

# News Release

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## S&P Global Philippines Manufacturing PMI<sup>®</sup>

### Output growth weakest in ten months

#### Key findings

Fractional rise in output amid softer expansion in new orders

Fresh fall in manufacturing employment

Price pressures fade

According to the latest PMI<sup>®</sup> data, Filipino manufacturing firms signalled a moderate improvement in overall business conditions in the closing month of the second quarter. Overall growth was supported by continued expansion in production and factory orders. However, in both the cases, the rates of increase eased from May, with some panellists reporting weaker underlying demand trends. Moreover, manufacturers registered a fresh fall in employment.

Elsewhere, input price inflation softened, thus translating into a weaker uptick in charges as firms sought to drive sales by passing through any cost savings.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted above the no-change 50.0 mark for the seventeenth successive month in June. That said, the latest index reading of 50.9, down from 52.2 in May, signalled the weakest improvement in business conditions since July 2022.

Output levels were raised further in June. However, the pace of growth lost momentum, indicating only a fractional rise in manufacturing output. Moreover, the pace of the upturn was the weakest since the current run of expansion began in September 2022.

Though modest overall, new orders received by goods producers across the Philippines also rose at a softer pace in June. That said, firms highlighted that additional demand and new client wins drove the expansion. Similarly, while helping to sustain growth in total factory orders, foreign demand for Filipino manufacturers goods also expanded in June.

The continued expansion in order book volumes encouraged manufacturing firms to raise their buying activity for the tenth successive month in June. Moreover, the rate at which input purchasing grew was the quickest seen in four months.

However, a slower rise in output led to a fresh contraction in

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-23 June 2023.

#### Comment

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

*“Growth across the Filipino manufacturing factor slowed as the June PMI index reading signalled the weakest improvement in the health of the sector since July 2022. The muted headline figure reflected softer rates of expansion across both output and new orders, while manufacturing employment registered a fresh reduction.*

*“Meanwhile, rates of input price and output charge inflation slowed and were the softest recorded in over two-and-a-half years. With inflationary pressures fading and global economic uncertainties still a looming threat to growth, the central bank maintained their policy rate at 6.25% for the second successive policy meeting in June.*

*“Going forward, the sector remains optimistic of growth in the coming 12 months. However, global headwinds could dampen the outlook for manufacturers in the Philippines.”*

PMI<sup>®</sup>

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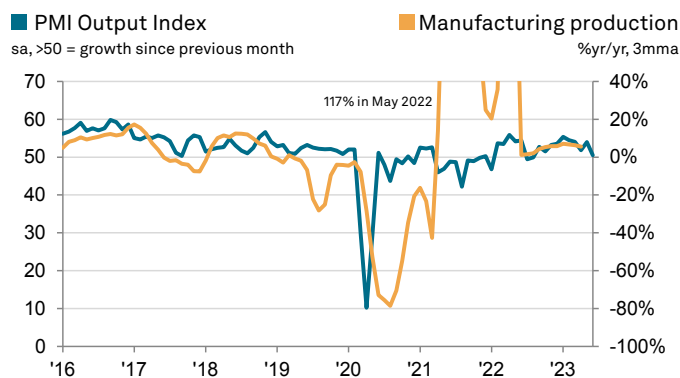
workforce numbers, following a period of job creation in May. According to surveyed businesses, the renewed reduction in manufacturing employment was in part due to the non-replacement of voluntary leavers as well as some firms actively reducing their payroll numbers.

Despite a contraction in workforce numbers, manufacturing firms across the Philippines registered no change in the level of unfinished work in June. Where an increase in backlogs of work was noted, some firms attributed this to growth in new orders and delayed delivery of inputs, while others stated that fewer sales allowed firms to deplete work-in-hand.

After an improvement in vendor performance for the first time since July 2019 in May, June data indicated a renewed lengthening of delivery times for inputs. The degree to which supplier performance deteriorated was only fractional overall, however.

Price pressures dwindled in the latest survey period, as the rate of input price inflation slowed notably to the weakest recorded since October 2020. In turn, firms raised their average selling prices at the softest pace in just over two-and-a-half years.

Finally, manufacturing companies across the Philippines maintained an optimistic outlook towards output in the coming 12 months. Confidence regarding an increase in production stemmed from expectations of greater new sales in the coming year. That said, despite rising to a five-month high, the level of positive sentiment was weaker than the series trend.



Sources: S&P Global PMI, Philippines Federal Reserve via S&P Global Market Intelligence

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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](mailto:economics@ihsmarkit.com).

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