

# DAVIVIENDA COLOMBIA MANUFACTURING PMI™

New order growth accelerates but material shortages hamper production

## KEY FINDINGS

Quickest rise in factory orders since July

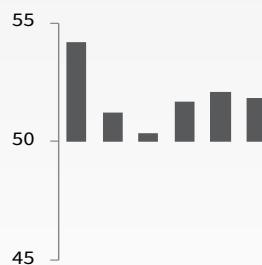
Output growth slows to three-month low

Job creation sustained in December

## COLOMBIA MANUFACTURING PMI

Dec  
**51.8**  
Nov: 52.1

Last six months



Colombian manufacturers signalled a stronger increase in new work intakes during December, which supported further expansions in employment, quantities of purchases and output. The latter, however, rose at a slower pace amid raw material scarcity. The latest PMI™ data also highlighted ongoing declines in stocks of inputs and finished goods, while rates of purchasing price and output charge inflation softened.

The seasonally adjusted Davivienda Colombia Manufacturing PMI was at 51.8 in December, a tick lower than November's reading of 52.1 but still indicative of an improvement in the health of the sector. The above-50.0 reading was the seventh in consecutive months.

Goods producers recorded a third consecutive monthly increase in sales during December, with the pace of expansion picking up to the quickest since July. According to panel members, the upturn stemmed from better demand conditions and restocking efforts among clients.

Although production continued to expand, growth lost some momentum at the end of 2020. On the one hand, some firms lifted output in response to new product releases and sustained improvements in demand. On the other hand, production growth was hampered by a lack of key materials.

In line with efforts to fill vacancies that had been terminated at the onset of COVID-19, Colombian manufacturers lifted headcounts again in December. The latest rise in employment was the third in successive months, but growth eased

from last November and was marginal overall.

Firms also purchased additional raw materials and semi-finished items for use in the production process, but delivery delays caused a further reduction in input stocks. Where vendor performance worsened, panellists commented on shortages of key materials, unfavourable weather conditions, biosecurity protocols and the COVID-19 pandemic.

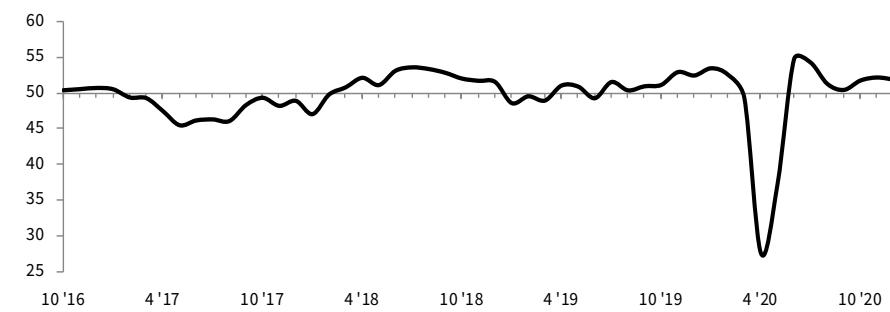
Holdings of finished goods decreased in December, taking the current stretch of depletion to six months. Moreover, the fall was the quickest in this sequence. Firms stated that a combination of raw material scarcity, weak production growth and a pick-up in sales caused the latest decline in post-production stocks.

Input prices continued to rise in December, which manufacturers attributed to higher freight costs, the COVID-19 pandemic and unfavourable exchange rates (particularly against the US dollar). Despite easing from November, the rate of inflation remained sharp. As a result, selling prices were lifted further. The overall rate of increase was marked, but slower than November's recent high.

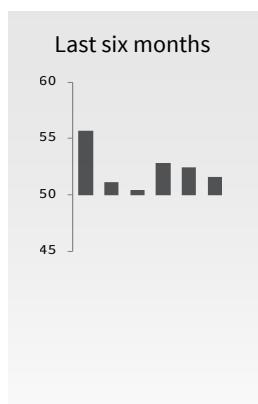
Amid hopes of a successful vaccine roll-out, the launch of new products, increased investment and quotations pending approval, manufacturers were confident of a rise in production in 2021. The overall level of positive sentiment remained below its long-run average, however, as some firms were concerned about a second spike in COVID-19 cases, raw material scarcity and a slow economic recovery.

