

# News Release

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## S&P Global Philippines Manufacturing PMI<sup>®</sup>

### Production levels fall at Filipino manufacturers amid fresh contraction in new orders

#### Key findings

Drop in output and new orders observed in July

Inflationary pressures mount further...

...however, business confidence strengthens

Operating conditions improved during July across the Philippines manufacturing sector. That said, the rate of growth was only slight and, with the exception of January's stagnation, was the weakest in 11 months. The main drivers behind the lower headline figure were fresh contractions seen across both production levels and inflows of new business. According to our survey respondents, client activity was weak in July, with higher charges impeding sales. Despite revealing a much softer improvement in operating conditions, firms remained hopeful for gains in output in the coming 12 months.

The S&P Global Philippines Manufacturing PMI<sup>®</sup> fell from 53.8 in June to 50.8 in July, signalling only a minor improvement in the health of the sector. Down from the highs seen in the previous quarter, the respective seasonally adjusted headline figure measured just slightly above the 50.0 no-change mark that separates growth from contraction.

As the headline figure edged closer the neutral 50.0 threshold, the seasonally adjusted Output and New Orders Indexes dipped below the no-change mark for the first time since January. The rates of reduction were modest but signified a visible change from the strong expansions seen in June, amid challenging demand conditions.

Additionally, client demand from foreign markets weakened further during July. While the pace of decrease was the softest in the current five-month sequence of contraction, global uncertainties and the ongoing impact of the pandemic continued to weigh on export demand.

Moreover, with business requirements receding and prices rising, firms were unenthusiastic to make purchases. Buying activity was muted throughout July, with the rate of increase only fractional overall.

While a slowdown was apparent, firms raised workforce numbers for the third successive month. Efforts to expand capacity were successful as backlogs of work continued to

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-22 July 2022.

#### Comment

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

*"Data from the latest PMI survey indicated a loss in growth momentum at goods producers in the Philippines. Renewed contractions in output and new orders, albeit only mild, were recorded in July. The headline figure slipped to 50.8 in July to signal the slowest expansion since January.*

*"Despite only a marginal rise in input buying and demand for materials, average lead times lengthened to a greater extent as firms noted port congestion, shipment delays and logistical challenges.*

*"Overall, muted growth across the Filipino manufacturing sector, adds caution to the air as inflationary pressures continue to heat up. Despite the downside risks to growth arising from greater inflationary pressure, the outlook for the coming 12 months strengthened in July, with firms upbeat and remaining hopeful of a better global economic climate."*

PMI<sup>®</sup>

by S&P Global

decline in July. The rate of depletion quickened from June, as anecdotal evidence stated lack of new orders and sufficient capacity allowed firms to clear existing backlogs.

Stocks of purchases increased for the eleventh month running in July. However, the rate of accumulation eased, with the latest pace of increase the joint-lowest since October last year. Similarly, stocks of manufactured items grew at a weaker pace.

July data also highlighted a further deterioration in vendor performance, as firms noted that lead times lengthened to the greatest extent in four months. Logistical challenges, shipment delays and port congestion were some of the reasons blamed for delays.

Adding further strain on the sector were near-record rates of inflation. Average cost burdens rose sharply during July, as the pace of increase quickened to a three-month high that was only slightly slower than the peaks seen in March and April. Similar was the case for the charges levied by firms in response to the rising input prices, as output prices rose at the third-sharpest rate on record.

Regardless of signs of weaker demand conditions, confidence regarding the outlook for output over the coming year strengthened to a seven-month high in July. Firms stated that stronger expectations were underpinned by hopes of greater customer demand. That said, sentiment was weaker than the series average.



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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### 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](https://ihsmarkit.com/products/pmi.html).