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Davivienda Colombia Manufacturing PMI™

Business conditions improve in December

Key findings

PMI posts above 50.0 threshold for first time in three months

Marginal uptick in sales underpins production growth

Renewed increases in input purchasing and employment

The health of the Colombian manufacturing sector improved in December, following the sharpest deterioration for a year-and-a-half in November. The approval of pending orders, public bids and new client wins supported a renewed increase in sales, with firms reacting by lifting production volumes, purchasing additional inputs and hiring extra workers. In all cases, however, rates of expansion were marginal. Meanwhile, a sharp rise in input prices boosted charge inflation as more firms shared additional cost burdens with clients.

At 51.1 in December, up from 47.3 in November, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ was in expansion territory for the first time in three months. The rate of growth signalled by the latest figure was slight, however, and insufficient to offset the solid drop recorded in the preceding month. As a result, the headline figure was in contraction zone during the final quarter of the year on average.

Due to its largest weight, new orders provided the foremost contribution to the headline figure. December data highlighted the first rise in sales for three months, but the rate of growth was marginal. According to panellists, public bids, expanded client bases and the signing of pending contracts all boosted new work.

In response to tentative signs of improving demand conditions, Colombian manufacturers stepped up production at the end of 2022. Although moderate, the rate of expansion outpaced its long-run average.

To supplement production, goods producers purchased additional raw materials and semi-finished items in December. The upturn was marginal, but a notable contrast from substantial declines in October and November.

Capacity enhancements were evidenced from a renewed

Davivienda Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Davivienda, S&P Global.

Data were collected 06-15 December 2022.

Comment

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

“Although last December ended with a rebound in the main components of the PMI, the fall in November, and to a lesser extent in October, actually meant that the last quarter ended with lower levels of production, orders and employment than in the previous quarter. In this way, the manufacturing sector confirmed a significant adjustment in domestic demand and probably also in external demand. Let us remember that the country must begin an adjustment process since last year growth of demand outpaced that of supply, which was reflected in a significant current account deficit.

“2023 will be a challenging year to the extent that price indexation in Colombia is relatively more widespread than in other economies, which should prevent interest rates from being reduced so significantly.”

increase in employment. The rate of expansion was marginal, but compared with a solid reduction in November.

Another factor that supported job creation was upbeat forecasts towards growth prospects. Close to half of all panellists foresee higher production levels in 2023, with 10% anticipating a fall. Optimism was pinned on hopes of better demand and economic conditions. Some firms indicated that new product releases, advertising and contracts pending approval should support output.

Weak sales growth enabled companies to stay on top of their workloads, showed by a further decline in outstanding business. The rate of depletion was moderate, however, and the slowest since September.

Manufacturers recorded an increase in finished goods inventories in December. In some instances, the upturn was attributed to preparations for future orders and in other cases to weaker-than-expected sales.

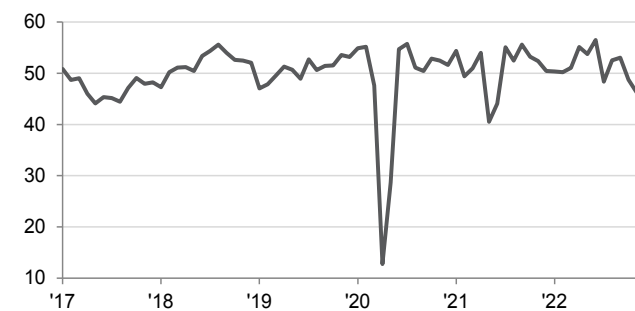
Input holdings continued to fall in December. The contraction was the third in as many months, albeit moderate and the slowest over this period.

December data highlighted less challenging supply-chain conditions, with lead times lengthening to one of the least degrees seen since the onset of COVID-19.

Input costs rose further, with firms largely attributing this to US dollar strength. Although still sharp, the rate of inflation eased to a 21-month low. Conversely, output charges increased at one of the fastest rates seen in nearly 12 years of data collection.

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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