Business Tendency Survey
August 2023

FEDESARROLLO
Centro de Investigación Económica y Social

In August 2023, the Retail Confidence Index (ICCO) stood at 12.4%, representing a decrease of 9.3 percentage points compared to the previous month (ICCO July 2023: 21.7%). The decline in retail confidence was attributed to a 17.1 pp decrease in expectations of the economic situation for the next semester, as well as a 4.1 pp decrease in the favorable perception of the current situation of businesses. Additionally, a 6.7 pp increase in stock levels had a negative impact.

Meanwhile, the Industrial Confidence Index (ICI) reached 3.7% for the month of August 2023, marking an increase of 3.9 pp compared to the previous month (ICI July 2023: -0.2%). The positive monthly variation in industrial confidence in August is explained by a 6.6 pp increase in production expectations for the next quarter. Moreover, the current volume of orders showed a 3.4 pp increase. On the other hand, stock levels decreased by 1.7 pp compared to the previous month.

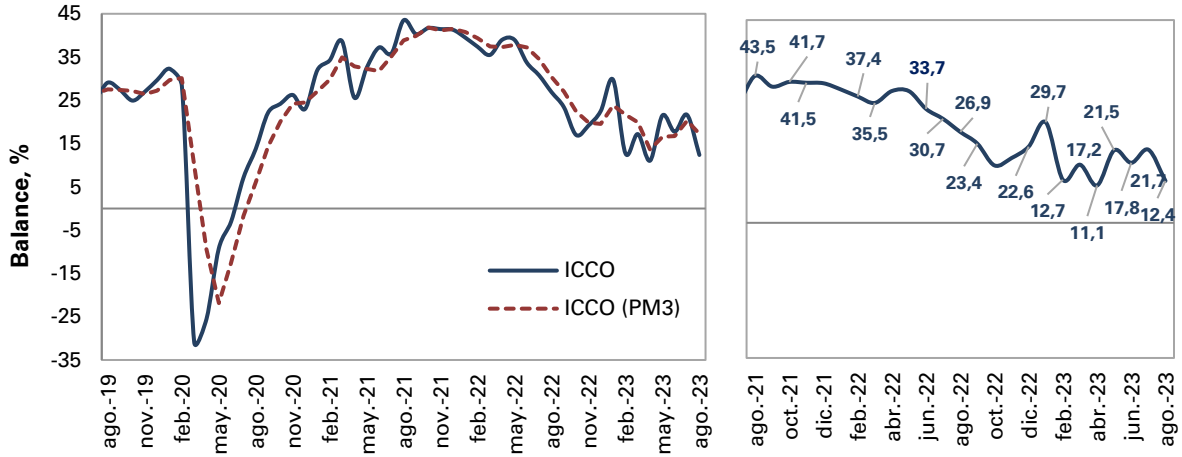
The capacity utilization rate in the industry for the month of August was 76.0%, increasing by 2.1 pp compared to May 2023. Furthermore, companies' perception of economic conditions (3.4 pp) and sociopolitical conditions (6.5 pp) for investment improved.

There was an improvement in perception regarding the pace of construction activity and the current economic situation compared to the first quarter of 2023. However, expectations for building construction showed a decrease.

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 August 2022 and 2023 are presented in Table 1.

Table 1. Retail Confidence Index Components

Component (Balance, %)	2022	2023	
	July	June	July
Business current situation	61,9	37,1	33,0
Level of stocks	13,9	5,0	11,6
Business expectations for the next 6 months	32,7	32,8	15,7
Retail Confidence Index - RCI	**26,9**	**21,7**	**12,4**

Source: Business Tendency Survey (BTS) – Fedesarrollo.

