

Business Tendency Survey July 2023



In July 2023, the **Retail Confidence Index (RCI)** stood at **21.7%**, representing an **increase of 3.9 percentage points compared to the previous month (RCI June 2023: 17.8%)**. The rise in retail confidence was driven by a positive perception of the economy for the upcoming semester, which increased by 7.1 pps. Similarly, the decrease in stock levels by 4.4 pps had a positive impact. Furthermore, the favorable perception of the current business situation saw a 0.2 pps increase.

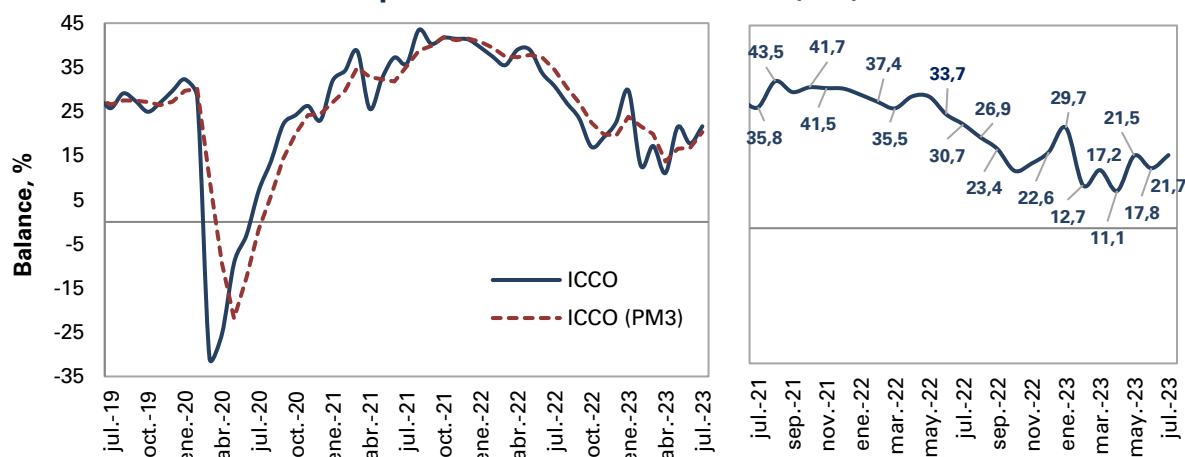
On the other hand, the **Industrial Confidence Index (ICI)** reached **-0.2% for the month of July 2023, a 2 pps increase compared to the previous month (ICI June 2023: -2.2%)**. The positive monthly variation in industrial confidence in July is explained by a 4.9 pps increase in production expectations for the next quarter. Additionally, the current volume of orders showed a 3.9 pps increase. Meanwhile, stock levels experienced a 2.7 pps increase compared to the previous month.

In the second quarter of 2023, there was a positive quarterly variation in export orders (7.0 pps), exported value in dollars (2.8 pps), and 3-month expectations of exported value in dollars (2.7 pps). On the other hand, export activity profitability saw a negative quarterly variation of 5.3 pps.

Retail Confidence Index – RCI

In July 2023, the Retail Confidence Index (RCI) stood at 21.7%, representing an increase of 3.9 pps compared to the previous month (17.8%). Furthermore, the RCI showed a decrease of 9.0 pps compared to July of the previous year (30.7%).

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 stocks and expectations about the economic situation for the next semester**. The results for July 2022 and 2023 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2022		2023
	July	June	July
Business current situation	61,4	36,9	37,1
Level of stocks	11,4	9,4	5,0
Business expectations for the next 6 months	42,3	25,7	32,8
Retail Confidence Index - RCI	30,7	17,8	21,7

