News Release

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S&P Global Philippines Manufacturing PMI®

Sustained growth across the Filipino manufacturing sector in February

Key findings

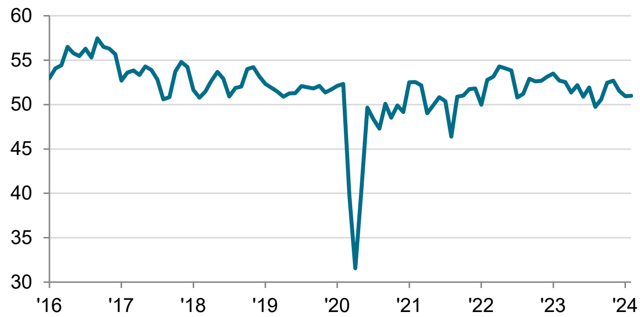
New order growth gains momentum...

...however, growth in output hampered by material shortages

Business confidence slips

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-22 February 2024.

The Filipino manufacturing sector registered a sustained improvement in operating conditions in February, according to the latest PMI® data by S&P Global. The upturn was supported by a stronger rise in new orders. In line with improved demand conditions, manufacturers raised their hiring activity, thereby marking the first month of job creation since last October.

Despite the improved demand climate, growth in output broadly stalled midway through the opening quarter of the year. The slowdown was largely borne from material shortages. In fact, concerns surrounding an insufficient supply of raw materials fed through to the 12-month outlook for output. Sentiment weakened notably and was weaker than the historical average.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – rose from 50.9 in January to 51.0 in February. The latest improvement in the health of the Filipino manufacturing sector was modest overall and marked a sixth consecutive month of expansion.

New orders rose further as underlying demand conditions improved in February, with the rate of growth quickening from January. Additionally, the upturn in new factory orders was also supported by a renewed rise in export sales. While the rate of expansion in new export orders was fractional overall, it marked the first month since last November whereby foreign demand for Filipino manufactured goods improved.

Stronger demand conditions supported firms in their efforts to raise buying activity and employment. February data signalled the first month since last October whereby workforce numbers were raised. Moreover, while the rate of job creation was modest overall, it was the sharpest in 16 months.

Comment

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

"The start of the year was somewhat subdued for Filipino manufacturers, amid muted demand. However, in February, growth in new orders gained momentum, which in turn supported a fresh rise in employment and sustained growth in purchasing activity.

"That said, the sector was held back by the severity of material shortages. Growth in production was only fractional, with firms chipping away at their holdings of inputs and finished items to meet order requirements. These concerns also clouded sentiment, with confidence for the year ahead weakening."

PMI by S&P Global

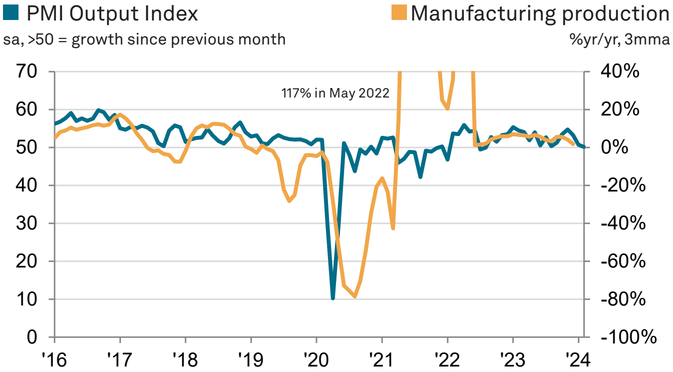
However, while growth in new orders gained momentum, the upturn in production slowed to near-stagnation. The rate of expansion was the weakest noted in one-and-a-half years. An insufficient supply of raw materials was cited as a major hindrance for some firms.

The imbalance between growing demand requirements and insufficient output to complete sales put a strain on inventories. Companies often utilised stocks to meet production requirements. February data highlighted fresh falls across both pre- and post-production inventories. Moreover, the latter was depleted at the strongest rate since January 2022.

Pressures on supply chains persisted, as average lead times for inputs lengthened for the fourth consecutive month in February. Raw material shortages were highlighted as a common factor behind delays, as well as poor weather conditions.

Despite remaining historically subdued, rates of both input price and output charge inflation crept up in February. Higher material costs and rising supplier prices were said to have underpinned the latest rise in cost burdens, which in turn fed through to increased charges as firms sought to pass on hikes in input prices.

Concerns surrounding material shortages also seeped into expectations. The year ahead outlook for production weakened notably during the latest survey period. The level of positive sentiment observed in February matched that seen last October and was the joint-lowest in 20 months.



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@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