

Business Tendency Survey February 2021



In February, the Retail Confidence Index (RCI) was 34.2%, compared to the previous month, this represents an increase of 2.2 pp mainly due to a rise in the expectations about the economic situation for the next semester and in the current economic situation. The Industrial Confidence Index registered a balance of 8.2%, compared to the previous month, this represents an increase of 4.5 pp, mainly due to an increase in the current volume of orders and in the business expectations for the next 3 months.

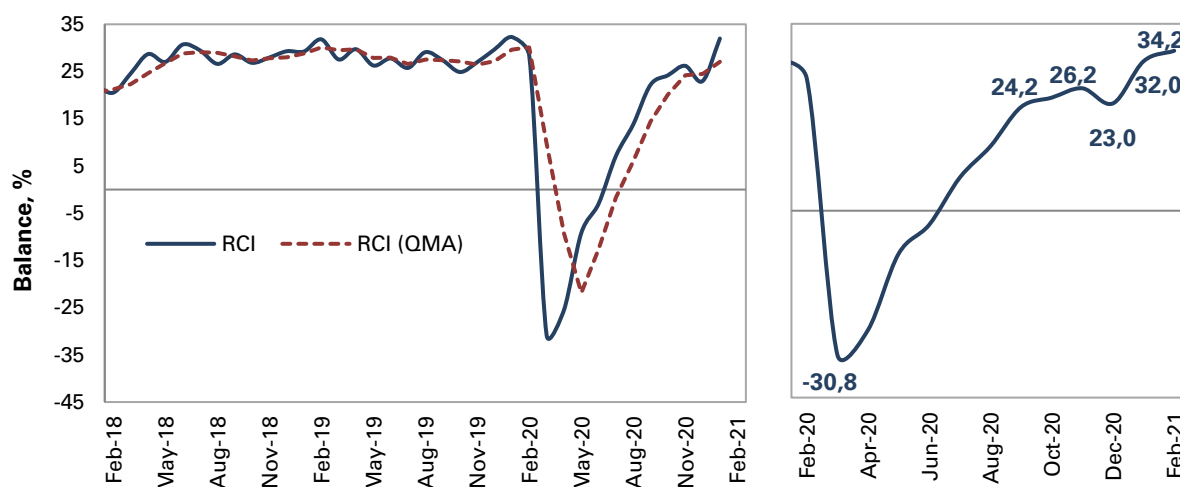
In February, 4.9% of the companies presented problems in their operations, 84% of which were related to COVID-19. The percentage of companies who said that the number of employees had decreased compared to January 2020 was 24.8%. Only 34.1% of firms has cash on hand for more than eight weeks of expenses.

In February, the industry installed capacity utilization was 75.6%, which represents an increase of 0.6 pp compared to the previous measurement and a growth of 0.8 pp related to the same period of 2020. In February, business perception of the favorable economic and socio-political conditions to invest increased compared to the previous quarter. In the construction sector, the current economic situation of companies in the sector, the construction rate, and the expectations about the economic situation for the next semester increased compared to the previous quarter.

Retail Confidence Index – RCI

In February, the Retail Confidence Index (RCI) was 34.2%, which represents an increase of 2.2 percentage points (pp) compared to last month and a growth of 5.9 pp relative to February 2020 (Graph 1).

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 stocks¹ and expectations about the economic situation for the next semester**. The results for February of the last two years are summarized in Table 1.

Table 1. Retail Confidence Index Components

| Component (Balance, %) | 2020 | 2021 | |
|---|-------------|-------------|-------------|
| | February | January | February |
| Business current situation | 53.0 | 42.4 | 47.3 |
| Level of stocks | 5.6 | -9.6 | -5.4 |
| Business expectations for the next 6 months | 37.6 | 44.0 | 50.0 |
| Retail Confidence Index - RCI | 28.3 | 32.0 | 34.2 |

