

News Release

Embargoed until 0830 PHT (0030 UTC) 2 November 2022

S&P Global Philippines Manufacturing PMI[®]

Filipino manufacturing firms report modest expansion in operating conditions during October

Key findings

Modest growth in new orders amid improved demand conditions

Input price inflation gains pace in October

Vendor performance deteriorates at fastest rate in nine months

According to the latest PMI[®] data from S&P Global, Filipino manufacturing firms reported a further improvement in operating conditions during October. Overall growth, whilst slightly softer than the preceding period, stemmed from greater demand, resulting in further expansions in output and new orders.

However, inflationary pressures remained elevated, as average costs increased at a quicker rate compared to that seen in September. Additionally, while factory gate charges rose at a marginally softer rate during October, the latest reading ranked amongst the fastest on record (since January 2016).

The S&P Global Philippines Manufacturing PMI[®] registered 52.6 in October, down from 52.9 in September. While the headline index signalled a slightly softer improvement in the health of the manufacturing sector, the reading posted above the historical average and was modest overall.

Improved demand conditions meant that both production levels and new orders rose for the second month running. That said, while the former noted a slower rise on the month, incoming new business grew at a faster pace.

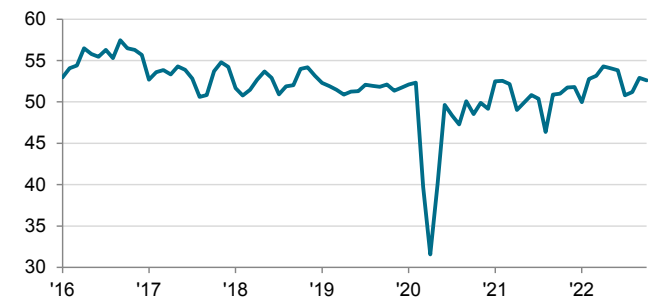
While overall factory orders increased, volumes of new work from abroad contracted at the sharpest pace since the recent sequence of decline began in March.

Growth in new sales resulted in businesses expanding workforce numbers and input buying activity to increase capacity to support production. Employment rose for the sixth consecutive month, while buying activity registered a second successive month of expansion. That said, both noted softer upturns during the latest survey period.

Meanwhile, supply-side constraints continued to hamper the Filipino manufacturing sector. Vendor performance deteriorated sharply during October. The latest extension to delivery times was the greatest since January. According

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 October 2022.

Comment

Maryam Baluch, Economist at S&P Global Market Intelligence, said:

"The latest PMI data revealed yet another round of expansion across the Filipino manufacturing sector. Demand conditions continued to improve, resulting in a further rise in output and new business placed at good producers.

"Firms also signalled growth in buying activity and employment. Despite the pace of the latest upturns easing slightly on the month, firms continued to increase capacity and stocks to support future growth.

"While ongoing growth meant firms remained positive overall, supply-side constraints and rising global inflation continued to weigh on the manufacturing sector. Anecdotal evidence noted shipping delays, bad weather and congestion continued to hamper production. Moreover, currency weakness and global price rises in energy and materials resulted in the rate of input price inflation regaining momentum."

PMI[®]

by S&P Global

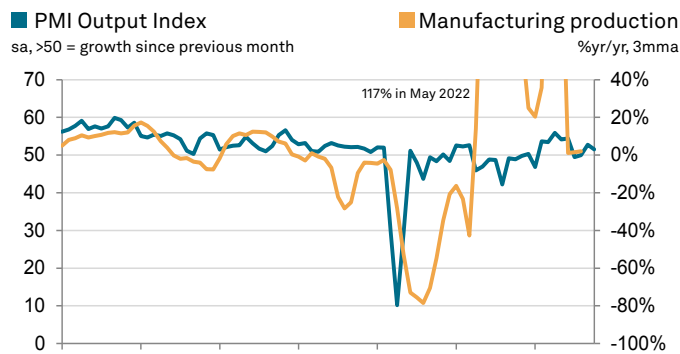
to anecdotal evidence, bad weather and port congestion resulted in shipping delays.

Favourable demand conditions, alongside ongoing strain from supply-chain pressures resulted in an increase in work outstanding during October. While the rate of accumulation was only fractional, it marked the second successive month of expansion in backlogs of work.

On the price front, both average cost burdens and charges levied continued to rise at sharp rates during the latest survey period. Moreover, the pace of input price inflation regained momentum after easing to a 20-month low in September amid reports of higher energy and material costs and an unfavourable exchange rate.

Despite input costs increasing at a quicker rate, firms raised their charges at a slightly slower pace. The respective seasonally adjusted index fell for the second month in a row, to signal the softest uptick in output charges since February.

While an improvement in operating conditions across the manufacturing sector was reported during October, the latest Future Output Index reading took a hit from the recent high in September. Nevertheless, output expectations for the coming 12 months remained optimistic with nearly 60% of panellists upbeat regarding the outlook for production. Confidence was underpinned by hopes of continued upticks in demand over the coming year.



Sources: S&P Global, Philippines Federal Reserve.

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Survey methodology

The S&P Global Philippines Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in January 2016.

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@ihsmarkit.com.

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