News Release

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S&P Global Philippines Manufacturing PMI®

Solid demand continues to drive growth across the Philippines manufacturing sector

Key findings

Strong growth in output and new orders, albeit slightly softer

Cost burdens rise at an accelerated pace in February

Employment falls for the first time in three months

The latest PMI® data from S&P Global signalled an improvement in the health of the Filipino manufacturing sector in February. Growth remained solid as output and new orders, the two largest contributors to the headline index, expanded further. New customers and greater client demand helped drive the increase in new sales as many panellists reported productions levels returning to pre-pandemic times.

That said, costs burdens remained stubbornly high, with the latest data indicating an intensification in price pressures. The rise in operating expenses was linked to the higher prices at suppliers.

Though printing above the historical trend and expanding the current run of growth to thirteen successive months, the S&P Global Philippines Manufacturing PMI® slipped from January's seven-month high of 53.5 to 52.7 in February. The latest reading signalled the softest improvement in operating conditions in three months.

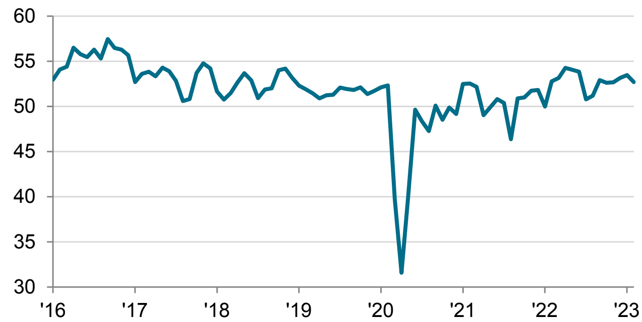
Overall growth in the manufacturing sector was supported by strong, albeit slightly slower, expansions in output and new orders. As per anecdotal evidence, greater demand from customers and a growing clientele helped drive the latest upturns.

Greater production requirements meant that firms also raised their purchasing activity, with input buying increasing for the sixth straight month. Although sharper than the series average, February data signalled a softer rise in acquisitions of raw materials and semi-finished goods.

Similarly, Filipino firms were keen to maintain their stocks in anticipation of greater sales in the months ahead. Pre-production inventories rose for the eighteenth consecutive month, despite the rate of accumulation easing to a four-month low. Meanwhile, post-production inventories rose in February following the first decline recorded in a year during January.

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-21 February 2023.

Comment

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

"According to the latest PMI data, growth across the Filipino manufacturing sector remained solid midway through the first quarter of 2023, albeit easing slightly from January. Both production levels and factory orders rose at solid rates and were stronger than their respective historical averages.

"However, with production requirements increasing at a softer pace in February, employment fell slightly for the first time in three months. Moreover, ongoing supply chain concerns continued to remain a drag on the sector. Supplier performance worsened further, and to a greater extent, as material scarcity, port congestion and difficult transportation conditions resulted in a further lengthening of average lead times. Moreover, higher prices at suppliers directly fed into cost burdens, causing input price inflation to rise at a rapid and accelerated pace.

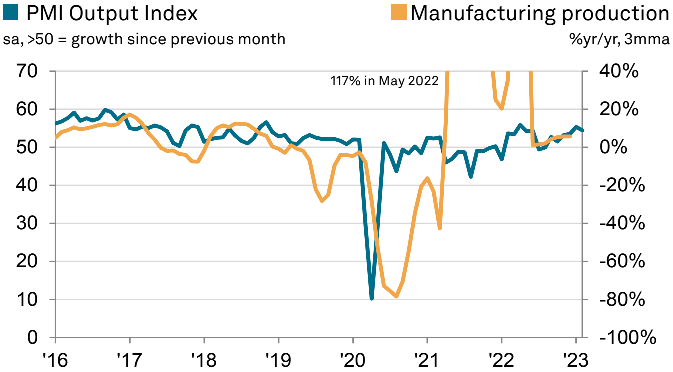
"Despite the ongoing supply-side challenges and an uncertain international climate, the Filipino manufacturing sector has remained resilient, benefitting greatly from domestic demand. Firms hope that the buoyancy in the market is maintained as we progress further into the year."

However, February data did reveal some areas of concerns. Reflecting a softer rise in output, the seasonally adjusted Employment Index ticked down for the second month running and signalled the first fall in workforce numbers since last November. There were reports of resignations, with several firms also actively laying off staff. That said, the pace of job shedding was marginal overall. Additionally, Filipino manufacturing firms registered a renewed fall in backlogs of work.

Moreover, supply chain conditions continued to look bleak, with average lead times lengthening to a greater extent in February. Mentions of port congestion, higher volumes of orders and material scarcity all weighed on vendor performance and resulted in a further deterioration.

In terms of prices, after softening in January, February data revealed a further intensification of both input price and output charge inflation. The latest upticks in input costs and output charges, though less pronounced than their respective averages during 2022, were often linked to increases in raw material prices and greater supplier charges.

Lastly, looking forward, Filipino manufacturing firms maintained a positive year-ahead outlook for output. In February, half of the panellists expected higher output in the coming 12 months. However, sentiment weakened from January, and was below the long-term series average as concerns regarding competition and the rising costs of inputs seeped into expectations.



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.

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