Business Tendency Survey
October 2022

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In October 2022, **the Retail Confidence Index (RCI) stood at 17,0%, which represents a drop of 6.5 pp compared to the previous month and it was the lowest rate since august 2020 (13,8%).** The decrease of this index was mainly explained by a decrease of 18.1 in business expectations for the next six months and a decrease of 3.4 pp in business current situation. However, the business level of stocks was reduced by about 2.1 pp.

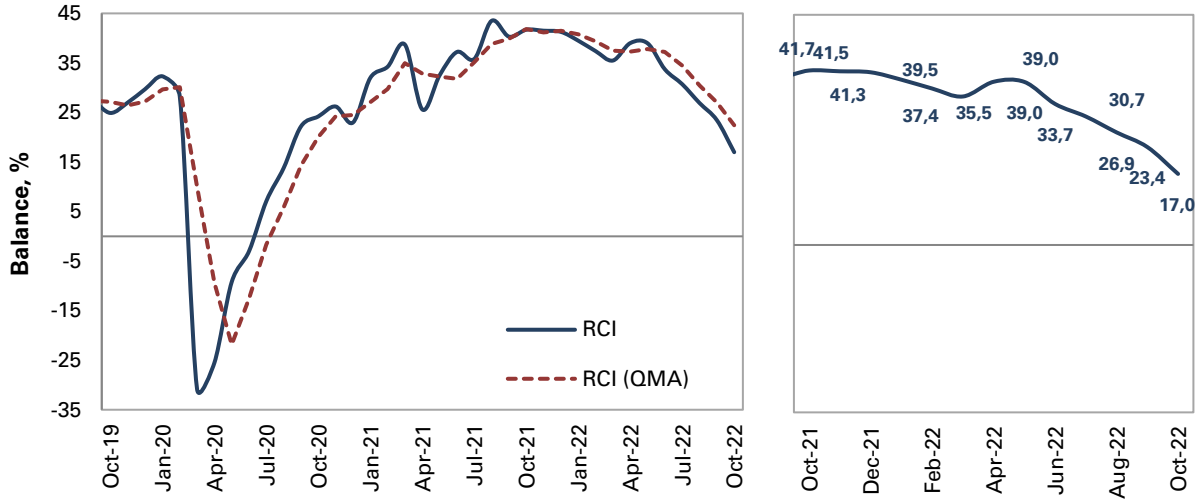
On the other hand, **the Industrial Confidence Index (ICI) stood at -0.4%, which represented a slightly decreasing of 7.4 pp compared to the previous month**. The ICI hadn't registered a negative result since May 2021 (-3,2%). The index variation was given by the decrease of 16.2 pp and 6.7 pp in expected production for the next three months and the current volume of orders from companies in the sector respectively. However, the business level of stocks was reduced by about 0.6 pp.

In the third quarter of 2022, the three-month expectations of the value exported in dollars, export orders and the profitability of export activity were reduced compared to the previous quarter. For the other hand, the value exported in dollars grew in 1.9 pp grew compared to 2022-II.

Retail Confidence Index – RCI

In October 2022, the Retail Confidence Index (RCI) stood at 17.0%, which represents a decrease of 6.5 pp compared to the previous month and a decline of 24.7 pp compared to October 2021. In this month, the lowest value of the RCI was presented so far this year.

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[1] and expectations about the economic situation for the next semester.** The results for October 2021 and 2022 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2021	2022	
	October	September	October
Business current situation	66,3	60,3	56,9
Level of stocks	-5,5	9,6	7,5
Business expectations for the next 6 months	53,2	19,6	1,5
Retail Confidence Index - RCI	**41,7**	**23,4**	**17,0**

Source: Business Tendency Survey (BTS) – Fedesarrollo

According to the results of October, retailers' confidence decreased compared to the previous month due to a decrease of 18.1 pp in business expectations for the next six months (19.6% September 2022 vs 1.5% October 2022). The lower value in the RCI is also explained by a reduction of 3.4 pp in the perception about the business current

