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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Output growth hits 14-month high in September

KEY FINDINGS

Quicker expansions in production and sales

Job creation sustained in September

Inflationary pressures remain elevated

Data were collected 13-22 September 2021

The Colombian manufacturing industry remained on a growth path in September, with a sustained upturn in sales boosting output. Companies continued to hire extra staff amid rising workloads and there was another uptick in input buying. On the price front, ongoing shortages of raw materials led to a further sharp increase in input costs. In turn output charges rose substantially again.

At 55.5 in September, up from 53.2 in August, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ highlighted the strongest monthly improvement in the health of the sector in over a decade. The latest figure was the second-highest on record, below the 55.8 peak set in April 2011, the very first month of data collection. The upward movement in the headline figure mainly stemmed from stronger increases in new orders and output, the largest sub-components of the PMI.

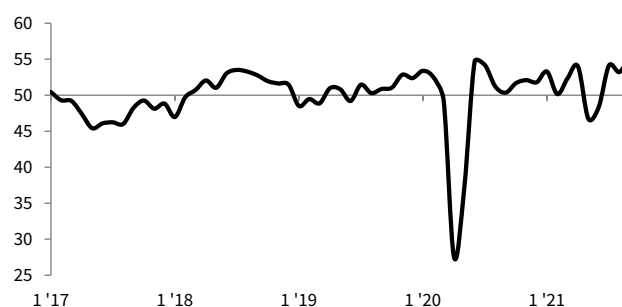
Not only did output increase for the third straight month, but also at the quickest pace in 14 months and one that was above the long-run series average. Growth was often linked to a pick-up in sales and favourable economic conditions.

September data highlighted a marked and accelerated increase in factory orders across Colombia. The rate of expansion was in fact the fourth-strongest in the ten-and-a-half-year survey history. According to panel members, the upturn reflected growing demand and better market conditions.

Strong sales growth, coupled with raw material scarcity, led

Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

to an increase in outstanding business volumes among goods producers. Although solid, the rate of backlog accumulation eased to the slowest in the current four-month sequence of expansion. Growing workloads among Colombian goods producers supported another round of job creation. Employment rose solidly in September, but at the slowest pace in the current three-month sequence of expansion.

Manufacturers purchased additional inputs in September amid reports of stock-building initiatives, rising sales and greater production needs. Despite being solid, the pace of growth eased to the weakest in the current three-month upturn. The rise was stymied by input shortages among suppliers and elevated prices for a number of items.

Indeed, input prices rose sharply again in September, with the rate of inflation one of the highest seen since data collection started in April 2011. Survey participants commonly attributed price hikes to input shortages at vendors, US dollar strength and higher freight fees.

As a result, companies lifted their selling prices further. The rate of charge inflation was only a tick lower than August's record, thereby being the second-highest in the survey history.

Finally, trends for inventories were mixed. Input holdings rose at the fastest pace in 15 months as companies sought to rebuild safety stocks. Post-production inventories declined for the sixth month in succession, with many firms indicating the fulfilment of orders from stocks and a lack of raw materials to lift production of certain items.

COMMENT

Commenting on the Colombia Manufacturing PMI survey data, Andrés Langebaek Rueda, Chief Economist Bolivar Group at Davivienda, said:

“Growth projections for Colombia have been strongly corrected upwards in recent months in such a way that we are clear that the size of the economy will exceed that reached in 2019. The data we report today, with the second highest PMI in history, suggest that the GDP estimates we had for the third quarter of the year are going to fall short and that the economy will continue to grow more than expected. The absence of lockdowns, stoppages and limitations to the development of manufacturing activity as well as the low cost of credit explain this situation.

“The concern continues to be the rise in prices of both products and inputs. The overwhelming growth of inflation, a widespread phenomenon across the globe, is becoming the main global problem and may put a stop to this expansionary phase.”

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Methodology

The Davivienda Colombia Manufacturing PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 350 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers’ Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers’ Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 13-22 September 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers’ Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
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