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## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### Manufacturing sector rebounds from protest-related disruptions

#### KEY FINDINGS

PMI rises to one-year high of 54.2 in July

Renewed expansion in sales underpins production growth

Record increases in buying levels and backlogs

Data were collected 12-22 July 2021

The Colombian manufacturing industry recovered in July from the contractions seen in May and June caused by blockades and national strikes, with PMI™ data pointing to renewed growth of new work intakes and output. Firms observed a record increase in outstanding business, which led them to hire staff at the fastest pace in over five-and-a-half years. Concurrently, there was an unprecedented expansion in input purchasing as companies sought to rebuild stocks and meet greater sales requirements. Meanwhile, price pressures remained historically elevated due to global shortages of raw materials.

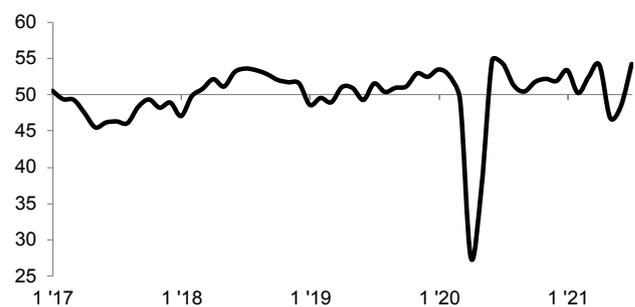
At 54.2 in July, up from 48.3 in June, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ was in expansion territory for the first time in three months and highlighted the strongest improvement in the health of the sector in a year.

New orders — the largest sub-component of the PMI — increased at a solid pace in July, after contracting in the prior two months. The upturn was often attributed to an improvement in demand following the end of strikes and a return to more normal business conditions.

Subsequently, companies scaled up output at the start of the third quarter. The expansion was the first in three months and the strongest in one year.

In order to accommodate rising sales and replenish stocks, firms purchased additional materials for use in the production process. The rate of input buying growth was

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



Source: Davivienda, IHS Markit.

the quickest since data collection started in April 2011.

July data pointed to an intensification of capacity pressures among goods producers, with outstanding business volumes increasing at the sharpest rate on record. In many cases, the upturn was attributed to strengthening demand, raw material scarcity and delivery delays among suppliers.

Input buying efforts were broadly offset by lengthening lead times, resulting in only a marginal rise in stocks of purchases. Post-production inventories continued to fall amid strengthening demand and a lack of raw materials to replenish stocks.

Robust sales growth and upbeat sentiment towards the outlook for production supported job creation in July. The increase in employment ended a two-month sequence of contraction and was the fastest since December 2015.

Supply-chain disruptions continued to drive input costs higher, with the rate of inflation recorded in July being the third-strongest in the survey history.

Similarly, the rate of output price inflation softened from June but was nonetheless the second-fastest on record. Anecdotal evidence indicated that companies sought to protect margins from cost rises by lifting factory gate charges.

Finally, the overall level of business confidence improved to a ten-month high in July amid greater vaccine access and projects in the pipeline.

## COMMENT

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

*“Although Colombia is not fully recovered from the damage to infrastructure caused by the national strike in May, especially in the port of Buenaventura and in the city of Cali, it is very satisfactory to register a significant rebound in the PMI for July that anticipates good growth in manufacturing activity for the month. The five components of the PMI registered a significant rebound, especially employment.*

*“As is well known, the protests in the country responded to many interests, including those of a minority that unfortunately used violence and vandalism to limit the supply of products and inputs to the cities, generating the second largest sequential drop in manufacturing activity in recent history, after the great lockdown of April 2020. The official statistics office confirmed a monthly reduction of 22.1% in the sector's production in May.*

*“We hope that the events that have occurred will not end up affecting investors' investment expectations in the long term.”*

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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 12-22 July 2021.

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.  
[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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