



DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Manufacturing industry starts 2021 on solid footing despite renewed job losses

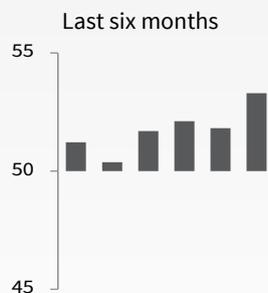
KEY FINDINGS

New orders rise at strongest rate in six years...

...supporting faster upturn in production

Employment falls for first time in four months

COLOMBIA MANUFACTURING PMI



Growth in the Colombian manufacturing sector gathered pace during January, after slowing at the end of 2020. Companies welcomed the sharpest rise in new business since the start of 2015 by scaling up production and input buying accordingly. Whereas supply shortages impacted on the sector's performance in December, firms were able to secure inputs and rebuild their stocks in January. Less positively, however, employment decreased for the first time since last September. A number of firms reportedly refrained from hiring extra workers due to financial difficulties caused by the coronavirus disease 2019 (COVID-19) pandemic.

The seasonally adjusted Davivienda Colombia Manufacturing PMI rose from 51.8 in December to a six-month high of 53.3 in January, signalling a robust improvement in the health of the sector. The new orders and output sub-components provided the main impetus to the headline figure.

Not only did sales expand for the fourth successive month, but also at the sharpest rate in six years. When explaining the upturn, survey participants mentioned access to new markets, greater clientele, improved demand and stock rebuilding efforts among clients.

Manufacturing production rose markedly in January, and at an above-trend pace that was the quickest since last July. New product releases, machinery upgrades and sales growth were all cited as the key factors boosting output.

Enabling the rise in production was the acquisition of raw materials. Goods producers noted a solid

increase in purchases that was the quickest in six months. According to panellists, the expansion in input buying reflected efforts to rebuild stocks, ongoing sales growth and predictions of input price hikes.

At the same time, financial concerns prevented firms from hiring additional staff in January. Employment fell modestly at the start of the year, ending a three-month sequence of job creation.

For the first time since last August, goods producers managed to lift their stocks of purchases in January. However, the pace of accumulation was only moderate. Similarly, inventories of finished goods rose slightly, ending a six-month period of depletion.

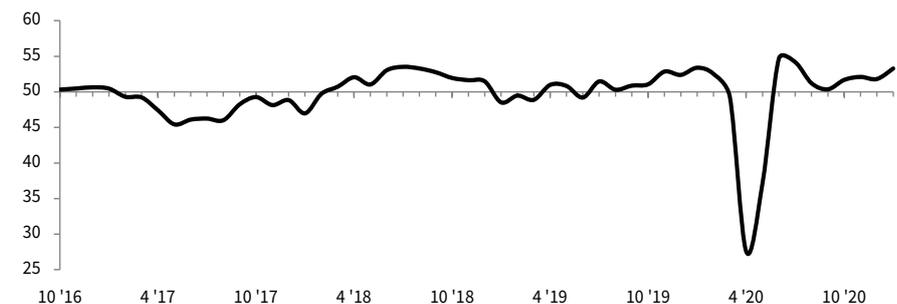
Supply-chain disruptions due to the COVID-19 pandemic remained evident in January, with goods producers seeing another deterioration in vendor performance. Meanwhile firms were able to reduce their own backlogs for the seventh month in a row.

Raw material scarcity continued to exert upward pressure on input prices. The rate of cost inflation softened to a three-month low, but remained elevated by historical standards. Charges, on the other hand, increased at only a slight pace that was the weakest since April 2020 as firms focused on retaining a competitive edge.

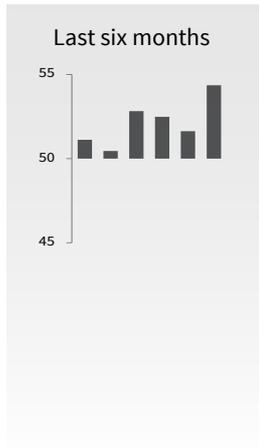
Business optimism strengthened in January on the back of marketing efforts, product diversification, export opportunities and vaccine developments.