Source: Business Tendency Survey (BTS) – Fedesarrollo

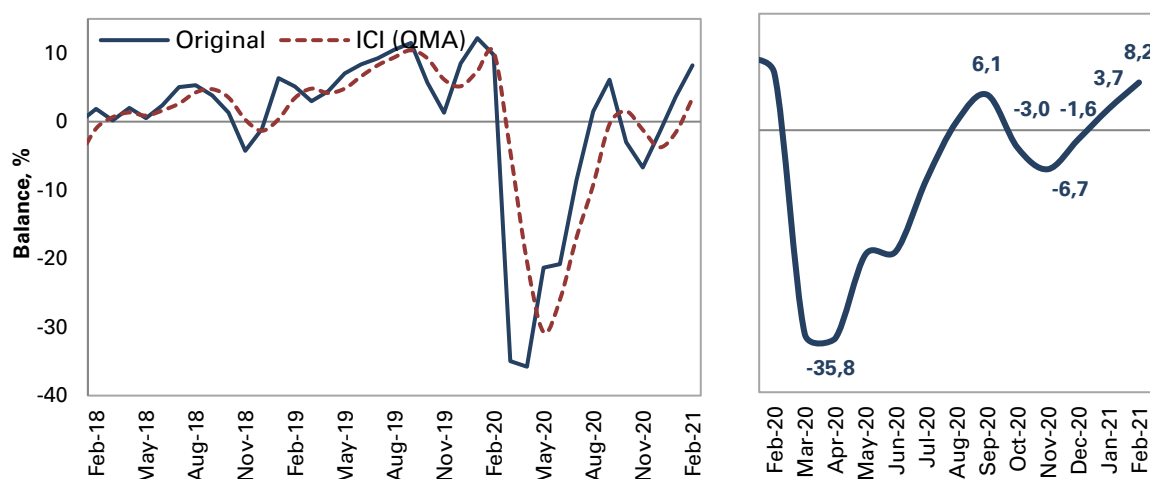
In February, the growth in retailer's confidence compared to the previous month was mainly due to an increase of 6.0 pp in the expectation's indicator for the next semester and a variation of 4.9 pp in the indicator of business current situation. Besides, the level of stocks increased 4.1 pp. On the other hand, compared to February 2020, the result was mainly due to an increase of 12.4 pp in the expectation's indicator for the next semester and a decrease in the level of stocks of -11.0 pp. Meanwhile, the current economic situation decreased -5.7 pp.

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 February, the Industrial Confidence Index (ICI) stood at 8.2% in its original series, which represents an increase of 4.5 percentage points (pp) compared to last month and a decrease of -1.6 pp relative to February 2020. Finally, its quarterly moving average was 3.4%, which is equivalent to an increase of 5.0 pp 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 stocks, current volume of orders and production expectations for the next three months**. In the original series, the growth of the ICI compared to the previous month was mainly due to an increase of 9.4 pp in the current volume of orders and an increase of 6.3 in the expected production for the next three months. Meanwhile the level of stocks increased 2.1 (Graph 3). Excluding seasonal variations, compared to the last month there was an increase in the expected production for the next quarter, in the current volume of orders and in the level of stocks.

Table 2. Evolution of ICI components

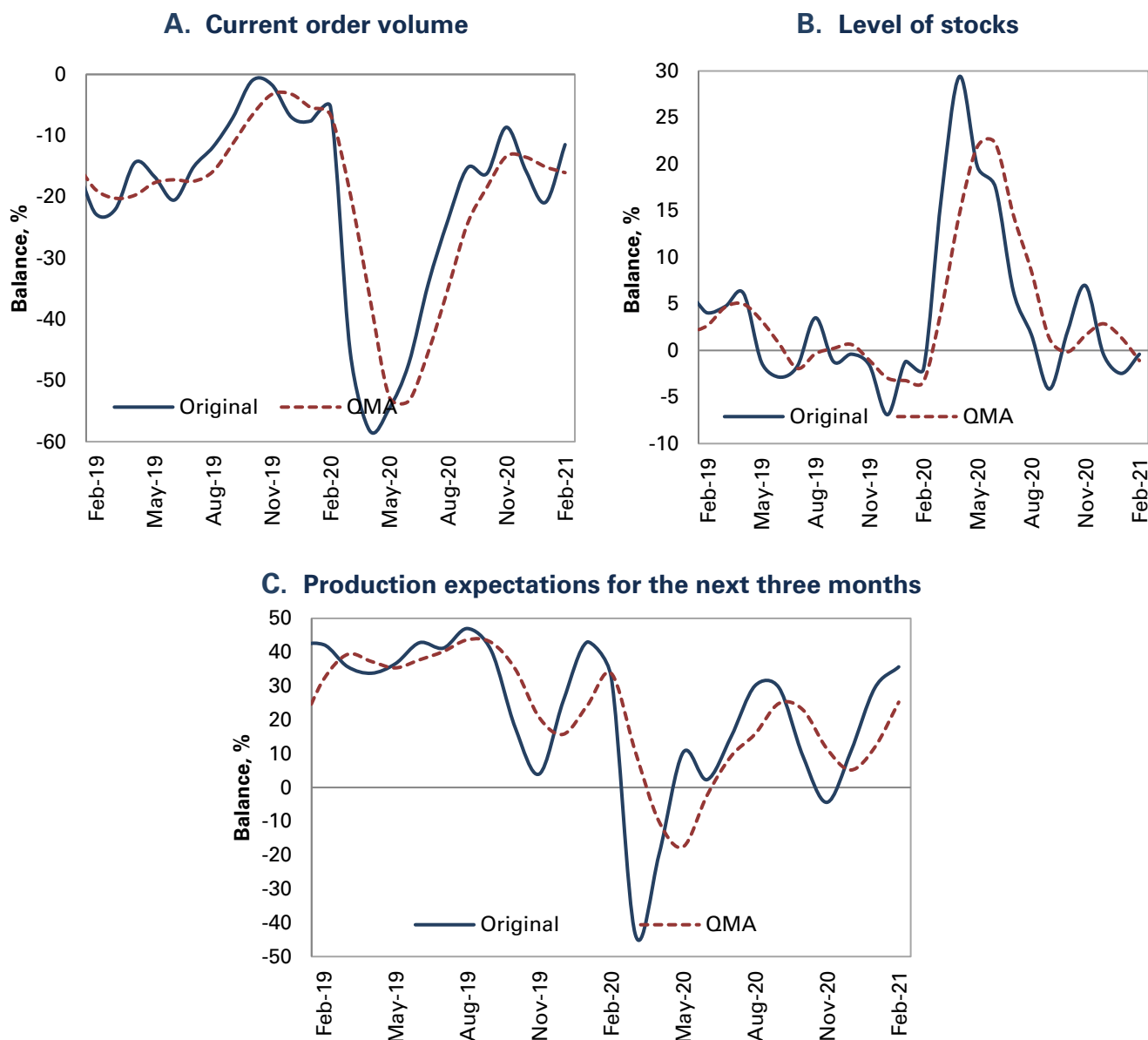
| Component (Balance, %) | 2020 | | 2021 |
|---|------------|------------|------------|
| | February | January | February |
| Stocks of finished goods at end of this month | -2.0 | -2.5 | -0.4 |
| Current volume of orders | -5.3 | -20.9 | -11.5 |
| Expected production in the next three months | 32.7 | 29.4 | 35.7 |
| Industrial Confidence Index - ICI | 9.8 | 3.7 | 8.2 |

