

# News Release

Embargoed until 0830 PHT (0030 UTC) 1 February 2023

## S&P Global Philippines Manufacturing PMI®

### Filipino manufacturing sector grows at a solid rate at the beginning of 2023

#### Key findings

Output and new orders rise sharply in January

Upturn in input buying among the fastest on record

Price pressures continue to ease

The latest PMI® data from S&P Global signalled strong gains across the Filipino manufacturing sector at the beginning of 2023. Firms raised their production levels and sharply bumped-up their buying activity, as a strong and accelerated upturn in new orders was reported in January.

Moreover, price pressures continued to moderate with rates of input price and output charge inflation registering the slowest in 24 and 15 months respectively.

The S&P Global Philippines Manufacturing PMI® edged up for the third month running, hitting a seven-month high of 53.5 in January (December: 53.1). Operating conditions improved solidly, and the rate of expansion posted was strong in the context of historical data.

An expansion in output was registered for the fifth month running. The pace of growth quickened on the month, to signal a sharp rise in production levels. Anecdotal evidence pointed to increasing demand for Filipino manufacturing goods. Similarly, new orders also rose at a faster pace in January.

Additionally, foreign demand for goods manufactured in the Philippines also picked up in January. Growing international client numbers and stronger demand from China helped revive exports for the first time in 11 months.

The latest rise in buying activity reflected firms' willingness to meet growing demand. The rate of expansion was among the fastest on record. Furthermore, with the sustained rise in client activity, manufacturing companies reported a rise in the levels of unfinished work in January - marking only the fifth month of growth in backlogs of work since the series began in January 2016.

Stronger demand conditions also resulted in manufacturers relying on inventories. For the first time in a year, holdings of post-production inventories fell as firms utilised stocks to meet higher new orders. That said, the pace of destocking

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 January 2023

#### Comment

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

"Operating conditions across the Filipino manufacturing sector improved solidly during January, according to the latest PMI data. Sharp upturns were noted in both output and new orders, as panellists cited increased demand for Filipino manufactured goods.

"The data also suggested that the aggressive monetary stance taken by the central bank has been effective as further signs of easing price pressures were recorded in January. Encouragingly, demand has yet to be impacted negatively by policy changes.

"Additionally supply chain pressures also eased further, with panellists citing that improved infrastructure, more vendors and lifting of port restrictions helped with delivery times.

"Overall, strong domestic demand fed into higher optimism for the year ahead. Moreover, the lack of COVID restrictions, greater investment in new products and undertaking new projects aided hopes of a prosperous year for the Filipino manufacturing sector."

PMI®

by S&P Global

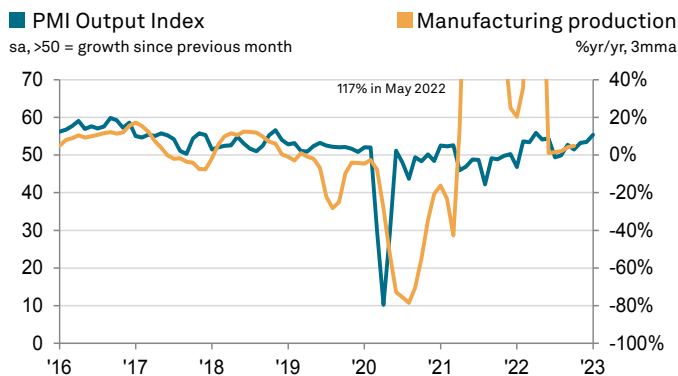
was only slight.

Encouragingly, while demand continued to strengthen, it did not result in operating expenses reheating. Instead, cost pressures moderated further in January. The pace of input price inflation was the slowest in two years and below the survey average, with charges levied also rising at a softer rate than that seen in over a year.

Additionally, the moderation in cost inflation can also in part be linked to easing supply chain pressures. While supplier performance continued to worsen in January, average lead times lengthened at the slowest pace since November 2019 as mentions of third-party vendors and relaxed port requirements helped alleviate supply-chain pressures.

However, rising business requirements did not fully translate into a higher intake of workers. Despite reporting a second month of growth, hiring activity across the Filipino manufacturing sector remained weak. The respective seasonally adjusted index edged close to the 50.0 neutral mark, indicating only a fractional rise in employment during January. Mentions of layoffs and resignations limited the pace of job creation.

Overall, the continued positive performance of the manufacturing sector in January resulted in higher levels of optimism across surveyed business. Improving from a four-month low in December, the degree of confidence was stronger than the historical average. Close to two-thirds of the panellists anticipated higher output in the coming 12 months compared to just 1% that were downbeat.



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](mailto:economics@ihsmarkit.com).

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