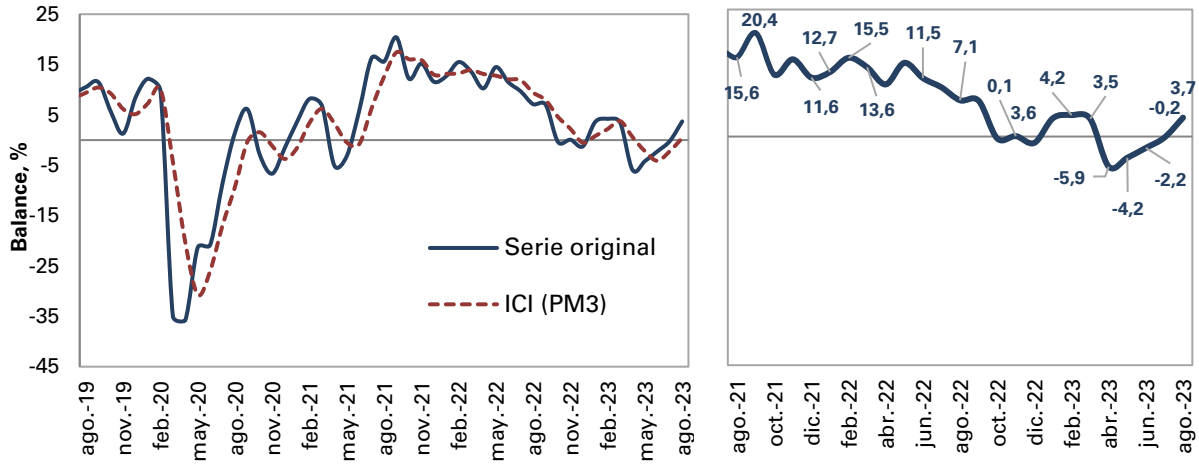
The lower confidence among retailers compared to the previous month was mainly due to a decrease in expectations regarding the economic situation for the next semester, which decreased by 17.1 pp. Additionally, the perception of the current economic situation of the company decreased by 4.1 pp. Similarly, the increase in stock levels by 6.7 pp had a negative impact. In annual terms, the decline in retailer confidence can be explained by a 28.9 pp decrease in the current economic perception of the company, as well as a 16.9 pp decrease in expectations for the economic situation in the next semester. However, annual stock levels decreased by 2.2 pp.

Industrial Confidence Index – ICI

The Industrial Confidence Index (ICI) reached 3.7% for August 2023. This represents an increase of 3.9 pp compared to the previous month (ICI July 2023: -0.2%) and a decrease of 3.4 pp compared to the same month in 2022 (ICI August 2022: 7.1%) (Graph 2).

Furthermore, the quarterly moving average stood at 0.4%, indicating an increase of 2.6 pp compared to the same indicator for the month of July 2023 (-2.2%).

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**. The results for August 2022 and 2023 are presented in Table 2.

Table 2. Evolution of ICI components

Component (Balance, %)	2022	2023	
	July	June	July
Stocks of finished goods at end of this month	2,0	9,4	7,7
Current volume of orders	-6,3	-22,2	-18,8
Expected production in the next three months	29,7	31,0	37,6
Industrial Confidence Index – ICI	**7,1**	**-0,2**	**3,7**

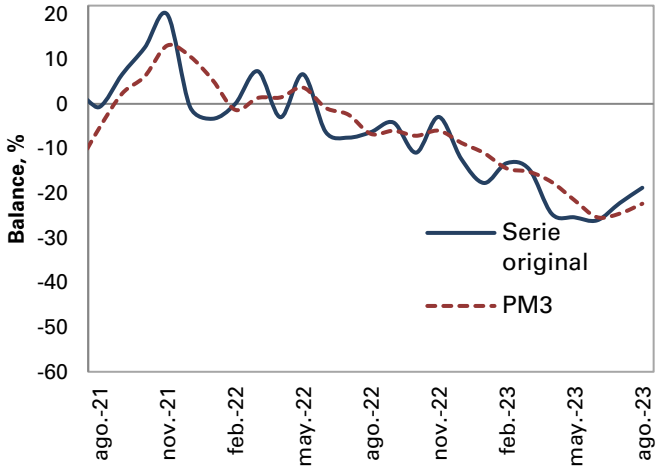
Source: Business Tendency Survey (BTS) – Fedesarrollo.

The positive monthly variation in industrial confidence in August is explained by several factors: a 6.6 pp increase in production expectations for the next quarter compared to the previous month (37.6% vs. 31.0% in July 2023), a 3.4 pp increase in the current volume of orders, and a 1.7 pp decrease in stock levels.

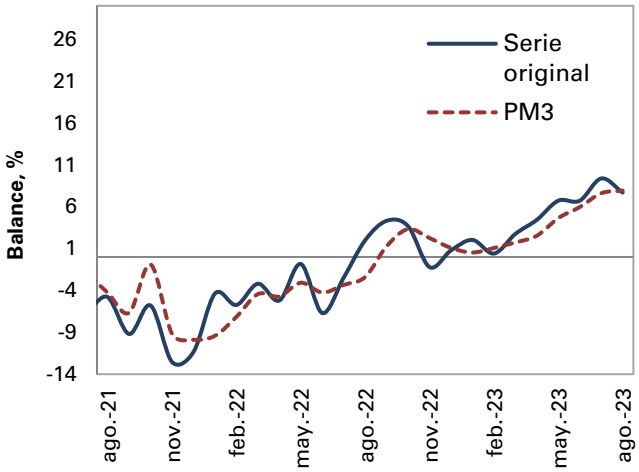
In annual terms, the decline in industrial confidence was primarily attributed to a 12.5 pp reduction in the current volume of orders and a 5.7 pp increase in stock levels. However, production expectations for the next quarter increased by 7.9 pp.