Manufacturing PMI

sa, >50 = improvement since previous month

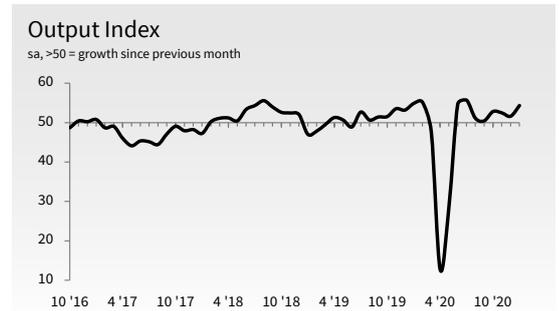


OUTPUT INDEX

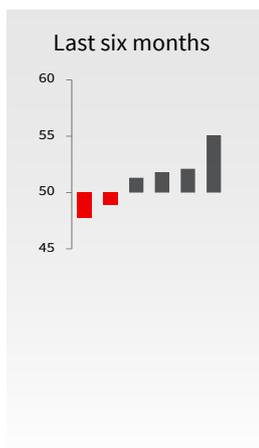


Output growth hits six-month high in January

Colombian manufacturers noted an eighth consecutive monthly increase in production at the start of 2021. Moreover, the pace of expansion was marked and the strongest since last July. Anecdotal evidence suggested that output rose in line with improved market demand, investment in new machinery and new product releases.

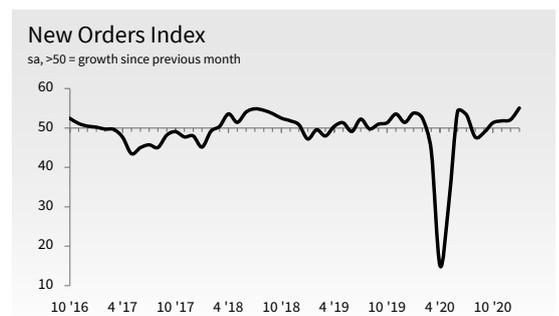


NEW ORDERS INDEX

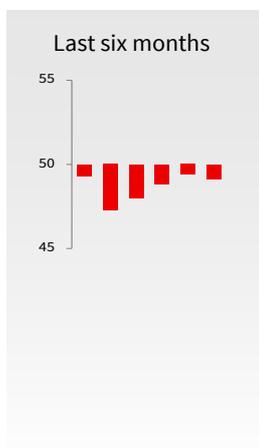


Solid expansion in new business

January data highlighted a fourth successive rise in new orders received by Colombian goods producers. The upturn was solid and the strongest in six years. Those companies that reported higher sales mentioned strengthening demand conditions, access to new markets, stock rebuilding efforts among clients and expanded clientele.

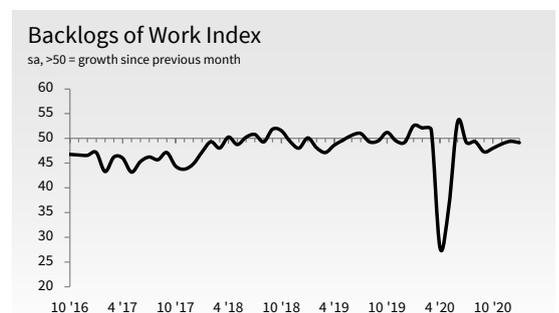


BACKLOGS OF WORK INDEX

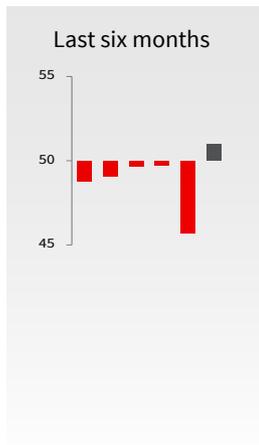


Outstanding work decreases

Amid reports of attempts to fulfil contract obligations, Colombian goods makers continued to clear their backlogs of work during January. The latest fall in unfinished business was the seventh in consecutive months, but the rate of depletion was only slight in the context of historical data.

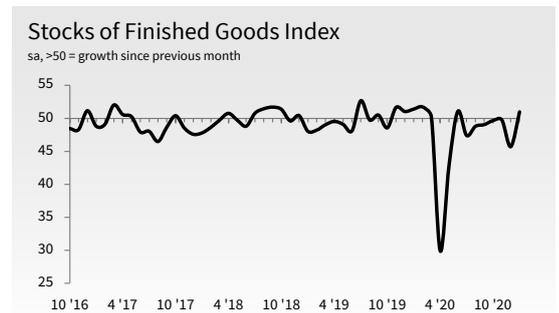


STOCKS OF FINISHED GOODS INDEX

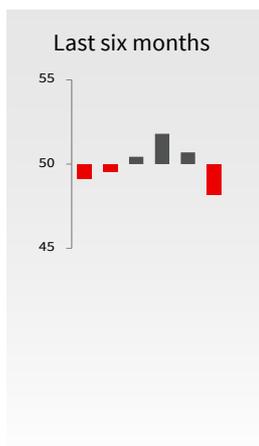


Stocks of finished goods rise for first time since last June

Post-production inventories at Colombian manufacturers increased at the start of the year, ending a six-month period of depletion. That said, the pace of accumulation was only slight overall. According to survey participants, the upturn in stocks of finished goods stemmed from greater production volumes.

