

DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Colombian manufacturing sector shows signs of revival in April

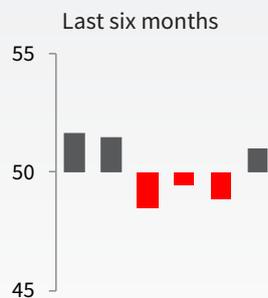
KEY FINDINGS

PMI in expansion territory for first time in four months

Renewed increase in factory orders

Output growth and job creation reinstated

COLOMBIA MANUFACTURING PMI



Operating conditions in Colombia's manufacturing sector improved in April, following deteriorations throughout the opening quarter of 2019. Strength came from a renewed increase in sales, which in turn supported output growth, input buying and job creation. At the same time, native protests weighed on the ability of suppliers to deliver purchased materials on time and exerted upward pressure on cost inflation.

At 51.0 in April, the headline seasonally adjusted Davivienda Colombia Manufacturing PMI™ registered above the critical 50.0 threshold for the first time in the year-to-date. Rising from 48.9 in March, the latest figure pointed to a slight improvement in the health of the sector that was broadly in line with the long-run survey average.

The key factor underpinning the stronger sector performance was an increase in new orders, the first since last December. Improved demand, brand loyalty and greater client bases were among the reasons cited for sales growth. That said, the overall pace of expansion was marginal and softer than seen on average during 2018.

Still, the rise in sales was sufficient to encourage companies to scale up production and employment. Aggregate manufacturing output increased slightly in April and at a rate that matched the long-run series average.

Despite rising only marginally, the upturn in jobs compared with a reduction in March. Those firms that signalled higher payroll numbers mentioned efforts to fulfil contract obligations, improved

underlying demand and planning ahead of new product launches.

Additional raw materials and semi-finished items were purchased in April, thereby ending a four-month sequence of falling input buying. Despite being slight, the upturn outpaced its long-run average.

Input stocks were little-changed as the increase in quantities of purchases was broadly offset by longer suppliers' delivery times. According to panellists, indigenous protests prevented vendors from delivering materials in a timely manner. The deterioration in supplier performance was the most marked in three months.

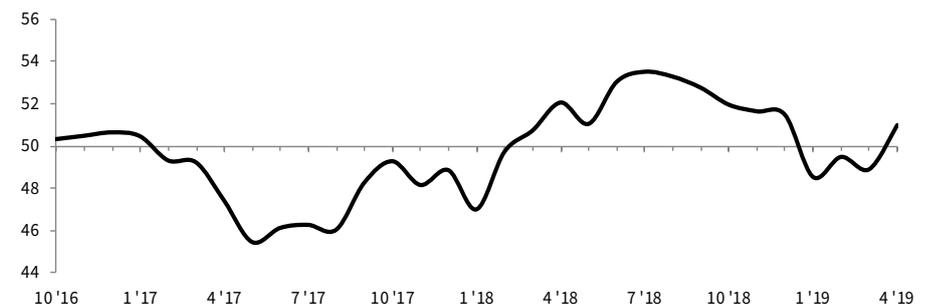
Besides exerting pressure on supply chains, protests reportedly contributed to an uptick in input price inflation. The rise in cost burdens was sharp and the quickest in three months. Some firms also blamed inflation on US dollar strength. Colombian manufacturers absorbed most of the increase in cost burdens, as signalled by the weakest rise in factory gate charges in 18 months.

Amid predictions of further improvements in sales, greater efforts to lift client bases, expansion into new markets, advertising initiatives and projects in the pipeline, optimism regarding the year-ahead outlook for production was sustained.

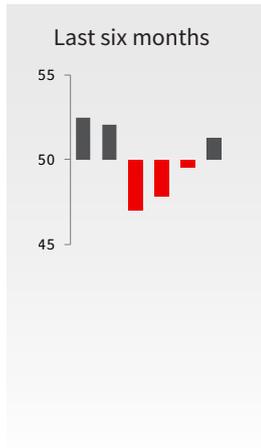
Finally, holdings of finished goods declined as companies sought to fulfil orders from stocks. Raw material scarcity and scheduled maintenance were also cited as factors causing the inventory drawdown.