Graph 3. ICI Components

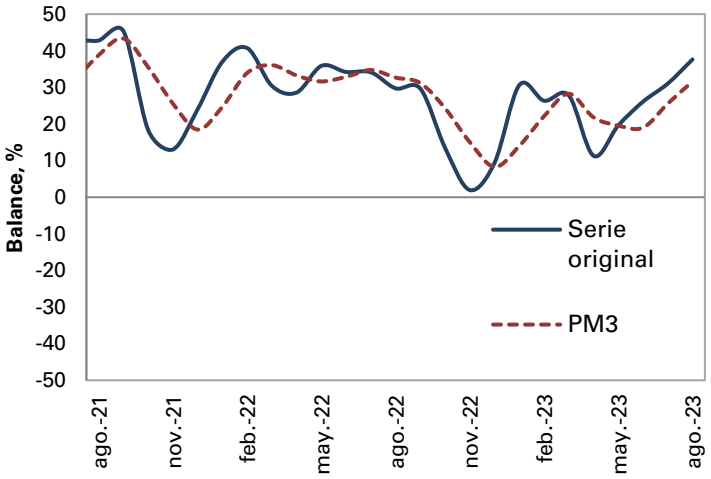
A. Current volume of orders



B. Level of stocks



C. Production expectations for the next trimester



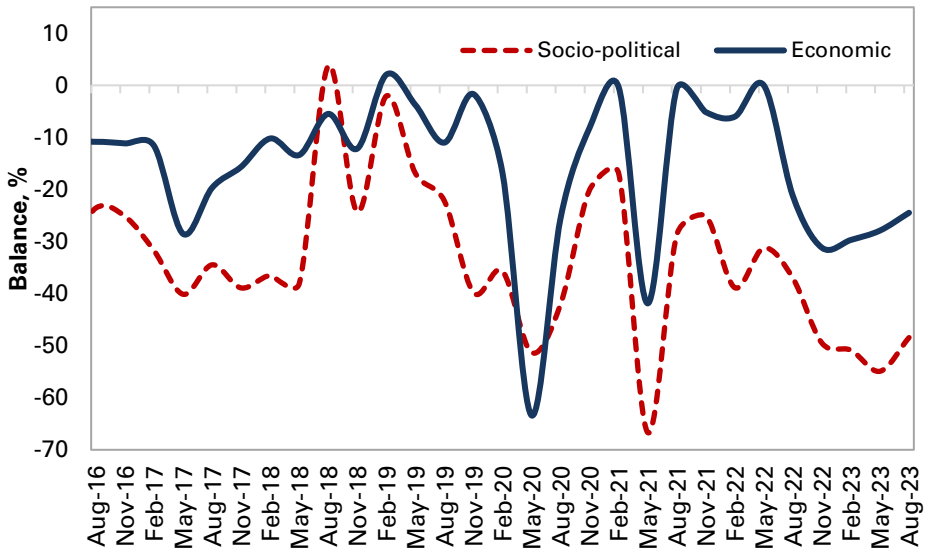
Source: Business Tendency Survey (BTS) – Fedesarrollo.

Quarterly Module:

Economic and Socio-political Conditions for Investment

In August 2023, the balance in the industrial sector regarding the favorability of economic conditions for investment stood at -24.5%, representing an improvement of 3.4 pp compared to the measurement in May 2023 (-27.9%) (Graph 4). The results indicate that 38.5% of the respondents consider the current economic conditions to be unfavorable (compared to 43.5% in the previous measurement). Similarly, 14.0% of entrepreneurs consider the current conditions to be favorable (compared to 15.6% in the previous measurement), while 47.6% state that they are neutral (compared to 40.8% in the previous measurement).

