

News Release

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S&P Global Philippines Manufacturing PMI[®]

Further slowdown across the Filipino manufacturing sector

Key findings

Weaker upturns in output and new orders

Manufacturing employment stabilises

Inflationary pressures cool

The Philippines manufacturing sector recorded a muted improvement in operating conditions at the start of the year, according to the latest PMI[®] data from S&P Global. A cooldown in underlying demand trends resulted in only a slight uptick in the intake of new orders. Moreover, output growth also lost momentum. Despite concerning demand signals, manufacturers opted to leave their employment figures unchanged, a shift from the contractions seen in the previous two survey periods. Meanwhile, companies' buying activity intensified, with inventories expanding in anticipation of greater sales in the upcoming months. At the same time, rates of both input price and output charge inflation eased from December.

Moreover, manufacturers largely maintained a solid level of optimism. Nearly half of panellists expected growth in output over the coming 12 months.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – ticked down for the second month running from 51.5 in December to 50.9 in January. Despite extending the current run of growth to five consecutive months, the latest reading signalled an expansion that was weaker than the series average and only marginal overall.

A cooling demand environment, especially from overseas markets, led to factory orders rising only fractionally in January, and at the weakest pace in the current five-month sequence of growth.

In line with softer demand conditions, manufacturing companies in the Philippines raised their production levels at a historically subdued rate. Moreover, after easing for the second successive month, the pace of growth was the weakest since August 2023.

Despite slower rises in new orders and output, firms purchased additional inputs for use in the production process, largely in anticipation of stronger sales in the coming

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 11-24 January 2024.

Comment

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

"The turn of the year revealed a slight weakness in demand conditions, as new orders and output growth eased. Moreover, looking forward, global headwinds and sluggish demand from external markets, especially China, are likely to weigh on the Filipino manufacturing sector.

"On the flipside, other evidence from latest PMI data, such as the rise in buying activity and the building of stocks, indicates that manufacturers anticipate continued growth in the coming months. Additionally, historically subdued inflationary pressures will also assist the sector, as firms seek to price competitively."

PMI[®]

by S&P Global

months. Buying activity rose for the second successive month in January and at the strongest pace in six months.

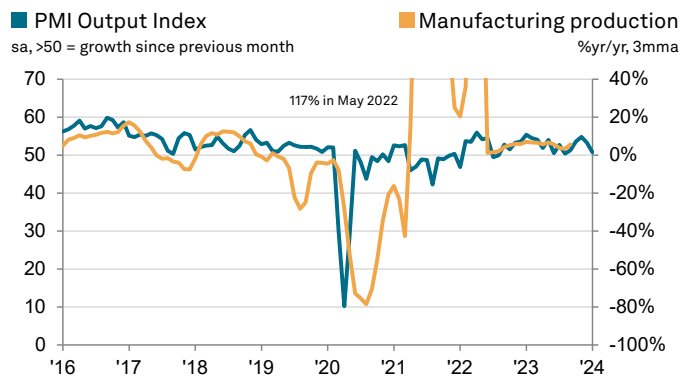
In addition, despite a continued deterioration in vendor performance arising from material shortages and port congestion, companies were able to build their stocks of purchases in January. Pre-production inventories rose for the fourth consecutive month, and at a pace that was broadly in line with the survey average.

Moreover, stocks of finished goods increased for the first time in three months. With firms working through backlogs and new order growth cooling, companies were instead able to build their stocks.

Turning to employment, following two consecutive months of contraction, staffing levels were left unchanged during the latest survey period. Costs constraints and resignations meant job shedding was still recorded at some firms. However, helping to counterbalance, some companies were more willing to take on additional staff amid anticipated growth in new orders.

In terms of prices, inflationary pressures were historically muted, and even softened at the turn of the year. In fact, output charges rose at one of the weakest rates since the series began in January 2016.

Finally, firms remained positive overall in their outlook, despite confidence easing to a three-month low and registering below the long-run average. Hopes of improved underlying demand conditions largely underpinned expectations.



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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