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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Manufacturing industry starts 2021 on solid footing despite renewed job losses

KEY FINDINGS

New orders rise at strongest rate in six years...

...supporting faster upturn in production

Employment falls for first time in four months

Data were collected 12-21 January 2021

Growth in the Colombian manufacturing sector gathered pace during January, after slowing at the end of 2020. Companies welcomed the sharpest rise in new business since the start of 2015 by scaling up production and input buying accordingly. Whereas supply shortages impacted on the sector's performance in December, firms were able to secure inputs and rebuild their stocks in January. Less positively, however, employment decreased for the first time since last September. A number of firms reportedly refrained from hiring extra workers due to financial difficulties caused by the coronavirus disease 2019 (COVID-19) pandemic.

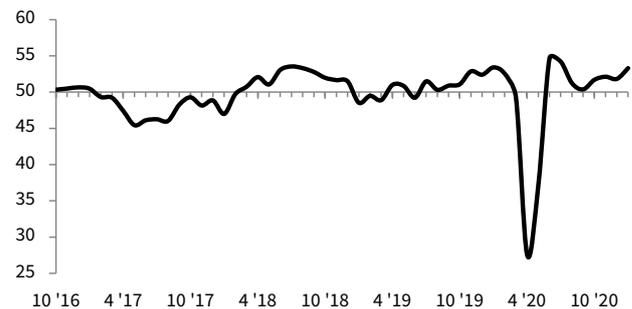
The seasonally adjusted Davivienda Colombia Manufacturing PMI rose from 51.8 in December to a six-month high of 53.3 in January, signalling a robust improvement in the health of the sector. The new orders and output sub-components provided the main impetus to the headline figure.

Not only did sales expand for the fourth successive month, but also at the sharpest rate in six years. When explaining the upturn, survey participants mentioned access to new markets, greater clientele, improved demand and stock rebuilding efforts among clients.

Manufacturing production rose markedly in January, and at an above-trend pace that was the quickest since last July. New product releases, machinery upgrades and sales growth were all cited as the key factors boosting output.

Enabling the rise in production was the acquisition of raw materials. Goods producers noted a solid increase in purchases that was the quickest in six months. According

Manufacturing PMI
sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

to panellists, the expansion in input buying reflected efforts to rebuild stocks, ongoing sales growth and predictions of input price hikes.

At the same time, financial concerns prevented firms from hiring additional staff in January. Employment fell modestly at the start of the year, ending a three-month sequence of job creation.

For the first time since last August, goods producers managed to lift their stocks of purchases in January. However, the pace of accumulation was only moderate. Similarly, inventories of finished goods rose slightly, ending a six-month period of depletion.

Supply-chain disruptions due to the COVID-19 pandemic remained evident in January, with goods producers seeing another deterioration in vendor performance. Meanwhile firms were able to reduce their own backlogs for the seventh month in a row.

Raw material scarcity continued to exert upward pressure on input prices. The rate of cost inflation softened to a three-month low, but remained elevated by historical standards. Charges, on the other hand, increased at only a slight pace that was the weakest since April 2020 as firms focused on retaining a competitive edge.

Business optimism strengthened in January on the back of marketing efforts, product diversification, export opportunities and vaccine developments.

COMMENT

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

"The year of 2021 should consolidate the recovery of the Colombian economy. However, the appearance of the second wave of covid-19 has marked the beginning of the year with the resumption of restrictions on mobility and a reduction in household confidence.

"In these circumstances, it is necessary to highlight the good performance of the manufacturing PMI for Colombia in January: production growth was the highest in six months and the rise in new orders accelerated to the fastest in six years. This fact shows that firms in the sector have been working on protocols and new forms of logistics coordination that will probably allow them to be resilient in these new circumstances of restricted mobility.

"Of the three main components of the PMI, only employment deteriorated, breaking the expansion observed in the last quarter of the year. Fortunately, this reduction looks modest."

CONTACT

Davivienda

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

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

IHS Markit

Pollyanna De Lima
Economics Associate Director
+44 149 146 1075
pollyanna.delima@ihsmarkit.com

Katherine Smith
Public Relations
+1 781 301 9311
katherine.smith@ihsmarkit.com

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 12-21 January 2021.

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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