News Release

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S&P Global Philippines Manufacturing PMI®

Solid rise in output as client demand strengthens

Key findings

Output increases at faster rate amid strong growth in orders

Inflationary pressures remain sharp

Business confidence slips to lowest since April 2020

June PMI data indicated a solid improvement in operating conditions across manufacturing firms in the Philippines. Output and total new orders expanded at a quicker rate than that seen in May, thereby continuing the current respective sequences of expansion to five months. However, while business confidence remained positive overall, optimism dipped to the lowest since April 2020.

In terms of prices, both cost burdens and the charges levied by firms rose for the twenty-sixth consecutive month. Despite easing, the rates of input price and output charge inflation were among the fastest on record.

The S&P Global Philippines Manufacturing PMI® slipped marginally to 53.8 in June from 54.1 in May. Despite a loss in growth momentum for the second month running, operating conditions have now improved for five successive months, with the headline PMI figure signalling solid overall growth in the manufacturing sector.

Moreover, production levels increased at the second-fastest pace since November 2018. Anecdotal evidence noted higher customer demand prompted greater output in June.

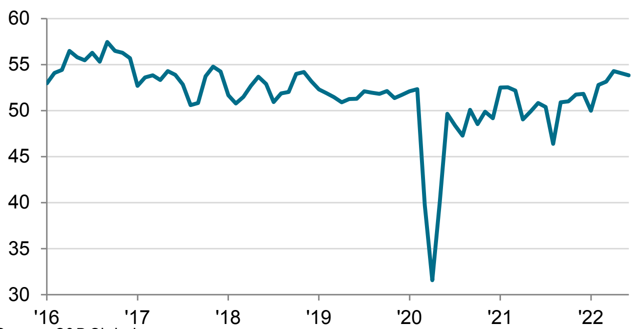
Driving the rise in production, factory orders received at goods producers also increased at an accelerated pace in June. That said, export volumes contracted again, as has been seen in each month since March. Weak international client demand and supply issues reportedly led to diminished volumes of new work from abroad.

With activity picking up at manufacturing firms, employment levels rose for the second successive month in June. While the rate of job creation was only mild and eased from May, the rise in workforce numbers was linked to greater production requirements and increased new orders.

On the other hand, June data also signalled a softer increase in manufacturing firms' input procurement. Only a modest rise in the quantity of input purchases was registered in the

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 13-23 June 2022.

Comment

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

"The Philippines manufacturing sector continued to note solid growth in June. Production levels rose, driven by a faster increase in new orders.

"Domestic demand remained strong as the lifting of pandemic restrictions allowed customer activity to pick-up. In contrast, foreign client demand contracted for the fourth month running, and at a sharper pace."

"That said, businesses were more hesitant in their output expectations for the year ahead as downside risks to growth remain. The degree of confidence hit a 26-month low as firms highlighted concerns surrounding supply-side challenges, persistent inflation, energy price increases and peripheral global uncertainties that continue to spillover and restrain the Filipino manufacturing sector."

PMI® by S&P Global

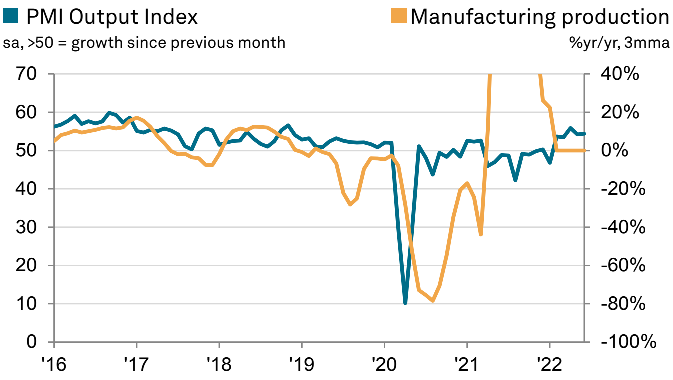
latest survey period, as the respective seasonally adjusted index posted the closest to the 50.0 no-change mark in the current sequence of expansion that began in February 2022.

Similarly, both pre- and post-production inventories increased at a softer pace compared to that seen in May but remained modest overall as firms noted rising business requirements.

On the price front, average cost burdens rose further as companies continued to register higher energy and raw material prices. While the rate of inflation eased for the third month running, it remained sharp overall.

With average cost burdens rising, firms continued to pass greater input prices on to their customers. Output prices also markedly, albeit at a softer pace compared to May.

However, concerns regarding the outlook for output over the coming year were apparent. Rising fuel prices and inflationary pressures weighed on business expectations. Manufacturing firms in the Philippines registered the lowest level of optimism since April 2020. That said, companies remained optimistic overall regarding any output expansion in the coming 12 months. Confidence was pinned on hopes of improving economic conditions as the impacts of COVID-19 continued to diminish.



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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