Source: Business Tendency Survey (BTS) – Fedesarrollo

The downturn in industrial confidence compared to February 2020 was due to a decrease of -6.1 pp in the current volume of orders and an increase of 1.6 pp in the level of stocks.

On the other hand, the expected production in the next three months increased 3.0 pp (Table 2).

Graph 3. ICI Components



Source: Business Tendency Survey (BTS) – Fedesarrollo

COVID-19

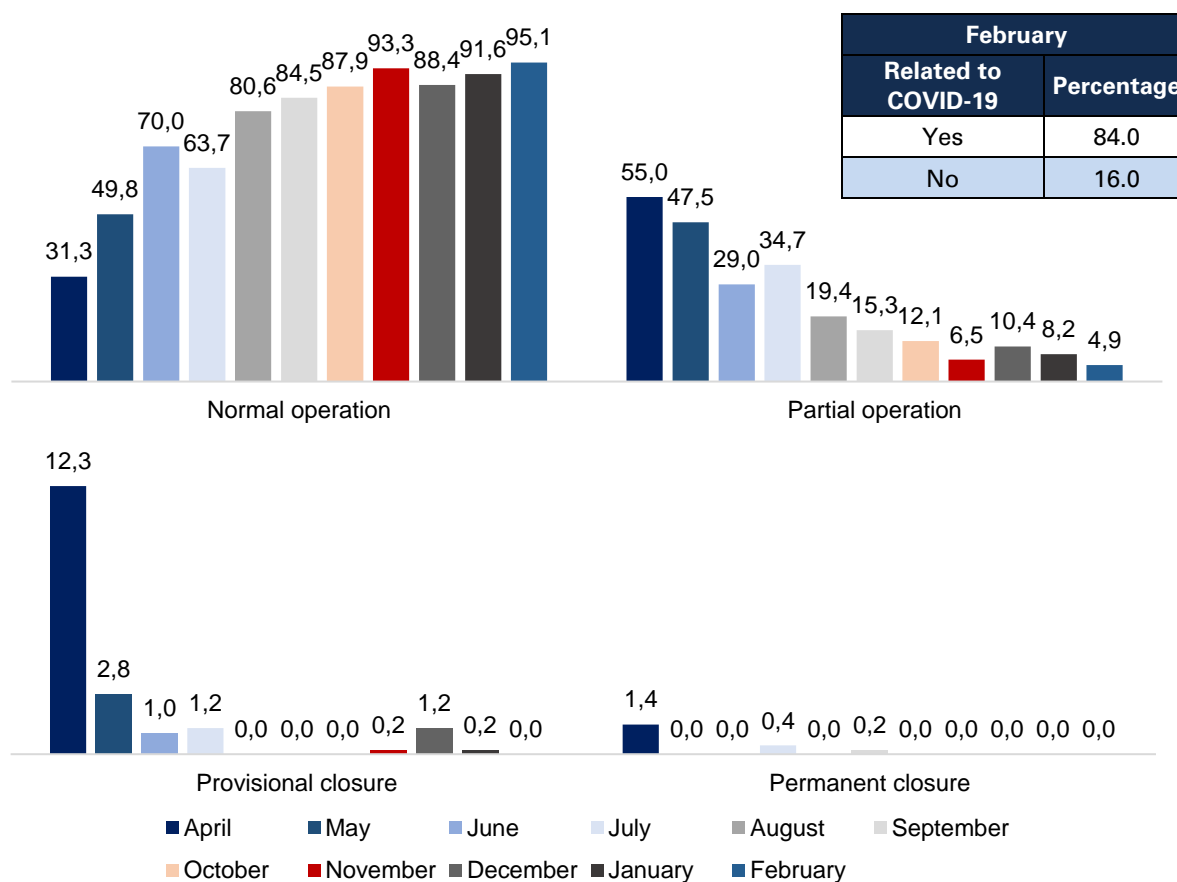
In order to identify the impact on the business sector caused by COVID-19 and the containment measures decreed by the National Government, the Business Opinion Survey identified four main aspects that may be affected. These are: i) the company's operation status, ii) expectations of operation status,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