### Manufacturing PMI

sa, >50 = improvement since previous month

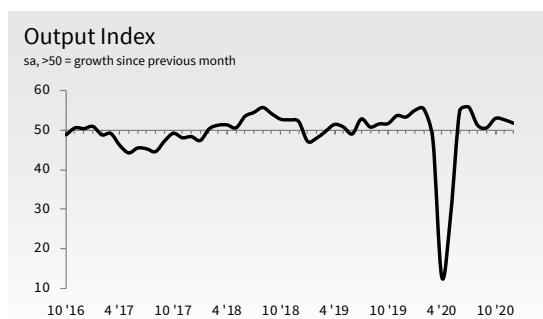


## OUTPUT INDEX

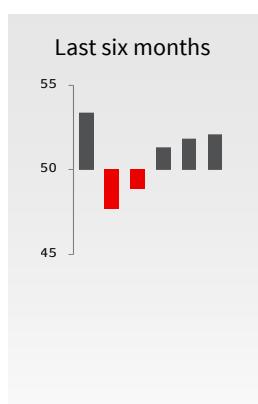


### Output growth softens at year end

Manufacturing production rose for the seventh month running in December, but at the slowest pace since September. Anecdotal evidence indicated that growth stemmed from new product releases and ongoing increases in sales, but was curbed by the delayed approval of pending quotations and shortages of key raw materials.

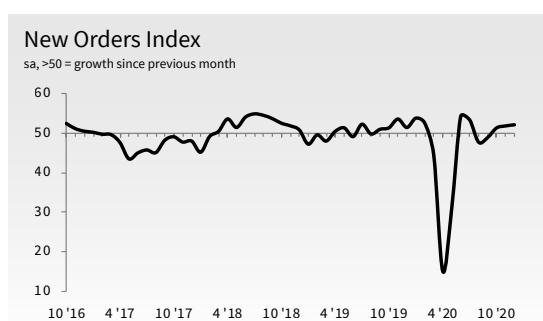


## NEW ORDERS INDEX

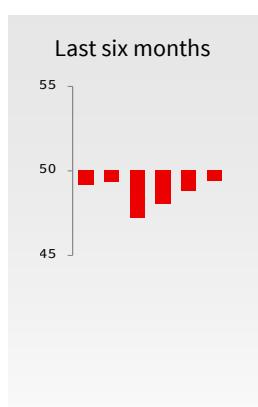


### Quicker rise in sales

December data pointed to a third consecutive monthly increase in new orders received by Colombian manufacturers. Despite being moderate, the pace of expansion accelerated to the fastest since July. Companies linked the upturn in sales to restocking efforts among clients and better demand conditions.

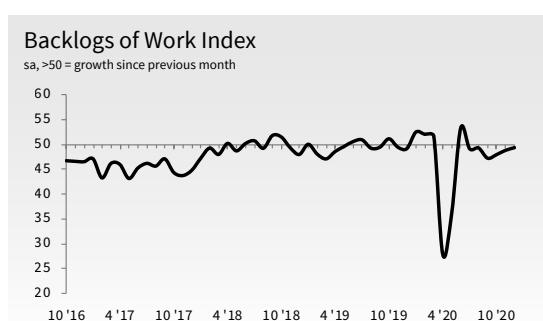


## BACKLOGS OF WORK INDEX

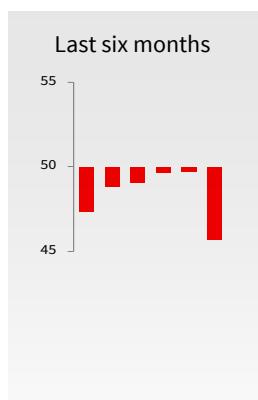


### Backlogs of work decline further

Unfinished business at Colombian goods producers continued to fall in December, marking a six-month sequence of depletion. Survey participants mentioned that pending orders had been completed as these were due for delivery. That said, the rate of reduction was only slight and softened to the weakest in the aforementioned period of contraction.

