

# News Release

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

### Filipino manufacturing output slides into contraction for the first time since July 2022

#### Key findings

Material shortages feed through to fresh decline in output

Confidence levels slip to near four-year low

Manufacturers record fresh fall in selling prices

The latest PMI<sup>®</sup> data by S&P Global indicated only a modest improvement in the health of the Filipino manufacturing sector during March. Though the pace of expansion was largely sustained from the previous survey period, growth in new orders remained historically subdued. Furthermore, production lapsed back into contraction for the first time since July 2022 amid material shortages. Companies raised their employment and buying activity at stronger rates and renewed their efforts to replenish inventories. That said, the degree of confidence in the outlook for output over the coming year dropped to a near four-year low.

In terms of prices, the rate of input cost inflation softened to the weakest since October 2020. Additionally, charges levied for Filipino manufactured goods fell for the first time in nearly four years.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – remained broadly unchanged from 51.0 in February to 50.9 in March. The latest reading marked a seventh consecutive monthly improvement in operating conditions across the Philippines manufacturing sector, albeit one which was modest overall.

Central to the latest improvement across the sector was a further expansion in new orders received in March. That said, the rate of growth moderated on the month and was the second-weakest in the current seven month sequence of expansion.

However, after broadly stalling in the previous survey period, output fell for the first time in 20 months in March. While some firms noted softer demand conditions, others commented that material shortages hampered capacity, as evidenced by the lengthening of supplier lead times.

Nonetheless, rising new work fed through to hiring activity, with job creation noted for the second straight month. Moreover, the rate of growth was the strongest recorded in

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-21 March 2024.

#### Comment

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

*"The health of the Filipino manufacturing sector revealed some underlying concerns as the first quarter came to a close. Contributing to the somewhat mixed picture was a fresh fall in production levels, with companies attributing this to material shortages. The downturn came despite firms in general recording sustained demand for goods. However, if firms are able to successfully secure materials and build their stocks, the downturn in output could be fleeting. Additionally, the employment picture also improved, and firms raised their buying activity further in a bid to account for material shortages.*

*"Sentiment among manufacturers weakened and was the least optimistic in nearly four years. Firms were concerned that increased market competition would limit growth prospects. However, hopes of demand conditions domestically and globally strengthening continued to buoy confidence levels."*

PMI<sup>®</sup>

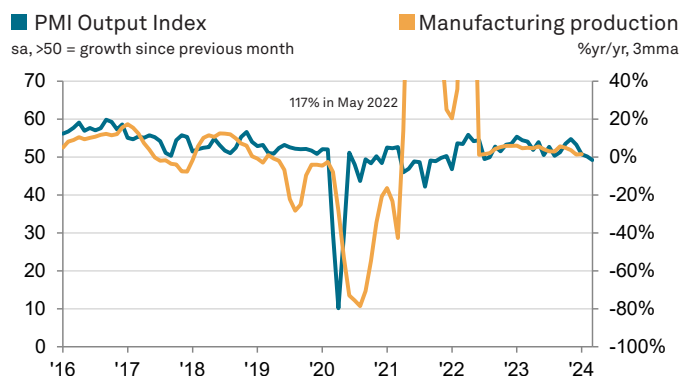
by S&P Global

one-and-a-half years.

Additionally, growth in new orders also supported a fourth consecutive monthly rise in buying activity during the latest survey period. Although only marginal, the rate of growth quickened on the month. Moreover, following a month of destocking, firms were also keen to rebuild inventory levels. The quarter ended with fresh and stronger expansions in holdings of both pre- and post-production inventories.

In terms of prices, March data revealed a loss of momentum in cost pressures. Though firms cited that prices for raw materials continued to rise as a result of El Nino and material shortages, some noted that suppliers had moderated hikes in their charges in a bid to drive sales. As a result, cost burdens rose at the weakest pace since October 2020. Furthermore, Filipino goods producers reduced their selling prices for the first time in nearly four years, albeit only fractionally.

Lastly, looking at the year ahead, manufacturers across the Philippines maintained an optimistic outlook for output. That said, for the third straight month, confidence levels across the sector slipped. In fact, sentiment was the weakest since April 2020, with firms concerned about growing market competition impacting performance.



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](mailto:economics@spglobal.com).

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