In February, regarding the degree of operation of the company, 95.1% of the firms did not present an impact on their operation, 4.9% operated partially, 0% had a provisional closure and none of them had a permanent closure (Graph 4). Concerning the companies

that had some degree of impairment in their operations, 84.0% stated that this was due to COVID-19.

Regarding the previous month, in February the percentage of firms that are on normal operation increased 3.5 pp, conversely the percentage that are on partial operation decreased -3.3 pp, the percentage that are in provisional closure decreased -0.2 pp and the proportion which are in permanent closure remained constant.

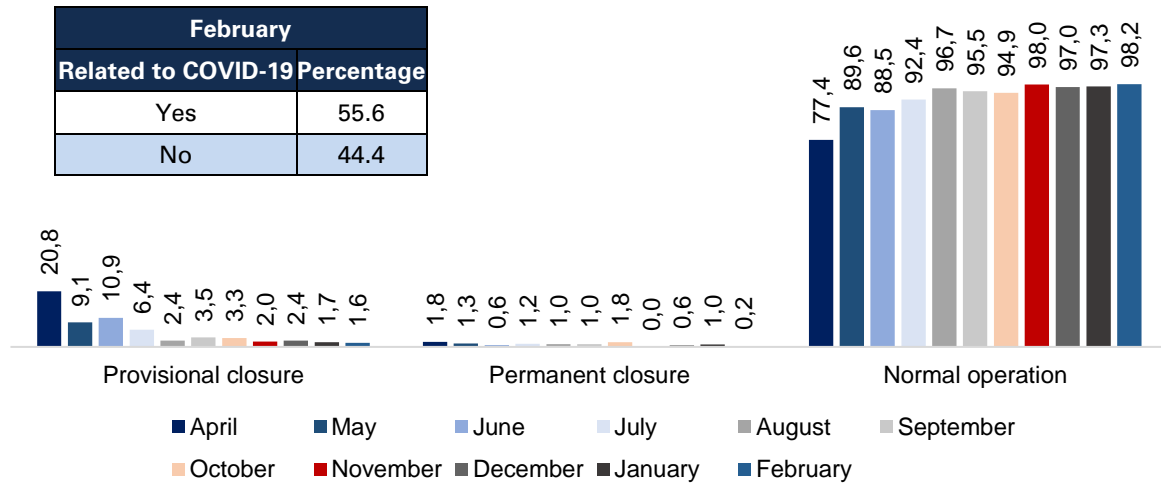
Graph 4. Operation status of the company and its relation to COVID-19



Source: Business Tendency Survey (BTS) – Fedesarrollo

In the next three months 1.6% of the companies expect to carry out a provisional closure, 0.2% of the companies foresee a permanent closure meanwhile the remaining 98.2% do not plan to carry out any disrupt in their operations (Graph 5). In respect to January, the proportion of companies who do not expect any closure increased 0.9 pp. In contrast, the firms that foresee a permanent closure in the next three months decreased -0.8 pp and the proportion of firms expecting a temporary closure decreased by -0.1 pp. The percentage of companies that associates the impact on their operation status to the COVID-19 was 55.6%.

