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## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### Output growth sustained in August

#### KEY FINDINGS

Production rises for second straight month...

...despite renewed fall in sales

Slower increases in input buying and employment

Although the Colombian manufacturing industry stayed inside expansion territory, there were clear signs of a broad slowdown as all but one of the PMI components declined in August. Softer increases in output, input buying and employment compared with outright contractions in new orders, stocks of finished goods and backlogs. At the same time, rates of input cost and output charge inflation cooled, while business sentiment faded since July.

At 50.3 in August, the headline seasonally adjusted Davivienda Colombia Manufacturing PMI™ pointed to a second successive improvement in the health of the sector. That said, the index fell from July's reading of 51.5 and was below its long-run average of 50.9.

Demand weakness domestically and externally reportedly dampened sales in August. The fall in factory orders followed a rebound in July, but was marginal overall.

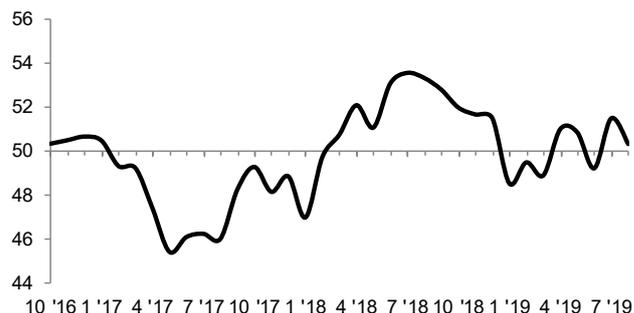
Signs of spare capacity were evidenced by a renewed decline in outstanding business, as freed-up resources were utilised to complete unfinished work.

Goods producers continued to lift output, but the rate of expansion softened from July's ten-month high to a slight pace. Where production increased, panellists commented on greater availability of raw materials and productivity gains. However, the upturn was reportedly restricted by subdued demand.

Additional inputs were purchased in August as some manufacturers sought to replenish stocks. Despite easing marginally from July, the pace of growth was strong by

Manufacturing PMI

sa, >50 = improvement since previous month



historical standards.

Companies hired extra staff in anticipation of upcoming retirements and sales-drive initiatives. The rate of jobs growth was fractional, however, and softened from July.

Stocks of both inputs and output declined halfway through the third quarter. The latter contracted fractionally, following a solid rise in July. Pre-production holdings decreased for the fourth consecutive month, but at a slower rate.

Input price inflation moderated to a four-month low. However, the rise in cost burdens was still sharp in the context of historical survey data. Respondents widely commented on an unfavourable COP/USD exchange rate.

In comparison, output charges increased moderately during August and at a below-trend rate, with inflation also easing since July.

Predictions of greater exports, a pick-up in demand, advertising and new product launches underpinned optimism regarding the 12-month outlook for output. The aggregate level of positive sentiment was strong compared with the series average, despite falling from July.

Finally, road repairs and closures, coupled with issues at customs and shortages of some materials at vendors, caused longer lead times on inputs. The deterioration in supplier performance accelerated from July.

## COMMENT

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

*"PMI data for August show that while the manufacturing sector continues to grow, it is not doing so at the same pace as it did in 2018. The figures from the Dane, the official statistical agency, confirm this situation: during the second quarter of this year the sector barely grew 0.6% compared to 4.6% observed in the same period a year earlier. Unfortunately, the country joins the poor results observed in world manufacturing activity which, as a result among other factors of the trade war between the United States and China, has become a mayor global deceleration factor.*

*"Another feature that can be underlined in the results of the survey is the problematic result of the margins of the manufacturing sector. In fact, when comparing the price indicator for inputs with that of the price of products, it is found that in the last five months the former has grown at higher rate than the latter. Undoubtedly, currency devaluation has to do with this situation, with the Colombian peso against the US dollar having registered in August the highest exchange rate in our history.*

*"Very surely, pressures on margins also explain the poor industrial performance during this year."*

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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.

August 2019 data were collected 12-22 August 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](http://ihsmarkit.com/products/pmi.html).

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