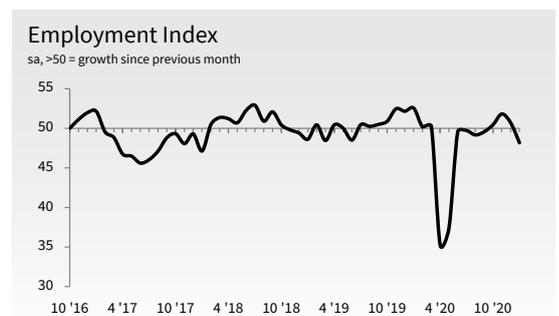


EMPLOYMENT INDEX

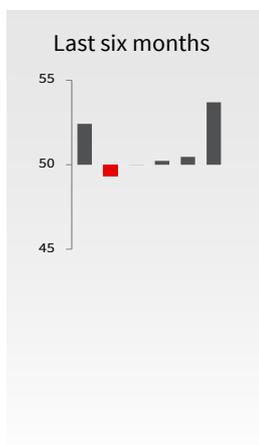


Renewed fall in employment

After increasing for three consecutive months, manufacturing sector employment in Colombia fell during January. Panellists linked job shedding to COVID-19 restrictions, the non-renewal of temporary contracts and cashflow issues. That said, the overall reduction in headcounts was slight and much softer than those seen at the onset of COVID-19.

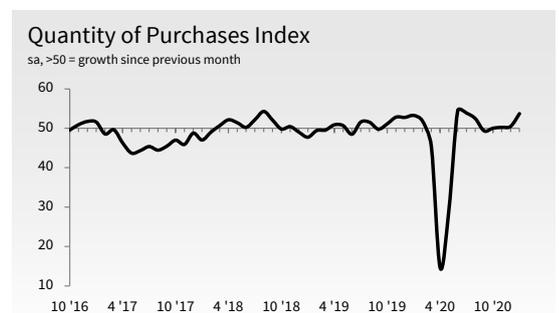


QUANTITY OF PURCHASES INDEX

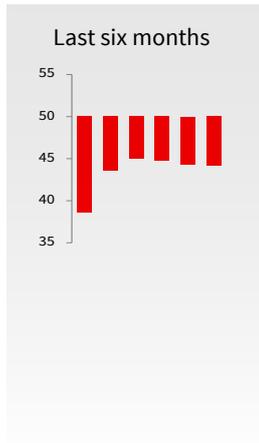


Input buying rises solidly

For the third month in a row, Colombian manufacturers scaled up input purchasing during January. The rate of expansion was marked, the fastest since last July and outpaced its long-run average. Firms linked growth to anticipations of input price hikes, attempts to replenish stocks and sustained increases in sales.

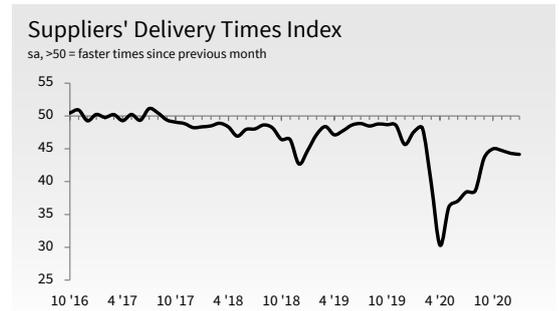


SUPPLIERS' DELIVERY TIMES INDEX

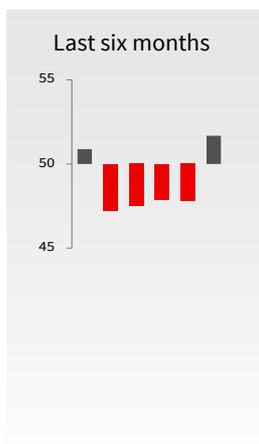


Vendor performance worsens again in January

As has been the case since September 2017, supplier delivery times lengthened in January. The deterioration was marked and broadly similar to those seen in November and December. Firms mentioned international delivery delays, material scarcity, business closures, poor road conditions and COVID-19 restrictions as the key factors causing longer lead times.