Graph 5. Operation status expectative and its relation to COVID-19

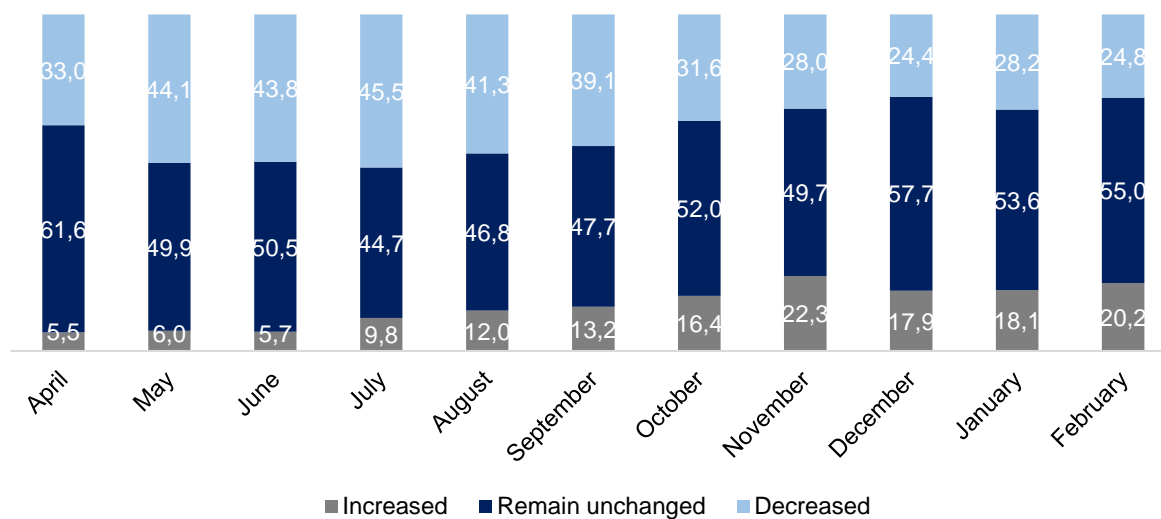


Source: Business Tendency Survey (BTS) – Fedesarrollo

In comparison with January 2020, none of the companies increased the number of employees more than 50%, 2.6% increased it more than 25%, 17.6% of companies rose the number of workers between 1% and 25%, meanwhile 55.0% kept their staff unchanged. 20.8% 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 3.2%, and the remaining 0.8% reduced their number of employees by more than 50%.

Compared to January the percentage of companies who increased the number of employees increased 2.1 pp, the percentage of companies in which the number of employees remained unchanged increased 1.4 pp, while the percentage of companies who decreased the number of employees decreased -3.5 pp (Graph 6).

Graph 6. Number of employees in comparison with January 2020.

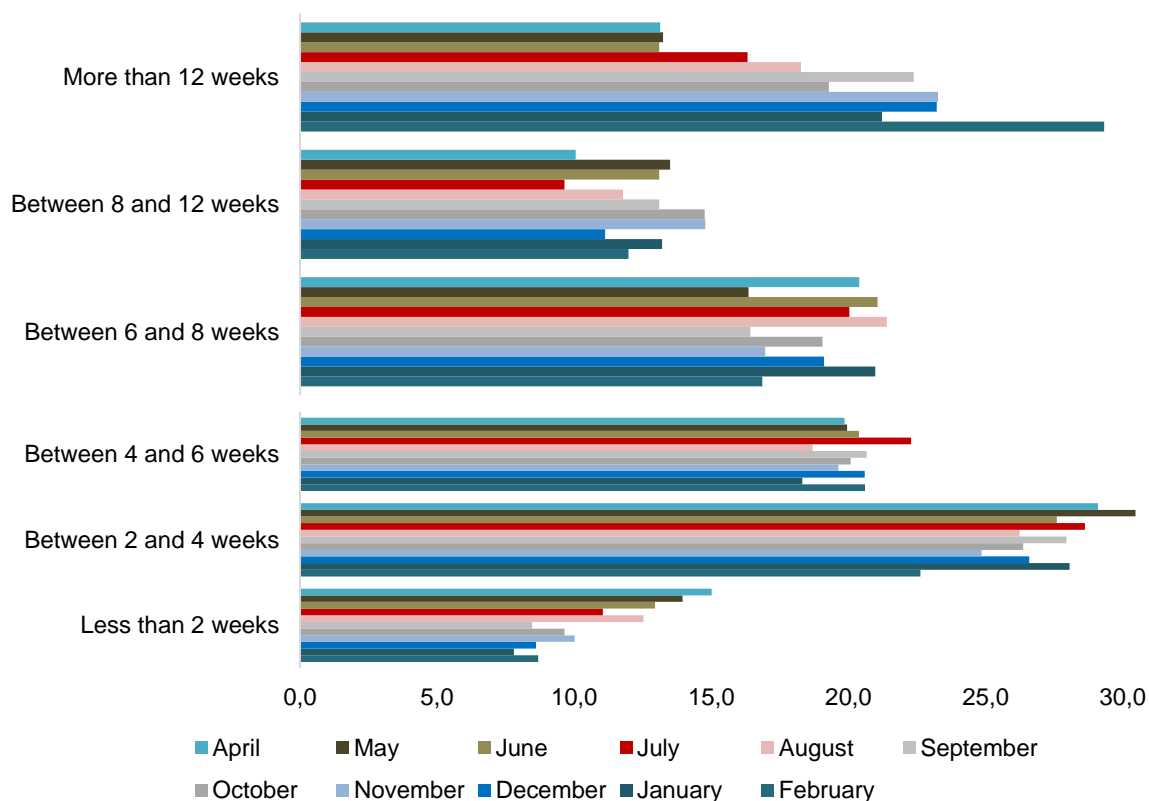


Source: Business Tendency Survey (BTS) – Fedesarrollo

In February, the percentage of companies who considers having cash on hand worth of less than 2 weeks of expenses² is 8.7 %, meanwhile 22.6% 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 20.6%, 13.9% consider it to be between 6 and 8 weeks, 9.9% claims to have cash on hand between 8 and 12 weeks, the remaining 24.2% of companies have cash to pay more than 12 weeks of expenses.

