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## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### Growth of new orders, production and employment sustained in October

#### KEY FINDINGS

Back-to-back rises in factory orders

Output and jobs increase for fourth month running

Input cost inflation accelerates to 32-month high

Operating conditions in the Colombian manufacturing industry improved further at the start of the final quarter of 2019. Ongoing increases in new work supported growth of production, employment and input purchasing, while companies remained strongly upbeat towards the outlook. Meanwhile, input cost and output price inflation accelerated to 32- and eight-month highs respectively, reportedly due to US dollar strength.

Rising from 50.9 in September to 51.1 in October, the headline seasonally adjusted Davivienda Colombia Manufacturing PMI™ was at a three-month high. The latest figure pointed to a fourth, albeit slight, consecutive monthly improvement in the health of the sector.

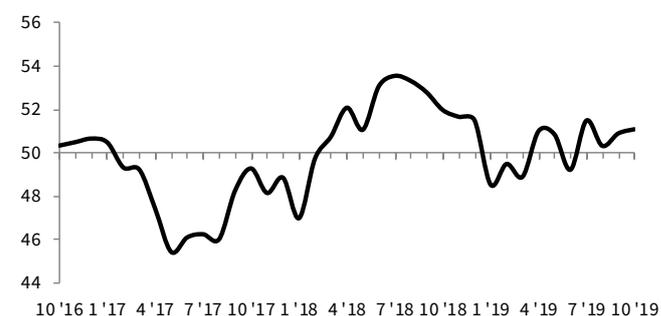
Three out of the five sub-components of the PMI were in expansion territory, while stocks of purchases declined and vendor performance worsened.

Buoyed by new business growth, goods producers lifted production for the fourth consecutive month in October. The upturn was modest, but the quickest since July.

New orders expanded at a slightly stronger pace than in September, though one that was slight overall. According to survey participants, advertising, greater client requirements and new product launches all drove up sales in October.

The uptick in order flows exerted mild pressure on the capacity of manufacturers, as highlighted by a renewed increase in unfinished business. Although the fastest in one year, the pace of backlog accumulation was slight.

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

Companies responded by hiring additional workers in October. The increase in payroll numbers was the fourth in consecutive months and the most pronounced since September 2018.

Firms also lifted spending on the purchasing front. Input buying rose for the third time in the past four months, the exception being a decline in September. Anecdotal evidence highlighted efforts to increase stocks of raw materials and semi-finished goods, as well as greater workloads.

Still, pre-production inventories decreased further. Some firms noted the use of inputs in the production process, while others reported a lack of working capital to acquire more materials. Holdings of finished goods likewise contracted, with anecdotal evidence pointing to the fulfilment of orders from stocks.

Largely due to a weaker Colombian peso against the US dollar, input cost inflation picked up to a 32-month high in October. Subsequently, manufacturers raised their selling prices to the greatest extent since February.

Goods producers were strongly confident of a rise in production over the course of the coming 12 months, with optimism boosted by projects pending approval, investment in machinery, new store openings and product diversification. The level of positive sentiment was little-changed from September, thereby remaining above its long-run average.

## COMMENT

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

*“The PMI results for October represent good news to the extent that both the PMI and its three main components (production, orders and employment) show a positive dynamic. However, we must recognize that the advances are modest and that growth of these variables is below the ones we had a year ago.*

*“During the month of October the uncertainty in Colombia, generated by both external and internal factors, was very high, which led us to reach historical levels of the exchange rate. The most visible consequence of this situation is that input cost inflation reached its highest level since February 2017. There has also been a strong compression of the operating margins in the last six months.*

*“It would not be surprising if the dynamics of the manufacturing sector for the first months of next year could be affected by this situation. In particular, the levels of investment in machinery and equipment, which had been very positive, can start to moderate.”*

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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.

October 2019 data were collected 11-23 October 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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