News Release

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S&P Global Philippines Manufacturing PMI®

Filipino manufacturing sector sees surge in growth during September

Key findings

Sharper expansions in output and new orders

Fresh rise in employment

Supply chain pressures escalate

Philippines Manufacturing PMI

sa, >50 = growth since previous month

Source: S&P Global PMI.
Data were collected 12-24 September 2024.

The Filipino manufacturing sector ended the third quarter on a solid note, according to the latest PMI® data by S&P Global. A robust expansion in new orders drove a matching uptick in production volumes, which in turn, supported hiring and greater purchasing activity. Stronger performance of the sector also boosted confidence in the year-ahead outlook for output which strengthened to a four-month high. Turning to prices, while cost pressures ticked up, the rates of increase in input prices and output charges were weaker than their respective long-run averages.

However, goods producers also indicated growing challenges during the latest survey period, amid sharply deteriorating supplier performance and a notable downtick in new export orders.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – has now posted in growth territory (above the 50.0 neutral mark) in each month since September 2023. Moreover, the latest index reading of 53.7 during in September, up from 51.2 in August, was the highest since mid-2022, and indicated a solid improvement in the health of the Philippines manufacturing sector.

The uptick in the headline index was driven by solid and matching rates of expansion in both new orders and output. The respective seasonally adjusted indexes signalled a quicker pace of growth on the month, ticking up to a 20- and ten-month high, respectively. Anecdotal evidence pointed to improving underlying demand trends, new client wins, and the successful launch of new products.

That said, Filipino goods did not fare well internationally. A second consecutive monthly decline in new export orders was recorded in September, with the latest downturn the most severe in over four years.

Nonetheless, the overall rise in new orders meant that firms were able to raise both their hiring and purchasing activities.

Comment

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

"The Filipino manufacturing sector showed a significant improvement at the end of the third quarter, as indicated by the latest PMI data. Overall new orders increased at a much faster pace, despite demand for Filipino goods taking dropping notably in international markets. Consequently, manufacturers boosted production at a strong rate.

"While weak international demand and supply chain issues will act as headwinds, robust domestic demand is expected to drive growth. Moreover, increasing production needs and heightened confidence among manufacturers led to increased hiring and purchasing activity in September, the latter rising at the strongest pace since January 2023.

"Price pressures also rose due to supplier charge increases and recent weather events affecting raw material costs. However, inflationary pressures remain historically subdued which supports the central bank's recent decision to ease monetary policy."

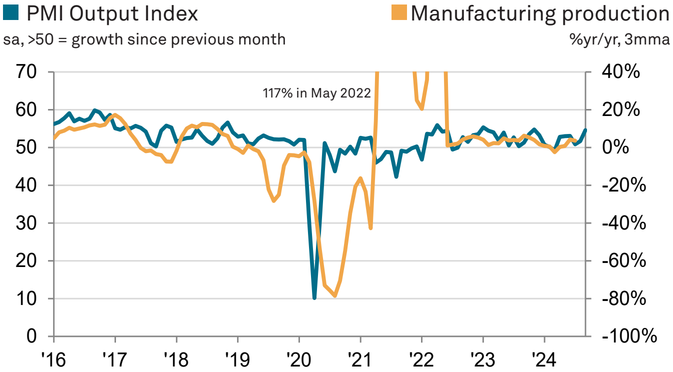
A fresh round of job creation was registered in September. The rate of employment growth, though modest, was the strongest since March. Nonetheless, growing levels of new work fed through to a rise in backlogs of work in September, thereby marking a first month of accumulation since May 2023.

The rate at which purchasing activity was raised also picked up during September and hit a 20-month high. While some of the purchases were used directly for production requirements, firms also expanded their inventories in anticipation of sales in the coming months and to protect themselves from predicted supply-chain disruptions. The increase in pre-production inventories in September was only modest, however.

Moreover, the decline in vendor performance was the most pronounced since December 2022.

Inflationary pressures also intensified in September, with firms attributing this to higher supplier prices and weather events. The rate of input price inflation ticked up to a seven-month high. However, the rate of charge inflation was broadly in line with that seen in August, and signalled only a modest uptick in selling prices. Moreover, in both cases, the rates of increase remained historically subdued.

Finally, expectations for the year-ahead outlook for output brightened during September, with confidence at manufacturers the highest since May. Firms anticipate that demand trends will continue to improve, and thus should support further growth in production.



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.

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi