

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

DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Production growth accelerates as new orders expand

KEY FINDINGS

Quickest rise in output since September 2016

Order books increase for first time in 14 months

Back-to-back upturn in employment

COLOMBIA MANUFACTURING PMI



LAST SIX MONTHS



The health of Colombia's manufacturing industry improved in March, underpinned by stronger demand conditions. New business inflows returned to expansion territory, boosting output growth. As a result, companies hired additional staff and scaled up input buying. Concurrently, inventories declined further, while inflationary pressures intensified.

Calculated as a weighted average of five individual sub-components: New Orders, Output, Employment, Suppliers' Delivery Times and Stocks of Purchases, the seasonally adjusted Davivienda Colombia Manufacturing PMI™ measures the performance of the manufacturing economy. Readings above 50.0 signal growth, those below indicate contraction.

Rising to 50.7 in March, from 49.7 in February, the PMI pointed to the first monthly improvement in business conditions across the Colombian manufacturing economy since January 2017. The headline figure averaged 49.1 in Q1, the highest quarterly figure in a year.

Amid reports of successful advertising and strengthening demand conditions, factory orders rose for the first time since January 2017. Although only slight, the upturn was sufficient to encourage goods producers to scale up output. Moreover, production growth accelerated to the strongest in one-and-a-half years.

Efficiency improvements in some units led to an

overall decline in outstanding business during March. The fall in backlogs was the thirty-eighth in as many months, albeit moderate.

Hiring was also a factor alleviating pressure on operating capacity. Manufacturers registered a second successive rise in payroll numbers, with employment growth picking up since February. Concurrently, greater quantities of inputs were purchased for use in the production process. Although slight overall, the upturn ended a 13-month sequence of contraction.

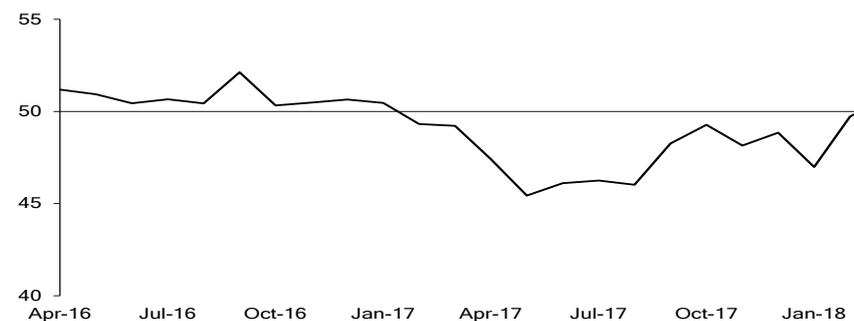
March data indicated a further deterioration in vendor performance, with suppliers' delivery times lengthening due to road safety issues and environmental traffic restrictions. Consequently, input stocks fell. Holdings of finished goods likewise decreased as firms reportedly fulfilled order obligations from existing inventories.

Reflective of higher prices paid for chemicals, metals, plastics and textiles, average input costs continued to increase. Having accelerated to a three-month high, the rate of inflation was sharp. Goods producers shared the additional cost burden with their clients by raising selling prices to the greatest extent in six months.

Business sentiment towards growth prospects remained elevated in March, with product diversification, export opportunities, marketing efforts and investment plans expected to boost output in the year ahead.

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 Davivienda PMI for March confirm that the reactivation of the manufacturing industry has continued. The results represent an improvement compared to those achieved in the previous month. The indicator climbed above 50, a circumstance that we did not see since January 2017. In addition, this month three of its five components were above the critical 50 threshold: production, employment and new orders.

"The figures confirm our forecast that the manufacturing industry should become one of the dynamic sectors of aggregate economic activity this year.

"The price pressure of finished products is striking, reaching the highest since September 2017. Increases in the cost of some raw materials and a better demand environment seem to explain this situation. This rise in prices of industrial goods could add to what we have been seeing for agricultural prices and generate a negative surprise in March's inflation."

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.

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth. 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. Davivienda uses the above marks under licence.