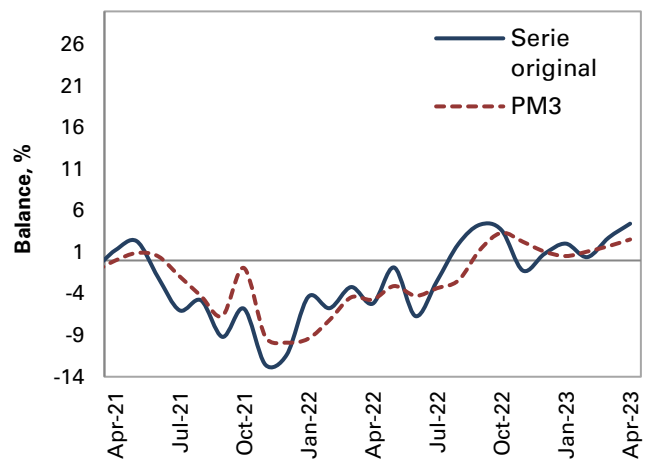
Graph 3. ICI Components

Gráfico 3. Componentes del ICI

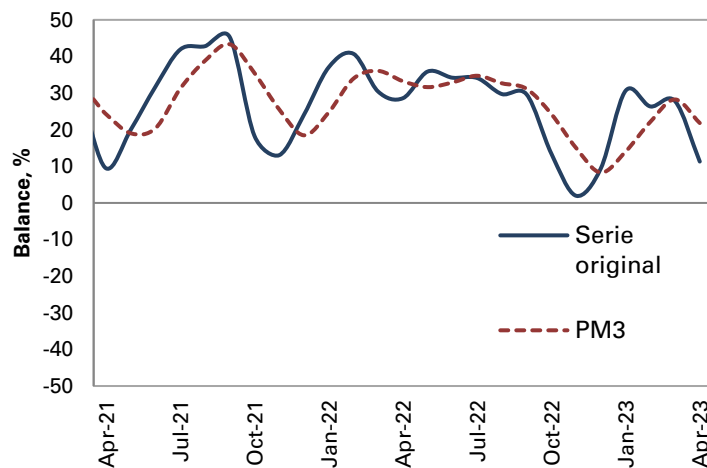
A. Volumen actual de pedidos



B. Nivel de existencias



C. Expectativas de producción para el próximo trimestre



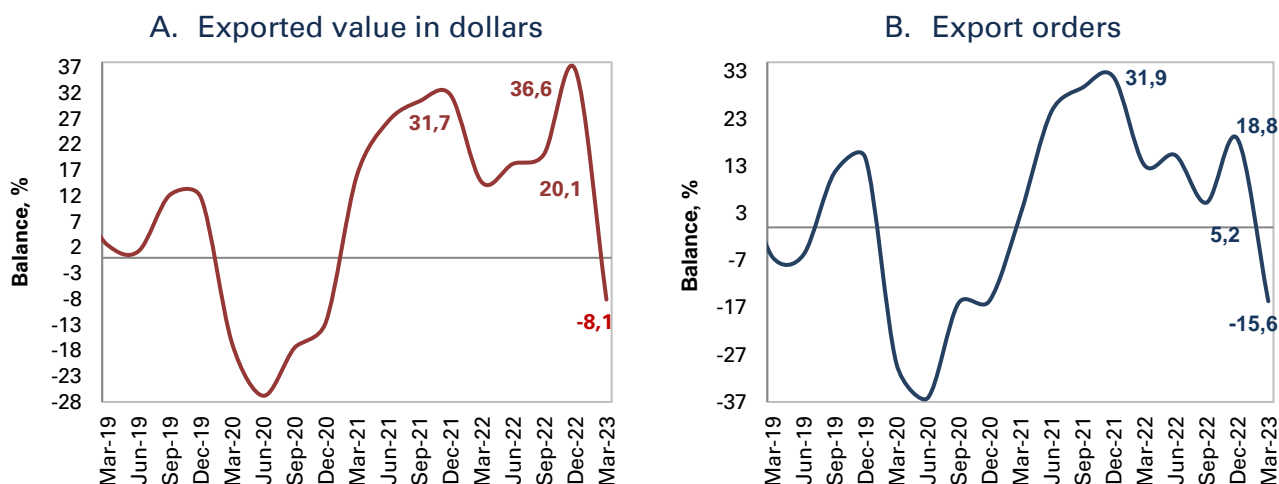
Source: Business Tendency Survey (BTS) – Fedesarrollo.

Quarterly Module:

Exports¹

In the first quarter of 2023, the balance on the value of exports in dollars was -8.1%, indicating that the percentage of respondents who experienced an increase in their exports was lower than those whose exports decreased (Graph 4). This result represents a decrease of 44.7 pp compared to the fourth quarter of 2022 (36.6%) and a decrease of 22.8 pp compared to the first quarter of 2022 (14.7%). Furthermore, the balance of export orders was -15.6%, which represents a decrease of 34.4 pps and a decline of 28.8 pp compared to the immediate previous quarter (18.8%) and the same quarter of 2022 (13.2%), respectively.

