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## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### Marked upturn in new orders boosts job creation

#### KEY FINDINGS

Order books and production expand markedly

Stronger increase in manufacturing jobs

Cost inflation accelerates, charges rise at slower pace

#### COLOMBIA MANUFACTURING PMI



#### LAST SIX MONTHS



September saw a further strengthening of operating conditions in Colombia's manufacturing industry, rounding off a robust quarter for the sector. Companies scaled up production in line with a marked increase in new work, while quantities of purchases and employment continued to expand. Input cost inflation hit an 11-month peak, but charges were raised to a lesser extent than in August.

The seasonally adjusted Davivienda Colombia Manufacturing PMI™ registered 52.8 in September, marginally down from 53.3 in August, signalling a strong improvement in the health of the sector. Moreover, the headline figure averaged 53.2 in Q3, its highest mark since the final quarter of 2014.

New order growth softened in September, but the pace of increase was marked and much higher than seen on average over the seven-and-a-half-year survey history. Panellists suggested that sales drives, expanded client bases and the signing of new contracts were the main factors leading to greater order books.

The rise in factory orders, coupled with favourable market conditions, stockpiling initiatives and preparations for the launch of new products, translated into output growth. The pace of expansion was marked by historical standards, despite easing to a three-month low.

Such was the strength of new business inflows that goods producers experienced an increase in outstanding business. Moreover, backlogs rose to the greatest extent since data collection started

in April 2011. To cope with higher workloads, companies created new posts in September, with the rate of jobs growth picking up from August.

Quantities of purchases rose for the seventh straight month at the end of the third quarter. Nevertheless, holdings of raw materials and semi-finished items declined due to longer lead times on inputs. Some firms also reported having utilised existing stocks in their production processes. Regarding vendor performance, the latest deterioration was associated with logistic issues and low inventories at suppliers.

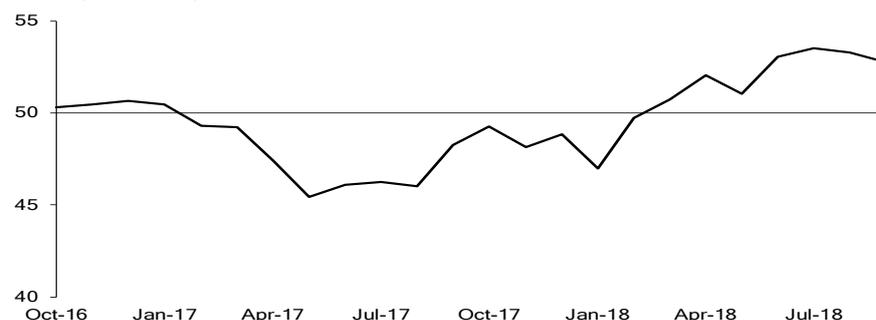
Higher prices for chemicals, food, metals, packaging, paper, plastics, rubber and textiles reportedly drove overall input cost inflation higher. There were also mentions of greater tax burdens and currency depreciation. The increase in input prices was the sharpest since October 2017.

On the one hand, some manufacturers lifted their selling prices amid reports of the pass on of greater cost burdens to clients. On the other hand, a number of companies offered discounts to promote sales. Overall, charges rose across the sector, though moderately and at a slower rate than in August.

Colombian companies foresee output growth in the year ahead, with confidence attributed to quotations pending approval, planned marketing initiatives, expanded capacities and forecasts of higher sales. The degree of optimism was the third-highest in the series history.

#### Manufacturing PMI

sa, >50 = improvement since previous month



## COMMENT

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

*“For the second consecutive month we observed that the manufacturing PMI for Colombia fell modestly compared to the previous month. Despite this situation, the data for the last month is pointing to an expansion which is above the average seen across the seven years of data collection.*

*To the extent that the indicator continued above the critical level of 50 through July to September, we can be confident that the manufacturing sector maintained its expansion in the third quarter of the year.*

*The stress experienced by emerging countries in recent months, characterized by devaluations of their currencies, seems to be having an impact, although slight, in our country. In September, there was an increase in the prices of inputs, an event that can undoubtedly be associated with the increase in the exchange rate observed in recent weeks.”*

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#### Methodology

The Colombia Manufacturing PMI™ is based on data compiled from replies 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 mid-month and denote the direction of change compared with the previous month. A diffusion index is calculated for each survey indicator. 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 and below 50 an overall decrease. The diffusion indices are then seasonally adjusted using an in-house method developed by IHS Markit.

The Purchasing Managers’ Index (PMI) is a weighted average of the following five diffusion 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.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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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