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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

PMI hits nine-month high amid stronger increases in sales, production and employment

KEY FINDINGS

Headline PMI rises from 52.4 in March to 54.0 in April

Factory orders and output expand at quicker rates

Strongest upturn in jobs in 15 months

Data were collected 12-22 April 2021

The April PMI™ survey results showed a notable acceleration in growth across the Colombian manufacturing industry, with the health of the sector strengthening at the fastest pace since last July. Buoyed by a marked rise in new work intakes, goods producers lifted output to a greater extent and hired extra workers at the quickest rate in 15 months. Meanwhile, supply chain constraints caused further delays in the delivery of purchased inputs and pushed up cost inflation considerably. To protect their margins, companies increased selling prices at the sharpest rate since data collection started over ten years ago.

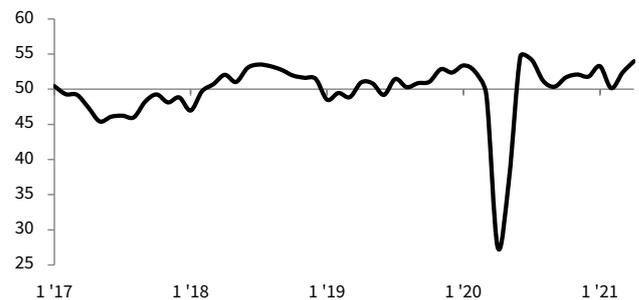
The seasonally adjusted Davivienda Colombia Manufacturing PMI™ rose from 52.4 in March to 54.0 in April, highlighting the strongest improvement in operating conditions for nine months. The latest figure exceeded the long-run series average of 50.8.

Survey participants indicated that strengthening demand conditions, successful marketing, the approval of pending quotations and stock-building efforts among clients all supported sales growth during April. New orders increased at a solid rate that was quicker than that noted in March.

Subsequently, manufacturers scaled up production at the start of the second quarter. Output expanded at a marked rate that was faster than that noted in March. In addition to improving demand conditions, panellists linked the upturn to productivity gains.

To accommodate higher new business volumes and safeguard against input shortages, manufacturers stepped

Colombia Manufacturing PMI
sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

up input buying during April. The quantity of purchases increased for the second month running and at the strongest rate since mid-2020.

Firms also focused on expanding their operating capacities by taking on additional workers. Manufacturing employment increased for the third consecutive month and at the quickest pace since January 2020.

One factor conducive of job creation was a further expansion in outstanding business among Colombian manufacturers. Moreover, the rate of backlog accumulation was the fastest in the history of the survey.

Amid reports of raw material shortages and transportation issues, average lead times lengthened further in April. Moreover, vendor performance worsened to the greatest extent in eight months.

Raw material scarcity and supply-chain disruptions continued to exert upward pressure on firms' cost burdens, with the overall rate of input price inflation reaching a five-and-a-half-year high.

Some of the additional cost burden was passed on to clients via upward adjustments to factory gate charges. The overall rate of selling price inflation climbed to a survey peak during April.

On the stock front, a marginal increase in pre-production inventories contrasted with a renewed decline in holdings of finished goods.

COMMENT

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

"In line with what is happening in the rest of the world, manufacturing activity in Colombia has been quite resistant to the second and third waves of COVID-19. According to official figures, last February the sector grew by 0.6% year-on-year, a remarkable figure if one takes into account that in February 2020 the country had not been affected by the pandemic. This resilience is explained by the generalization of security protocols among companies in the face of an improvement in internal and external demand."

"The PMI has been a good follow-up indicator of what has been happening, suggesting that the sector has continued to strengthen in March and April. The three most important components of the PMI, orders, production and employment show positive sequential growth in the latest two months, with particular dynamism in the case of production."

"It is important to mention that, in contrast to what happened with the manufacturing sector, our confidence indicator deteriorated significantly in April, suggesting that the commerce sector and other service activities were affected by the third wave of the virus."

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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 12-22 April 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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