

News Release

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S&P Global Philippines Manufacturing PMI[®]

April data signals softer growth across the Filipino manufacturing sector

Key findings

Output and new order growth slows

Operating expenses rise at weakest pace in 30 months

Employment falls for third consecutive month

The latest PMI[®] survey data signalled a further improvement in the health of the Filipino manufacturing sector at the start of the second quarter. However, softer upturns in production and new orders and a further decrease in employment - albeit only marginal - resulted in a weaker improvement in business conditions in April.

On the price front, cost pressures continued to soften in April. Both operating expenses and factory gate charges rose at the softest rates in 30 and 28 months, respectively.

The headline S&P Global Philippines Manufacturing PMI - a composite single-figure indicator of manufacturing performance - signalled a fifteenth successive monthly improvement in operating conditions across manufacturing firms in the Philippines. That said, at 51.4 in April, down from 52.5 in March, the latest quarter started on a softer footing. The headline figure was at an eight-month low and posted below the average recorded over the series history.

Contributing to the softer uptick in business conditions across the Filipino manufacturing sector was a relatively muted upturn in new business. The rate of growth was the weakest in the current eight-month sequence of expansion amid reports of increased market competition and softer demand. In contrast, April data suggested much sturdier demand for Filipino manufactured goods from foreign markets, as new export orders grew at a strong pace. In fact, the rate of expansion quickened to the joint-fastest in nearly two years.

In line with the softer uptick in new business, firms also expanded their output, but at the weakest pace in six months.

Furthermore, widespread reports of resignations resulted in a third consecutive monthly contraction in payroll numbers across Filipino manufacturing firms in April. Though the rate of job shedding was marginal, firms linked this to difficulties in retaining staff. Moreover, alongside reports of staff shortages, firms also noted that material scarcity and

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-21 April 2023.

Comment

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

"The start of the second quarter signalled a loss of momentum across the Filipino manufacturing sector. The headline PMI was at an eight-month low, with both new orders and output growing at much softer rates. Furthermore, the data suggested a shift in demand patterns as new export orders grew at the fastest rate in nearly two years and helped support the upturn in total new sales.

"Additionally, price pressures cooled further during the latest survey period. While operating expenses grew at a solid rate, the pace of inflation was the weakest in two-and-a-half-years. Reflecting softer hikes in cost burdens, manufacturers raised their selling prices at the slowest pace in 28 months.

"Looking ahead, manufacturers across the Philippines remained largely optimistic, as the degree of confidence in the year-ahead outlook for output reached a three-month high. That said, the degree of confidence was weaker than the series average. Furthermore, our latest forecast expects growth in industrial production to moderate to 5% in 2023."

PMI[®]

by S&P Global

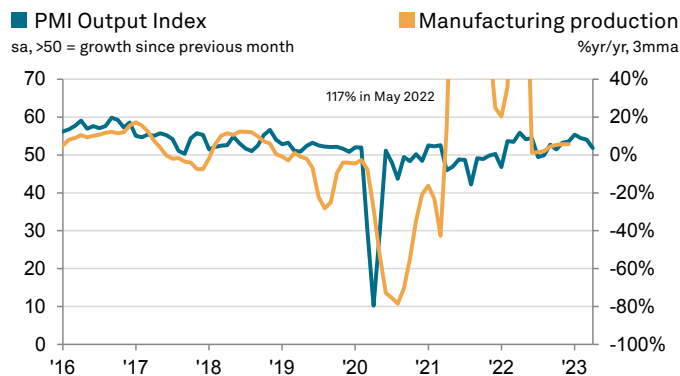
delivery delays resulted in a second successive month of backlog accumulation.

Purchasing activity increased for the eighth month running during April. According to anecdotal evidence, the rise in new business supported growth in purchasing activity. That said, the respective seasonally adjusted index ticked down further from January's recent high, and signalled the slowest rate of growth in 2023 so far.

At the same time, material shortages, higher prices at suppliers and the strengthening dollar resulted in a further rise in costs faced by manufacturers. That said, the rate of input price inflation softened to a 30-month low in April. Additionally, the latest rate of increase was weaker than the series average.

In line with subsiding cost pressures, the pace of charge inflation also slowed during April. Manufacturing firms raised their charges at only a marginal pace. The rate of increase was the softest in 28 months.

Looking ahead, manufacturing firms were upbeat in regards to their expectations for output over the coming 12 months. Nearly half of survey respondents were hopeful for growth, as the degree of optimism ticked up to a three-month high. Confidence stemmed from hopes of growth in new orders and improved demand conditions.



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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