

News Release

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S&P Global Philippines Manufacturing PMI[®]

Filipino manufacturing sector growth drives strongest rise in employment in over seven years

Key findings

Job creation hits 88-month high

Sustained, albeit softer upticks in new orders and output

Cost pressures intensify

The latest PMI[®] data by S&P Global signalled a sustained and solid improvement in manufacturing operating conditions in the Philippines. The upturn was supported by another strong uptick in new orders, which allowed manufacturers to raise their output. Though in both cases, rates of growth eased on the month.

Nonetheless, the further improvement in demand meant that firms raised their purchasing activity and staffing levels again, with companies recording the strongest increase in the latter in over seven years. Cost pressures also increased in October, with rising raw material prices leading to the strongest input price rise since February.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – showed an improvement in the sector's health for the fourteenth straight month in October. Although the headline index fell from September's 27-month high of 53.7 to 52.9, it was the second-highest reading since January 2023, and indicated a historically solid improvement in the sector.

Likewise, growth in new orders and output also slowed this month. However, expansions were recorded for the fourteenth and seventh consecutive months, respectively. The recent increases outpaced their series averages, driven by a growing customer base that strengthened underlying demand trends.

Purchasing activity was also up, but at a rate that was notably weaker than seen in September. Firms stated that higher prices of raw materials often dissuaded firms from purchasing inputs.

Amid ongoing growth in new orders, the significant cooling of buying activity led firms to rely on their inventories to meet order demands. Pre-production inventories were reduced for the first time since February, and to the greatest extent in just over a year. Additionally, holdings of finished

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 10-24 October 2024.

Comment

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

"October PMI data indicated a slight easing in - but still solid - growth across the Filipino manufacturing sector. The expansion in new orders was again robust, allowing goods producers to raise their output again. More encouragingly, employment became the real stand-out this month, with the rate of job creation the strongest in over seven years.

"However, firms revealed supply-side challenges, with material shortages resulting in longer delivery times, and cooling buying activity. It was also one of the key factors for rising input prices, which was further exacerbated by the depreciation of the peso against the dollar. Nonetheless, firms remain optimistic with more than half of respondents anticipating expansion in the year ahead."

PMI[®]

by S&P Global

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goods were depleted for the third consecutive month. The rate of reduction was sharp and the most pronounced since January 2022. This shift in inventory management indicated a changing perspective among manufacturers, who have traditionally favoured maintaining greater stock levels.

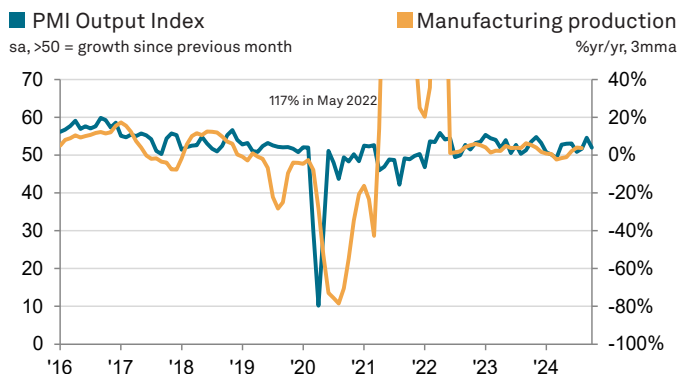
Additionally, supply chains remained stretched in October, with vendor performance worsening to the second-greatest degree since December 2022, following a more pronounced drop in September. Again, raw material shortages were a key issue, with port congestion also cited by panellists.

Improved demand trends allowed firms to expand their workforce numbers strongly. Filipino goods producers ramped up hiring, with the recent wave of job creation marking the most significant increase since mid-2017.

Additionally, growth in employment allowed firms to work through the slight build-up of backlogs seen in the previous month and also keep up with current production requirements, as outstanding business declined in October. The seasonally adjusted index has now recorded a sub-50 reading in 15 of the last 16 survey periods.

Material shortages and the peso's depreciation against the U.S. dollar led to higher input costs. Companies also reported higher expenses for labour and logistics. The rate of input price inflation ticked up to an eight-month high, with charges raised to the greatest extent since May in response.

Manufacturers hoped that current demand trends will be sustained in the coming 12 months, thus allowing for production growth. The level of confidence improved to a five-month high in October, with around half of panellists expressing optimism for the year ahead.



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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