

Business Tendency Survey June* 2020



In June*, the Retail Confidence Index (RCI) was -3.0%, compared to the previous month, which represents an increase of 6.3 pps mainly due to a rise in the business current situation indicator and an increase in the expectation's indicator for the next semester. The Industrial Confidence Index registered a balance of -20.8%, compared to the previous month; this represents an increase of 0.5 pps, mainly due to a rise in the current volume of orders.

In June, 30.0% of the companies presented problems in its operations, 88.0% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 43.8%. Only 21.7% of firms has cash on hand for more than eight weeks of expenses.

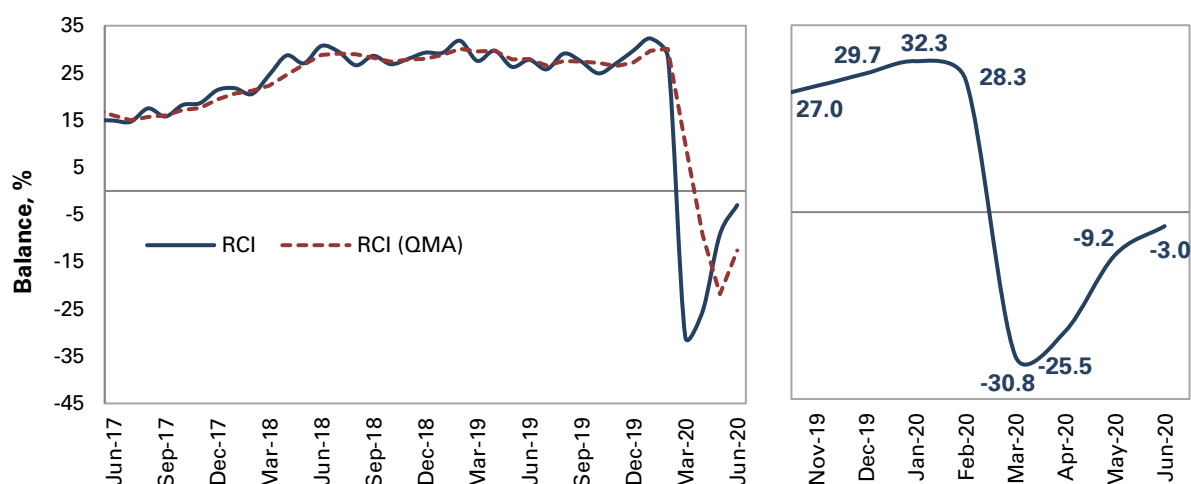
The balance of employment expectations for the next quarter was -13.3%, which represents a decrease of 33.5 pps compared to the previous quarter. Additionally, in June industrial business perception of contraband had a balance of -15.9%, which represents an increase of 2.4 pps with respect to the previous quarter.

Retail Confidence Index – RCI

In June, the Retail Confidence Index (RCI) was -3.0%, which represents an increase of 6.3 percentage points (pps) compared to last month and a decrease of 30.7 pps relative to June 2019 (Graph 1).

*Given the situation of COVID-19 and quarantine measures, the survey's sample was reduced by 4.6%; however, it is still representative.

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 and expectations about the economic situation for the next semester**. The results for June of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2019	2020	
	June	May	June
Business current situation	42.0	-6.1	6.5
Level of stocks	4.6	7.6	8.1
Business expectations for the next 6 months	45.9	-13.9	-7.3
Retail Confidence Index - RCI	27.8	-9.2	-3.0

