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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Output growth slows despite stronger increase in new orders

KEY FINDINGS

Production growth eases amid raw material shortages

New business expands at quicker rate

Rates of inflation soften from November's records

Data were collected 06-15 December 2021

Despite strengthening demand conditions, production growth in Colombia nearly stalled during December as manufacturers continued to struggle to source raw materials. Amid efforts to safeguard against shortages in the coming months, and in anticipation of further price hikes, companies stepped up input purchasing. On the price front, there were slower increases in both input costs and factory gate charges but rates of inflation remained historically elevated.

Posting 53.1 in December, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ continued to signal improving business conditions across the sector. The headline figure fell from 54.9 in November, but remained above its long-run average of 50.9 and indicated a solid rate of growth.

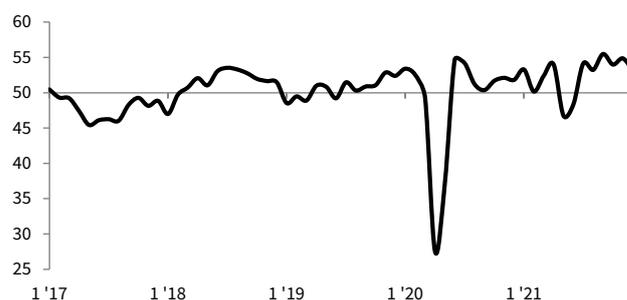
New orders, the largest sub-component of the PMI, increased at a solid and accelerated rate in December. Companies linked the upturn in sales to rising requirements among clients and a general improvement in demand.

Although production continued to rise, the rate of increase eased to the weakest in the current six-month period of expansion. The upturn was associated with ongoing improvements in sales, but growth was reportedly restricted by raw material scarcity.

With demand for inputs exceeding supply, companies observed another increase in cost burdens. Limited container availability and transportation issues were also cited as factors behind price pressures. The overall rate of

Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

input cost inflation softened from November's peak to a seven-month low, but was nonetheless much higher than its long-run average. As a result of sustained increases in input costs, manufacturers hiked their fees again in December. The rate of charge inflation eased to the slowest since May, but was sharper than any seen in the survey history prior to June 2021.

Concerns that price pressures will persist in 2022 and that supply-chain problems will linger curbed business confidence in December. The overall level of positive sentiment slipped to a seven-month low and was below its historical average.

Amid attempts to prevent stockouts, and to avoid future price hikes, manufacturers purchased additional inputs in December. The rise was solid and the sixth in successive months.

Input inventories increased at the end of 2021, but only marginally as firms continued to experience delivery delays. Average lead times lengthened greatly, with panellists mentioning low stock levels among suppliers and problems with transportation. Concurrently, holdings of finished goods among Colombian manufacturers decreased at the quickest rate since June.

Finally, job creation was sustained in December as firms sought to expand capacities to meet rising demand and production requirements. That said, growth was reportedly curbed by resignations, illnesses and difficulties finding suitable candidates to fill existing positions.

COMMENT

Commenting on the Colombia Manufacturing PMI survey data, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

“The PMI results for December showed a further loss of growth momentum among Colombian manufacturers as supply-side issues had a cascading effect on the sector. Production was nearly halted, outstanding business rose and inventories of finished goods dipped markedly as firms used existing stocks to fulfil new business. With demand for inputs outstripping supply, there was another extension to delivery times and a substantial upturn in input costs.

“The positive takeaway from the latest PMI results came from the demand-side of the economy, with companies seeing a stronger increase in factory orders despite a sharp rise in prices charged for their goods. Whereas firms remained confident that sales and output would continue to expand in the year ahead, forecasts were revised lower in December amid concerns that price pressures and supply-chain problems would linger and restrict growth in 2022.”

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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 06-15 December 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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