Manufacturing PMI

sa, >50 = improvement since previous month

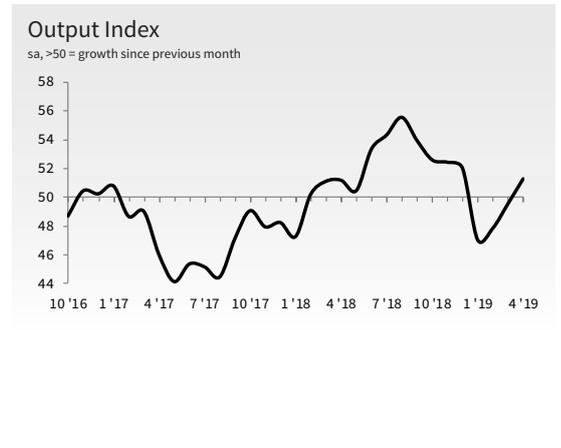


OUTPUT INDEX

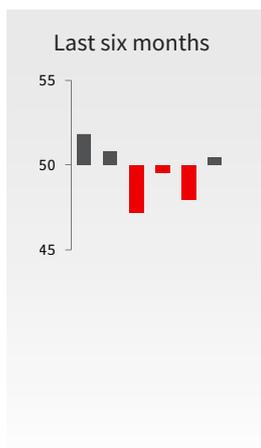


Renewed expansion in production

April data highlighted an increase in output across Colombia's manufacturing industry, thereby ending a three-month sequence of contraction. Growth was linked to successful promotional activity, which helped firms to secure new sales. There were also mentions of better demand conditions and efficiency gains. However, the upturn in production was slight and slower than seen on average in 2018.

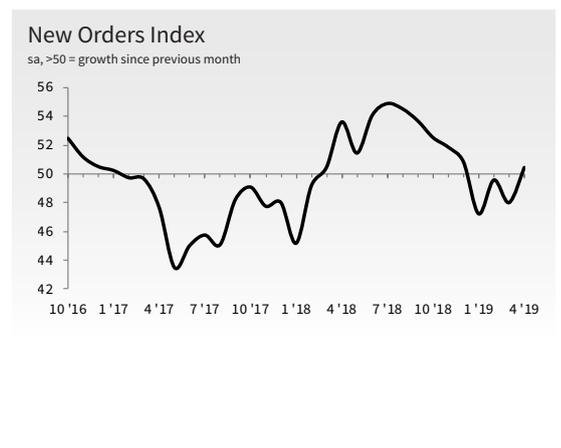


NEW ORDERS INDEX

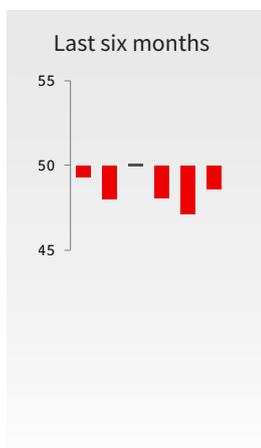


First rise in sales in 2019 so far

For the first time in the year-to-date, factory orders in Colombia increased during April. Anecdotal evidence indicated that the securing of new work stemmed from a pick-up in demand, brand loyalty and greater client bases. However, the overall rate of expansion in sales was marginal and below its long-run average.

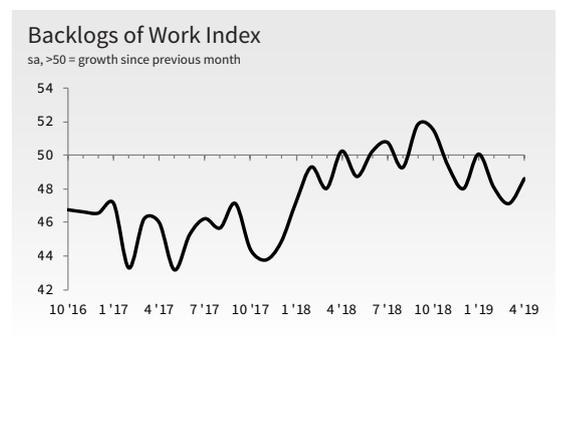


BACKLOGS OF WORK INDEX

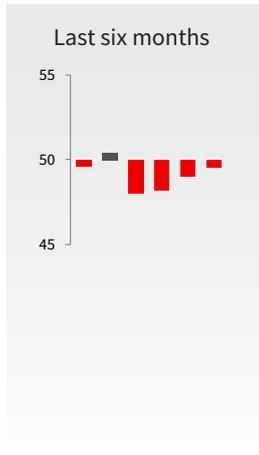


Further decline in outstanding business

Amid reports of subdued sales and client requests for fast deliveries, unfinished business at Colombian goods producers decreased again at the start of the second quarter of 2019. The fall in backlogs was the third in successive months, but the slowest over this period and weaker than the long-run average rate of depletion.