In comparison with the previous month, the percentage of companies who considers to have cash on hand worth of less than 2 weeks' of expenses increased 0.9 pp, the percentage who considers having cash on hand worth of between 2 and 4 weeks' of expenses decreased -5.4 pp. The percentage of firms who consider having the capacity to respond to commitments between 4 and 6 weeks of expenses increased 2.3 pp. The companies who consider it to be between 6 and 8 weeks decreased -3.4 pp, the ones who claim to have cash on hand between 8 and 12 weeks decreased -1.0 pp, and the remaining companies who have cash to pay more than 12 weeks of expenses increased 6.7 pp (Graph 7).

Graph 7. Maximum of weeks with cash on hand to pay all expenses.



Source: Business Tendency Survey (BTS) – Fedesarrollo

Investment of the Industrial Sector

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

In January, the BTS for the industrial sector contains an **annual module**³ on investment spending. **In January 2020, 64.9% of the respondents said that the investment in 2019 increased compared to the previous year, while in February 2021 this percentage decreased to 51.6%.** On the other hand, 48.4% of the respondents considered that investment in 2020 was lower than in 2019, which represents a 13.3 pps growth relative to January 2020 survey (Table 3).

Table 3. Investment expenditure in the previous year and budgeted investment

| Percentage of responses | Investment Expenditure* | | Budgeted Investment | |
|-------------------------|-------------------------|--------------|---------------------|--------------|
| | 2019 vs 2018 | 2020 vs 2019 | 2020 vs 2019 | 2021 vs 2020 |
| Increase | 64.9 | 51.6 | 66.8 | 65.1 |
| Decrease | 35.1 | 48.4 | 33.2 | 34.9 |

* Question about investment in machinery, equipment and construction during previous year
Source: Business Tendency Survey - Annual investment module

On the other hand, **65.1% of the industry has an increase in investment spending planned for this year relative to 2020**, while 34.9% considers a reduction. Comparing the results with January 2020, there is a decrease in the percentage of industrial producers that have investment plans for this year.

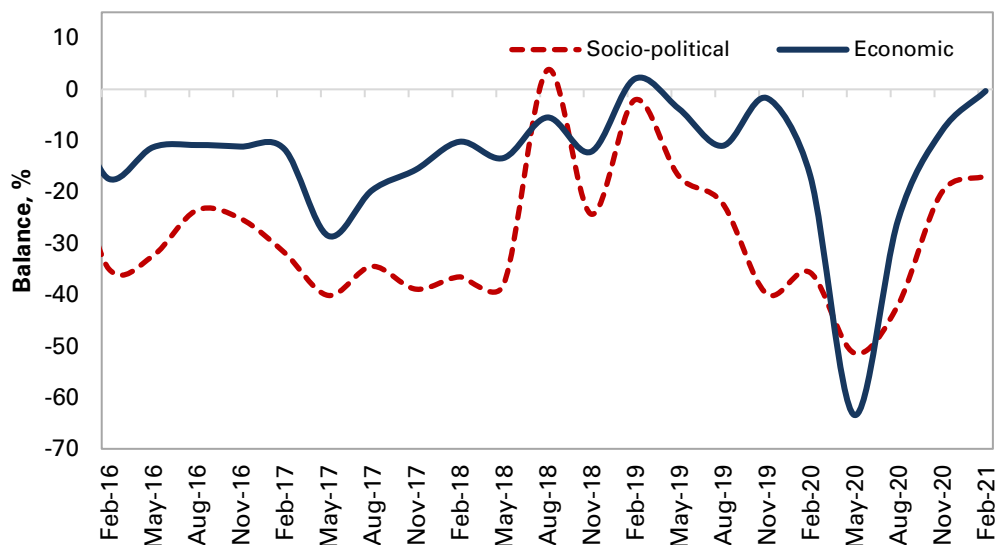
Quarterly Module: Economic and sociopolitical conditions for investment⁴

In February, the balance of the industrial sector about favorable **economic conditions** to invest was -0.3%, which is equivalent to an increase of 7.8 pp compared to the last measurement (November 2020). The results show that 22.3% of respondents believe that current economic conditions are unfavorable, compared to 29.5% of the previous measurement, while 22.0% of respondents considered that the current conditions are favorable compared to the 21.4% of the previous measurement. Moreover, 55.7% affirm they are neutral compared to the 49.2% of the previous measurement.