Graph 4. Favorability of Current Economic and Socio-political Conditions for Investment



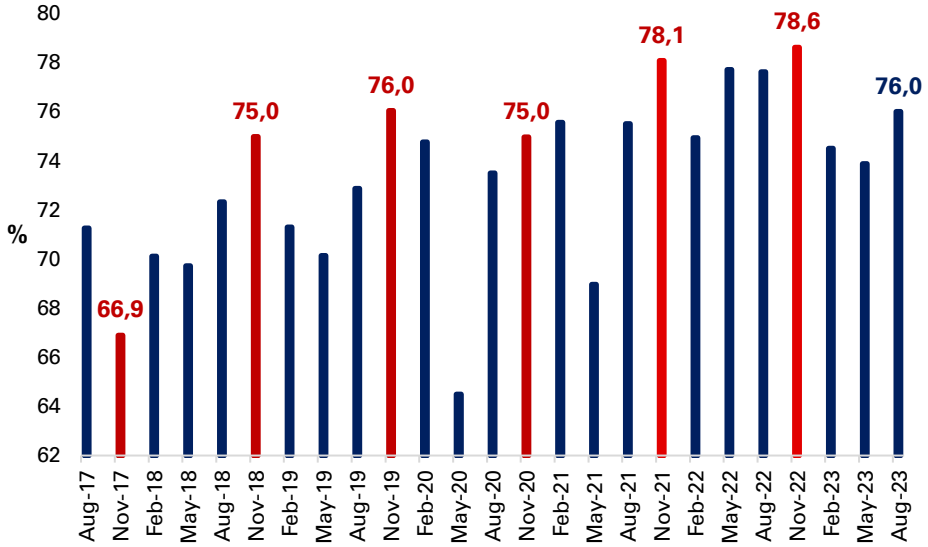
Source: Business Tendency Survey (BTS) – Fedesarrollo

On the other hand, the balance regarding the favorability of socio-political conditions for investment stood at -48.4%, reflecting an increase of 6.5 pp compared to the previous quarter (-54.9% in May 2023). The results show that 7.3% of respondents consider the socio-political conditions to be favorable (compared to 3.7% in the previous measurement). Furthermore, 55.7% of entrepreneurs consider the current conditions to be unfavorable, which represents a decrease of 2.9 pp compared to May 2023 (58.6%), while the remaining 37.0% state that they are neutral (compared to 37.6% in the previous measurement). This indicates a partial improvement in the perception of favorability regarding socio-political conditions.

Industry Installed Capacity Utilization

In August, the capacity utilization rate (UCI) in the industry stood at 76.0%. Based on this result, the UCI increased by 2.1 pp compared to the measurement in May 2023 (73.9%) and decreased by 1.6 pp compared to August 2022 (77.6%) (Graph 4).

Graph 5. Utilization of installed capacity in the industry

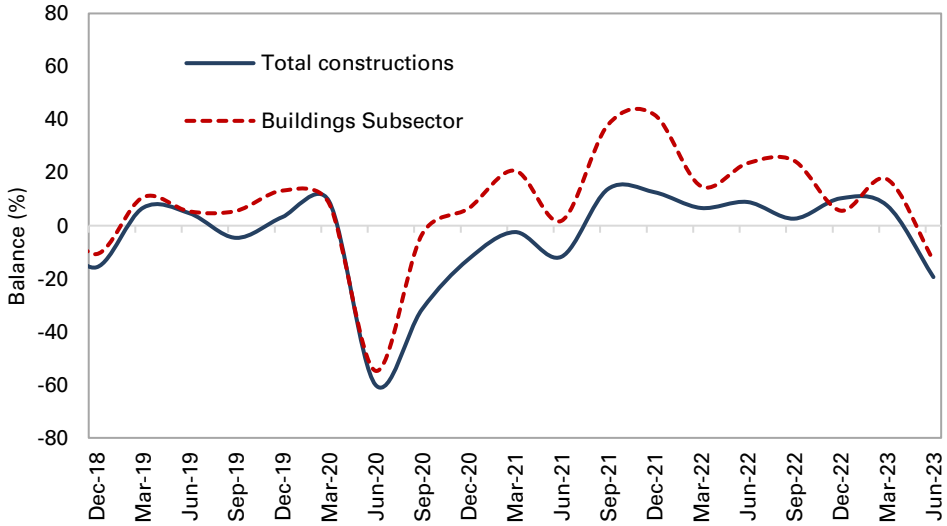


Note: The series of utilization of installed capacity was revised backwards.
Source: Business Tendency Survey (BTS) – Fedesarrollo

Quarterly Construction Survey[1]

In the third-quarter measurement of 2023, the balance of the current economic situation of construction sector companies stood at -1.9%, which represents an increase of 17.5 pp compared to the previous quarter (-19.4%) and a decrease of 4.5 pp compared to the same period in 2022 (2.6%). On the other hand, the balance for the building subsector was -7.0%, marking an increase of 6.1 pp compared to the previous quarter (-13.1%) and a decrease of 31.5 pp compared to the same quarter in 2022 (24.5%) (Graph 5).

