News Release

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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Fastest expansion in output for one-and-a-half years

KEY FINDINGS

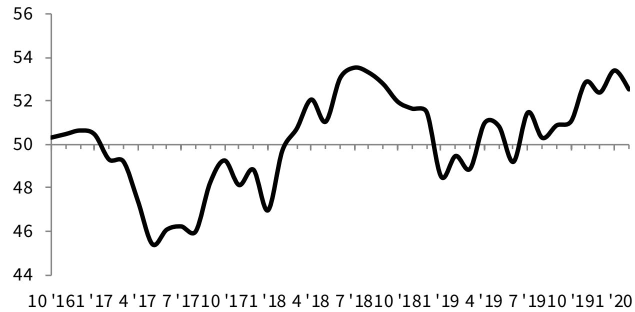
Output growth accelerates amid solid rise in sales...

...but employment broadly stagnates

Input cost inflation remains historically weak

Manufacturing PMI

sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

February data continued to point to supportive conditions in Colombia's manufacturing industry, with a further solid rise in new orders driving the fastest upturn in output for a year-and-half. Businesses remained strongly confident towards growth prospects, but employment was little-changed from January and input buying expanded at a weaker pace.

Meanwhile, input costs rose at a marked rate that was nevertheless among the weakest in five-and-a-half years. This, coupled with sales-boosting initiatives, translated into the slowest increase in selling prices since September 2014.

The seasonally adjusted Davivienda Colombia Manufacturing PMI™ was down from 53.4 in January to 52.5 in February, highlighting a softer but still marked improvement in the health of the sector that was above the series average. The downward movement in the headline figure mainly stemmed from a slower increase in new work intakes and employment growth easing to a fractional pace.

Despite softening from January, the rise in new orders remained elevated in the context of historical data. Companies that signalled higher sales mentioned greater client demand and improved construction activity.

At the same time, the fractional increase in overall headcounts followed the joint-strongest expansion in employment for a year-and-a-half in January. Some companies noted lower payroll numbers, which they attributed to staff resignations.

Colombian goods producers noted output growth in February, with the expansion the quickest since August 2018. According to survey members, production was raised in response to higher sales, favourable market conditions and greater client numbers.

With new orders rising solidly, but workforces being little-changed from January, companies experienced another increase in unfinished business. In some instances, the accumulation in backlogs was attributed to delays in receiving raw materials from China.

Indeed, average lead times lengthened further as suppliers were negatively impacted by the COVID-19 outbreak, strikes and poor road conditions.

Goods producers registered a quicker increase in input costs, but one that was mild in the context of historical data. Subsequently, there was only a marginal upturn in factory gate charges. The overall rate of output price inflation was the slowest in close to five-and-a-half years.

Meanwhile, stocks of inputs and output increased in February. In both cases, rates of accumulation were moderate.

A strong degree of confidence towards the year-ahead outlook for production was maintained in February. Export opportunities, advertising and projects pending approval were among the reasons cited for the upbeat mood.

COMMENT

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

"The PMI moderation in February suggests that the manufacturing sector continues with a good performance, although with a softening in the levels of personnel hiring and a lower rate of growth in orders. It is very satisfactory to record the good behaviour of production, which continues to recover at its highest rate in eighteen months.

"On the issue of employment, official Dane figures suggest that the manufacturing sector has stopped hiring workers for several months. However, the adjustment in hiring levels in February seems to have been substantially higher. The slower rate of growth in employment compared to the increase in production in recent months suggests a substantial increase in labour productivity in the last three months.

"The moderation in the rate of growth of industrial origin prices is probably related to the more modest exchange rates than we have observed, compared to those seen in the last quarter of 2019."

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
mmarquezo@davivienda.com

IHS Markit

Pollyanna De Lima
Principal Economist
+44 1491 461 075
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.

February 2020 data were collected 12-20 February 2020.

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.

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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