News Release

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S&P Global Philippines Manufacturing PMI®

Sustained growth registered across the Filipino manufacturing sector in November

Key findings

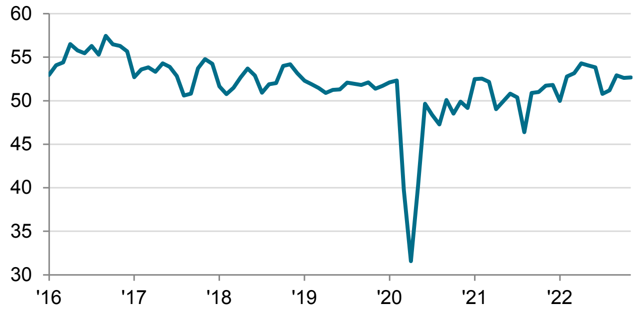
Upturn in output quickens amid strong growth in new orders

Buying activity strengthens during November

Employment numbers fall for the first time since March

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-23 November 2022.

The latest PMI® data from S&P Global signalled a sustained improvement in operating conditions across the Filipino manufacturing sector. Growth stemmed from greater demand which resulted in quicker expansions in production levels and factory orders. Buying activity also increased at a faster pace during November.

However, the seasonally adjusted Employment Index fell below the no-change 50.0 mark, to signal the first slide in workforce numbers since March.

The S&P Global Philippines Manufacturing PMI® registered above the neutral 50.0 threshold for the tenth month running, indicating an improvement in the health of the manufacturing sector. Up fractionally from 52.6 in October to 52.7 in November, the headline figure signalled a modest rate of growth.

Demand conditions remained strong midway through the fourth quarter, as Filipino manufacturing output and factory orders grew for the third consecutive month. Moreover, the rates of increase recorded were the fastest since June. The latest upturns were strong in context of historical data.

That said, export conditions remained weak during November, thereby extending the current sequence of contraction in new export orders observed since March. Weak foreign client demand weighed on total new order growth across the sector which was primarily driven by domestic demand. Nonetheless, the downturn in export sales softened from October's recent low.

Firms increased their purchases of inputs for the third month running in November, to support growth in overall sales and in anticipation of higher orders in the coming months. Moreover, the rate of expansion quickened from October to the fastest in six months, and signalled a solid increase overall.

Growth in output and buying activity resulted in stocks of

Comment

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

"Growth across the Philippines manufacturing sector entered its tenth successive month, with modest expansions in operating conditions seen since September. The improvement across the sector primarily stemmed from greater demand conditions which drove higher sales and output.

"While the manufacturing sector has shown strong gains during 2022, elevated price pressures pose an ongoing threat. Coupled with supply-chain issues, the peso weakening against the dollar adds further fragility. To curb inflation rates, Bangko Sentral ng Pilipinas raised interest rates by 75 base points during November. As the manufacturing sector has heavily relied on demand to help boost growth, the rise in rates, with the prospect of further potential monetary tightening, could impact customer spending. Nonetheless, firms remain strongly upbeat in the outlook for output for the coming 12 months."

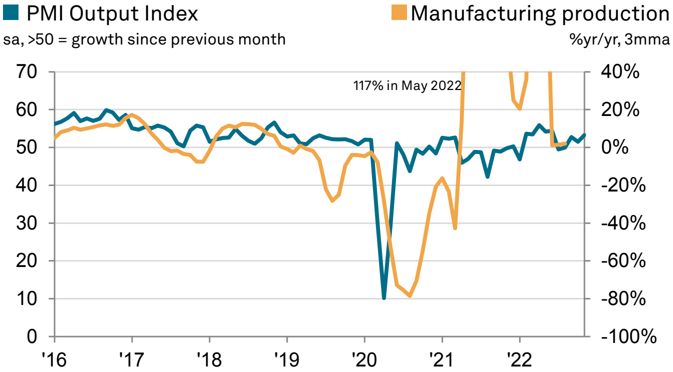
inputs increasing during November. Moreover, the pace of accumulation quickened over the course of the month to the fastest since May. Businesses increased their holdings in anticipation of greater demand.

Backlogs of work fell during November. Surveyed business reported that improvements in production efficiency allowed firms to work through unfinished business. However, firms also recorded a reduction in staffing numbers during the latest survey period, thereby ending the run of job creation that began in May. Resignations among employees was commonly cited as a reason for the fall in workforce numbers.

On the price front, inflationary pressures remained elevated. The rate of input price inflation gathered pace for the second month running, as higher energy costs were primarily blamed for the latest uptick in expenses. Similarly, output prices increased at a quicker rate during November as firms chose to pass costs on to clients. Prices pressures presents a challenge to the sector, which is further exacerbated by the peso weakening against the dollar.

Supply-chain pressures continued to persist during November. While, the incidence of delays was at three-month low, port congestion and material shortages meant that vendor performance deteriorated strongly.

Looking ahead, business expectations remained strongly optimistic as nearly two-thirds of panellists were hopeful of growth in output in the coming 12-months. Moreover, the degree of confidence strengthened on the month. This was often linked to greater client activity, the economy opening up and more firms undertaking new projects.



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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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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