News Release

Embargoed until 0830 PHT (0030 UTC) 1 July 2024

S&P Global Philippines Manufacturing PMI®

Production growth sustained, although underlying demand trends soften

Key findings

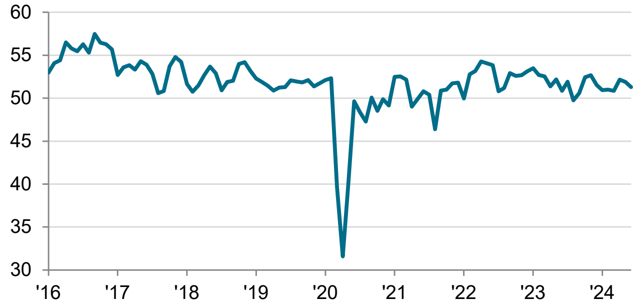
Strong and sustained rise in in output ...

... but softer uptick in new orders

Fresh rise in input costs

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-21 June 2024.

The first half of 2024 ended with a further improvement in operating conditions across the Filipino manufacturing sector, as per the latest PMI® data by S&P Global. Output and purchasing activity rose at accelerated rates. However, June marked a notable slowdown in new orders growth. Moreover, manufacturing companies in the Philippines continued to reduce their backlogs, and further trimmed back their staffing levels.

Turning to prices, despite a fresh rise in cost burdens, the rate of input price inflation remained weaker than that seen historically. Meanwhile, charges were raised at a softer pace in June.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – fell to a three-month low of 51.3 in June, from 51.9 in May. While the latest reading signalled a softer rate of growth, it nonetheless marked a tenth consecutive monthly improvement in the health of the Filipino manufacturing sector.

Propping up the manufacturing sector was the sustained rise in production levels. Output rose solidly and at the strongest pace in six months.

However, there was a notable cooldown in new order growth, indicating a weaker improvement in underlying demand trends in June. Easing further from April, the latest upturn was the second-weakest in the current ten-month sequence of growth.

Additionally, foreign demand for Filipino manufactured goods also eased on the month. The rate of growth in new export orders slowed from May's recent high, to a three-month low.

With demand trends cooling, manufactures were able to keep on top of their workloads. Backlogs were depleted at a quicker rate, which was the most pronounced in three

Comment

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

"While strong improvements in demand trends earlier in the second quarter allowed manufacturing firms to raise their production volumes at a solid and sustained rate in June, the recent cooling in demand conditions could mean weaker upticks in output as we move into the second half of the year. Moreover, while growth in output fed through to higher purchasing activity, it failed to translate into job creation. The second consecutive month of job shedding reflected the lack of pressure on operating capacity within the sector, as backlogs were depleted sharply.

"Future expectations also retreated, further alluding to softening sentiment in the outlook. However, inflationary pressures remained in check, despite a renewed rise in operating costs. Relatively soft and subdued upticks in costs and charges could help the sector generate demand in the coming months."

months.

Increasing spare capacity forced firms to trim their workforce numbers in June. There were also some reports of the non-replacement of voluntary leavers. The employment picture has now deteriorated for a second straight month.

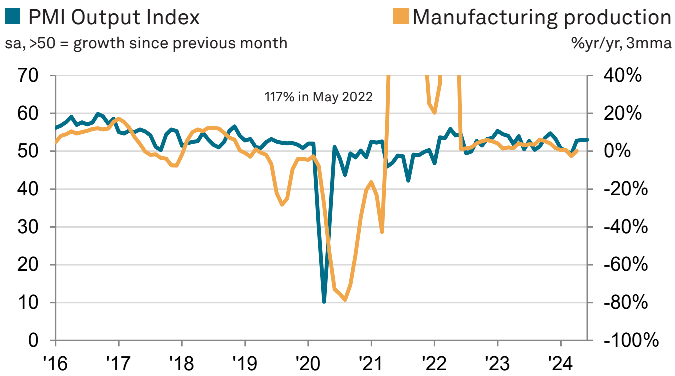
Nevertheless, rising production volumes and hopes of increased activity in the coming months, encouraged Filipino manufacturers to ramp up their purchasing activity. The rate of growth quickened on the month to the fastest since July 2023.

Goods producers across the Philippines maintained their stock-building approach. Pre-production inventories were accumulated for the fourth month running. While the uptick was solid overall, there was a slight loss in growth momentum, partly reflecting the ongoing deterioration in vendor performance caused by traffic and delays at customs. Post-production stocks were also raised during June, and at an accelerated rate.

June data also signalled a renewed rise in cost burdens, following a slight decrease in May. The rate of input price inflation was the strongest since February amid reports of raw material shortages, but nonetheless remained softer than the series average.

In turn, manufacturing companies raised their charges. The pace of inflation eased on the month and was modest overall, however.

Looking ahead, manufacturers maintained a positive outlook for production over the coming year, with hopes that improved demand conditions would support further output expansions. However, the level of optimism dimmed from May's recent high and was weaker than the series average.



Sources: S&P Global, Philippines Federal Reserve.

Contact

Maryam Baluch
Economist
S&P Global Market Intelligence
T: +44-13-4432-7213
maryam.baluch@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82 2 6001 3128
sungha.park@spglobal.com

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

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

PMI®
by S&P Global