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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Manufacturing sector growth curbed by price pressures and supply-chain constraints

KEY FINDINGS

PMI remains firmly in expansion mode...

...but output and new orders rise at softer rates

Charge inflation hits survey peak

Data were collected 12-21 October 2021

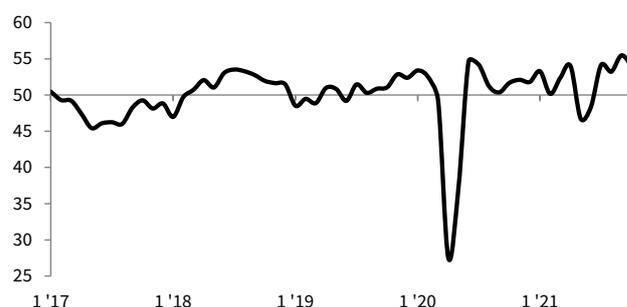
The health of the Colombian manufacturing industry continued to improve in October, but the latest results indicated that supply-side issues somewhat dampened growth. New orders rose at a softer pace as some clients reportedly deferred purchases amid elevated charges and shortages of items. Concurrently, production expanded at a slower rate owing to capacity pressures and raw material scarcity among several firms. The lack of input availability was a key factor leading to a near-record increase in cost burdens, which resulted in an unprecedented upturn in output charges. Still, companies continued to hire additional workers and purchased extra inputs.

Posting 54.0 in October, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ pointed to a substantial improvement in business conditions across the sector. Despite falling from September's recent high of 55.5, the latest figure remained well above its long-run average.

Reflecting a further upturn in order book volumes, expanded client bases and the approval of pending quotations, output rose further in October. The increase was solid, but eased from September. According to panellists, growth was restricted by raw material scarcity.

Similarly, new business inflows rose at a solid pace that was nonetheless softer than that recorded in the previous month. While some companies indicated that improved market conditions, strong demand and re-stocking efforts among clients translated into sales growth, others reported the

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



Source: Davivienda, IHS Markit.

postponement of purchases among key customers because of elevated charges and shortages of items.

Indeed, output prices increased sharply at the start of the fourth quarter, and at a rate unseen since data collection started in April 2011. Monitored companies commonly linked the upturn to the passing on of rising cost burdens to clients.

Input prices increased further, with companies linking the rise to a lack of raw material availability and shortages of containers. Having quickened from September, the overall rate of inflation was the second-highest seen in the survey history.

The uptick in input prices discouraged some firms from purchasing raw materials and semi-finished items, but others bought additional inputs due to stock-building initiatives. Overall, quantities of purchases expanded at the weakest pace in the current four-month sequence of growth.

Companies that made additional purchases reported longer supplier delivery times. The overall deterioration in vendor performance was sharp by historical standards.

October data highlighted a fourth consecutive increase in manufacturing sector employment. That said, the pace of job creation softened to the weakest over this period.

Business sentiment improved in October, with companies expecting scheduled product launches, marketing efforts, investment and pending deals to support output growth in the year ahead. There remained some concerns among firms about supply-chain issues, however.

COMMENT

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

"The manufacturing PMI for Colombia for the month of October brings us mixed news. Although activity continued to expand, manufacturers reported that a lack of available inputs seriously limited production, so the pace of growth softened. The index for input prices continued to rise, reaching the second highest in the history of the indicator. Consequently, producers' margins also fell.

"Although the behaviour of the Colombian economy continues to be very positive, we believe that input restrictions will increasingly weigh on the performance of the economy in the coming months. The most natural transmission channel is the loss of purchasing power of wages, a phenomenon that we believe will worsen at the end of the year."

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 12-21 October 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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