³ This year reported in the February bulletin.

⁴ Business Tendency Survey includes a special module asking industrial businesses about their perception of economic and socio-political conditions to invest.

Graph 8. Favorability of current economic and socio-political conditions for investment



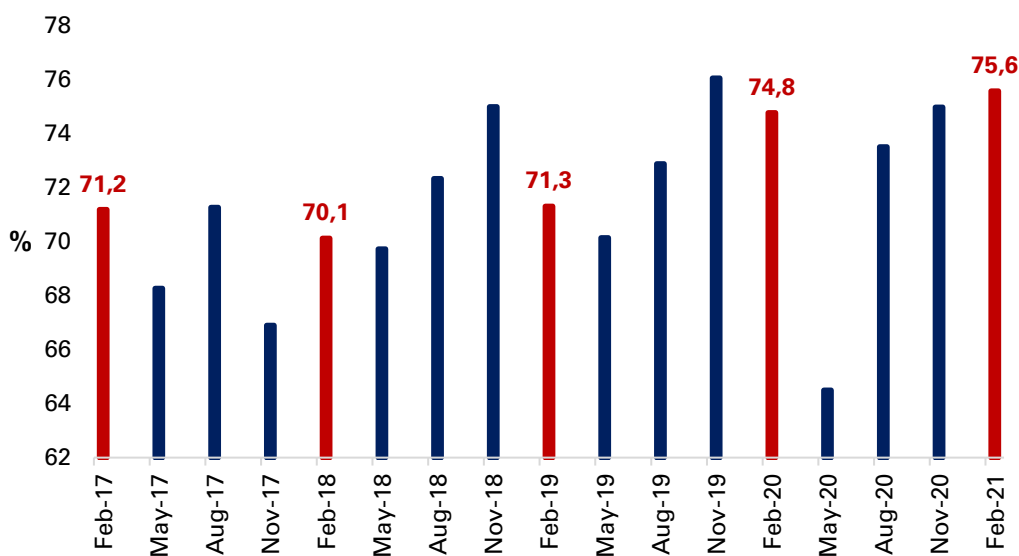
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance for favorable **sociopolitical conditions** to invest was -16.9%, an increase of 3.2 pps compared to the previous quarter. The results show that 10.1% of the respondents believe that the sociopolitical conditions are favorable compared to 10.5% of the previous measurement, while 27.0% consider that they are unfavorable compared to 30.6% of the previous measurement and 62.8% consider that they are neutral compared to 58.8% of the previous measurement.

Quarterly Module: Industry Installed Capacity Utilization

In February, industry installed capacity utilization was 75.6%, which represents an increase of 0.6 pp compared to November 2020 measurement and a growth of 0.8 pp compared to the same month of the previous year (Graph 9).

Graph 9. Utilization of installed capacity in the industry



Note: The series of utilization of installed capacity was revised backwards.

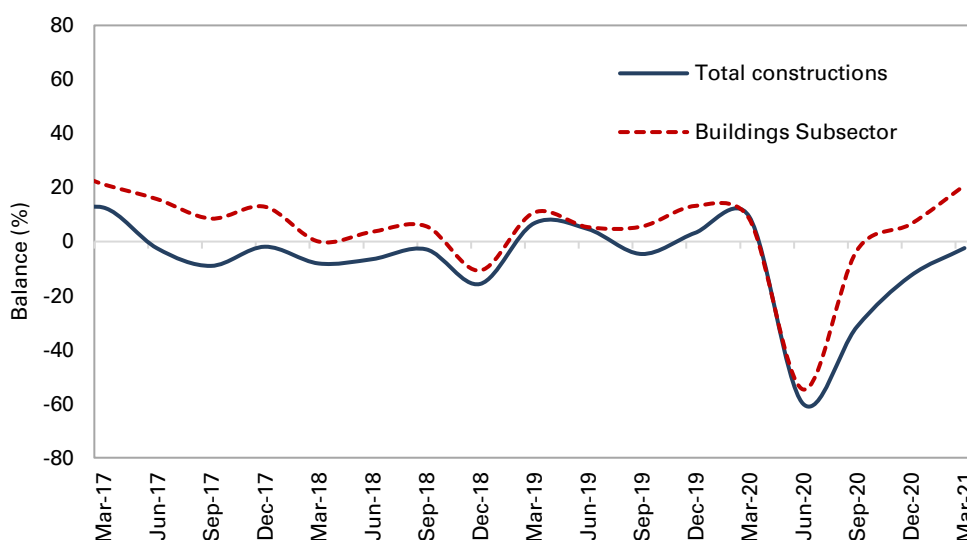
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Construction Survey

Fedesarrollo conducts a quarterly survey focused on entrepreneurs in the construction sector to know their perception of the current economic situation and their future expectations.