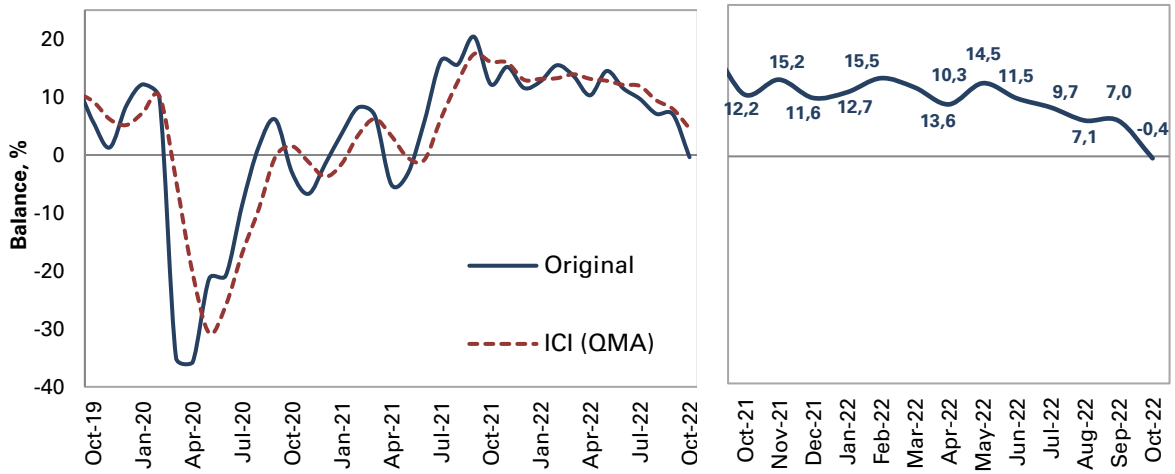
[1] Both industrial producers and retailers are asked if the level of stocks is high, low or normal. The balance corresponds to the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement since employers perceive lower levels of stocks.

economic situation of the companies in the sector. In annual terms, the drop in retailers' confidence was explained by an increase of 13.0 pp in the level of stocks and the decrease of 9.4 pp and 51.7 pp in in the perception about the business current economic situation and the business expectations for the next six months, respectively.

Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) stood at -0.4% in October 2022, showing a decrease of 7.4 pp compared to the previous month and a decrease of 20.8 pp compared to October 2021 (Graph 2). On the other hand, the quarterly moving average reached 4.6% and registered a deterioration of 3.3 pp compared to the same indicator for the previous month. The ICI of the analyzed month is at the lowest levels presented so far this year.

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 October 2021 and 2022 are presented in Table 2.

Table 2. Evolution of ICI components

Component (Balance, %)	2021	2022	
	October	September	October
Stocks of finished goods at end of this month	-5,8	4.3	3.7
Current volume of orders	12,6	-4.2	-10.9
Expected production in the next three months	18,3	29,6	13.5
Industrial Confidence Index – ICI	**12,4**	**7,0**	**-0.4**

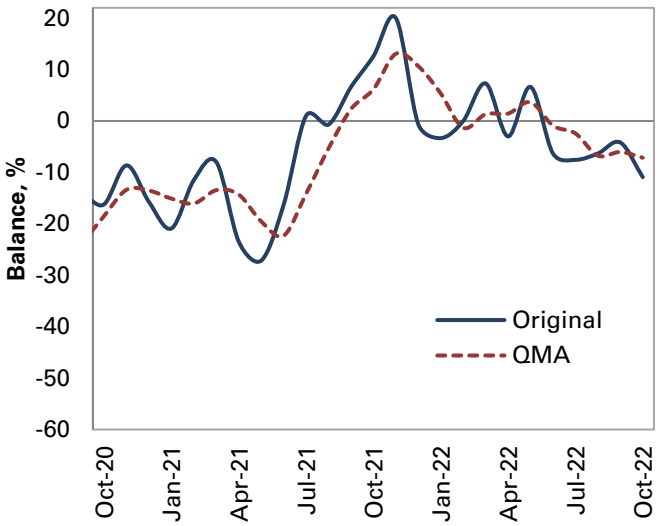
Source: Business Tendency Survey (BTS) – Fedesarrollo