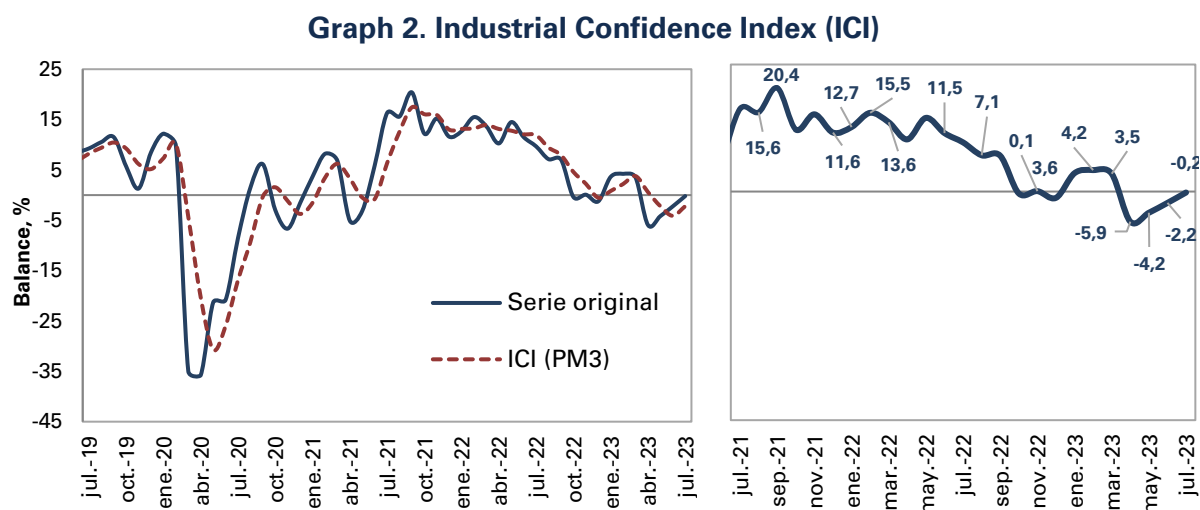
Source: Business Tendency Survey (BTS) – Fedesarrollo.

Mainly due to positive expectations about the economic situation for the upcoming semester, a category that increased by 7.1 pps, was the primary driver. Similarly, the reduction of 4.4 pps in stock levels had a positive impact. Additionally, the favorable perception of the current economic situation of the company or business increased by 0.2 pps. On an annual basis, the decline in merchant confidence was explained by a drop of 24.3 pps in the current economic perception of the company, as well as a decrease of 9.5 pps in economic expectations for the next semester. However, stock levels experienced an annual decrease of 6.5 pps.

Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) reached -0.2% for July 2023. With this, the ICI showed an increase of 2.0 pps compared to the previous month (ICI June 2023: -2.2%) and a decrease of 9.9 pps compared to the same month in the year 2022 (ICI July 2022:

9.7%) (Graph 2). Meanwhile, the quarterly moving average stood at -2.2%, representing a 1.9 pps increase compared to the same indicator for the month of June 2023 (-4.1%).



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 July 2022 and 2023 are presented in Table 2.

