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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Solid rise in new orders underpins renewed increase in production

KEY FINDINGS

Growth of production and new orders reinstated

Manufacturers lift employment and input buying

Supply-chain constraints drive input cost inflation higher

Data were collected 12-23 March 2021

The Colombian manufacturing industry recovered some ground lost in February, with PMI™ data for March highlighting renewed expansions in new orders and output. To accommodate the upturn in demand and to mitigate the risk of stockouts, companies stepped up input buying. However, supply-chain disruptions caused longer delivery times and the sharpest rise in input costs for ten months. Elsewhere, firms' efforts to clear backlogs and meet demand needs supported further job creation.

Rising from 50.2 in February to 52.4 in March, the seasonally adjusted Davivienda Colombia Manufacturing PMI pointed to a stronger improvement in the health of the sector. Given the setback recorded in February, the PMI average for the opening quarter of 2021 (52.0) was broadly similar to that seen in Q4 2020 (51.9).

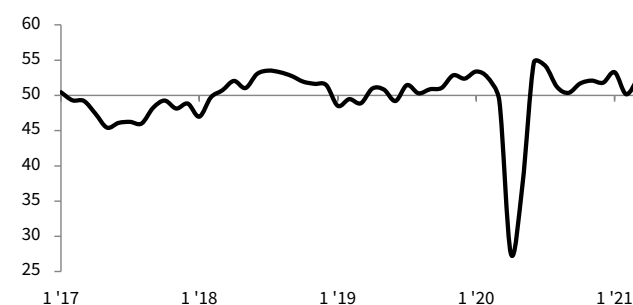
Companies noted a rebound in new work intakes during March, following the first decline for five months in February. According to survey participants, the rise in sales stemmed from improved demand conditions, new projects in the pipeline and restocking efforts among clients. The upturn in new orders supported a renewed increase in production volumes. However, the pace of output expansion was slight overall.

March data highlighted capacity pressures among goods producers as outstanding business increased for the first time since mid-2020. Moreover, the pace of backlog accumulation was solid. Panellists attributed the rise to sales growth.

Concurrently, Colombian goods producers hired additional

Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

workers in March. The expansion in employment was the second in successive months, and the rate of job creation quickened to a four-month high.

To safeguard against input shortages, companies purchased additional materials during March. The rise in input buying was moderate overall, but compared with a contraction in February.

Although pre-production inventories increased in March, the pace of accumulation was only marginal. Underlying data indicated that supplier delivery delays restricted growth. Difficulties in international shipping and raw material scarcity were cited as the key reasons for longer delivery times.

With input demand exceeding supply, manufacturers experienced another increase in input costs at the end of the first quarter. The rate of inflation climbed to a ten-month high and was among the strongest in the survey history.

Subsequently, companies lifted their fees again in March. The rate of charge inflation accelerated notably from February and was the fastest in over four years.

Manufacturers were confident that the coronavirus disease 2019 (COVID-19) vaccination programme, product diversification, public bids, marketing efforts and innovation will underpin output growth over the course of the coming year. The overall level of positive sentiment remained strong, but eased since February due to concerns over a third wave in COVID-19 cases.

COMMENT

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

“Manufacturing PMI data suggests that the sector recovered in March the ground lost in February as a result of the second wave of Covid-19. Production growth was resumed and there were improvements in both orders and employment. The balance for the quarter suggests that net growth was positive, although unstable, due to the effects of the new restrictions in January.

“Among the variables surveyed, the cost of inputs draws much attention. As a result of the greater devaluation of the peso so far in 2021 and the increase in raw material costs in international markets, it was observed that the acceleration in the prices of these goods was the greatest in recent months. This increase, much higher than that for finished product prices, indicates a significant deterioration in producers' margins.”

CONTACT

Davivienda

Andrés Langebaek Rueda
Chief Economist Bolivar Group
+571 3300000 ext: 59100
alangebaek@davivienda.com

María Mercedes Marquez
Corporate Communications Officer
+571 3300000 ext: 55507
mmarquez@davivienda.com

IHS Markit

Pollyanna De Lima
Economics Associate Director
+44 149 146 1075
pollyanna.delima@ihsmarkit.com

Katherine Smith
Public Relations
+1 781 301 9311
katherine.smith@ihsmarkit.com

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 12-23 March 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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