

News Release

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S&P Global Philippines Manufacturing PMI[®]

Manufacturing conditions improve as output and new orders return to growth

Key findings

Production levels rise for the first time since June

Confidence hits a 49-month high

Input and output price inflation both moderate

Filipino manufacturing firms reported an improvement in operating conditions during September, according to the latest PMI[®] data from S&P Global. Greater client appetite meant that output and new orders returned to growth, while companies added to their payroll numbers for the fifth month running. Moreover, sentiment across manufacturing firms reached the strongest in just over four years.

At the same time, upward pressure on prices eased during the latest survey period, as rates of both input cost and output price inflation softened on the month.

The S&P Global Philippines Manufacturing PMI[®] printed 52.9 in September, up from 51.2 in August. The seasonally adjusted headline figure posted above the neutral 50.0 threshold for the eighth month running, indicating a further improvement in the health of the Filipino manufacturing sector. Moreover, while the rate of increase was modest overall, it was the fastest in three months and was quicker than the series average (51.8).

The two largest sub-components of the PMI (output and new orders), rose during the latest survey period. The rates of increase were only moderate, but a welcome change from the preceding two survey periods. According to anecdotal evidence, greater client appetite helped boost factory orders, with firms then scaling up production.

Though Filipino manufacturers saw inflows of new business increase during September, foreign demand for Filipino manufactured goods weakened, thereby extending the current run of contraction to seven months, and suggesting that growth was primarily driven by domestic demand.

In line with greater output, firms purchased additional inputs for use in the production process. The respective seasonally adjusted index registered above the 50.0 no-change mark after signalling a contraction in the previous survey period. Moreover, with firms anticipating greater demand, holdings of both pre- and post-production stocks increased. The

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-23 September 2022.

Comment

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

"Growth across the Filipino manufacturing sector quickened in September according to the latest PMI data. Firms noted that an increase in customer demand allowed production levels and factory orders to grow for the first time since June.

"Adding to the good news, inflationary pressures, which have been uncomfortably high in the past couple of months, moderated in the latest survey period, hinting that inflation may have peaked.

"That said, inflation rates remained sharp and could still be harmful to demand conditions, with firms citing rising material and energy prices, alongside an unfavourable exchange rate, which could place upward pressure on costs. Moreover, widespread supply-chain issues continue to hamper production.

"Overall, sustained growth across the sector has meant that firms are largely optimistic in regards to expansion in output in the future."

PMI[®]

by S&P Global

upturns for both quickened from those seen in August

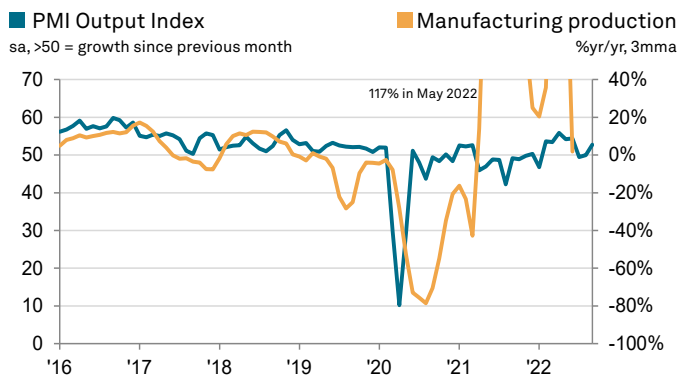
In line with greater new sales across the manufacturing sector, companies continued to add to their payroll numbers. Firms expanded their workforce numbers at the second-fastest rate in the current five-month sequence of increase.

As has been the case since August 2019, vendor performance deteriorated again during September. Moreover, the extent to which average lead times lengthened was the greatest in six months and sharp overall. Shipping delays and post congestion were largely blamed for the deterioration.

As a result of improved demand conditions and persistent supply-chain pressures, Filipino goods producers reported their first increase in work outstanding since February 2016.

Turning to prices, inflationary pressures eased during September. The rate of input price inflation eased to a 20-month low and charges levied increased at a softer rate than that seen in August. That said, the pace of charge inflation was still historically elevated with firms choosing to pass costs on to customers.

Though disturbances in supply-chains hindered production, an improvement in demand conditions helped keep expectations upbeat in September. Moreover, the 12-month outlook for output was strongly positive, and the degree of optimism highest since August 2018.



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.