Table 2. Evolution of ICI components

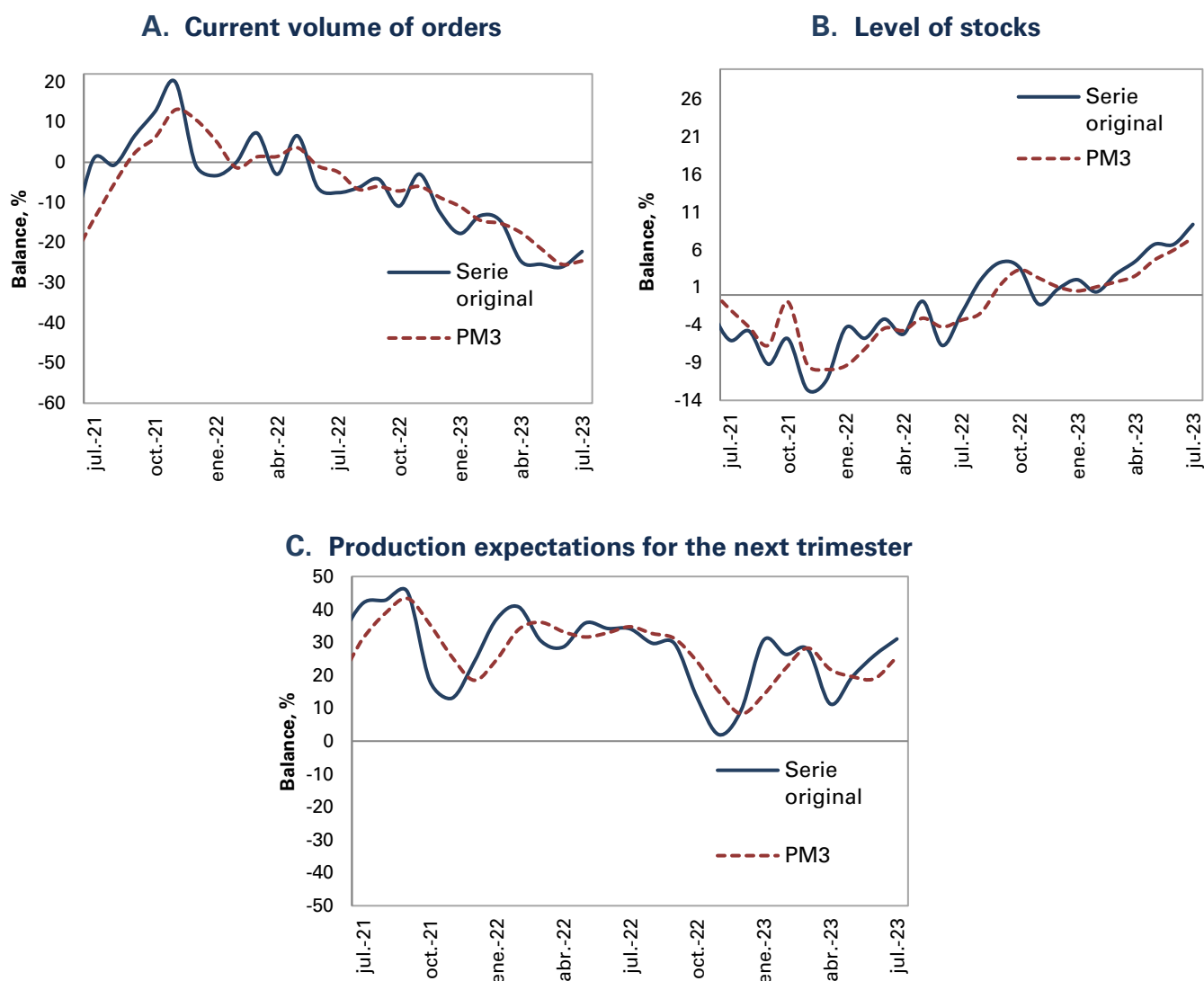
Component (Balance, %)	2022		2023	
	July	June	June	July
Stocks of finished goods at end of this month	-2,5	6,7		9,4
Current volume of orders	-7,6	-26,1		-22,2
Expected production in the next three months	34,1	26,1		31,0
Industrial Confidence Index – ICI	9,7	-2,2		-0,2

Source: Business Tendency Survey (BTS) – Fedesarrollo.

The positive monthly variation in industrial confidence in July can be attributed to the optimistic production expectations for the next quarter, which increased by 4.9 pps (31.0% vs. 26.1% in June 2023), and the rise in the current volume of orders by 3.9 pps. Additionally, the stock level experienced a 2.7 pps increase compared to the previous month.

On an annual basis, the decrease in industrial confidence was primarily explained by the reduction of 14.7 pps in the current volume of orders and a decrease of 3.1 pps in production expectations for the next quarter. Likewise, the annual variation was influenced by an increase of 11.8 pps in the stock level.

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo.