Source: Business Tendency Survey (BTS) – Fedesarrollo

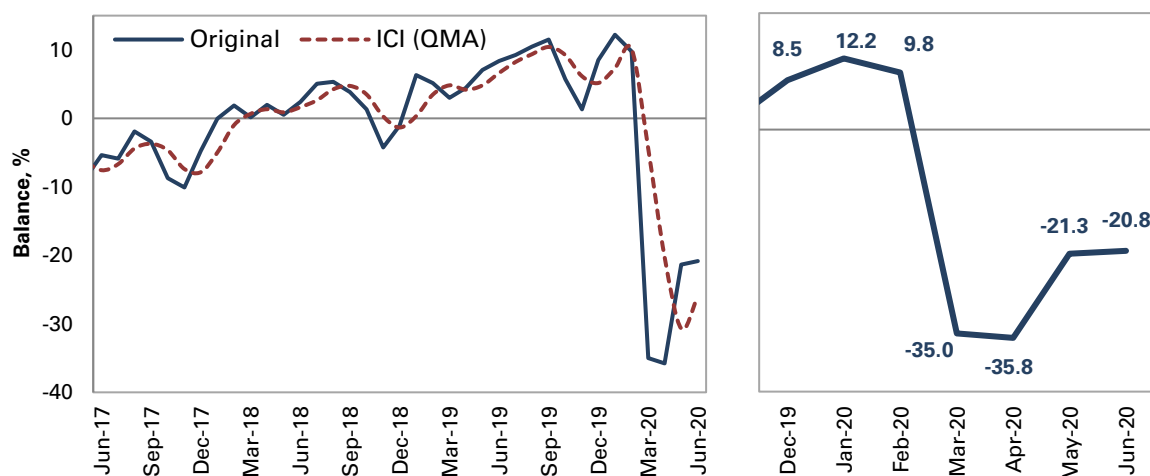
In June, the growth in retailer’s confidence compared to the previous month was mainly due to an increase of 12.6 pps in the business current situation and a rise of 6.6 pps in the expectation’s indicator for the next semester. Meanwhile, the level of stocks increased 0.5 pps. On the other hand, compared to June 2019, the result was mainly due to a decrease of 53.2 pps in the expectation’s indicator for the next semester, a decrease of 35.5 pps in the current economic situation and an increase in the level of stocks of 3.5 pps.

Industrial Confidence Index – ICI

In June, the Industrial Confidence Index (ICI) stood at -20.8% in its original series, which represents an increase of 0.5 percentage points (pps) compared to last month and a

decrease of 29.2 pps relative to June 2019. Finally, its quarterly moving average was – 26.0%, which is equivalent to an increase of 4.7 pps 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 stocks¹, current volume of orders and production expectations for the next three months**. In the original series, the increase of the ICI compared to the previous month was mainly due to an increase of 7.3 pps in the current volume of orders and in minor extend to a decrease of 2.2 pps in the level of stocks. Meanwhile there was a reduction of 8.0 pps of the expected production in the next three months. Excluding seasonal variations, there was an increase in the expected production for the next quarter and in the level of stocks, conversely the current volume of orders decreased compared to May (Graph 3).

