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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Supply chain issues restrict growth and underpin further price increases

KEY FINDINGS

Softer expansions in sales and production

Input costs and output charges continue to rise

Hiring activity strongest in over eight years

Data were collected 12-23 May 2022

Business conditions in Colombia's manufacturing industry remained conducive of growth, with companies signalling further increases in new orders, input purchasing and output during May. However, rates of expansion eased in all cases, reportedly due to a lack of raw material availability, political uncertainty and inflationary pressures. On the price front, there was a substantial rise in input costs and the sharpest upturn in selling prices since last November. Elsewhere, a near-record increase in outstanding business continued to support job creation.

At 53.9 in May, down from 54.4 in April, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ pointed to a slower, but still solid improvement in the health of the sector. Moreover, the latest figure took the current stretch of growth to 11 months.

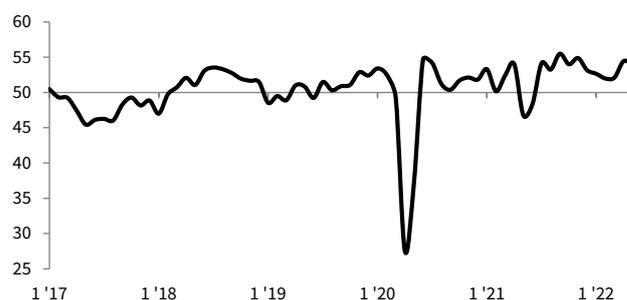
Companies continued to report higher levels of new work intakes midway through the second quarter, which they linked to fruitful marketing, strong underlying demand and new client wins. Despite easing from April, the rate of expansion was marked. Anecdotal evidence indicated that growth was somewhat restricted by inflationary pressures and political uncertainty.

Similarly, production expanded at a marked but softer pace in May. Where growth was reported, survey members cited greater sales volumes. That said, a number of firms indicated that input shortages, strikes, the upcoming elections and future uncertainty dampened the upturn.

Amid reports of lingering problems in supply chains, raw

Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Source: Davivienda, S&P Global.

material scarcity, US dollar strength, energy price volatility and the Russia-Ukraine war, input costs increased further in May. Despite softening from April, the rate of inflation remained historically high.

Colombian manufacturers continued to transfer cost increases to their clients by lifting selling prices again in May. The rate of charge inflation was the strongest in six months and one of the highest in the survey history (since April 2011).

Acute price pressures and difficulties sourcing raw materials dampened input buying growth in May. The latest rise was modest and softer than that registered in April. Concurrently, average lead times lengthened to the least extent in 15 months, but one that was nevertheless marked.

Input shortages, supplier delivery delays and strong sales growth all caused a further increase in outstanding business volumes among goods producers. The rate of backlog accumulation was steep and the second-strongest in over 11 years of data collection.

Firms attempted to clear pending workloads by hiring additional workers in May. The rate of employment growth was marked and the quickest in close to eight-and-a-half years.

As for inventories, trends were mixed as a renewed increase in input stocks contrasted with another decline in holdings of finished products.

Finally, business optimism was dampened by election uncertainty, input shortages and mounting price pressures.

COMMENT

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

"The figures from the official statistics body confirm that during the first quarter of the year growth of industrial production moderated. However, the PMIs for April and May suggest that in the second quarter we are going to see an acceleration in activity. This good behaviour, backed by good levels of domestic demand, seems to be registering in other activities such as commerce and services. This expansion in demand can only be explained by increased government spending and interest rates that remain low in real terms.

"Thus, it seems that price increases, despite being very high in historical terms, are not severely affecting growth of economic activity and that the central bank will have to accelerate its rate adjustment in the coming months."

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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 May 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.
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