The lower industrial confidence is explained by a important decreasing in expected production for the next three months (16.2 pp compared to previous month) as well as the reduction of 6.7 pp in the current volume of orders. Despite the above, there was a decrease of 0.6 pp in the stocks of finished goods at end of this month (Graph 3).

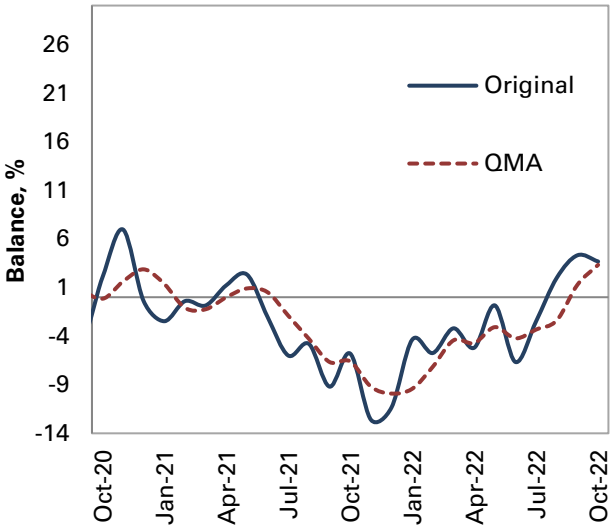
In annual terms, the decrease in industrial confidence was related to a reduction of 4.8 pp and 23.5 pp in expected production in the next three months and the current volume of orders, respectively. Likewise, the annual variation was explained by an increase of 9.5 pp in the stocks of finished goods at end of this month.