Table 2. Evolution of ICI components

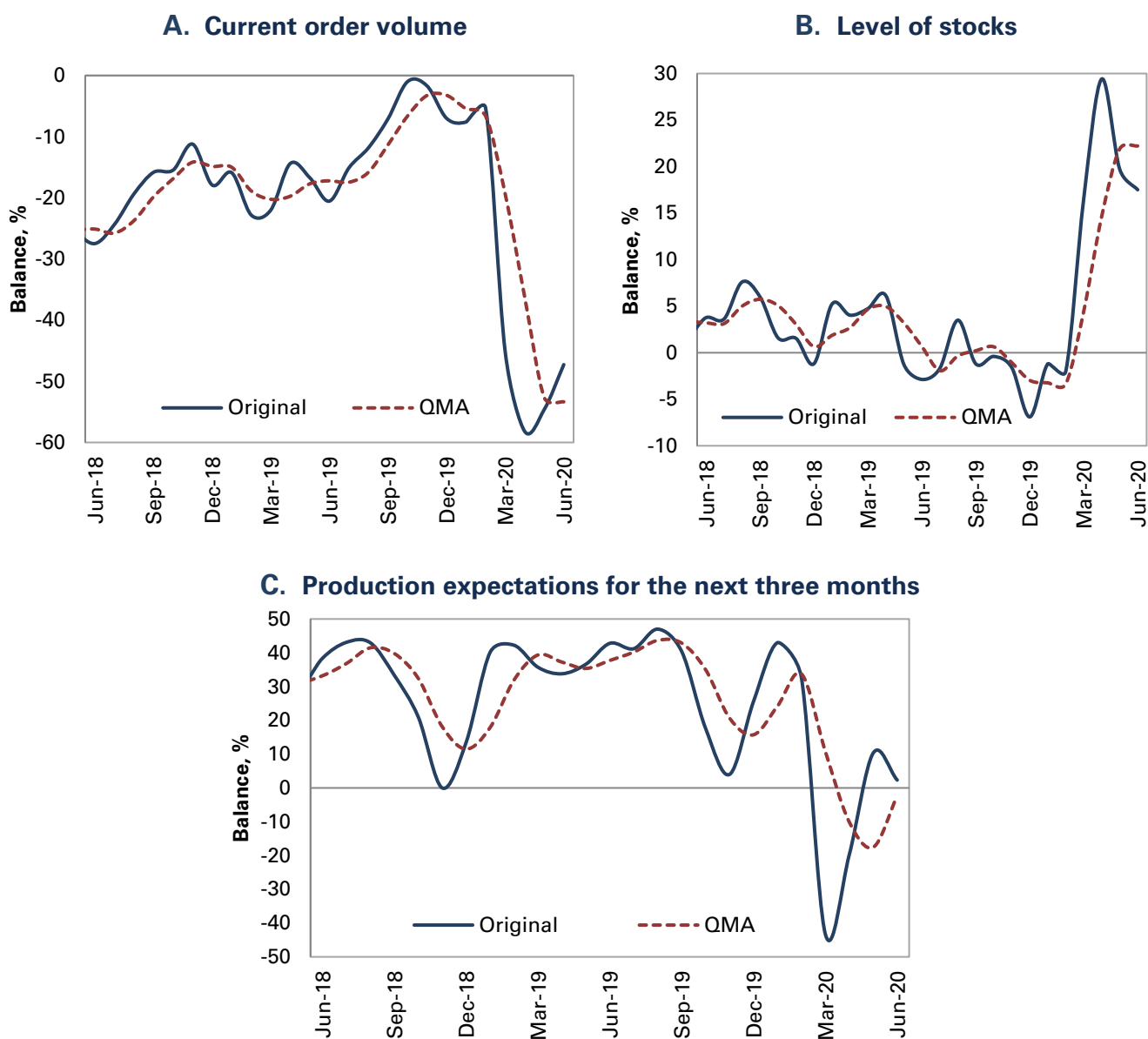
Component (Balance, %)	2019	2020	
	June	May	June
Stocks of finished goods at end of this month	-2.9	19.7	17.5
Current volume of orders	-20.5	-54.6	-47.3
Expected production in the next three months	42.8	10.3	2.3
Industrial Confidence Index - ICI	8.4	-21.3	-20.8

Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to June 2019 was due to a decrease of 40.5 pps in the expected production in the next three months, a reduction of 26.7 pps in the current volume of orders and an increase of 20.4 pps in the level of stocks (Table 2).

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.

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo


COVID-19

In order to identify the impact on the business sector caused by COVID-19 and the containment measures decreed by the National Government, the Business Opinion Survey identified four main aspects that may be affected. These are: i) the company's operation status, ii) expectations of operation status, iii) employment and iv) financial fragility.

In June, regarding the degree of operation of the company, 70.0% of the firms did not present an impact on their operation, 29.0% operated partially, meanwhile the remaining 1.0% had a provisional closure. None of the firms displayed a permanent closure of their operation (Table 3). Regarding the companies that had some degree of impairment in their operations, 88.0% stated that this was due to COVID-19.

Table 3. Operation status of the company and its relation to COVID-19

Operation status	Percentage
Normal operation	70.0
Partial operation	29.0
Provisional closure	1.0
Permanent closure	0.0




Related to COVID-19	Percentage
Yes	88.0
No	12.0

Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 10.9% of the companies expect to carry out a provisional closure, 0.6% foresee a permanent closure meanwhile the remaining 88.5% do not plan to carry out any disrupt in their operations (Table 4). The percentage of companies that associates the impact on their operation status to the COVID-19 was 90.9%.

Table 4. Operation status expectative and its relation to COVID-19

Expectations of operation status	Percentage
Provisional closure	10.9
Permanent closure	0.6
Normal operation	88.5



Related to COVID-19	Percentage
Yes	90.9
No	9.1

Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, no companies increased the number of employees more than 25%, 5.7% of companies rose the number of workers between 1% and 25%, meanwhile 50.5% kept their staff unchanged. 37.7% of the firms reduced their employees in a range between 1% and 25%, the percentage of companies that reduced the number of their workers between 25% and 50% was 4.0%, and the remaining 2.1% reduced it more than 50% (Table 5).

Table 5. Number of employees in comparison with January 2020.

