News Release

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S&P Global Philippines Manufacturing PMI®

Sustained improvement in performance across the Filipino manufacturing sector in May

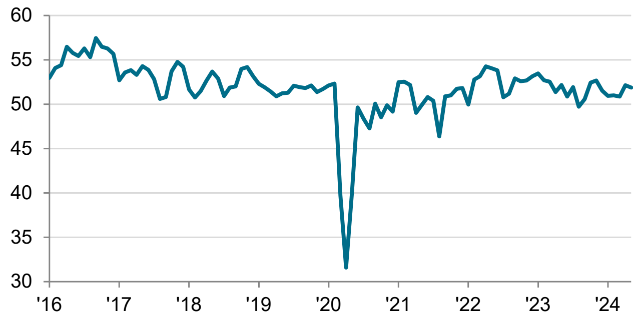
Key findings

Solid expansions in output and new orders

Optimism hits a nine-month high

Fresh fall in employment

Philippines Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 10-23 May 2024.

The latest PMI® data by S&P Global, signalled sustained improvement in the health of the Filipino manufacturing sector in May. Production and new orders continued to rise solidly. Demand conditions in foreign markets also improved, as new export orders rose at an accelerated rate. Growing business requirements encouraged firms to raise their buying activity and build their stocks.

Despite gains made across the manufacturing sector, goods producers struggled to raise their employment numbers in May, marking the first instanceof job shedding in five months.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted above the neutral 50.0 mark that separates contraction from expansion for the ninth successive month in May. At 51.9, slightly down from 52.2 in April, the headline figure indicated a modest improvement in operating conditions and one which was broadly in line with the series average.

Growth in total sales was sustained in May, though the rate of Increase eased fractionally from April. Nonetheless, a further improvement in underlying demand trends and an expanding customer base helped stretch the current run of increase to nine consecutive months.

Demand from external markets strengthened in May, with new export orders rising for the fourth straight month and at a pace that was the most pronounced since December 2016. Growth in new sales from abroad was widely attributed to improved demand trends in key export markets and new client wins.

Growth in sales encouraged firms to raise their production volumes, with an increase now noted in each of the last two survey periods. Moreover, output expanded at a quicker rate, and one that was the fastest in the year-to-date.

Comment

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

"The Filipino manufacturing sector continued to report further gains mid-way through the second quarter, with growth sustained in new orders and output. Further expansions in business requirements supported a rise in purchasing activity and inventories. However, firms struggled to maintain their workforce numbers with job shedding noted for the first time in five months. Though with backlogs continuing to fall, goods producers still appear equipped to deal with tasks on hand. Latest data also signalled a fall in input prices, with some companies attributing this to a switch to new suppliers. However, charges continued to rise, indicating that firms wished to maintain and build their margins.

"Subdued inflationary pressures and a further improvement in the demand picture indicates that economic growth will likely be sustained in the coming months. Reflecting positive sentiment, optimism picked up to a nine-month high."

PMI® by S&P Global

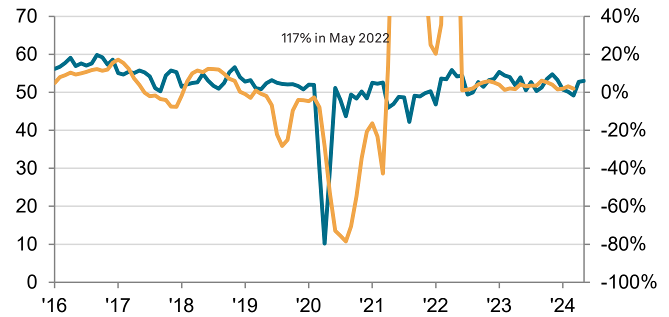
In line with sustained growth in production requirements May data signalled a sixth successive monthly rise in input buying. Though the pace of increase softened, manufacturers in the Philippines expanded their purchasing activity solidly.

Many companies were also looking to build their inventories in order to meet continued growth in output. Moreover, pre-production inventories were accumulated at a pace strongest in 13 months. Stocks of finished goods were also raised in May, though the rate of growth was the weakest in the current three-month sequence of expansion.

Despite growth in production requirements, companies struggled to raise their staffing levels, with job shedding noted for the first time since December 2023. The rate of decrease was the fastest in nine months, with firms largely attributing this to voluntary leavers. Backlogs, though, continued to fall, indicating that many companies were equipped to handle the sustained rise in demand.

On the price front, cost burdens fell, albeit fractionally, for the first time since April 2020. Some companies noted switching to more competitively priced suppliers underscored the latest drop in costs. However, charges were raised at an accelerated pace, indicating that companies are looking to build their profit margins.

Looking ahead, expectations for the 12-month outlook for output picked up for the first time in five months, with optimism hitting a nine-month high. Firms were hopeful of further improvements in demand conditions and had planned to expand their business operations and introduce new products.



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