

Embargoed until 10:00 Bogota (1500 UTC) January 2nd 2019

DAVIVIENDA COLOMBIA MANUFACTURING PMI™

December sees further slowdown in manufacturing growth

KEY FINDINGS

PMI falls to seven-month low...

...as growth of new work and production continues to soften

Second consecutive decline in jobs

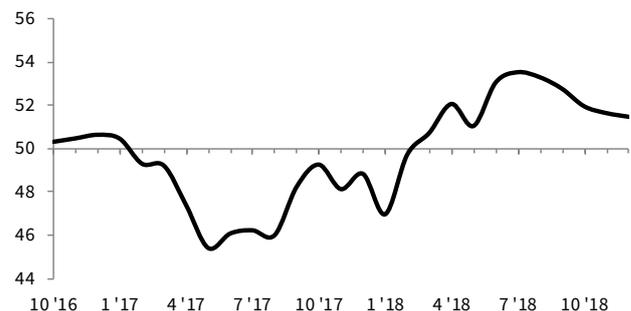
Although the Colombian manufacturing industry closed the year in a better position than it started, December showed a continuation of weaknesses noted in recent months. Production growth eased for the fourth successive month amid the slowest rise in inflows of new business since March. At the same time, a second straight decline in jobs was registered, while input purchasing returned to contraction territory. Business sentiment remained positive, but the degree of optimism was the weakest seen in almost one year.

The seasonally adjusted Davivienda Colombia Manufacturing PMI™ remained above the critical 50.0 threshold in December, signalling a further improvement in the health of the sector. However, the headline figure fell for the fifth straight month, from 51.6 in November to 51.5. Owing to strong readings in the early part of the second semester, the PMI average for 2018 as a whole was the highest annual number for the survey, which started in April 2011.

Mirroring the trend for new orders, growth of production lost strength in December. On the one hand, sustained increases in new work at some plants, coupled with productivity improvements and new product launches, underpinned output expansion. On the other hand, subdued demand and competitive pressures continued to curb the upturn. The rises in output and sales were the weakest in seven and nine months respectively.

In turn, jobs were cut and purchases reduced. The fall in manufacturing employment was the second in successive months, albeit marginal. As for quantities of purchases,

Manufacturing PMI
sa, >50 = improvement since previous month



although slight, the contraction reversed the expansion noted midway through the fourth quarter.

Despite the fall in headcounts, manufacturers were able to make further inroads into their backlogs. Outstanding business declined at a moderate pace that was nonetheless the quickest since March.

Stocks of finished goods increased in December, following the first contraction in five months during November. Conversely, holdings of pre-production items declined further. The pace of depletion was solid and the fastest since February. According to panellists, the downturn reflect lower input purchasing and delivery delays.

Input prices continued to increase, which survey participants associated with peso weakness, higher international prices in general and shortages of some materials at vendors. The rate of inflation softened from November, however, and was below its long-run trend. As for selling prices, a further rise was noted, with the pace of charge inflation accelerating to a 15-month high.

Predictions of demand improvements in the year ahead, as well as export opportunities, product developments and planned investment in marketing underpinned positive growth expectations for output. However, sentiment was curtailed by worries surrounding public policies and competitive conditions. The level of confidence was at an 11-month low.

COMMENT

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

“In December, Colombian manufacturing production continued to grow but at the most modest rate in seven months. On this occasion, for the second time in the last six months, the five components of the PMI showed a deterioration.

“The reason that seems to be behind the deceleration in the behaviour of manufacturing is demand weakness. In addition to the weakening in external demand, which we have been commenting on in past months, it should be remembered that in the last part of the year consumer confidence fell significantly associated with the uncertainty related to changes in tax regulations.

“Another element that is important to note is the increase in the prices of inputs that has been occurring as a result of the recent fall in oil prices. If this situation continues, we will see negative impacts on firms’ margins in the coming months.”

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
Principal Economist
+44 1491 461 075
pollyanna.delima@ihsmarkit.com

Joanna Vickers
Corporate Communications
+44 207 260 2234
joanna.vickers@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.

December 2018 data were collected 5-13 December 2018.

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. To learn more go to ihsmarkit.com/products/pmi.html.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.