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## DAVIVIENDA COLOMBIA MANUFACTURING PMI™

### Manufacturing output increases for first time in 13 months, driving job creation

#### KEY FINDINGS

Renewed upturn in employment...

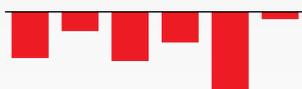
...underpinned by production growth and positive sentiment

Slowest decline in new work since last March

#### COLOMBIA MANUFACTURING PMI



#### LAST SIX MONTHS



This report contains the first public release of data collected from manufacturers in Colombia. The headline figure derived from the survey is the Davivienda Colombia Manufacturing PMI™.

Overall business conditions in the Colombian manufacturing industry deteriorated in February to the least extent in over a year, with the moderation largely reflecting a return to growth of production and employment. Softer reductions in new business and stocks were seen, while inflationary pressures eased. Looking ahead, companies were at their most upbeat towards the year-ahead outlook for one-and-a-half years.

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.

The headline figure was up from 47.0 in January to 49.7 in February, to indicate the weakest deterioration of operating conditions in over a year.

New orders continued to fall as greater sales at a few firms failed to offset reductions elsewhere. However, incoming new work decreased to the least extent since March 2017.

The sustained decline in new business was

reflected in another monthly contraction in buying levels, albeit the weakest in 11 months. In turn, input stocks decreased to a lesser extent.

Encouragingly, manufacturing production expanded in February. The rise was the first recorded since January 2017, with anecdotal evidence linking the upturn to positive expectations surrounding the outlook. Indeed, the degree of optimism climbed to an 18-month peak.

Upbeat expectations underpinned employment growth during February. The rise in manufacturing jobs was only slight, but ended a one-year period of month-on-month contractions.

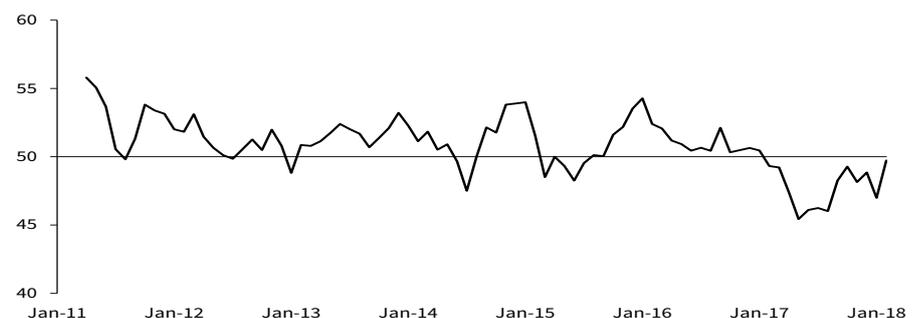
Amid reports of higher prices for chemicals, food, metals, paper, plastics, rubber and textiles, average cost burdens continued to increase. That said, the rate of inflation softened to a 42-month low.

Subsequently, a weaker increase in factory gate prices was registered during February. As was the case for input costs, the rate of charge inflation was below its long-run trend.

Suppliers' delivery times lengthened on the back of poor road conditions and shortages of inputs at some distributors. Finally, a further decline in outstanding business highlighted an ongoing lack of pressure on manufacturers' operating capacity. However, the rate of backlog depletion eased to the slowest in two years.

#### 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 figures of the Davivienda PMI support our forecast that this year will be one of economic recovery, thus breaking a four-year trend of continuous slowdown. The twelve-month production expectations in manufacturing are the highest since August 2016.*

*"A combination of higher global demand, the result of a relatively synchronized growth acceleration in developed economies, lower interest rates in Colombia and lower inflation are having an impact on this upturn in activity.*

*"The moderation in the exchange rate observed since the end of last year has allowed input prices to exert less pressure on margins across the industry. In this sense, the incipient industrial recovery is accompanied by an improvement in profitability, which constitutes a double stimulus for the sector."*

## 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](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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