

News Release

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S&P Global Philippines Manufacturing PMI[®]

Filipino manufacturing sector records solid improvement in performance in January

Key findings

New orders rise further, albeit at a softer pace

Employment picture remains broadly stagnant

Cost burdens rise at weakest rate in five months

The latest PMI[®] data from S&P Global signalled a solid month of improvement in the health of the Filipino manufacturing sector in January. New orders and output continued to rise, albeit the rates of growth moderating from December's recent highs. In fact, growth in output was the weakest in six months. Subsequently, employment remained broadly unchanged for a second straight month. Firms were more active in raising their purchasing activity, however, with businesses recording another sharp monthly increase. Holdings of purchases and finished items were also raised in anticipation of greater sales in the coming months.

More positively, cost pressures remained historically subdued. Input prices rose at the weakest pace in five months. Meanwhile, output charges rose at a slight stronger pace than seen in December.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted at 52.3 in January, down from December's 32-month high of 54.3. While signalling a solid improvement in the health of the Filipino manufacturing conditions, the headline index was at a five-month low.

In January, demand for Filipino goods continued to improve, although the pace of expansion in new business experienced a slight slowdown from the recent high recorded in December. Nevertheless, the rate of expansion in intakes of new orders remained historically robust, as firms reported that strong client demand and the acquisition of new customers drove increased sales.

The solid underlying demand trends contributed to a further rise in manufacturing output. However, the growth rate was the second-weakest in the current ten-month sequence of increase, as competition and rising raw material prices reportedly limited production activity.

Despite these challenges, expectations of increased sales prompted firms to boost their purchasing activity in January.

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 9-24 January 2025.

Comment

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

"The Filipino manufacturing sector started the year with a further and strong improvement in demand. Output grew again, albeit at a pace which notably weakened from December. If demand trends continue to improve as they have done, then employment growth could be on the cards in the months ahead.

"The election year is also likely to provide a general boost to the manufacturing sector, as highlighted by some survey respondents. We could see 2025 shaping up to be another strong year of growth for the Philippines manufacturing sector with industrial production growth forecasted at 3.9% in 2025, up from 2.4% in 2024. In fact, the anticipation of greater demand has already prompted goods producers to increase their inventory levels."

PMI[®]

by S&P Global

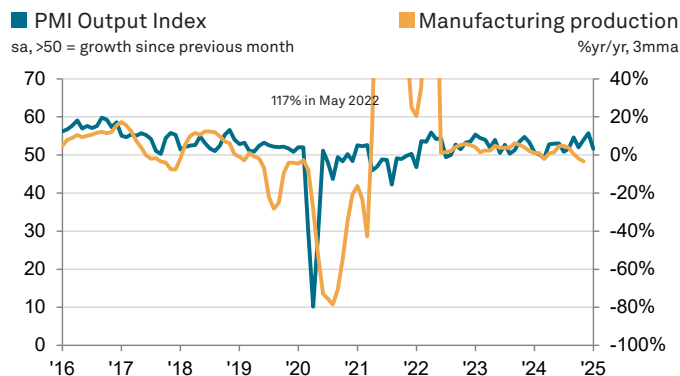
Companies also focused on stock building, with both pre- and post-production inventories rising at historically strong rates during the latest survey period. Notably, stocks of finished goods recorded a fresh increase following a sharp decline in December.

Supply chains remained under pressure in January, with the latest survey data indicating another month of deteriorating vendor performance. Shortages of delivery trucks and port congestion were cited as reasons for extended average lead times for inputs. However, the extent of the decline in vendor performance was the least pronounced in five months.

Employment in the Filipino manufacturing sector remained largely stagnant for the second consecutive month in January. While growth in new sales encouraged some firms to hire more staff, this was offset by reports of resignations. Meanwhile, goods producers continued to manage their outstanding work effectively in January. However, the respective seasonally adjusted index rose notably, posting just shy of the neutral 50.0 mark as some firms noted pending work from the month prior.

Regarding prices, both cost burdens and output charges increased at similar, but historically subdued, rates. Rising prices for materials and transportation contributed to higher cost burdens, which manufacturers opted to largely pass on to their clients.

Finally, survey respondents expressed confidence that output would rise in the coming year. This optimism was supported by expectations of improved market demand and the upcoming election period, although positive sentiment remained below the trend level.



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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