

Embargoed until 10:00 (Bogota) September 3rd 2018

DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Fastest rise in production in over two-and-a-half years

KEY FINDINGS

Output expands at sharper pace...

...amid marked upturn in new work

Sentiment second-highest on record

COLOMBIA MANUFACTURING PMI



LAST SIX MONTHS



Colombian-based factories operated at full steam during August. Supported by a robust upturn in new business inflows, output increased at the quickest pace since January 2016. Job creation was sustained as a result, while input purchasing grew to the greatest extent in almost four years. Buoyed by the favourable operating environment, and in anticipation of further improvements, business confidence climbed to the second-highest level on record.

At 53.3 in August, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ was little-changed from July's 30-month high of 53.5. The latest figure pointed to a solid strengthening of operating conditions across the sector.

Improved demand, new product launches and marketing efforts reportedly supported sales growth midway through the third quarter. Despite softening from July, the expansion in total order books was marked and well above the long-run series average.

Production volumes were raised in August amid sustained growth of new work, product diversification and greater availability of raw materials. Furthermore, output increased at the sharpest rate since January 2016.

Colombian manufacturers expect the upswing in production to continue in the coming months, with positive sentiment strengthening to the second-highest level seen since the Future Output question was added to the survey in April 2012. Underpinning confidence were projections

of improvements in the wider economy, new product launches, advertising and innovation.

Greater production needs, arising from projects in the pipeline, encouraged manufacturers to hire extra staff in August. The increase in employment was the seventh in as many months, though growth eased to the slowest since May. Anecdotal evidence suggested that job creation was stymied by the non-replacement of voluntary leavers at some companies.

Ongoing job creation, coupled with stock-building efforts and greater availability of inputs, assisted Colombian companies in the completion of their outstanding business. The fall in backlogs of work was the first in three months, though only marginal.

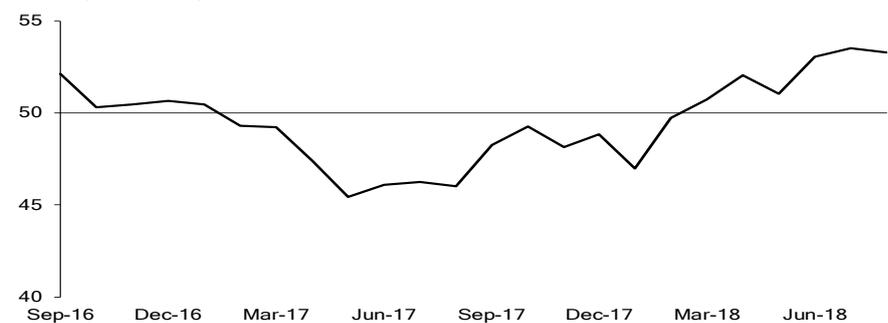
August data indicated that holdings of manufactured products increased for the second month in a row, and at the quickest rate since March 2017. Stocks of purchases likewise rose to a greater extent than registered in July. Boosting inventories of inputs was an accelerated increase in buying levels.

Input cost inflation ticked higher during August, which survey participants blamed on rising prices for a wide range of materials such as aluminium, cellulose, chemicals, energy, food, paper, plastics, steel and textiles. As a result, factory gate charges were raised at a faster pace.

Greater input demand exerted pressure on supply chains in August. However, lead times lengthened to the weakest extent in five months.

Manufacturing PMI

sa, >50 = improvement since previous month



COMMENT

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

"We are pleased to see that the Davivienda PMI correctly anticipated the industrial recovery that the National Department of Statistics (Dane) announced with the publication of GDP for the second quarter of the year. There were several sceptics that this recovery would occur.

"The Davivienda PMI for August showed little change and continues to confirm above-historical-average growth in orders, production and input purchasing. One of the most important components of the indicator, the production index, reached its highest level since January 2016. Production expectations for the next twelve months rebounded in August.

"The increase in inventory of finished products does not worry us because it has been done in response to the good behaviour in new orders. The increase in stocks of purchases must be interpreted in the same manner."

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

Joanna Vickers

Corporate Communications
+44 207 260 2234
joanna.vickers@ihsmarkit.com

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.

To consult or subscribe to the report, please visit: <https://www.davivienda.com/wps/portal/estudios-economicos/>

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. ihsmarkit.com

Disclaimer

The intellectual property rights to the Davivienda Colombia Manufacturing PMI™ 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. Davivienda uses the above marks under licence.