

News Release

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S&P Global Philippines Manufacturing PMI®

Manufacturing firms increase employment levels for first time since February 2020

Key findings

Output and new orders rise solidly but at a softer pace than April

Employment increases for first time since February 2020

Post-production stocks rise at fastest rate since December 2016

The Philippines' manufacturing sector registered a further improvement in operating conditions during May. Both output and new orders grew at solid rates despite easing from the recent highs experienced in the previous survey period. Nonetheless, sustained growth across the manufacturing sector resulted in the first rise in workforce numbers since February 2020. Additionally, post-production inventories rose at the fastest pace since December 2016 as firms sought to stockpile in anticipation of further new order growth.

On the price front, input costs and output charges continued to increase at some of the quickest rates on record. Paces of inflation slowed for the second month running from the survey highs seen in March, but remained historically elevated.

The S&P Global Philippines Manufacturing PMI® fell fractionally from 54.3 in April to 54.1 in May. The latest headline index reading signalled a further expansion across the manufacturing sector, and one that was the second-fastest since November 2018. Despite briefly stalling in January, the latest upturn was the eighth in the last nine months.

Production volumes and intakes of new orders grew at solid rates. Despite rates of expansion softening slightly from April, they were the second-fastest since November 2018, respectively. In contrast, foreign demand for Filipino goods contracted for the third month running. The downturn was solid and quickened from the preceding survey period. Anecdotal evidence highlighted that ongoing pandemic-related restrictions in China led to dampened demand and shipment delays.

The ongoing COVID-19 recovery and the relaxation of the pandemic restrictions in the Philippines resulted in improved domestic demand conditions, according to panellists. Thus, manufacturing firms increased their purchasing of pre-

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 May 2022.

Comment

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

"The latest survey data signalled a further expansion across the Philippines manufacturing sector. Growth remained strong despite output and new orders increasing at slightly softer rates.

"As pandemic restrictions ease, strong demand conditions resulted in firms increasing hiring activity for the first time since early-2020. At the same time, companies continued to accumulate stocks in anticipation of greater demand in the coming months.

"Additionally, business confidence remained strongly optimistic, with firms hopeful of greater output in the coming 12 months. However, the downside risks to the sector come in the form of persistent inflationary pressures and supply chain disruptions which have been further exacerbated by the war in Ukraine and China's zero-COVID policy."

PMI®

by S&P Global

production inputs at a sharp rate. Additionally, panellists remained keen to build stocks as they anticipated higher sales in the coming months. As a result, holdings of raw materials and semi-finished items rose for the ninth month running. At the same time, post-production inventories grew at the strongest rate since December 2016.

Manufacturing backlogs of work in the Philippines continued to be depleted during May. The fall in work-in-hand was strong overall, as firms highlighted sufficient capacity to process incoming new sales.

Demand recovery and greater production requirements resulted in a rise in payroll numbers in May. Workforce numbers increased for the first time since February 2020, and at a moderate pace. Job creation in May follows unchanged staffing numbers seen in April.

At the same time, while rates of inflation slowed, both average cost burdens and output charges rose markedly during May. Exacerbating increases in expenses, May data also signalled a further deterioration in vendor performance, as lead times lengthened to a greater extent than in April.

Lastly, the global uncertainty stemming from the Russia-Ukraine war and the stringent COVID-19 lockdowns in China, continued to weigh on output expectations at manufacturing firms in the Philippines. As a result, business confidence softened in May. That said, firms remained upbeat amid hopes of a further expansion in production and greater client demand in the coming 12 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@ihsmarkit.com.

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