

Business Tendency Survey June 2018

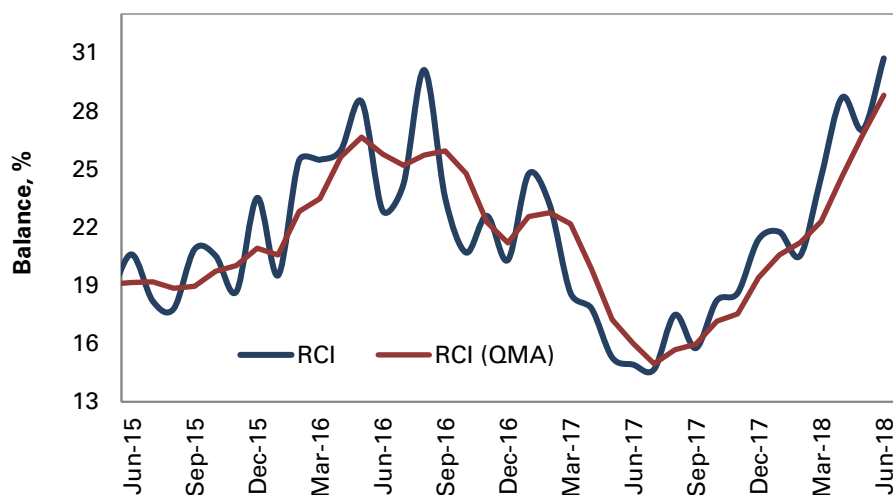


In June, both Retail and Industrial Confidence Indexes increased compared to previous month and June 2017. Employment expectations for the next quarter improved with respect to the previous measurement. In the second quarter of the year, balances of retail sales and industry's productive activity improved relative to previous quarter and same quarter of 2017. Finally, industrialists' perception of contraband increased compared to the previous quarter and second quarter of last year.

Retail Confidence Index – RCI

In June, the Retail Confidence Index (RCI) was 30.7%, which represents an increase of 3.7 percentage points (pps) compared to the previous month and an increase of 15.8 pps compared to June 2017 (Figure 1). This month's data registered the highest value since February 2012.

Graph 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey (BTS) – Fedesarrollo

The RCI brings together three elements: **perception about current economic situation of the company or business, level of stocks, and expectations about economic situation for the next semester**. Results for June of the last three years are summarized in Table 1.

Table 1. Retail Confidence Index: Components' Evolution

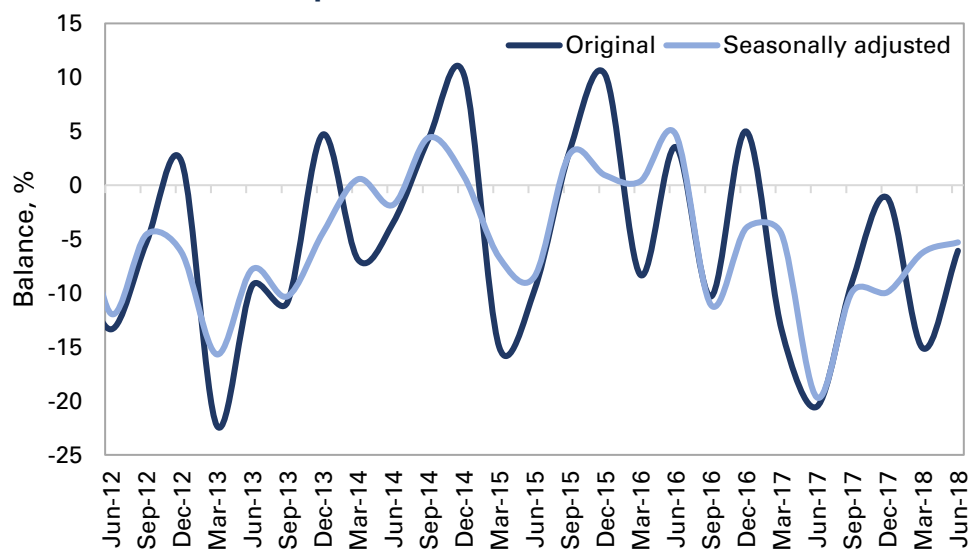
Component (Balance, %)	2016	2017	2018	
	June	June	May	June
Business current situation	43.3	29.5	38.6	39.9
Level of stocks	12.2	19.1	4.0	3.5
Business expectations for the next 6 months	37.5	34.3	46.5	55.7
Retail Confidence Index - RCI	22.9	14.9	27.0	30.7

Source: Business Tendency Survey (BTS) – Fedesarrollo

In June, the improvement in retailer's confidence relative to previous month is due to the 9.2 pps increase in business expectations for the next semester, the 1.3 pps increase in the current economic situation indicator and the reduction of 0.5 pps in the level of stocks. Compared to June 2017, there were improvements in all components. Level of stocks decreased by 15.6 pps, business expectations increased by 21.4 pps and current economic situation improved by 10.4 pps.