Number of employee's vs January 2020	Percentage
Increased more than 50%	0.0
Increased between 25% and 50%	0.0
Increased between 1% and 25%	5.7
Remain unchanged	50.5
Decreased between 1% and 25%	37.7
Decreased between 25% and 50%	4.0
Decreased more than 50%	2.1

Source: Business Tendency Survey (BTS) – Fedesarrollo

The percentage of companies who considers to have cash on hand worth of less than 2 weeks' of expenses² is 13.0%, meanwhile 27.6% considers having cash on hand worth of between 2 and 4 weeks' of expenses. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks' of expenses is 20.4%,

² Refers to all its fixed costs (wages, social benefits, rent, etc.)

17.4% consider it to be between 6 and 8 weeks, 10.8% claims to have cash on hand between 8 and 12 weeks, the remaining 10.8% of companies have cash to pay more than 12 weeks of expenses (Table 6).

Table 6. Maximum of weeks with cash on hand to pay all expenses.

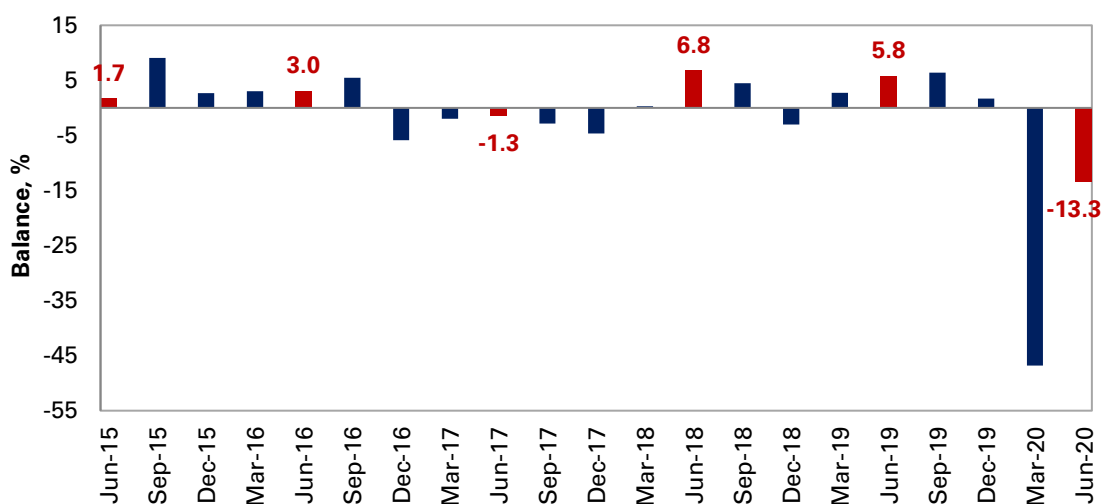
Maximum of weeks with cash on hand to pay all expenses	Percentage
Less than 2 weeks	13.0
Between 2 and 4 weeks	27.6
Between 4 and 6 weeks	20.4
Between 6 and 8 weeks	17.4
Between 8 and 12 weeks	10.8
More than 12 weeks	10.8

Source: Business Tendency Survey (BTS) – Fedesarrollo

Employment Expectations and Contraband Perception³

In June, the balance of employment expectations for the next quarter was -13.3%, which represents an increase of 33.5 pps compared to the previous quarter and a decrease of 19.1 pps relative to the same period of 2019 (Graph 4). Disaggregating by answers, 4.1% of respondents believe that employment in the industry in the next quarter will increase, 17.4% believe that it will decrease and 78.5% considers it will remain the same.

Graph 4. Employment expectations in the industry



Note: Not seasonally adjusted.

Source: Business Tendency Survey – Fedesarrollo.

Furthermore, in June industrial business perception of contraband had a balance of -15.9%, which represents an increase of 2.4 pps with respect to the data of the previous quarter and a decrease of 21.4 pps relative to June 2019. Specifically, 12.1% of

³ The Business Opinion Survey contains a quarterly module inquiring about employers' perception of employment expectations and the perception of contraband in the industry.

respondents stated that contraband in the April - June quarter increased in relation to the previous quarter, 59.9% stated it will remain the same, while 28.0% considered it to be lower (Table 3).

Table 3. Contraband Perception

Answers (%)	2019	2020	
	June	March	June
Higher	17.6	6.1	12.1
Equal	70.3	69.5	59.9
Lower	12.1	24.4	28.0
Balance	5.5	-18.3	-15.9

Source: Business Tendency Survey – 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 July 22, 2020

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