News Release

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S&P Global Philippines Manufacturing PMI®

Manufacturing output growth quickens to 10-month high

Key findings

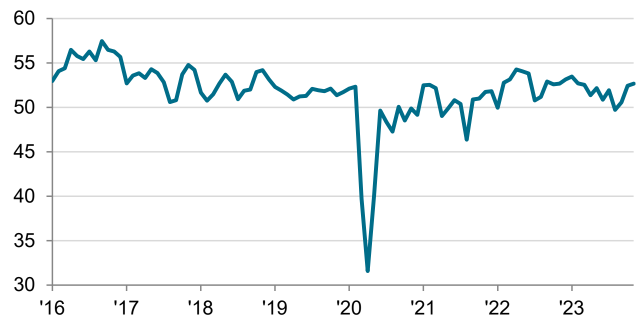
Sustained and stronger expansions in output and new orders

Input price inflation softest in over three years

Fresh falls in employment and purchasing activity

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 09-23 November 2023.

According to the November PMI® survey data, operating conditions across the Philippines manufacturing sector improved at the quickest rate in nine months. Underpinning the latest improvement was stronger demand conditions which helped drive quicker expansions in new orders and output. Moreover, cost burdens grew at the weakest pace in over three years.

Despite strong overall growth, fresh falls were recorded in buying activity and employment during November. A degree of caution towards overstocking led some firms to reduce their input buying, while evidence of continued spare capacity supported a decrease in staffing levels.

The headline S&P Global Philippines Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – ticked up from 52.4 in October to 52.7 in November, pointing to a solid improvement in operating conditions that was the strongest since February.

The uptick in the headline figure reflected gains across the top two PMI components: new orders and output. Indeed, November saw rates of growth quicken to eight- and ten-month highs, respectively. Firms noted that strong demand conditions both in domestic and foreign markets, new client wins and increased contract work boosted overall sales and in turn spurred greater production.

However, November data also highlighted a decrease in purchasing activity for the first time in 15 months. Higher prices for raw materials and concerns of overstocking dissuaded input buying at some firms. However, some businesses continued to purchase inputs amid growing input requirements, thereby helping to offset the overall downturn.

Stocks of purchases expanded for the second month running, although the rate of increase was modest and weaker than in October. Growth in inventories in part stemmed from manufacturing firms holding onto inputs in an effort to

Comment

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

"The latest PMI data from S&P Global signalled a further strengthening of the Filipino manufacturing sector in November. Strong demand conditions supported quicker expansions of both new business and output. Moreover, confidence levels strengthened for the first time in three months, amid hopes of a continued improvement in underlying demand trends in the months ahead.

"However, with levels of unfinished work declining, businesses on the whole opted to lower their employment in November, alongside a reduction in buying activity for the first time since mid-2022. While these fresh contractions were a slight cause for concern, the downturns were shallow overall and may be reversed if growth momentum is sustained, although global headwinds and sluggish demand from overseas markets could act as downside risks in the coming 12 months."

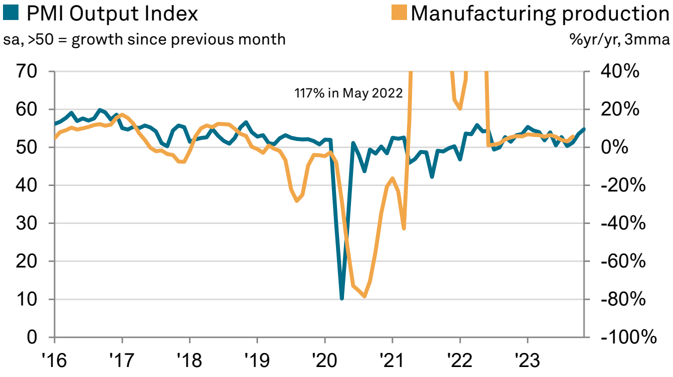
PMI® by S&P Global

become more cost-effective.

November data also pointed to a modest reduction in manufacturing employment, marking a fresh contraction following two months of tepid growth. The drop came amid continued evidence of spare capacity, as backlogs dropped for the fifth month running and sharply, leading some firms to curtail staffing. That said, a sustained rise in new business encouraged other firms to increase their intake of workers.

Meanwhile, vendor performance worsened in November following two months of improvements. The rate at which lead times lengthened was moderate overall, with firms citing material shortages and congestion at ports. This translated into some reports of higher material and supplier costs which were largely blamed for the latest rise in cost burdens. That said, with other price pressures remaining muted, the rate of input price inflation was the weakest recorded in over three years, resulting in a similarly modest uptick in manufacturers' selling prices.

Lastly, Filipino goods producers remained optimistic, with just under half of respondents (46%) predicting an expansion in output in the coming 12 months. While this marked an improvement since October, confidence levels were still historically subdued.



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