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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Manufacturing sector stuck in contraction as national strikes linger on

KEY FINDINGS

Sales and production fall sharply

Output charge inflation hits survey peak...

...amid second-fastest rise in input costs in series history

Data were collected 11-22 June 2021

Colombian manufacturers were again heavily impacted by protests across the country and road blockades. June data showed sharp declines in new orders and output that were among the quickest seen since data collection started in April 2011. As a result, there were further reductions to input purchasing and staff numbers. Meanwhile, raw material scarcity, rising freight costs and supply-chain issues caused the second-fastest increase in input costs on record, which in turn pushed the rate of output charge inflation to a survey peak.

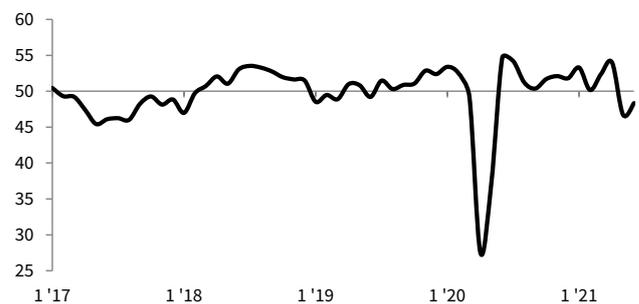
The seasonally adjusted Davivienda Colombia Manufacturing PMI™ was at 48.3 in June, pointing to a second consecutive deterioration in the health of the sector. The headline figure rose from 46.7 in May, due to softer contractions in four of its five sub-components. For the second quarter of 2021, the PMI averaged 49.7, the lowest three-month reading since Q2 2020.

Goods producers noted a second consecutive monthly decline in new business inflows, with the rate of reduction remaining sharp and among the fastest in the survey history. Survey participants attributed the fall to mass demonstrations, blockades and the pandemic.

Protests, coupled with reduced demand, caused a further decrease in manufacturing production during June. The fall in output was marked and one of the quickest on record.

Order cancellations, business closures, financial difficulties and downsizing reportedly triggered another round of job shedding. Employment fell at a marked pace that was

Colombia Manufacturing PMI
sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

broadly similar to that recorded in May.

Companies scaled down input purchasing in June amid reports of social unrest, blockades and difficulties sourcing raw materials. The rate of contraction in buying levels was sharp and quicker than any seen prior to the COVID-19 crisis.

June data pointed to a notable extension to average lead times as blocked roads, riots, difficulties in international shipping and global shortages of raw materials continued to cause delivery delays. The extent of the deterioration in vendor performance was broadly similar to the record set in May.

Subsequently, manufacturers observed another decline in their stocks of purchases. Holdings of finished products likewise decreased sharply.

Input costs continued to rise, with panel members linking the increase to a lack of raw material availability and greater freight costs. The overall rate of inflation was the second-fastest on record.

Amid efforts to protect margins from cost increases, manufacturers continued to lift their selling prices in June. The rate of charge inflation hit a new survey peak, but remained much lower than that seen for input costs.

Positive sentiment towards the year-ahead outlook for production was sustained in June. However, the degree of optimism was curtailed by concerns that protests and the pandemic will continue.

COMMENT

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

“Despite the fact that the strike committee ordered the removal of the blockades on 1st June, it was only on the 15th of the month that the Ministry of Defence reported the final lifting of obstructions to mobility on national roads. This circumstance – together with the damage caused in ports, warehouses and stores – meant that for the second consecutive month the main variables of the manufacturing sector, production, orders and employment, continued to register a deterioration.

“The figures for our consumer confidence indicator showed an improvement in the last part of the month, which is why we are hopeful that the manufacturing variables measured by the PMI survey will resume positive growth in July. This is also deduced from the change in business expectations, which improved slightly compared to May.

“The behaviour of raw material prices continues to be a matter of great concern. As a result of international and domestic factors, this variable presented its second-greatest boost in the history of the indicator.”

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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 11-22 June 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.
ihsmarkit.com/products/pmi.html

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