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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

New order growth accelerates but material shortages hamper production

KEY FINDINGS

Quickest rise in factory orders since July

Output growth slows to three-month low

Job creation sustained in December

Data were collected 04-15 December 2020

Colombian manufacturers signalled a stronger increase in new work intakes during December, which supported further expansions in employment, quantities of purchases and output. The latter, however, rose at a slower pace amid raw material scarcity. The latest PMI™ data also highlighted ongoing declines in stocks of inputs and finished goods, while rates of purchasing price and output charge inflation softened.

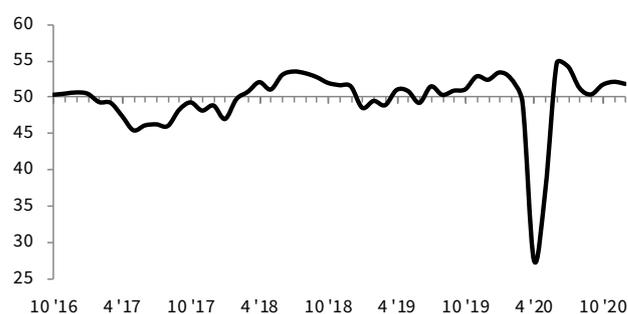
The seasonally adjusted Davivienda Colombia Manufacturing PMI was at 51.8 in December, a tick lower than November's reading of 52.1 but still indicative of an improvement in the health of the sector. The above-50.0 reading was the seventh in consecutive months.

Goods producers recorded a third consecutive monthly increase in sales during December, with the pace of expansion picking up to the quickest since July. According to panel members, the upturn stemmed from better demand conditions and restocking efforts among clients.

Although production continued to expand, growth lost some momentum at the end of 2020. On the one hand, some firms lifted output in response to new product releases and sustained improvements in demand. On the other hand, production growth was hampered by a lack of key materials.

In line with efforts to fill vacancies that had been terminated at the onset of COVID-19, Colombian manufacturers lifted headcounts again in December. The latest rise in employment was the third in successive months, but growth eased from last November and was marginal overall.

Manufacturing PMI
sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

Firms also purchased additional raw materials and semi-finished items for use in the production process, but delivery delays caused a further reduction in input stocks. Where vendor performance worsened, panellists commented on shortages of key materials, unfavourable weather conditions, biosecurity protocols and the COVID-19 pandemic.

Holdings of finished goods decreased in December, taking the current stretch of depletion to six months. Moreover, the fall was the quickest in this sequence. Firms stated that a combination of raw material scarcity, weak production growth and a pick-up in sales caused the latest decline in post-production stocks.

Input prices continued to rise in December, which manufacturers attributed to higher freight costs, the COVID-19 pandemic and unfavourable exchange rates (particularly against the US dollar). Despite easing from November, the rate of inflation remained sharp. As a result, selling prices were lifted further. The overall rate of increase was marked, but slower than November's recent high.

Amid hopes of a successful vaccine roll-out, the launch of new products, increased investment and quotations pending approval, manufacturers were confident of a rise in production in 2021. The overall level of positive sentiment remained below its long-run average, however, as some firms were concerned about a second spike in COVID-19 cases, raw material scarcity and a slow economic recovery.

COMMENT

Commenting on the Colombia Manufacturing PMI survey data, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

"Colombian manufacturers noted an expansion of new business in December as clients continued with their restocking efforts, but output rose at a softer rate as producers struggled to rebuild their own inventories. Firms noted that biosecurity protocols and supply shortages led to delivery delays, offsetting any increase in input buying and resulting in a broad-based fall of holdings of pre- and post-production items.

"Stock-building attempts, combined with sustained demand growth, should ensure that the manufacturing industry remains on the right path to recovery in the near-term. Firms are positive about the outlook, as evidenced by an improvement in business confidence and initiatives to replace staff laid off at the onset of COVID-19. Companies have, however, some concerns which are centered on their ability to lift safety stocks, a second spike of cases before a vaccine roll-out and a slow economic recovery."

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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 04-15 December 2020.

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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