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Davivienda Colombia Manufacturing PMI™

Colombian factory orders and production contract in October

Key findings

Output and sales fall for first time in three months

Firms scale down input purchasing and deplete stocks

Rates of input cost and output charge inflation at 19-month lows

PMI™ data indicated that Colombian manufacturers faced some challenges in October, including inflationary pressures, weak underlying demand and difficult economic conditions. New work intakes decreased for the first time in three months, leading firms to scale down production volumes, trim buying levels and deplete their stocks. Rates of input cost and output charge inflation softened at the start of the fourth quarter, but remained elevated in the context of historical data.

The seasonally adjusted Davivienda Colombia Manufacturing PMI™ posted at the 50.0 no-change mark in October, falling from a three-month high of 52.8 in September and ending a two-month sequence of improvement in operating conditions. Contractions in new orders, production and stocks of purchases were offset by job creation and a further extension to lead times.

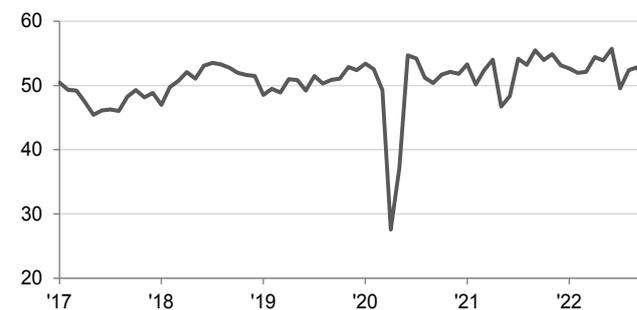
One-in-five manufacturers signalled lower output levels in October, which they attributed to subdued sales, weak demand, elevated prices and challenging economic conditions. Production fell only slightly, but this was in stark contrast to the solid expansions seen in the prior two months.

Low sales at clients, price pressures and tough economic conditions led to a renewed decrease in new orders placed with Colombian goods producers. The fall was the first in three months, but only slight overall.

Manufacturers reduced their purchases of inputs in October. Buying levels fell for the third time in four months and at the quickest pace since June 2021. Nevertheless, suppliers' delivery times lengthened to the same sharp extent as seen in the prior two months.

Holdings of raw materials and semi-finished item decreased in October, ending a five-month sequence of

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



Sources: Davivienda, S&P Global.
Data were collected 12-21 October 2022.

Comment

Andrés Langebaek Rueda, Chief Economist Bolivar Group at Davivienda, said:

“October was undoubtedly a month of unpleasant memories. Both consumer confidence and the PMI, in particular its production component, recorded significant falls. The month was marked by a strong increase in country risk, the historically highest level of the exchange rate and a very high uncertainty about the economic policies that the new government intends to implement to address key issues such as the energy transition. The month was saved after the political agreement to carry out the tax reform, a necessary but not sufficient condition, to stabilise public finances.

“It is noteworthy that lower cost pressures are beginning to be noticed in the industrial sector, although the strong increase in the exchange rate in the month and the drop in inventories of raw materials will force their replacement cost to increase in the following weeks.”

expansion. The rate of reduction was solid and the fastest since mid-2021. According to survey participants, the fall stemmed from a reluctance to hold stocks due to lower sales, elevated prices and cashflow issues.

Post-production inventories also declined in October, following a stable trend in September. Where a fall was reported, panellists mentioned lower production volumes and the dispatch of products to clients.

Amid reports of US dollar strength, the war in Ukraine and supply-chain problems, input costs continued to increase at the start of the fourth quarter. Despite easing to a 19-month low, the rate of inflation remained above its long-run average. The upturn was restricted by lower prices for some commodities, successful negotiations with vendors and the partnering with new suppliers.

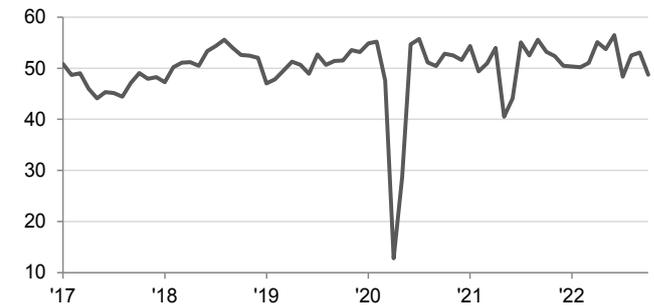
Output prices rose further in October as manufacturers transferred part of their additional cost burdens to clients. That said, some firms left their fees unchanged amid subdued demand conditions. As a result, the overall rate of charge inflation softened to the slowest since March 2021.

Elsewhere, there was a fractional rise in employment, the slowest in the current three-month sequence of job creation. This partly reflected a lack of pressure on manufacturers' capacities, with backlogs falling at the fastest pace in nearly a year-and-a-half.

Finally, concerns surrounding inflation, rising interest rates, weak demand, US dollar strength and recession risks dampened business confidence. Positive sentiment was at its lowest level in two-and-a-half years.

Colombia Manufacturing PMI Output Index

sa, >50 = growth since previous month



Sources: Davivienda, S&P Global.

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Survey methodology

The Davivienda Colombia Manufacturing PMI™ is compiled by S&P Global 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. Data collection began in April 2011.

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.

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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