In the second quarter, the average balance of answers about retail sales was -6.1%, which represents an increase of 14.5 pps with respect to the same quarter of 2017. Adjusting the series by seasonal factors shows an increase of 9.0 pps compared to the previous quarter. This indicator is highly correlated with trade sector value added growth¹.

Graph 2. Retail Sales – BTS Retail

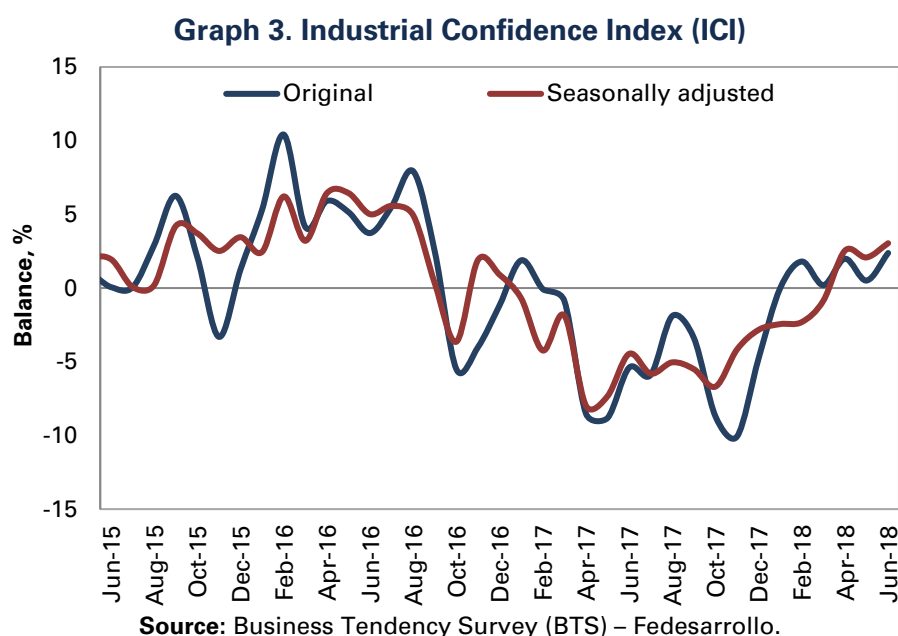


Source: Business Tendency Survey (BTS) – Fedesarrollo.

¹ *Tendencia Económica*, No. 186, may 2018. <http://www.repository.fedesarrollo.org.co/handle/11445/3598>

Industrial Confidence Index – ICI

In June, the Industrial Confidence Index (ICI) was 2.4%, which, adjusting for seasonal factors, represents an increase of 1.0 pps compared to last month. With respect to June 2017, industrial confidence improvement by 7.7 pps.



The ICI consists of three components: **current volume of orders, level of stocks² and production expectations for the next three months**. The increase in industrial confidence compared to June 2017 is mainly due to the 9.2 pps improvement in current volume of orders, the 7.6 pps increase in production expectations and the 6.3 pps decrease in the level of stocks level component (Table 2).

