News Release

Embargoed until 1000 COT (1500 UTC) 1 August 2024

Davivienda Colombia Manufacturing PMI®

Manufacturers signal further contraction in output despite tentative improvement in sales

Key findings

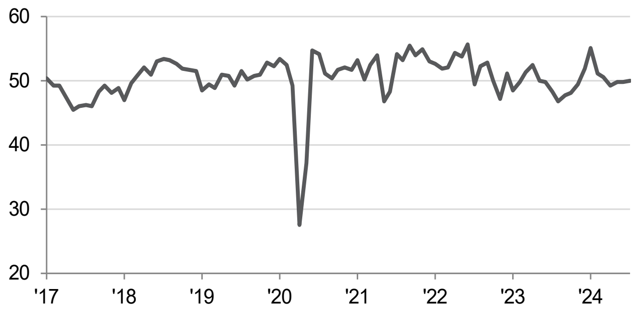
Factory production and employment fall in July

New orders increase for first time in five months

Cost pressures highest in 14 months

Davivienda Colombia Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Davivienda, S&P Global PMI.
Data were collected 11-23 July 2024.

Manufacturing PMI® data highlighted a mixture of positive and challenging developments across Colombia during July. On the plus side, there was a renewed rise in new orders and the strongest upturn in buying levels for six months as business sentiment strengthened. On the other hand, factory production decreased further and employment slipped into contraction. At the same time, the rate of input cost inflation climbed to a 14-month high.

Beneficial improvements offset other obstacles, resulting in a PMI reading of 50.0, which indicated no change in the health of the sector relative to the previous month. The seasonally adjusted Davivienda Colombia Manufacturing PMI nevertheless rose from 49.8 in June, ending a three-month period of worsening operating conditions.

July data showed a fourth successive monthly decline in manufacturing output. The pace of reduction was slight, however, and eased since June. When explaining the latest fall in production volumes, panellists commented on cost pressures, subdued sales, capacity constraints and weak demand for certain goods.

New orders expanded in July, ending a four-month sequence of reduction. That said, the pace of increase was only slight. Firms that noted an uptick reported successful advertising and new client wins. Other companies indicated that competitive pressures, excess stocks at customers and weak demand for certain goods dampened new work intakes at their units.

Amid reports of subdued sales and fewer production requirements, goods producers trimmed headcounts in July. This was sometimes achieved by the non-replacement of voluntary leavers, anecdotal evidence showed. The overall pace of job losses was modest, albeit the fastest in eight months.

Comment

Andrés Langebaek Rueda, Chief Economist Bolivar Group at Davivienda, said:

"The Colombian economy is registering a slow process of reactivation after the monetary squeeze of previous years. We already observe positive annual growth in variables such as car sales and home sales. There is also a positive behavior of imports. The candidate sector to show positive growth in the coming months is retail.

"At Davivienda we hope that the economy has grown by 2.5% in the second quarter of the year, however, our expectation is that the industrial sector will continue to be the most affected. The agricultural sector, the government services and the entertainment and leisure sector will be the ones that most boost the economy at this time.

"It is good to know that orders from the manufacturing sector are beginning to react and that twelve-month production expectations are also improving although they continue at levels much lower than the historical average."

PMI®
by S&P Global

As has been the case since last November, input costs rose at the start of the third quarter. Although below its long-run average, the rate of inflation was marked and the strongest since May 2023. Among the key sources of cost pressures cited by panellists were peso depreciation and list price adjustments at vendors.

Only a few firms hiked their charges in light of rising input prices, with a much larger proportion of companies opting to absorb additional cost burdens amid an excess of goods supply relative to demand and competitive conditions. Subsequently, the overall rate of charge inflation was marginal and slower than in June.

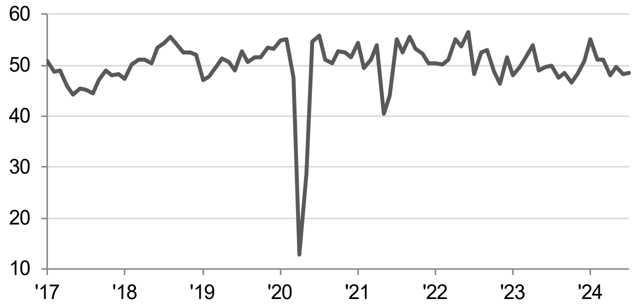
Goods producers in Colombia generally expect inflationary pressures to recede, demand to pick up and marketing efforts to be successful. Coupled with the planned launch of new products, these underpinned upbeat forecasts regarding the year-ahead outlook for output. The level of business confidence rose to a three-month high.

Efforts to safeguard against material shortages and predictions of a rebound in client demand fuelled input buying growth in July. The latest upturn in purchasing activity was the strongest in six months.

Pre-production stocks rose only fractionally in July, which underlying data showed reflected longer lead times on inputs. Panellists commented on the late arrival of items from Asia, as well as domestic challenges such as roadworks, strikes and staff shortages at transportation companies.

Colombia Manufacturing PMI Output Index

sa, >50 = growth since previous month



Sources: Davivienda, S&P Global PMI.

Contact

Andrés Langebaek Rueda
Chief Economist Bolivar Group
Davivienda
+57 601 3300000
alangebaek@davivienda.com

Carlos E. Torres Prieto
Chief Marketing Officer
Davivienda
+57 601 3300000
cetorres@davivienda.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
T: +44-1491-461-075
pollyanna.delima@spglobal.com

Katherine Smith
Public Relations
S&P Global Market Intelligence
+1 781 301 9311
katherine.smith@spglobal.com

Survey methodology

The Davivienda Colombia Manufacturing PMI® is compiled by S&P Global 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. Data collection began in April 2011.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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.

To consult or subscribe to the report, please visit: https://vision.davivienda.com

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.