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## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### National strikes weigh on manufacturing sector performance at year end

#### KEY FINDINGS

Expansions in sales and output lose strength

Job creation and input buying growth sustained

Business confidence improves

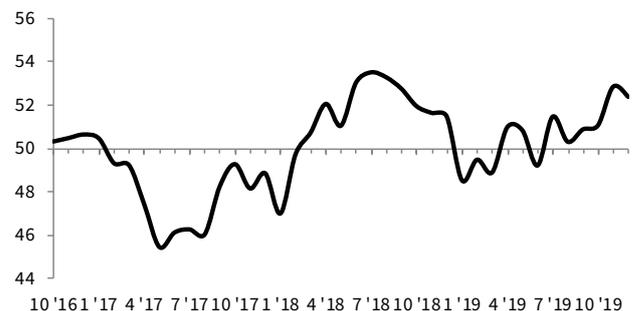
Although economic expansion was sustained in the Colombian manufacturing industry, growth lost some momentum in December. Companies indicated that sales were restricted by national strikes, which in turn resulted in softer increases in production, quantities of purchases and employment. Still, the growth slowdown noted for the latter three measures were not as pronounced as for new orders. Price trends were mixed at the end of 2019. While US dollar strength caused a sharper increase in cost burdens, there was a slower rise in selling charges. Looking ahead, business sentiment improved and surpassed its long-run average.

Posting 52.4 in December, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ highlighted a sixth successive improvement in the health of the sector. Despite falling from 52.9 in November, the headline figure was at its second-highest mark in the past 15 months and above its historical average. The latest reading, coupled with the robust upturn noted in November, rounded off the strongest quarterly performance for manufacturing since Q3 2018.

The main drag in the headline figure came from the new orders sub-component. New work intakes did rise in December, but growth eased noticeably from mid-quarter. Anecdotal evidence indicated that sales were supported by the approval of pending quotes and new client wins, though curbed by strikes.

Output expanded at a solid pace, though one that was slightly softer than November's 14-month high. Where output increased, panellists reported rising sales and a

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

greater availability of raw materials.

December data showed a third consecutive expansion in input buying. The upturn remained solid, despite easing marginally from November.

In line with disruptions arising from national strikes, supply chains came under pressure. The increase in input delivery times was the most pronounced since the start of 2019.

Colombian manufacturers remained upbeat towards growth prospects, with output forecast to increase due to expanded client bases, new product designs and marketing initiatives. As such, firms hired extra staff in December. The pace of job creation was the second-fastest since September 2018 (behind November).

Stocks of both inputs and finished goods rose at slower rates at the end of the year. The softer increase in holdings of raw materials and semi-finished items stemmed from longer supplier delivery times.

The rate of input cost inflation ticked higher in December, surpassing its long-run average. The majority of panellists that signalled higher cost burdens commented on US dollar strength.

Some firms sought to protect margins by passing on to their clients part of the additional cost burden. However, the rate of output charge inflation eased from November's 32-month high.

## COMMENT

Commenting on the Colombia Manufacturing PMI survey data, Pollyanna De Lima, Principal Economist at IHS Markit, said:

*"The Colombian manufacturing sector ended 2019 on a more upbeat tone than it started, with growth of factory orders, output, input buying and employment all maintained. However, for all of these aforementioned measures, rates of expansion lost some impetus in December as national strikes made it difficult for companies and their clients to carry on with business as usual.*

*"In an assessment of 2019 as a whole, PMI survey data highlighted a challenging year for the sector, with the headline figure posting a lower average reading than was recorded for 2018. Economic performance alternated between contraction and unstable growth, with no clear path to a sustained upturn indicated.*

*"Colombian manufacturers are more upbeat about the outlook for production during 2020, which should underpin investment and job creation in the coming months. The one area of concern remains exchange rates, as peso depreciation risk continues to linger."*

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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.

December 2019 data were collected 5-13 December 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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