For the first quarter of 2021, the balance of the current economic situation of companies in the construction sector stood at -2.4%, equivalent to an increase of 10.2 pp compared to the previous quarter and a decrease of -11.7 pps compared to the same period of 2020. The **building subsector** registered a balance of 20.8%, 14.3 pp higher than the registered during the previous quarter and 12.3 pps higher compared to one year ago (Graph 10).

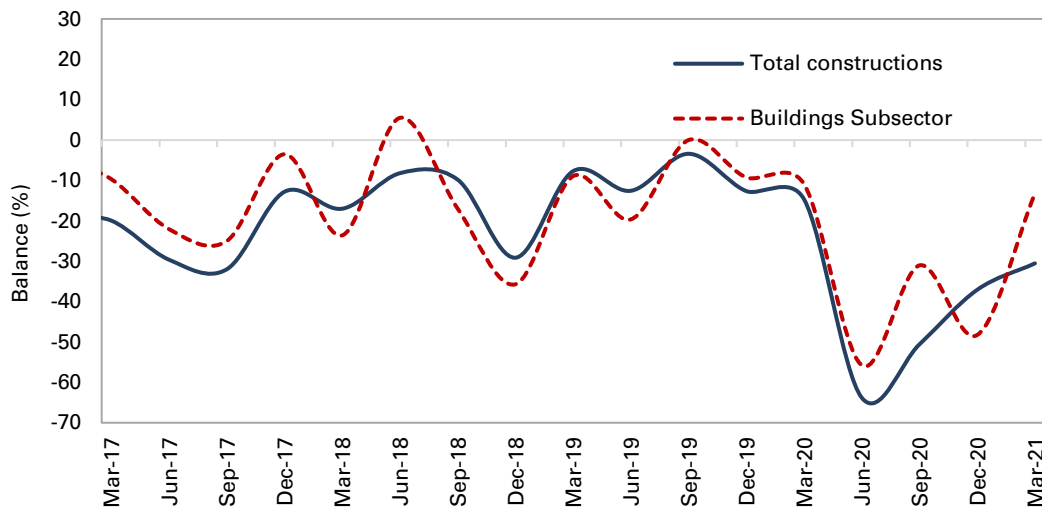
Graph 10. Current situation of companies in the construction sector



Source: Quarterly Construction Survey - Fedesarrollo.

The indicator of construction rate was -30.5%, showing an increase of 6.5 pp compared to the previous quarter and a decrease of -15.9 pp compared to the first quarter of 2020. For the building subsector, this indicator registered a balance of -13.2%, which shows an increase of 35.1 pp compared to the previous quarter and 2.3 pp lower compared to a year ago (Graph 11).

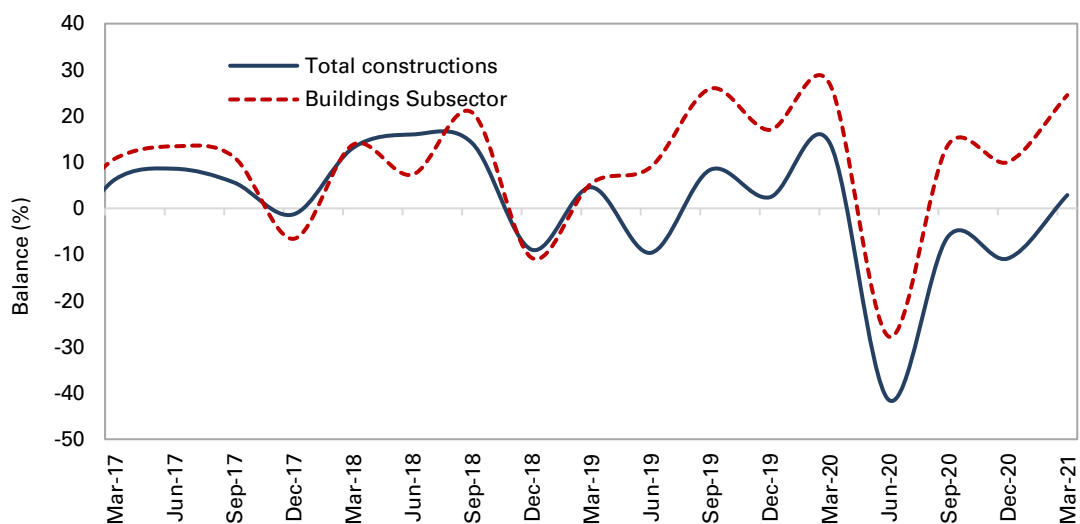
Graph 11. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter was 2.9%, showing an increase of 13.7 pp compared to the previous measurement and a -11.5 pp reduction compared to the first quarter of 2020. In the building subsector, expectations recorded a balance of 24.5%, which represents a growth of 14.5 pp compared to the previous quarter and a -2.6 pp reduction over the same quarter of last year (Graph 12).

Graph 12. Construction expectations for the next quarter



Source: Quarterly Construction 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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