Graph 4. Value of exports in dollars and export orders

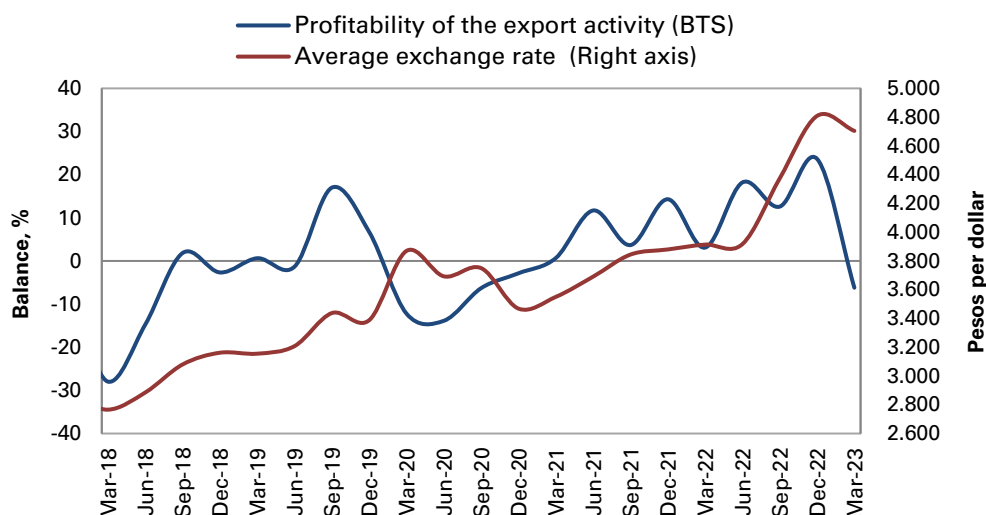


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Regarding the question that explores entrepreneurs' perception of the profitability of export activity, a balance of -6.2% was obtained. This means that the percentage of respondents who perceived an increase in profitability was significantly lower compared to those who reported a decrease. The balance results represented a decrease of 29.8 pp compared to the previous quarter (23.7%) and 9.3 pp compared to the first quarter of 2022 (3.1%). Additionally, the balance of export activity profitability in the first quarter of 2023 was consistent with the behavior of the exchange rate (Graph 5).

¹ The Business Opinion Survey contains a quarterly module that asks about the expectations and perceptions of industrialists regarding the value of exports in dollars and export orders.

Graph 5. Profitability of the export activity and exchange rate



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

For the first quarter of 2023, the most favorable factors for export activity were the Plan Vallejo System (15.9%), Colombian information and marketing services (5.8%), and export procedures in Colombia (5.7%). On the other hand, production costs (-32.2%), internal transportation in Colombia (-19.6%), and international transportation (-13.2%) were identified as the most unfavorable factors. In contrast to the previous quarter, the factor that showed the greatest improvement was international transportation, which increased by 12.6 pp. On the other hand, the factor that experienced the biggest setback was the peso-dollar exchange rate, decreasing by 17.1 pp.

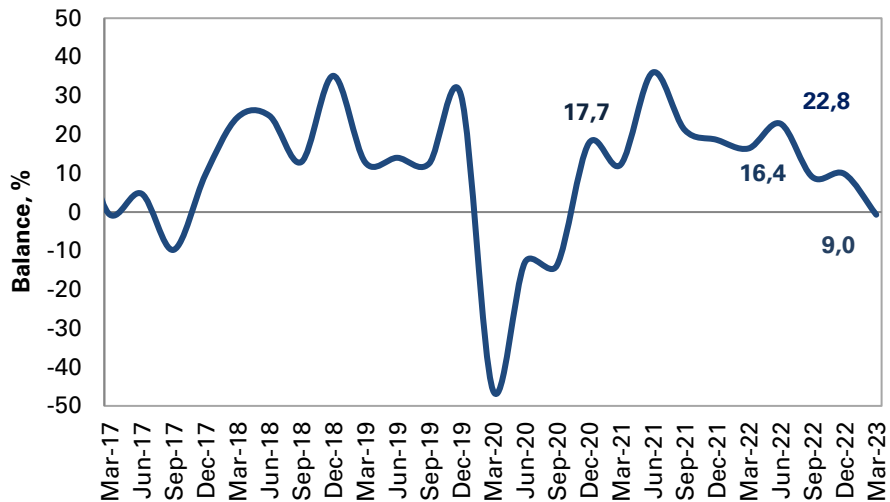
Table 3. Main factors affecting export activity

Factor (Balance, %)	2022-I	2022-IV	2023-I
Production costs	-43,8	-38,2	-32,2
Availability and cost of credit	-0,8	-18,3	-10,4
Plan Vallejo System	4,3	7,6	15,9
Export procedures in Colombia	5,5	2,4	5,7
Internal transportation in Colombia	-31,5	-30,7	-19,6
International transportation	-48,4	-25,8	-13,2
Port services in Colombia	-14,1	-12,6	-4,4
Peso-dollar exchange rate	4,7	10,6	-6,5
Dollar-currency exchange rate of the buyer country	2,4	0,0	3,6
Colombian information and marketing services	5,5	-6,4	5,8
Trade policies of the purchasing countries	3,9	-0,8	5,1
Economic situation of the buyer country	-6,3	2,4	-2,9
Competitive position in the target markets	-3,9	-4,8	2,9

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

For the first quarter of 2023, the balance of exporters' expectations regarding the performance of their activity in the next three months stood at -0.7%. This represents a decrease of 10.5 pp compared to 2022-IV and a decrease of 17.1 pp compared to the same quarter of 2022 (Graph 6). In this question, 23.4% of respondents stated that their exports will increase in the next three months, while 24.1% believe that their exports will decrease, and the remaining 52.4% 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

+57 1 3259777 ext. 340
comercial@fedesarrollo.org.co

Published April 25, 2023

Comments to Paula Alejandra González Díaz: pgonzalez@fedesarrollo.org.co