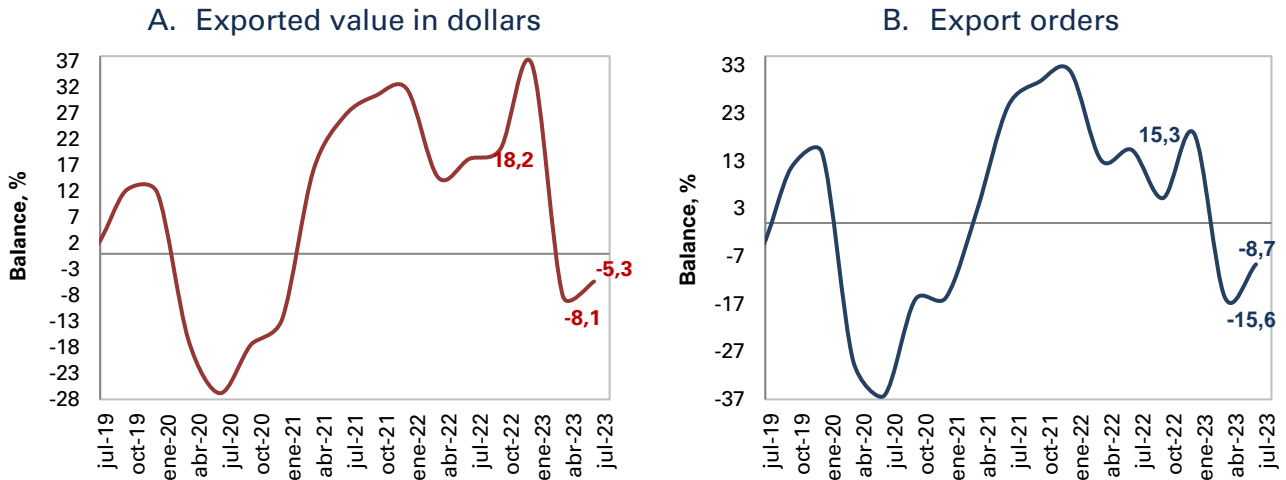
Quarterly Module:

Employment Expectations and Smuggling Activities Perception¹

In the second quarter of 2023, the balance for exported value in dollars was -5.3%, 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 2.8 pps increase compared to the first quarter of 2023 (-8.1%), and a decrease of 23.6 pps compared to the second quarter of 2022 (18.2%). On the other hand, the balance for export orders was -8.7%, signifying a 7.0 pps increase and a decline of 24.0 pps compared to the immediate previous quarter (-15.6%) and the same quarter of 2022 (15.3%), respectively.

¹ The Business Opinion Survey contains a quarterly module that asks about entrepreneurs' perception of employment expectations and the perception of smuggling in the industry.

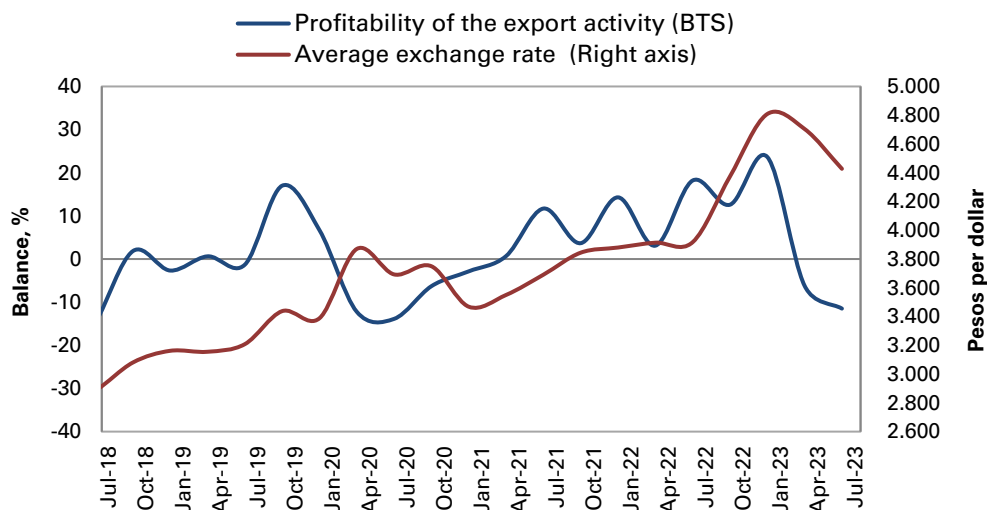
Graph 4. Value of exports in dollars and export orders



Source: Business Tendency Survey (BTS) – Fedesarrollo.

