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Davivienda Colombia Manufacturing PMI™

Manufacturing downturn recedes in February

Key findings

Softer contractions in factory orders and production

Firms shed jobs and trim input buying again

Rates of input cost and output charge inflation at two-year lows

February data pointed to a softer deterioration in the health of the Colombian manufacturing sector, amid slower contractions in new orders and production. Still, a diminished need to hold inventories prompted firms to cut input buying and shed jobs. Encouragingly, both input costs and output charges rose at the slowest rates in two years while business confidence strengthened.

At 49.8 in February, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ was below the neutral mark of 50.0 for the second straight month, thereby signalling a further deterioration in business conditions. That said, rising from 48.5 in January, the latest reading was consistent with a fractional rate of contraction.

Goods producers recorded a second consecutive fall in new orders halfway through the first quarter. The drop was connected to high stock levels at clients and subdued underlying demand. That said, the overall decline in sales was modest and noticeably softer than in January.

There was a second successive fall in production during February. The rate of reduction was marginal and weaker than in January, however. Several companies reported having lowered output due to challenging economic conditions and sufficient stock levels for current demand requirements. Concurrently, a few firms increased production as they experienced higher sales of certain items.

Lower intakes of new orders, coupled with downsizing efforts and cashflow issues, triggered another round of job shedding in the manufacturing economy. Employment fell for the second straight month, at a slight rate that was broadly similar to January.

Subdued sales volumes and a diminished need to hold inventories stifled input purchasing in February. Buying levels decreased for the second month in a row, but at a

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



Sources: Davivienda, S&P Global.
Data were collected 10-21 February 2023.

Comment

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

“The PMI information for February and data from other sources are consistent in showing that economic activity is growing at a much more moderate pace and that price adjustments in the economy, despite the fact that the exchange rate remains under pressure, are close to presenting a breaking point.

“Although the inflation of manufacturing goods is not so relevant in the consumers’ inflation — being the rents on residence, perishable foods and restaurants the most important items of the basic basket — it turns out to be very significant that input inflation in the Colombian manufacturing sector is reaching its lowest level in two years.”

slight pace that was little-changed from January.

Subdued demand for inputs restrained cost inflation in February. Average cost burdens still rose at an above-average rate, but one that was the weakest in two years. Firms reported higher material, transportation and staff costs as well as unfavourable exchange rate movements. At the same time, there were mentions of lower international freight fees and contained prices for other items like foodstuff and plastic.

Controlled cost pressures in turn helped curtail charge inflation in February. Output prices also rose at the weakest pace in two years with some firms refraining from lifting their fees in attempts to secure new work.

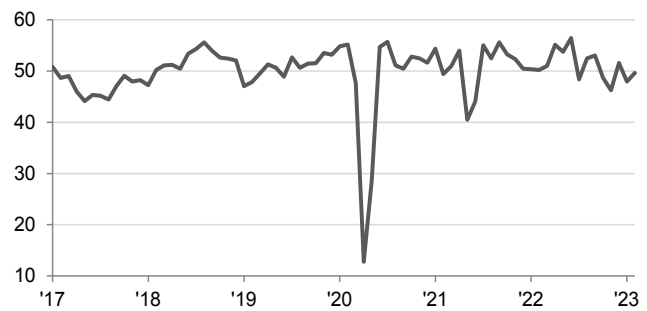
Stocks of both inputs and finished goods increased. For the former, the rise was the first in five months and marginal overall. Post-production inventories meanwhile expanded at a solid rate that was the third-strongest in almost 12 years of data collection.

Elsewhere, there was a renewed increase in outstanding business volumes at goods producers, which they attributed to staff shortages and machine maintenance. Concurrently, supply-chain pressures diminished amid weak input demand. Where delays were reported, firms mentioned material shortages among vendors and strikes across the country.

Finally, business confidence improved to a five-month high in February, with optimism pinned on hopes of better demand, quotes pending approval, marketing and new product releases.

Colombia Manufacturing PMI Output Index

sa, >50 = growth since previous month



Sources: Davivienda, S&P Global.

Contact

Andrés Langebaek Rueda
Chief Economist Bolivar Group
Davivienda
+571 3300000 ext: 59100
alangebaek@davivienda.com

María Mercedes Marquez
Corporate Communications Officer
Davivienda
+571 3300000 ext: 55507
mmarquezo@davivienda.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
T: +44-1491-461-075
pollyanna.delima@spglobal.com

Katherine Smith
Public Relations
S&P Global Market Intelligence
+1 781 301 9311
katherine.smith@spglobal.com

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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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