

# News Release

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## S&P Global Philippines Manufacturing PMI<sup>®</sup>

### Growth in manufacturing production accelerates amid sustained uptick in new orders

#### Key findings

Growth in new business supports manufacturing performance

Staffing levels fall for the second straight month

Average lead times lengthen sharply

Manufacturers in the Philippines signalled a modest improvement in operating conditions at the start of the third quarter, as both factory orders and manufacturing production registered quicker expansions. Moreover, export sales increased at an accelerated pace, driven by growth in foreign clients. As a result, companies further raised their buying activity in line with greater production requirements. However, manufacturing employment was cut for the second successive month, albeit only marginally. Although historically muted, inflationary pressures strengthened slightly.

In part driving input costs up was a sustained deterioration in supply chains, with July data signalling a further lengthening of average lead times.

The headline S&P Global Philippines Manufacturing PMI<sup>®</sup> – a composite single-figure indicator of manufacturing performance – picked up from June's 11-month low of 50.9 to 51.9 in July. Operating conditions have now improved on a monthly basis for one-and-a-half years.

Underpinning the latest uptick in the headline index reading was a quicker rise in new orders. Anecdotal evidence noted that a growing customer base and improved underlying demand trends propelled the latest upturn. At the same time, foreign demand for Filipino goods grew for the seventh successive month. The rate of growth in new export orders accelerated to a three-month high.

Subsequently, the rate of output growth accelerated after having eased to a ten-month low in June. Moreover, the respective seasonally adjusted index signalled a modest expansion in production volumes overall.

Greater production requirements and a faster rise in new orders fed into a sharper expansion in purchasing activity during July. The rate of growth was the fastest since January and solid overall.

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.  
Data were collected 12-24 July 2023.

#### Comment

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

*"The latest PMI reading for the Filipino manufacturing sector signalled a stronger improvement in operating conditions at the start of the third quarter. Continued improvement in the underlying demand picture helped drive the latest uptick, with both production and new orders recording stronger rates of expansion. New export orders also increased during July.*

*"Moreover, though July data reported a slight intensification of price pressures, rates of both input price and output charge inflation have eased considerably from the highs seen over the last three years. The latest data adds to our current forecast that the central bank will abstain from further tightening its monetary policy in the near-term.*

*"Lastly, after vendor performance improved in May for the first time in nearly four years, July data signalled the most pronounced extension to average lead times in seven months. If vendor performance further deteriorates, this could pose a headwind for the Filipino manufacturing sector."*

PMI<sup>®</sup>

by S&P Global

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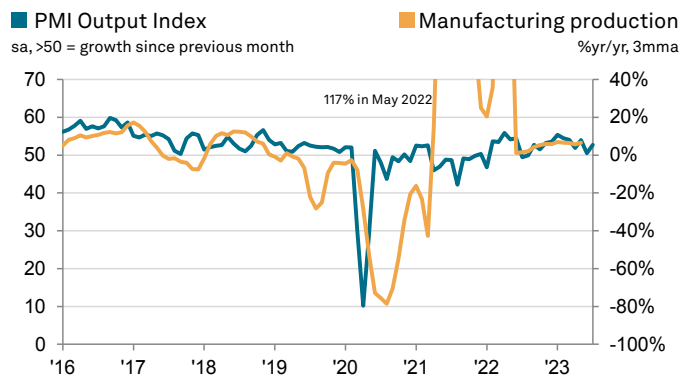
Meanwhile, pre-production inventories fell in July, albeit only fractionally, as some firms utilised pre-existing stock to meet new order requirements. Holdings of finished goods recorded a renewed expansion amid reports of companies increasing their post-production inventories in preparation of greater anticipated sales.

Capacity pressures eased in July, with overall volumes of work-in-hand falling for the first time in five months. With firms able to keep up with production requirements, Filipino goods producers were able to pair back staffing levels for the second successive month. There were some reports of resignations as well, which also partly underpinned the latest reduction in payroll numbers.

Filipino manufacturing firms recorded a further deterioration in vendor performance in July. After shortening for the first time in nearly four years during May, average lead times have been extended for two consecutive months. Moreover, the rate at which delivery times worsened was the most pronounced since December 2022.

July data signalled a slight pick-up in inflationary pressures. Both input prices and output charges rose at accelerated rates. Nonetheless, the latest paces of increase were among the slowest seen since current run of inflation began in May 2020.

Lastly, though business expectations regarding future output eased from June's five-month high, they remained optimistic in July. Nearly a half of survey respondents foresee growth in production over the coming 12 months.



Sources: S&P Global PMI, Philippines Federal Reserve.

## Contact

Maryam Baluch  
Economist  
S&P Global Market Intelligence  
T: +44-13-4432-7213  
[maryam.baluch@spglobal.com](mailto:maryam.baluch@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +82 2 6001 3128  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

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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](mailto: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](https://ihsmarkit.com/products/pmi.html).