Table 2. Industrial Confidence Index: Components' Evolution

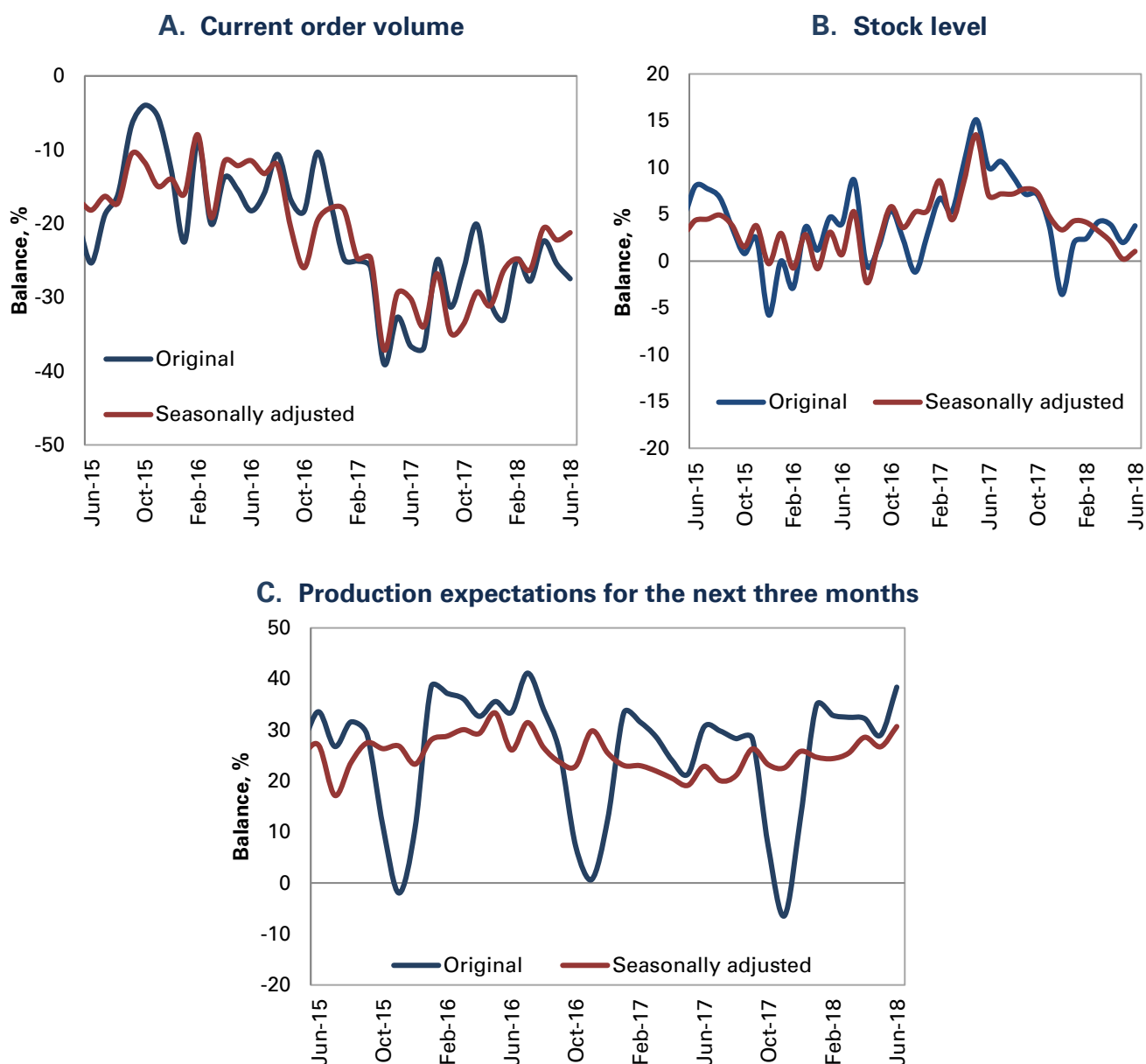
Component (Balance, %)	2016	2017	2018	
	June	June	May	June
Current volume of orders	-18.3	-36.6	-25.5	-27.5
Stocks of finished goods at the end of this month	4.0	10.0	2.0	3.8
Expected production in the next three months	33.4	30.6	29.0	38.4
Industrial Confidence Index - ICI	3.7	-5.4	0.5	2.4

Source: Business Tendency Survey (BTS) – Fedesarrollo.

² Both industrial producers and retailers are asked if the level of stocks is high, low or normal and the balance is 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.

Isolating seasonal variations, compared to previous month, the 4.0 pps increase in production expectations indicator for the next quarter stands out (Graph 4B).