Regarding the question that explores entrepreneurs' perception of export activity profitability, a balance of -11.5% was obtained. This indicates that the percentage of respondents who perceived an increase in profitability was significantly lower compared to those who reported a decrease. The balance results showed a decrease of 5.3 pps compared to the previous quarter (-6.2%) and a decrease of 29.7 pps compared to the second quarter of 2022 (18.2%). Additionally, the balance of export activity profitability in the second quarter of 2023 was consistent with the behavior 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.

For the second quarter of 2023, the most favorable factors for export activity were the Plan Vallejo System (9.8%), export procedures in Colombia (8.3%), and Colombian information and marketing services (6.2%). On the other hand, the peso-dollar exchange

rate (-32.4%), production costs (-20.5%), and internal transportation in Colombia (-17.9%) were identified as the most unfavorable factors for exports. In contrast to the immediately preceding quarter, the factor that showed the greatest improvement was production costs, which increased by 11.6 pps. On the other hand, the factor that experienced the most significant setback was the peso-dollar exchange rate, decreasing by 25.9 pps.

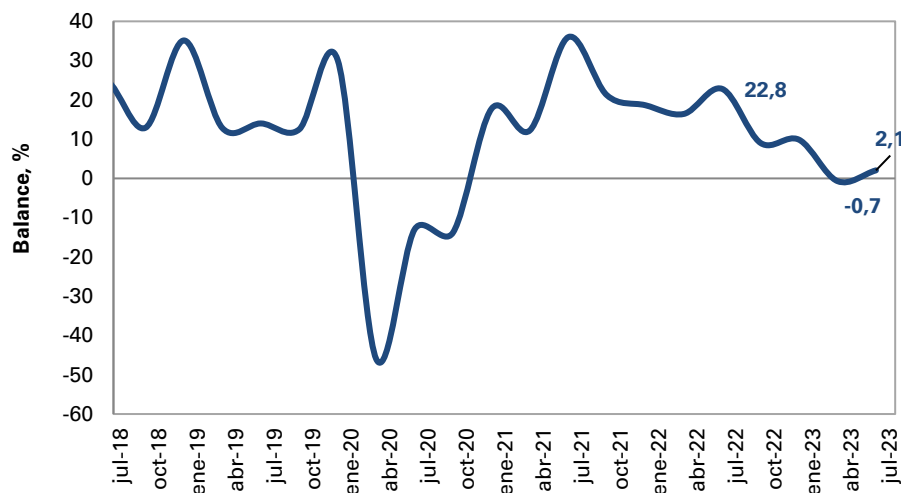
Table 3. Main factors affecting export activity

Factor (Balance, %)	2022-II	2023-I	2023-II
Production costs	-41,8	-32,2	-20,5
Availability and cost of credit	-3,8	-10,4	-11,3
Plan Vallejo System	6,3	15,9	9,8
Export procedures in Colombia	-3,7	5,7	8,3
Internal transportation in Colombia	-32,6	-19,6	-17,9
International transportation	-46,7	-13,2	-11,7
Port services in Colombia	-21,5	-4,4	0,0
Peso-dollar exchange rate	6,0	-6,5	-32,4
Dollar-currency exchange rate of the buyer country	5,2	3,6	-5,5
Colombian information and marketing services	3,8	5,8	6,2
Trade policies of the purchasing countries	-3,7	5,1	-1,4
Economic situation of the buyer country	0,7	-2,9	-7,5
Competitive position in the target markets	3,7	2,9	-11,0

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

For the second quarter of 2023, the balance of exporters' expectations regarding the performance of their activity in the next three months stood at 2.1%, which corresponds to an increase of 2.7 pps compared to 2023-Q1 and a decrease of 20.7 pps compared to the same quarter in 2022 (Graph 6). In response to this question, 24.0% of the respondents stated that their exports will increase in the next three months, while 21.9% believe that their exports will decrease, and the remaining 54.1% 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 August 29, 2023

Comments to **Alejandra Gacha Mendoza**: agacha@fedesarrollo.org.co