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## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### Manufacturing growth gathers steam in November

#### KEY FINDINGS

Fastest rises in sales and output since September 2018

Job creation hits 16-month high

Solid increase in input buying

November saw an improvement in business conditions faced by Colombian manufacturers, with a solid upturn in new work intakes boosting expansions of production, quantities of purchases and employment. The strengthening in the health of the sector was the best seen since August 2018, with companies rebuilding inventories amid upbeat growth projections.

On the price front, there was a slightly slower increase in input costs. Charge inflation, on the other hand, accelerated in line with peso depreciation as pricing power improved in the face of strengthening demand conditions.

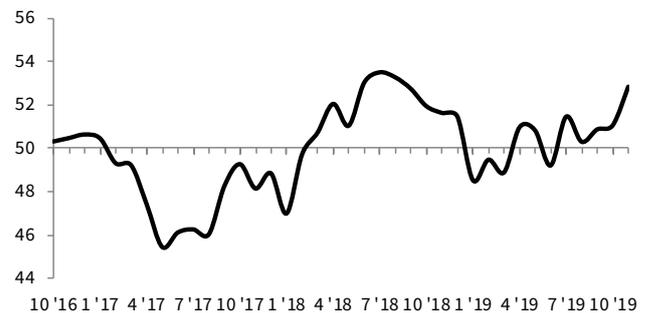
At 52.9 in November, up from 51.1 in October, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ pointed to the strongest improvement in operating conditions for 15 months. Moreover, the headline index was above its long-run average of 50.9.

Amid reports of favourable market conditions, greater client requirements and the approval of pending quotes, total new orders increased halfway through the final quarter of 2019. Furthermore, the upturn in sales was solid and the quickest in 14 months.

The uptick in demand, combined with a greater availability of raw materials and efficiency gains, reportedly underpinned a further increase in output. Production rose for the fifth month running and at the fastest rate since September 2018.

Goods producers expect growth to be sustained over the course of the coming 12 months, with the overall level of business confidence broadly in line with the series average.

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

A number of factors had been identified as opportunities for the year ahead, such as expanded clientele, infrastructure projects, marketing efforts, innovation and better use of social media.

Demand strength, coupled with upbeat growth projections, supported another round of job creation. Employment expanded at a solid pace that was the fastest in close to one-and-a-half years.

Companies operating in the Colombian manufacturing sector also scaled up purchasing activity in November, with the rate of expansion at a 15-month high. This contributed to the quickest upturn in holdings of raw materials and semi-finished items since mid-2018.

Similarly, inventories of finished products rose midway through the last quarter of 2019, with the upturn reversing the depletion noted in October and being the most pronounced since July.

Largely due to US dollar strength, average cost burdens continued to increase in November. Despite easing to the weakest since April, the rate of inflation remained elevated by historical standards.

Demand strength enabled goods producers to share additional cost burdens with their clients by hiking their fees in November. Output charges increased at a marked pace that was the most pronounced in over two-and-a-half years.

## COMMENT

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

*“According to official figures, during 2019 the manufacturing industry grew just 1.7% being the second sector with the lowest growth in the economy. Coinciding with this situation, the figures of the Davivienda PMI for this year have shown relatively low levels.*

*“It is very good news to see that the data for November, for the PMI and its most important components (production, employment and orders), are the best observed during this year. It is also noteworthy that with the November data there is an improvement for the third consecutive month.*

*“It should be noted that the inflation of the products from the sector reached its highest level since March 2017, in response to the increase in the exchange rate that we have observed recently. If this trend continues, sales to the domestic market could moderate in the coming months.”*

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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.

November 2019 data were collected 12-21 November 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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