

Embargoed until 10:00 (Bogota) May 2nd 2018

## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### PMI climbs to 19-month peak in April

#### KEY FINDINGS

PMI rises from 50.7 in March to 52.1 in April

Sharpest upturn in new work since September 2016

Output and employment grow further

#### COLOMBIA MANUFACTURING PMI



#### LAST SIX MONTHS



PMI data for April showed an improvement in growth momentum across Colombia's manufacturing industry. Underpinned by the sharpest gain in new business since September 2016, goods producers scaled up output and took on extra staff. At the same time, input buying expanded at the quickest pace in two years, causing disruptions in supply chains.

Remaining above the no-change mark of 50.0 in April, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ showed a second consecutive improvement in the health of the sector. Moreover, the headline figure was up from 50.7 in March to a 19-month high of 52.1.

The main factor contributing to the upward movement in the PMI was a pick-up in growth of new orders. Sales increased for the second straight month in April, and at the sharpest rate in over one-and-a-half years. In most cases, panellists linked the upturn to the launch of new products, stronger economic conditions and improved demand from domestic and external clients.

As a result, firms scaled up production and hired additional workers at the start of the second quarter. In both cases, current sequences of growth were extended to three months, with rates of expansion broadly similar to those noted in March.

The upturn in payroll numbers was, however,

insufficient to prevent outstanding business from rising. Although marginal, the increase in backlogs was the first recorded in 39 months. Anecdotal evidence suggested that strong inflows of new business led to capacity pressures.

In order to accommodate for greater production requirements, manufacturers purchased additional inputs in April. Buying levels increased for the second month in a row, and to the greatest extent in two years.

In turn, this caused a deterioration in vendor performance as input supply fell short of demand. Average lead times lengthened for the eight successive month in April.

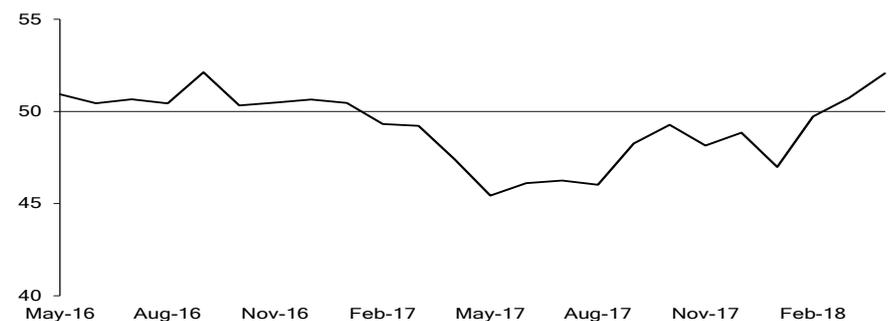
April data highlighted growth of both pre- and post-production inventories held by Colombian manufacturers. Rates of accumulation were at 28- and 13-month highs respectively. According to evidence supplied by panellists, stocks were raised amid higher sales and subsequent increases in output requirements.

There were mixed price trends in April as output charge inflation cooled since March, while input prices rose at the strongest rate since last October.

Finally, business confidence remained elevated in April, with optimism boosted by projections of sales growth, export opportunities, expansion into new markets, improved advertising and product diversification.

#### 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:

*"The results of the PMI for April should be qualified as positive. The indicator in addition to being above 50 points – which suggests that the activity of the sector is expanding – reached its highest level in 19 months. Production and employment are expanding for the third consecutive month and inventories of raw materials have increased. In addition, from the 5 components of the PMI four are above the critical level of 50.*

*"Undoubtedly, the best performing variable in the PMI is new orders, which reached its best level since September 2016. This is a strong sign that the rebound in manufacturing activity could continue in the coming months.*

*"In Davivienda, we consider that the industrial sector will contribute significantly to the economic recovery that we are starting to see."*

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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](mailto: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](http://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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