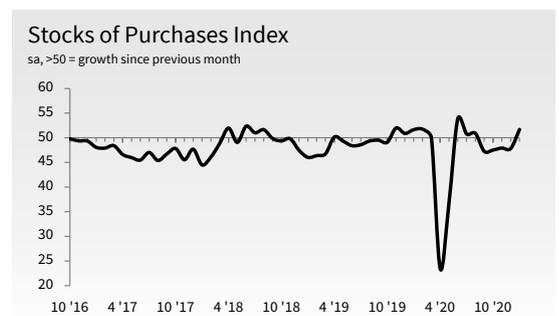


STOCKS OF PURCHASES INDEX

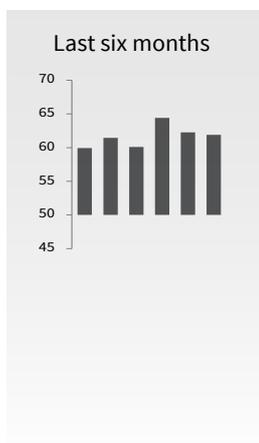


Input buying growth underpins higher stocks

In tandem with robust growth of purchasing activity, pre-production inventories increased during January. The rise was moderate, but ended a four-month sequence of depletion. Manufacturers that noted higher stock holdings reported predictions of near-term expansions in sales and efforts to safeguard against input shortages.

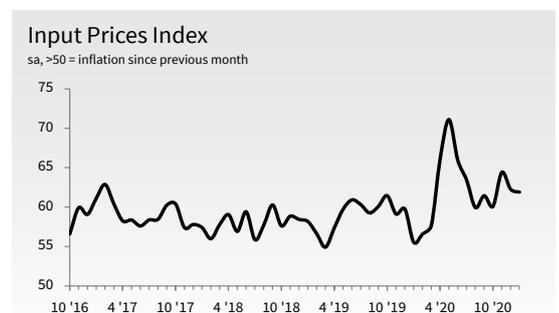


INPUT PRICES INDEX

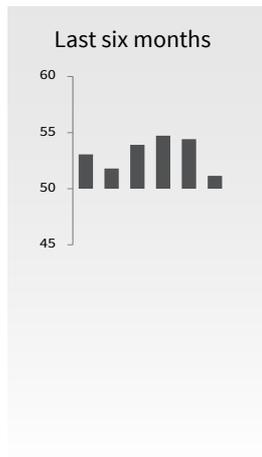


Sharp rise in input costs

Average prices paid for purchases at Colombian manufacturers increased in January, with firms widely mentioning that higher fees stemmed from raw material scarcity at global supply chains. Despite easing to a three-month low, the overall rate of inflation was sharp and among the strongest in the survey history.

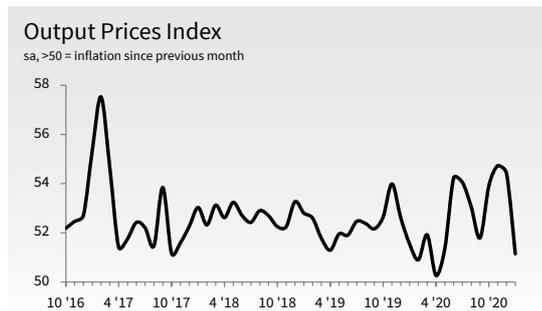


OUTPUT PRICES INDEX

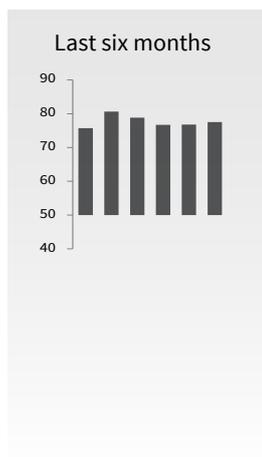


Selling price inflation cools

January data highlighted only a slight rise in factory gate charges across Colombia, with the rate of inflation slowing further from November's recent high. On the one hand, some survey participants hiked their fees due to cost increases. On the other hand, other firms offered discounts amid competitive pressures and sales-boosting initiatives.

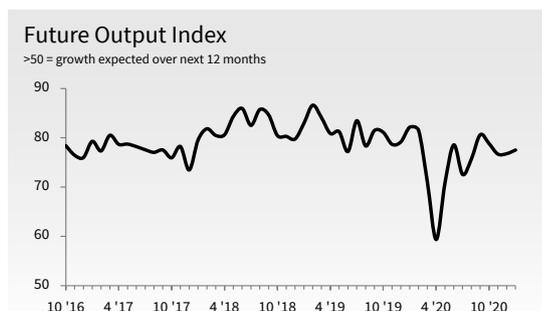


FUTURE OUTPUT INDEX



Business sentiment improves at start of 2021

Export opportunities, product diversification, marketing efforts and the roll-out of COVID-19 vaccines underpinned positive sentiment among Colombian manufacturers towards the year-ahead outlook for output. Furthermore, the overall level of confidence rose to a three-month high in January.



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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.

Data were collected 12-21 January 2021.

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.
ihsmarkit.com/products/pmi.html

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