Graph 5. Current situation of companies in the construction sector

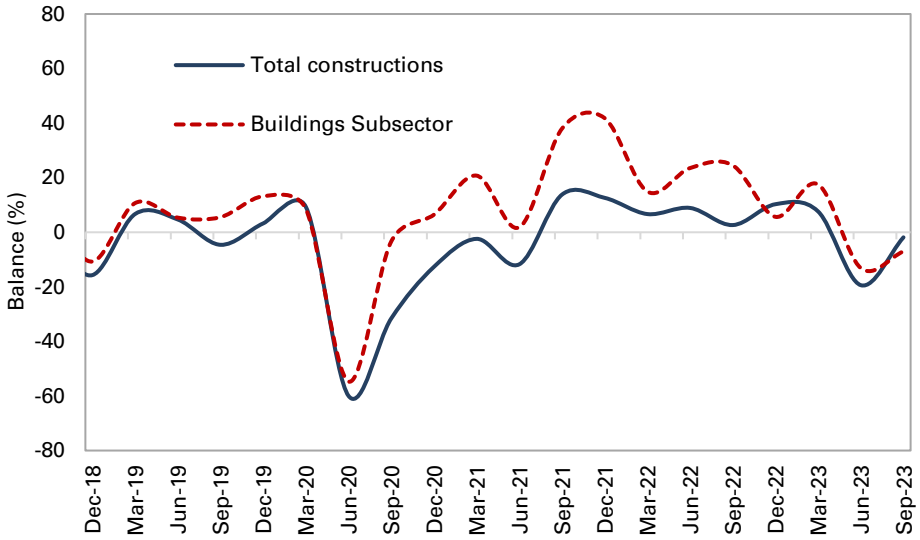


Source: Quarterly Construction Survey - Fedesarrollo.

[1] On a quarterly basis, Fedesarrollo conducts a survey focused on businessmen in the construction sector, to know their perception of the current economic situation and their expectations for the future.

The construction pace indicator reached 22.6%, indicating an increase of 54.8 pp compared to the previous quarter (-32.1%) and a 36.5 pp increase compared to the third quarter of 2022 (-13.9%), marking the highest figure in the last decade. A similar trend was observed for the building subsector, which recorded a balance of 18.5%, representing an increase of 44.7 pp compared to the previous quarter (-26.2%) and a 18.5 pp increase compared to a year ago (0.0%) (Graph 6).

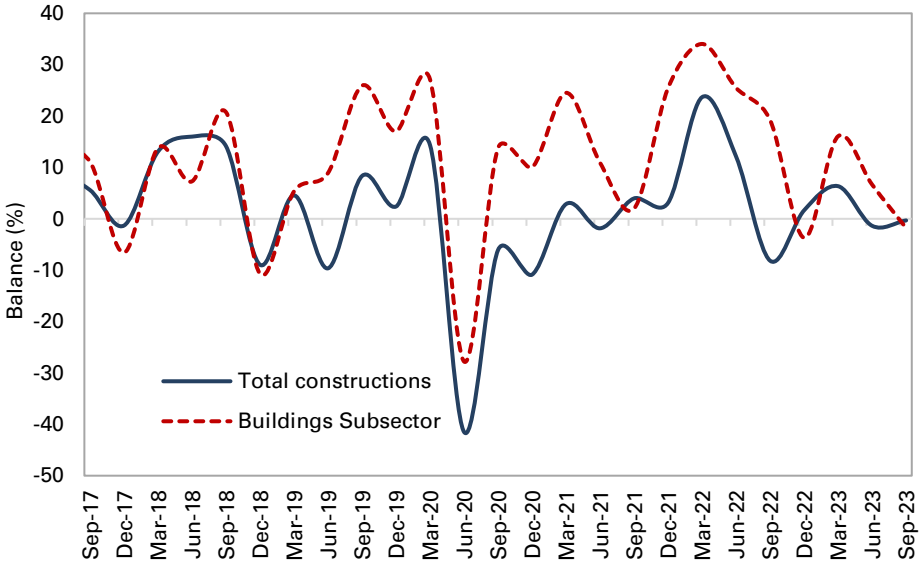
Graph 6. Construction rate compared to the previous year



Source: Quarterly Construction Survey - Fedesarrollo.

The balance of construction expectations for the next quarter stood at -0.3%, showing an increase of 1.0 pp compared to the previous quarter (-1.4%) and a 7.8 pp increase compared to the same quarter in 2022 (-8.2%). In the building subsector, expectations recorded a balance of -1.8%, representing a decrease of 8.5 pp compared to the previous quarter (6.7%) and a 21.0 pp decrease compared to the same quarter last year (19.2%) (Graph 7).

Graph 7. Construction expectations for the next quarter



Source: Quarterly Construction Survey - 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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