

News Release

Embargoed until 0830 PHT (0030 UTC) 1 June 2023

S&P Global Philippines Manufacturing PMI[®]

Stronger upturn in output as suppliers' delivery times improve for the first time since July 2019

Key findings

Average lead times shorten in May

Quicker expansions in new orders and production

Employment rises for the first time since January

The latest PMI[®] survey data signalled a further improvement in operating conditions across the Philippines manufacturing sector during May. After registering a loss in growth momentum during the preceding survey period, both new orders and production expanded at quicker rates. Moreover, employment picked up at a modest pace following three consecutive months of decline.

More positively, the latest survey data highlighted that average lead times for the delivery of inputs improved in May. The degree of improvement was only fractional but marked the first month in which delivery times have shortened since July 2019.

Increasing from April's eight-month low of 51.4 to 52.2 in May, the headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – signalled a quicker improvement in operating conditions across the Philippines goods-producing sector. Moreover, the latest headline figure extended the current run of expansion to 16 consecutive months and posted above the average recorded over the series history to indicate a solid upturn.

The improvement in the health of the Filipino manufacturing sector during May was driven by quicker expansions in both factory orders and manufacturing output, which have now risen each month since September 2022. According to anecdotal evidence, the upturn in new orders stemmed from stronger demand conditions and the acquisition of new clients. Demand from foreign markets also fared well in the latest survey period, with export volumes growing solidly, albeit at a slightly softer pace compared to April.

The sustained uptick in new orders resulted in a turnaround in manufacturing employment. Businesses expanded their hiring activity for the first time in four months, and at the strongest pace since October last year.

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-23 May 2023.

Comment

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

"The Filipino manufacturing sector registered a further expansion during May. The headline PMI figure picked up after printing an 8-month low in April, to signal a quicker improvement in operating conditions. The upturn was supported by a solid rise in both output and factory orders, with firms also expanding their workforce numbers for the first time in four months. More encouragingly, vendor performance improved in May for the first time in almost four years. Companies reported that improved logistics routes helped shorten delivery times.

"Moreover, while the latest data did signal a re-intensification of price pressures in May, rates of inflation were weaker than their historical averages. In terms of future output, firms remain largely upbeat, though confidence did take a slight hit and dipped to an 11-month low."

PMI[®]

by S&P Global

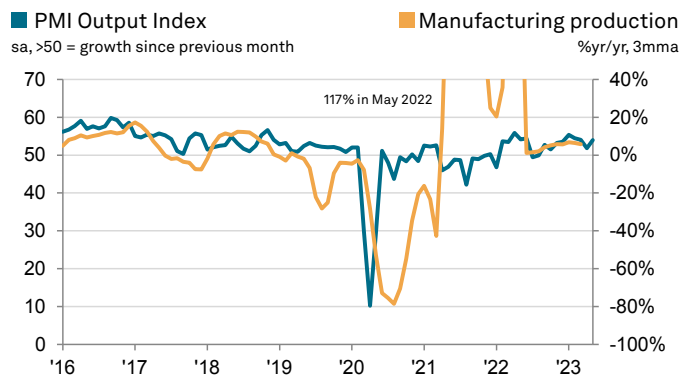
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Buying activity also increased, and for the ninth straight month during May, with the rate of growth broadly in line with that seen in April. Firms purchased additional inputs to meet growing demand. Moreover, in anticipation of future demand, manufacturing firms were keen to raise their inventory levels. Stocks of pre-production items rose further, thereby extending the current sequence of growth seen since September 2021, while manufacturers also raised their holdings of finished items following back-to-back months of depletion.

Filipino manufacturing firms also reported improvements in supply chains, which resulted in shorter delivery times for inputs in May. This marked the first time in 46 months that the respective seasonally adjusted index posted above the neutral 50.0 threshold. However, the extent to which delivery times improved was fractional overall amid some ongoing reports of material scarcity.

Turning to prices, the latest survey period highlighted a renewed intensification of price pressures. Firms noted that high energy, material and supplier costs were passed on to clients in response to sharper cost inflation. That said, the rates of inflation in input prices and output charges were softer than their respective series averages.

Looking ahead, Filipino goods producers remained broadly optimistic in regards to future growth in output. Approximately 41% of panellists anticipate expansions in production in the coming 12 months, with hopes that new projects and stronger demand will drive growth. However, the degree of confidence moderated to an 11-month low and remained 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@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.