News Release

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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Output slides at the start of 2019 as sales dip for first time in almost one year

KEY FINDINGS

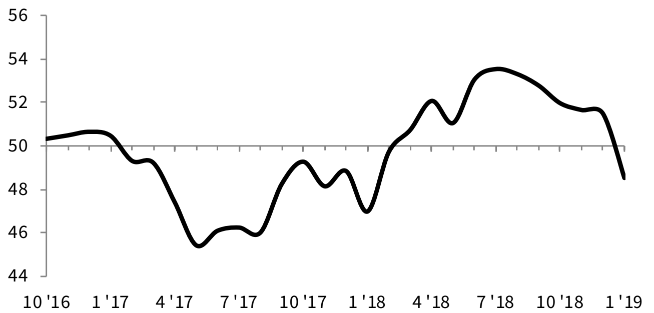
New orders fall for first time since February 2018...

...breaking off 11-month sequence of output growth

Employment and input purchasing contract

Manufacturing PMI

sa, >50 = improvement since previous month



After slowing for five months in a row, growth in Colombia's manufacturing sector came to a standstill during January. The first fall in order book volumes in nearly a year translated into a solid drop in production, job shedding and the scaling down of input purchasing. At the same time, there were mild moderations in rates of input cost and selling price inflation. Encouragingly, business sentiment strengthened to a four-month high.

The seasonally adjusted Davivienda Colombia Manufacturing PMI™ edged below the 50.0 threshold in January, indicating a deterioration in the health of the sector. The headline figure fell for the sixth month running, from 51.5 in December to 48.5 at the start of 2019.

Factory orders declined in January, thereby ending a ten-month sequence of growth. The contraction was solid and linked by survey participants to weak underlying demand and unsold stocks at clients.

Goods producers lowered output at the start of 2019 for the first time in one year. Moreover, the downturn was solid and the quickest since August 2017.

Nonetheless, manufacturing companies forecast output growth in the coming 12-month period, with positive sentiment underpinned by planned product launches, marketing initiatives, investments and forecasts of better economic conditions. Optimism strengthened to a four-month high.

Lower output needs at Colombian goods producers resulted in further job shedding. Employment decreased slightly, but at the fastest rate in the current three-month sequence of contraction.

Cutbacks to expenses were also evidenced by back-to-back declines in quantities of purchases. Furthermore, the decrease was the most marked in one year. Anecdotal evidence highlighted cashflow difficulties and falling production as the key reasons leading them to scale back input buying.

In turn, holdings of raw materials and semi-finished items decreased further. The depletion was the fifth in successive months and marked overall. Stocks of finished goods likewise declined, albeit moderately.

Amid reports of higher prices paid for inputs such as chemicals, metals and textiles, purchasing costs continued to rise in January. Other factors that exerted inflationary pressures were greater tax burdens and unfavourable exchange rates. The rate of increase was a tick lower than in December, but remained sharp overall.

Colombian goods producers continued to lift their selling prices in light of ongoing cost increases. Although solid, the rate of charge inflation moderated from last December.

Elsewhere, backlogs of work were broadly unchanged, while vendor performance deteriorated further on the back of transportation issues and import delays.

COMMENT

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

"The results for the manufacturing sector in January were not good. The five components of the PMI showed deterioration, although moderate. A lot of attention should be placed to what happened with production which, after decelerating for four months, had a negative and relatively high drop in January. New orders and employment also showed reductions.

"The positive aspect of what is happening is that it could be a result of circumstantial factors that could be reversed. In fact, January data showed optimism about the entrepreneurs' expected production in the next twelve months.

"Anyway, we must remember that the deterioration of the PMI in other regions of the world has also been important. Although we expect domestic demand to recover during 2019, the most important challenge this year will be the global economic slowdown."

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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.

January 2019 data were collected 11-23 January 2019.

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. To learn more go to 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 Bolivar 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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