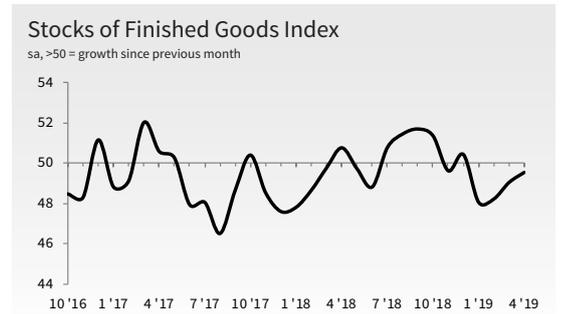


STOCKS OF FINISHED GOODS INDEX

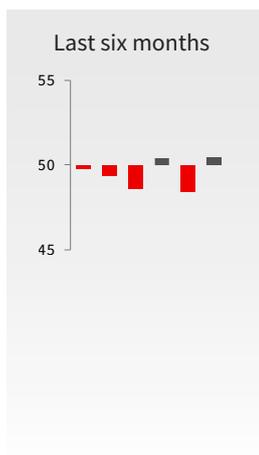


Slight decrease in post-production stocks

As has been the case in 2019 so far, holdings of finished goods fell in April. According to panel members, the fulfilment of orders from inventories, scheduled maintenance and shortages of some inputs were the main factors causing stock depletion. However, the pace of contraction was the weakest in the current four-month period of decline.

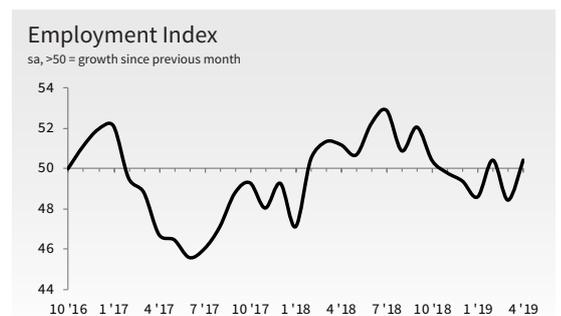


EMPLOYMENT INDEX

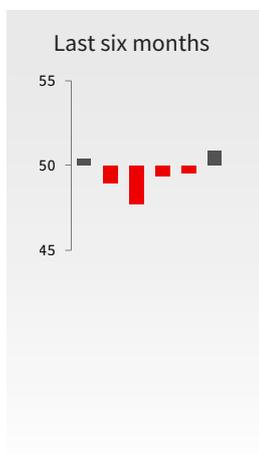


Job creation reinstated in April

Employment rose for the second time in the past six months. Among those companies that took on extra staff, there were mentions of efforts to meet delivery deadlines, relatively better demand conditions for certain goods and preparations for the launch of new products. The rate of job creation was only marginal, however, as 11% of companies reported hiring and 10% signalled lower payrolls.

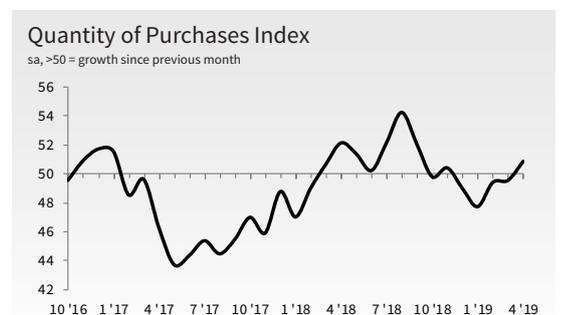


QUANTITY OF PURCHASES INDEX



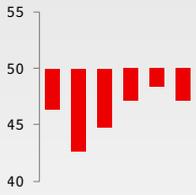
Companies step-up input buying

After falling for four months in a row, quantities of purchases at Colombian manufacturers increased at the start of the second quarter. The upturn was linked to sales growth and greater production needs. Although only slight, the rate of expansion surpassed its long-run average.



SUPPLIERS' DELIVERY TIMES INDEX

Last six months

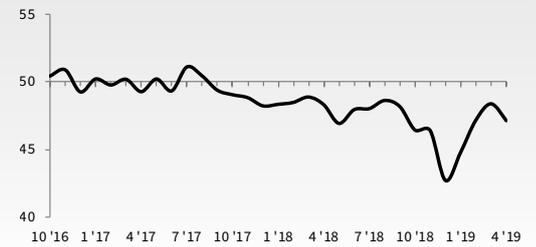


Firms report longer lead times

April data showed a further deterioration in vendor performance across Colombia's manufacturing sector, the twentieth in as many months. Longer delivery times were mostly linked to indigenous protests. Furthermore, suppliers' delivery times lengthened to the greatest extent in three months.