Graph 3. ICI Components

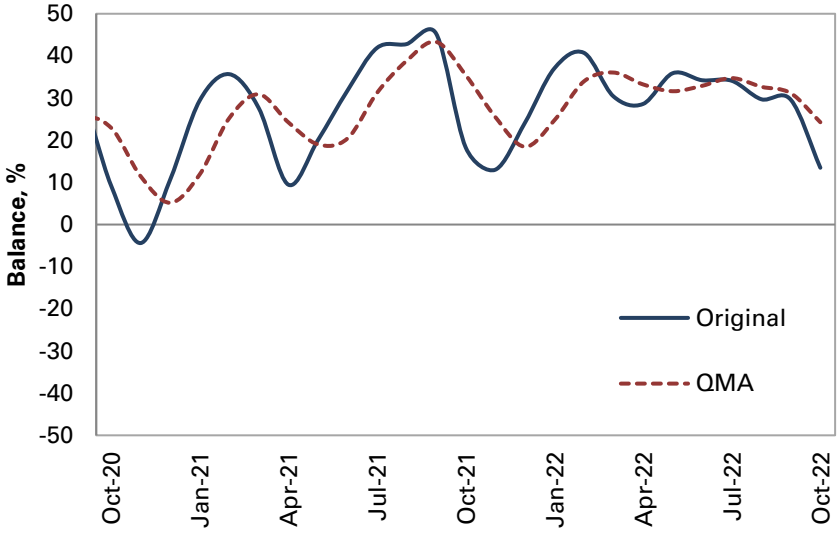
A. Current volume of orders



B. Level of stocks



C. Production expectations for the next three months



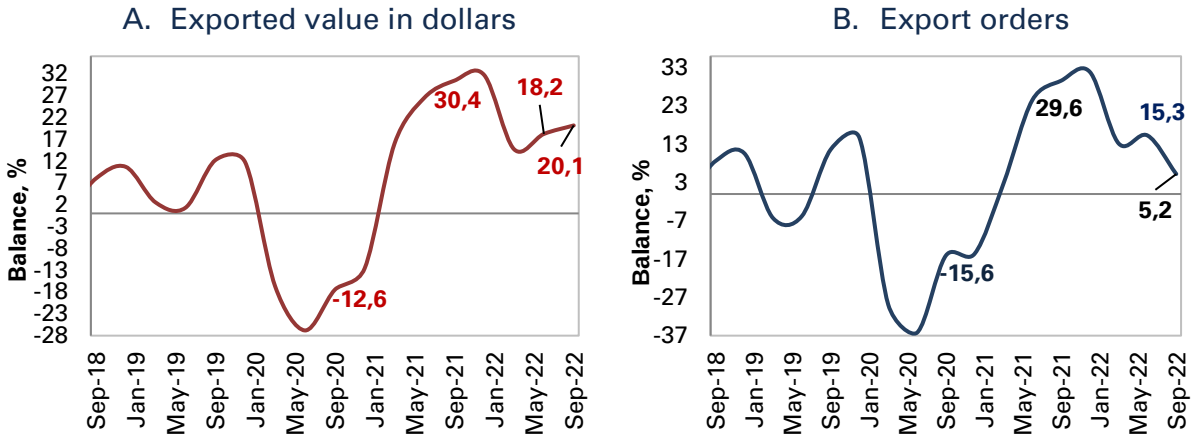
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Module:

Exports[2]

In the third quarter of 2022, the balance on the value exported in dollars was 20.1%, indicating that the percentage of respondents who had an increase in exports was greater than those whose exports decreased (Graph 4). This result represents an increase of 1.9 pp and a decrease of 10.2 pp compared to the second quarter of 2022 and the third quarter of 2021, respectively. Meanwhile, the balance of export orders was 5.2%, representing an increase of 10.1 pp compared to the previous quarter and a decrease of 24.4 pp compared to the same quarter of 2021.

Graph 4. Exported value in dollars and export orders in the fourth quarter of 2021

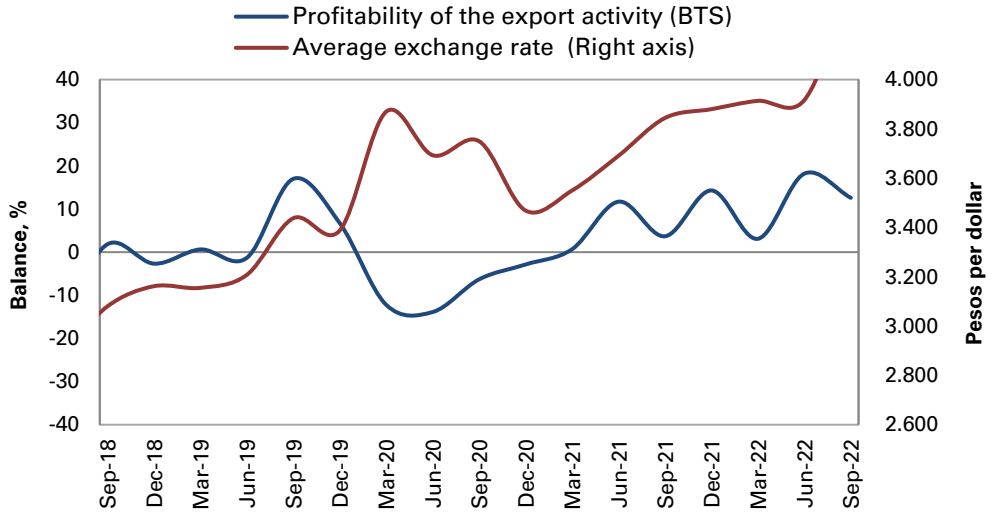


Source: Business Tendency Survey (BTS) – Exports module (Fedesarrollo).

