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Davivienda Colombia Manufacturing PMI[®]

Optimistic growth forecasts lift output from contraction

Key findings

Production expands for first time in five months...

...despite a renewed decline in new business

Business confidence climbs to five-month high

The latest Davivienda Colombia Manufacturing PMI[®] data, compiled by S&P Global, highlighted a renewed increase in factory production during August even though new orders slipped into contraction. Subdued demand conditions prompted companies to reduce headcounts, but strengthening optimism towards the outlook fuelled input buying growth. Firms' efforts to remain competitive and secure new work limited incidences of price hikes, regardless of an intensification of cost pressures.

The headline seasonally adjusted Davivienda Colombia Manufacturing PMI fell only marginally from 50.0 in July to 49.8 in August. The latest reading was consistent with a fractional deterioration in the health of the sector.

Largely due to efficiency gains and anticipations of new business growth in the coming months, firms scaled up production volumes midway through the third quarter. The rate of expansion was moderate and the quickest since January.

Business sentiment improved further during August, reaching its highest level since March. Panellists expect advertising, innovation and new product releases to boost demand and subsequently output in the year ahead. Some firms also hope that pending projects will be approved.

For the fifth time in six months, order book volumes decreased in August. Monitored companies indicated that sales were negatively impacted by public policy uncertainty, high stock levels at clients and subdued underlying demand. Despite being the fastest since April, the pace of contraction was only modest.

Although new sales fell back into contraction territory during August, forecasts of a recovery in the near-term encouraged companies to purchase additional inputs. Buying levels rose for the third successive month and at

Davivienda Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Davivienda, S&P Global PMI.

Data were collected 12-22 August 2024.

Comment

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

"In the second quarter of the year, industrial production registered a sequential fall (variation compared to the previous quarter on seasonally adjusted data) of 0.94%, which returns to negative territory a variation that the previous quarter had been temporarily positive (0.43%). In this negative context, it is encouraging to note that although the PMI for August fell, the results of the production component rose as well as production expectations for the next twelve months.

"What is happening in terms of input prices, which are high thanks to the behavior of international freight, is undoubtedly alarming. This situation is related to the strategy implemented by Chinese producers who rushed to reach United States ports before the imposition of new tariffs by this country on products such as electric vehicles, batteries and chips. We hope it will be more of a short-term increase."

the fastest pace since the start of the year.

Nevertheless, stocks of purchases decreased in August amid a sharper deterioration in vendor performance. The fall in input inventories was the most pronounced in close to a year, albeit modest overall.

Concurrently, input lead times lengthened solidly and to the greatest extent since February. Survey participants linked delivery delays to roadworks, traffic jams, shortages of materials among vendors and international shipping issues.

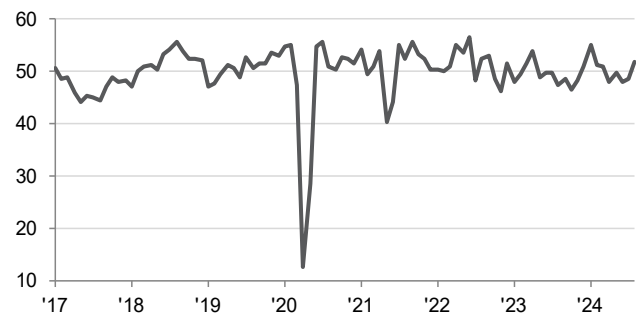
Purchasing prices increased further during August, with the rate of inflation quickening to the strongest since March 2023. Firms reported greater foodstuff, metal, plastic, transportation and wood costs. These were often blamed on unfavourable exchange rate fluctuations.

With only a small proportion of companies opting to share additional cost burdens with their clients by raising selling prices, the overall rate of charge inflation remained marginal. Several firms signalled that output charges at their units were either reduced or left unchanged due to intense competition and sales-boosting initiatives.

Finally, August data showed another round of job losses across Colombia's manufacturing industry. The pace of reduction was modest, but the fastest in 21 months. Panellists often indicated that voluntary leavers had not been replaced. Labour shortages, coupled with technical issues and new staff requiring extra training underpinned a substantial uptick in backlogs of work.

Colombia Manufacturing PMI Output Index

sa, >50 = growth since previous month



Sources: Davivienda, S&P Global PMI.

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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@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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PMI®

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