

Embargoed until 10:00 Bogota (1500 UTC) November 3rd 2020

DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Health of manufacturing sector strengthens in October

KEY FINDINGS

PMI reaches three-month high

Output growth accelerates

Renewed increase in factory orders

Data were collected 11-22 October 2020

The Colombian manufacturing industry moved further away from the COVID-19 related contractions seen earlier in the year, with October data showing a stronger increase in output and a resumption of new order growth. At the same time, input buying stabilised and there were tentative signs of a recovery in employment.

Rising from 50.4 in September to 51.7 in October, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ pointed to the strongest improvement in the health of the sector for three months.

A key contributor to the upward movement in the headline figure was the new orders sub-component, which pointed to the first upturn in sales for three months. Firms mentioned that the easing of containment measures related to the COVID-19 pandemic and marketing efforts supported demand.

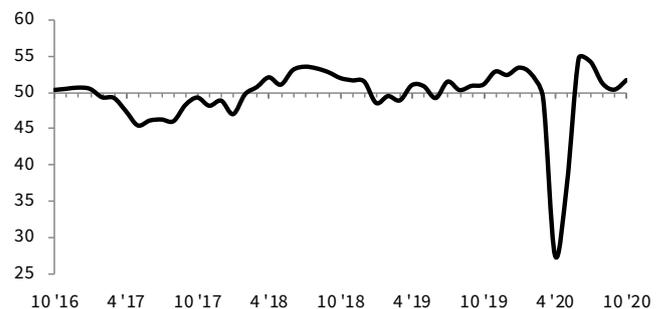
Production volumes continued to be raised in October, with the rate of expansion strengthening to a three-month high. Stock building initiatives and business reopenings were reportedly behind the upturn in output.

Manufacturers remained upbeat towards the 12-month outlook for production, with positive sentiment underpinned by export opportunities, new product releases, expanded client bases and hopes of a reduction in COVID-19 cases. The strength of sentiment eased since September and was broadly in line with the survey's historic trend.

The upbeat mood translated into job creation during October. Despite being marginal, the rise in employment ended a six-

Manufacturing PMI

sa, >50 = improvement since previous month



Source: Davivienda, IHS Markit.

month period of contraction and enabled a further reduction in backlogs.

October data pointed to a stabilisation of input buying among goods producers, following the first contraction in four months during September. On the one hand, some firms increased quantities of purchases in line with greater output needs. On the other hand, a few firms refrained from acquiring extra materials due to subdued sales and elevated prices.

Indeed, input costs increased sharply at the start of the final quarter, despite the rate of inflation easing from September. A number of items were reported to be up in price, mostly linked to supply shortages and unfavourable exchange rates.

To protect margins, Colombian goods producers passed on to their clients part of the additional increase in cost burdens via upward adjustments to their charges. The rate of output price inflation picked up to the strongest in three months, but remained much lower than that seen for costs.

As for stocks, trends were broadly similar. Pre- and post-production inventories continued to decline, but at slower rates.

Finally, a lack of raw material availability and biosecurity protocols caused a further increase in input delivery times. However, the deterioration in vendor performance seen in October was the least pronounced in eight months.

COMMENT

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

"Given the great importance of the domestic market compared to the export market in Colombia, the economic recovery of our country will depend, in the short term, fundamentally on the rigidity with which the confinements and distancing are applied in our country. What happened in August, when the manufacturing PMI showed a significant reduction, as well as the recovery we observed in October, corroborate this appreciation: while August was a month of greater restrictions on mobility, October was a month of relaxation.

"The October results are particularly interesting not only because the PMI increased but because its three most

important components: production, orders and employment improved and are above the 50 point threshold. In the case of employment, the result is especially important since it is the first time since the effects of Covid-19 began to be observed that a positive net generation of employment has been observed in the manufacturing sector.

"Like what happened in September, twelve-month production expectations continue to be above their historical average."

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
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 12-22 October 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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.