News Release

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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Manufacturing sector recovers in August from July's contraction

KEY FINDINGS

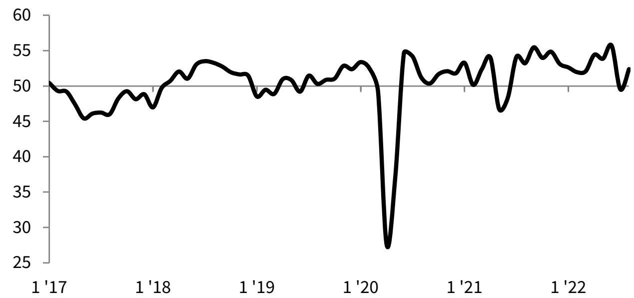
PMI edges above 50.0 no-change mark

Output and new business both return to expansion

Cost inflation eases, but charges rise at sharper rate

Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Source: Davivienda, S&P Global.
Data were collected 12-23 August 2022

August data signalled a renewed improvement in operating conditions across the Colombian manufacturing sector, following the first deterioration for 13 months in July. There were renewed expansions in new orders and production halfway through the third quarter, alongside a resumption of hiring activity. Despite easing from the preceding month, the rate of input cost inflation remained elevated and underpinned the strongest upturn in output prices since May. Acute price pressures deterred buying levels, but the arrival of previously-purchased materials led to a further increase in input inventories.

The seasonally adjusted Davivienda Colombia Manufacturing PMI™ rebounded from 49.5 in July to 52.4 in August, signalling a return to growth that was moderate overall. Nevertheless, the headline figure was above its long-run average of 51.0. Boosting the PMI were renewed increases in new orders, production and employment.

Colombian manufacturers reported the securing of new work in August, following a blip in July. The overall rate of expansion was moderate relative to those recorded throughout the second quarter, though still surpassed the long-run series average. Where sales rose, panel members indicated improved demand conditions, new client wins and the approval of pending quotations.

Buoyed by rising new work intakes, goods producers scaled up output in August. The increase was solid overall and contrasted with a fall in July. Around one-fifth of monitored companies reported greater production, against 12% that signalled a reduction.

Amid reports of US dollar strength, global shortages of inputs and the war in Ukraine, companies experienced another monthly increase in input costs in August. The overall rate of inflation softened from July's recent high, but remained among the highest since data collection started in April 2011.

Firms continued to transfer cost increases through to clients via upward adjustments to their selling prices. In contrast to the trend for input costs, the rate of charge inflation accelerated to a three-month high in August.

The combination of new business growth and rising output needs supported job creation in August. After falling in July for the first time in 13 months, employment increased at an above-trend pace.

Goods producers signalled a general lack of pressure on their operating capacity midway through the third quarter, as evidenced by another decline in outstanding business volumes. That said, the pace of depletion was modest and similar to July.

Reflecting rising input costs, difficulties sourcing materials and sufficient stock levels, firms trimmed input buying in August. The fall was the second in consecutive months, though the rate of contraction eased from July and was slight overall.

Finally, input holdings continued to increase. The latest upturn was attributed to prior efforts to avoid stockouts and fulfil order requirements.

COMMENT

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

"The evidence from the PMI and from the consumer confidence index that we calculate at Davivienda suggest that after the drop in July, demand has regained momentum. Although this recovery is good news, it is likely that the monetary authorities consider that this situation forces them to persist in their efforts to reduce the excess demand that has been observed in the economy in recent months. Under these conditions, an adjustment between 100 and 150 basis points in the intervention rate for the next meeting becomes the most realistic scenario."

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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.

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 12-23 August 2022.

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.

About Davivienda

DAVIVIENDA BANK is a financial entity that has actively participated on the construction of Colombia for four decades. Davivienda is part of the Bolivar Group, whose market experience of more than 70 years has allowed it to serve people, families and businesses to achieve their goals. Davivienda is the second largest bank by loans in Colombia, with a network of 753 branches and more than 2,000 owned ATM's in around 932 municipalities in Colombia. Davivienda's operation expands through Central America, with presence in Panama, El Salvador, Honduras and Costa Rica. Davivienda also operates in Miami, United States.

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