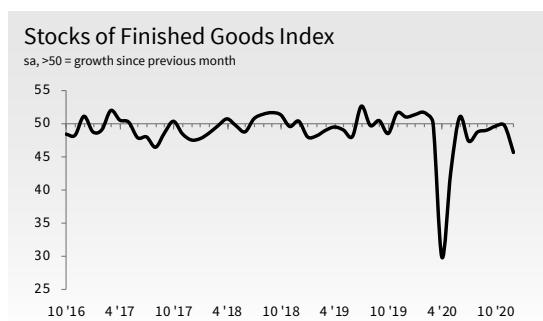


## STOCKS OF FINISHED GOODS INDEX

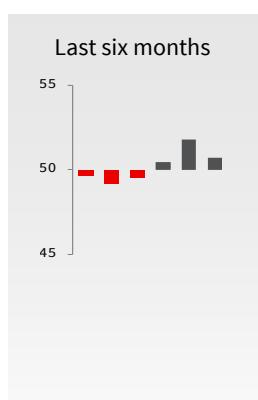


### Sharper fall in post-production inventories

Not only did stocks of finished goods decrease for the sixth month running in December, but also at the quickest pace since May. Survey members suggested that as sales rose to a greater extent than production, orders had been fulfilled from inventories. Material shortages were also cited as a key factor leading to lower holdings of finished goods.

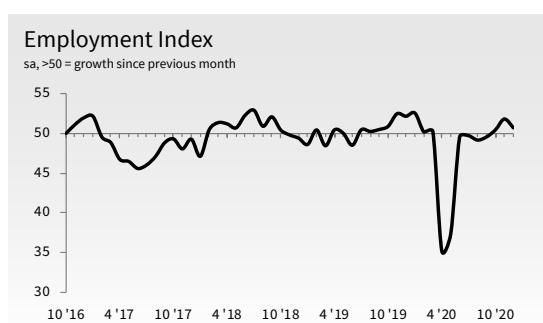


## EMPLOYMENT INDEX

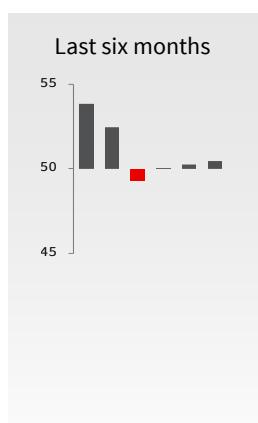


### Job creation sustained in December

Manufacturers reported another increase in employment during December, extending the current sequence of job creation to three months. Where growth was reported, panellists commented on greater production needs and efforts to fill vacancies that had been closed due to the pandemic. However, the overall rate of expansion was only slight and softened from November.

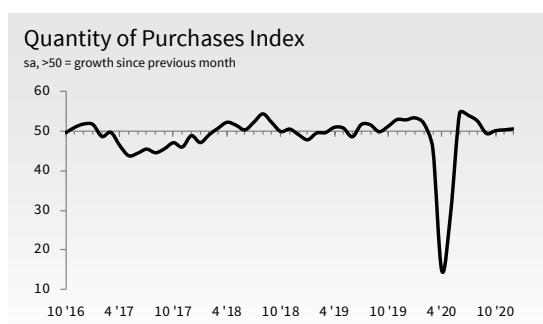


## QUANTITY OF PURCHASES INDEX



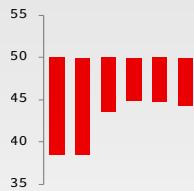
### Quantity of purchases increases

According to survey participants, input buying was raised in December due to ongoing increases in new work intakes and attempts to lift safety stocks. The seasonally adjusted Quantity of Purchases Index was in growth territory for the second successive month, but was indicative of only a marginal pace of expansion.



## SUPPLIERS' DELIVERY TIMES INDEX

Last six months

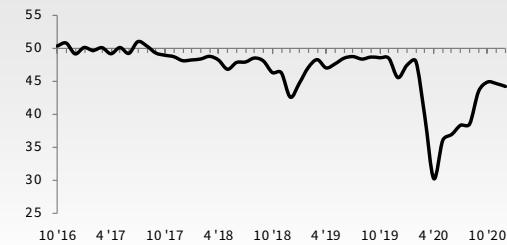


### Lead times lengthen further

As has been the case on a monthly basis for almost three-and-a-half years, average delivery times increased in December. Moreover, vendor performance worsened at a sharp and accelerated rate. A lack of raw material availability, unfavourable weather conditions, biosecurity protocols and the COVID-19 pandemic were all cited as key factors causing delays.

