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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Stronger gains in new work drive output growth to 28-month high

KEY FINDINGS

Fastest rise in production since February 2016

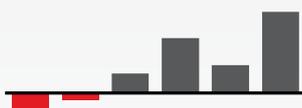
New order growth at 21-month high

Business sentiment strongest in survey history

COLOMBIA MANUFACTURING PMI



LAST SIX MONTHS



The health of Colombia's manufacturing industry improved to the greatest extent in nearly two-and-a-half years in June, as an accelerated upturn in order books encouraged firms to scale up output. At the same time, companies purchased additional inputs and hired extra workers. On the price front, input cost inflation picked up to the strongest since last October, while a softer increase in charges was registered. Looking ahead, businesses were at their most upbeat towards growth prospects than at any other time in the survey history.

Rising from 51.1 in May to 53.0 in June, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ was at its highest mark since January 2016. The headline figure was indicative of a robust improvement in business conditions across the sector, rounding off the strongest quarterly performance since Q1 2016.

Incoming new business rose in line with the signing of pending contracts, product diversification, improved economic conditions and stronger demand. The increase in new work was the most pronounced in 21 months and boosted production. Similar to the trend for sales, the upturn in output was marked and the quickest since February 2016.

To cope with higher workloads, manufacturers stepped up hiring in June, with job creation quickening to the fastest in nearly two-and-a-half years.

Greater payroll numbers assisted manufacturing companies in the completion of unfinished business. Backlogs did increase over the month, but only fractionally.

Despite the strong rise in production, stocks of finished items declined as companies reportedly sought to fulfil contract obligations. On the other hand, holdings of inputs increased as businesses purchased additional quantities of raw materials and semi-finished products in June.

Input cost inflation accelerated at the end of the second quarter, reaching its highest mark in eight months. The rate of increase was sharp and above its historical average. Panellists indicated having paid more for chemicals, metals, plastics and textiles.

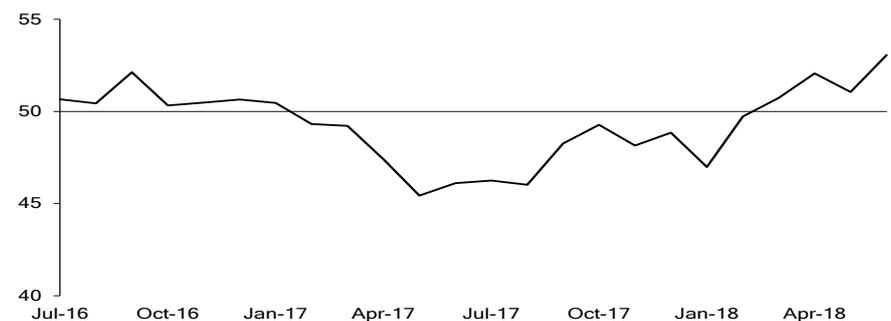
Only part of this additional cost burden was passed on to clients, as output charges rose at a softer pace that was much weaker than seen for input prices.

Colombian manufacturers were strongly confident that output levels will be higher in the coming 12 months. Underpinning optimism were hopes that marketing efforts and the launch of new products will boost demand. Firms also forecast improved demand conditions, domestically and externally.

Finally, vendor performance continued to be affected by poor road conditions. The result was longer lead times on purchased inputs.

Manufacturing PMI

sa, >50 = improvement since previous month



COMMENT

Commenting on the Colombia Manufacturing PMI survey data, Pollyanna De Lima, Principal Economist at IHS Markit, said:

"The Colombian manufacturing PMI sprung back to a near two-and-a-half year high in June, after a short-lived slowdown in May. Growth of output, new orders and employment all gathered pace, driven by the ongoing strength of the domestic market."

"These positive developments contributed to a robust quarterly reading for the PMI, which was the highest seen since Q1 2016. As such, the manufacturing industry is expected to provide a stronger contribution to GVA than it did in the first three months of the year."

"Although the growth rebound was accompanied by a build up of cost pressures, the acceleration was mild relative to historical data. Also, most of the rise in cost burdens was absorbed by producers, who raised charges only modestly and to a weaker extent than midway through the quarter."

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Methodology

The Colombia Manufacturing PMI™ is based on data compiled from replies 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 mid-month and denote the direction of change compared with the previous month. A diffusion index is calculated for each survey indicator. 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 and below 50 an overall decrease. The diffusion indices are then seasonally adjusted using an in-house method developed by IHS Markit.

The Purchasing Managers' Index (PMI) is a weighted average of the following five diffusion 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.

IHS Markit do not revise underlying survey data after first 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. 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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