Regarding the question that inquires about the perception of entrepreneurs regarding the profitability of the export activity, a balance of 12.6% was obtained, which means that the percentage of respondents who perceived an increase in profitability was considerably higher compared to who considered a decrease. This represented a decrease of 5.7 pp compared to the previous quarter and an increase of 8.9 pp compared to the third quarter of 2021. Additionally, the balance of the profitability of the export activity in the third quarter of 2022 was consistent with the behavior of the exchange rate (Graph 5).

[2]On a quarterly basis, the Business Tendency Survey includes a special module for the industrial sector, which inquiries about the expectations and the perception of industrialists about the value exported 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 third quarter of 2022, the International transport (17.6%), Port services in Colombia (12,4%) and Competitive position in the target markets (7.6%) were the most favorable factors for export activity. On the other hand, the most unfavorable factors were Availability and cost of credit (-21.9%), Economic situation of the purchasing country (-14.0%) and Trade policies of the purchasing countries (-12.0%). In contrast to the previous quarter, the factor that showed the greatest improvement was the Port services in Colombia, increasing 9.9 pp. On the other hand, the factor that recorded the greatest decline was Peso-dollar exchange rate, decreasing 13.6 pp.

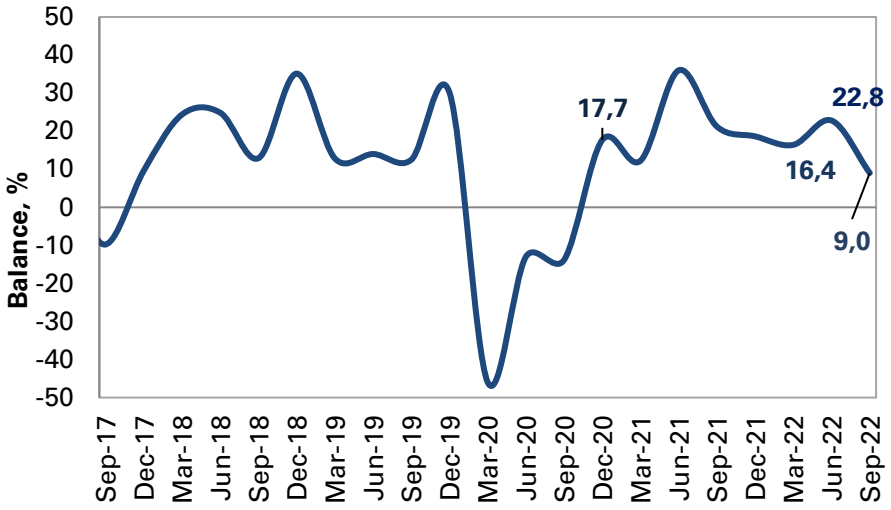
Table 3. Main factors affecting export activity

Factor (Balance, %)	2021-III	2022-II	2022-III
International transport	-55,3	-46,7	-37,7
Production costs	-44,5	-41,8	-52,3
Internal transportation in Colombia	-22,9	-32,6	-27,7
Economic situation of the purchasing country	-24,0	-21,5	-11,6
Competitive position in the target markets	7,1	0,7	-6,9
Port services in Colombia	2,4	3,7	10,0
Dollar-currency exchange rate of the buyer country	11,6	-3,8	-10,3
Colombian information and marketing services	-6,4	5,2	-0,8
Trade policies of the purchasing countries	14,3	-3,7	2,3
Availability and cost of credit	14,9	6,3	7,8
Peso-dollar exchange rate	2,4	6,0	-7,6
Export procedures in Colombia	11,4	3,8	2,3
Plan Vallejo System	-3,1	-3,7	-2,3

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

The balance of the three-month expectation of export value in dollar months stood at 9.0%, which is equivalent to an increase of 13.8 pp compared to the second quarter of 2022 and a decrease of 12.2 pp compared to the third quarter of 2021 (Graph 6). In this question, 29.3% of respondents stated that their exports will increase in the next three months, while 20.3% believe their exports will decrease, and the remaining 50.4% 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)

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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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