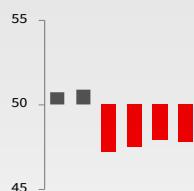
### Suppliers' Delivery Times Index

sa,>50 = faster times since previous month



## STOCKS OF PURCHASES INDEX

Last six months

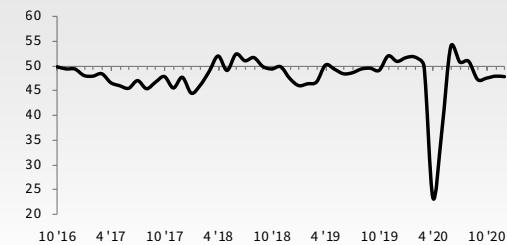


### Stocks of purchases fall for fourth straight month

Colombian manufacturers indicated a fourth consecutive decline in pre-production inventories at the end of 2020. Where a reduction in stocks was reported, firms mentioned the use of inputs in the production process and raw material scarcity at suppliers. The overall rate of depletion was moderate and broadly similar to that recorded in November.

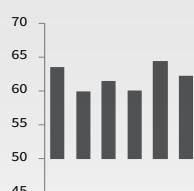
### Stocks of Purchases Index

sa,>50 = growth since previous month



## INPUT PRICES INDEX

Last six months

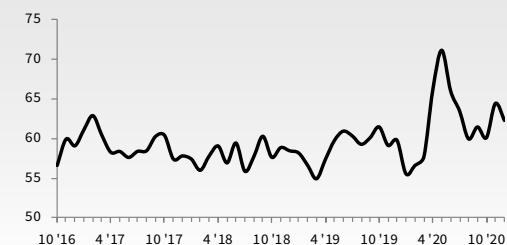


### Sharp rise in cost burdens

Input prices continued to increase in December. Panellists indicated that ongoing material shortages, greater freight costs, unfavourable exchange rates and the COVID-19 pandemic all exerted upward pressure on expenses. Although easing from last November, the overall rate of inflation remained sharp and above its long-run average.

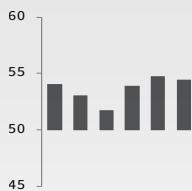
### Input Prices Index

sa,>50 = inflation since previous month



## OUTPUT PRICES INDEX

Last six months

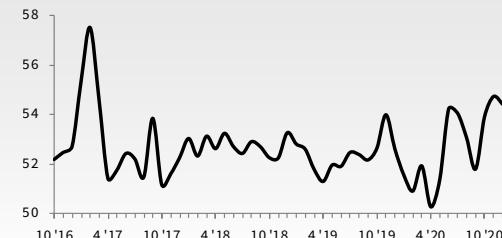


### Output charges increase markedly

Amid reports of the pass-through of rising cost burdens to clients, factory gate charges increased in December. Around 11% of survey participants signalled higher fees, while only 1% reported discounting. As a result, the rate of inflation was marked, despite easing from last November's recent high, and outpaced its long-run average.

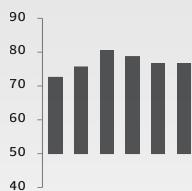
### Output Prices Index

sa,>50 = inflation since previous month



## FUTURE OUTPUT INDEX

Last six months

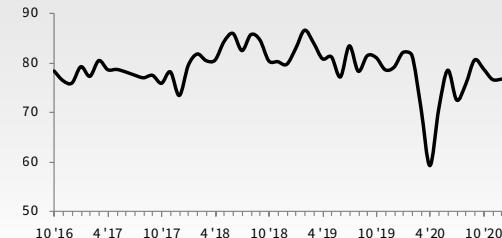


### Business optimism sustained in December

Colombian manufacturers foresee output growth in the year ahead, with confidence underpinned by quotations pending approval, new product releases, greater investment and hopes of a successful vaccine roll-out. However, the degree of optimism was little-changed from last November and slightly subdued in the context of historical data. A number of firms were concerned about a second spike in COVID-19 cases, material shortages and a slow economic recovery.

### Future Output Index

>50 = growth expected over next 12 months



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### Methodology

The Davivienda Colombia Manufacturing PMI™ is compiled by IHS Markit 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 04-15 December 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](http://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 Bolívar 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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