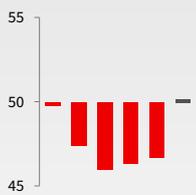
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



STOCKS OF PURCHASES INDEX

Last six months

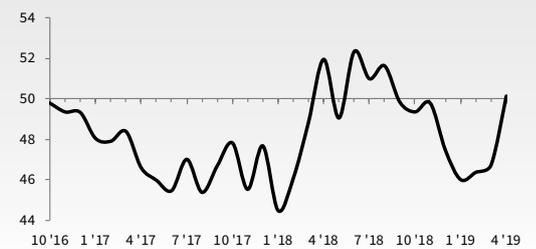


Pre-production stocks broadly unchanged

Holdings of raw materials and semi-finished items were broadly unchanged, following seven successive months of contraction. This was signalled by the seasonally adjusted Stocks of Purchases Index recording only fractionally above the 50.0 neutral mark. Firms that reported accumulation mentioned greater input buying, while those noting depletion cited delivery delays.

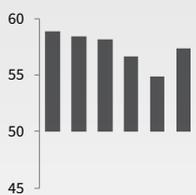
Stocks of Purchases Index

sa, >50 = growth since previous month



INPUT PRICES INDEX

Last six months

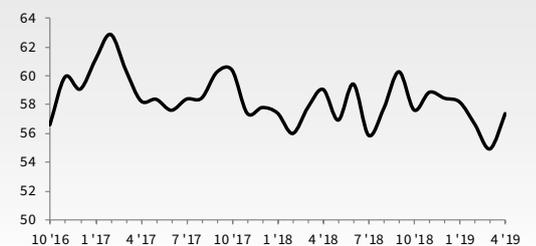


Input cost inflation at three-month high

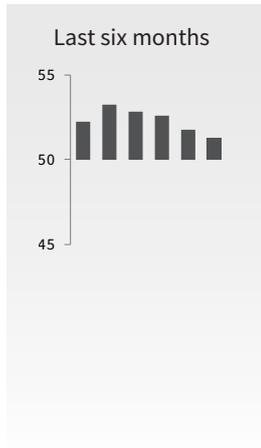
Purchasing costs increased in April, which companies attributed to strikes and US dollar strength. Despite being sharp and the quickest in three months, the rate of inflation remained below its long-run average. Exactly one-in-five survey participants reported greater cost burdens, while 3% noted a reduction from March.

Input Prices Index

sa, >50 = inflation since previous month

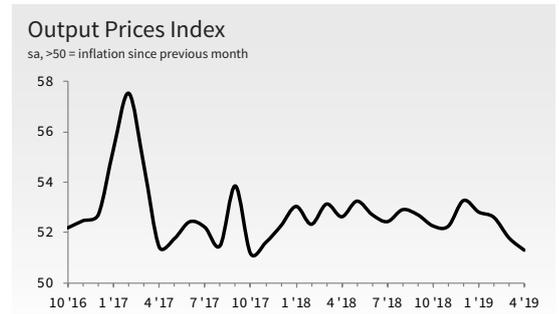


OUTPUT PRICES INDEX

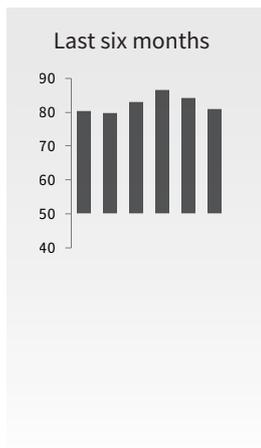


Softer upturn in factory gate charges

In contrast to the trend for input costs, selling prices increased to a lesser extent at the start of the second quarter. The rate of inflation was slight and the weakest recorded in one-and-a-half years. Among the 6% of survey participants that reported a hike in their charges, there were mentions of the pass-through of greater cost burdens to clients.

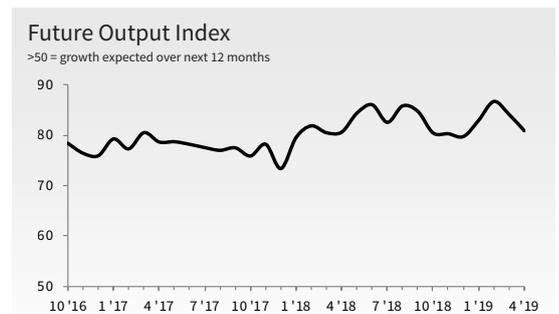


FUTURE OUTPUT INDEX



Manufacturers strongly optimistic in April

Colombian goods producers retained positive projections for output growth in the coming 12-month period. Underpinning optimism were predictions of greater sales, efforts to attract new clients, export opportunities, projects pending approval and marketing initiatives. Despite falling to a four-month low, the level of confidence remained elevated by historical standards.



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

Katherine Smith
 Corporate Communications
 +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.

April 2019 data were collected 10-18 April 2019.

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.

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