Graph 4. ICI Components

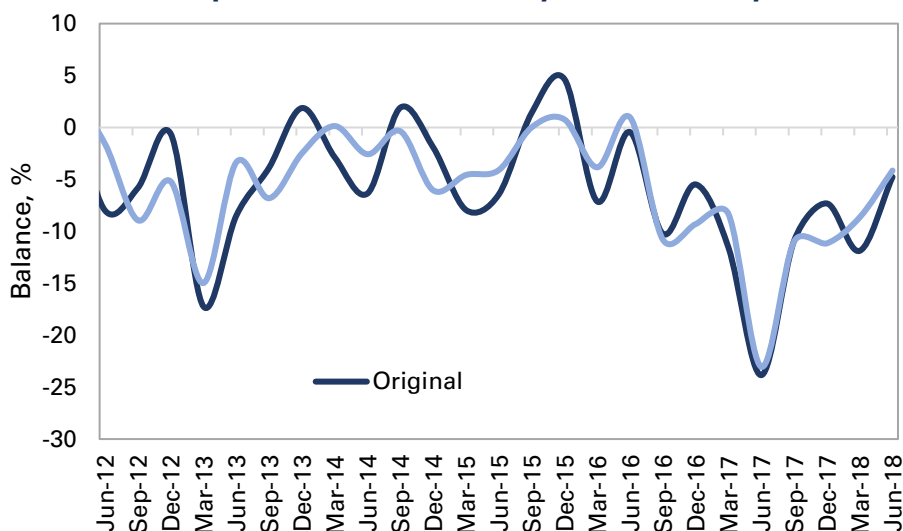


Source: Business Tendency Survey (BTS) – Fedesarrollo.

In the second quarter, the average balance of answers about industry’s productive activity recorded -4.8%, which represents an increase of 19.1 pps compared to the same quarter of 2017. Adjusting by seasonal factors productive activity increased by 7.1 pps compared to previous quarter. This indicator is highly correlated with industrial sector value added growth³.

³ *Tendencia Económica*, No. 186, may 2018. <http://www.repository.fedesarrollo.org.co/handle/11445/3598>

Graph 5. Productive Activity – BTS Industry

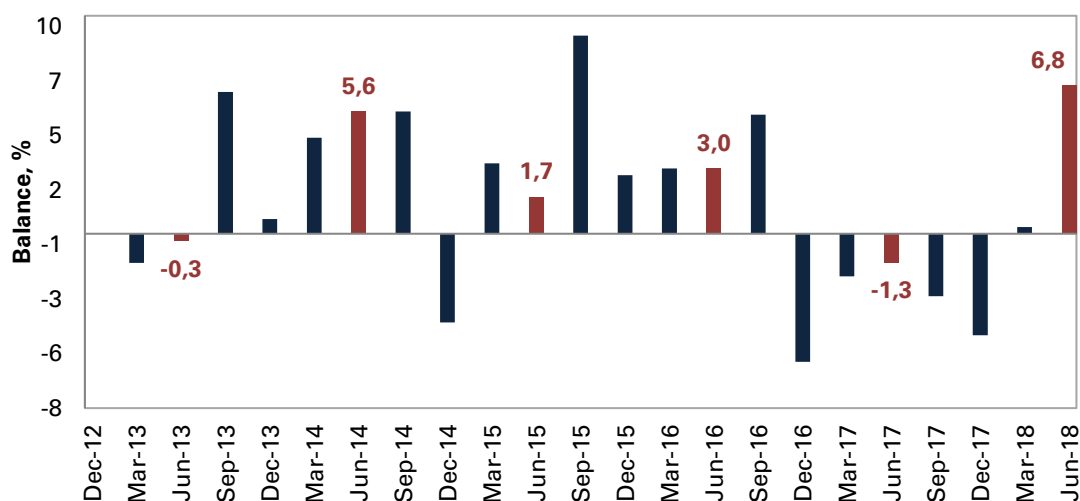


Source: Business Tendency Survey (BTS) – Fedesarrollo.

Employment Expectations and Contraband Perception⁴

In June, the balance on employment expectations for the next quarter was 6.8%, which represents an increase of 6.5 pps compared to previous quarter and an increase of 3.8 pps compared to the same period of 2017 (Graph 6). This result is the highest since September 2015. Disaggregated by response option, 15.2% of respondents considered that industrial employment will increase, 8.4% believed that it will decrease and 76.4% said it will stay the same.

Graph 6. Employment Expectations



Note: No seasonally adjusted data.

Source: Business Tendency Survey (BTS) – Fedesarrollo.

⁴ The Business Opinion Survey for the month of March contains a quarterly module that inquires about employers' perception of employment expectations and the perception of contraband in the industry.

On the other hand, the percentage of employers who perceived contraband in the industry remains equal to or greater than last quarter increased from 77.8% in March to 86.6% in June, a result also higher than the observed in June 2017 (80.7%) (Table 3).

Table 3. Contraband Perception

Answers	2016	2017	2018	
	June	June	March	June
Higher	10.3	18.0	10.8	13.3
Equal	72.3	62.7	67.0	73.3
Lower	17.4	19.3	22.2	13.3
Balance	-7.1	-1.2	-11.3	0.0

Source: Business Tendency Survey (BTS) – Fedesarrollo.



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**Contact us if you would like to have access to
disaggregated results by region, industrial
sector and other survey questions**

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