

# News Release

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

### Manufacturing growth sustained into second half of the year

#### Key findings

Demand trend improves

Renewed rise in employment

Inflationary environment remains historically muted

PMI<sup>®</sup> data for the opening month of the second half of the year signalled modest growth across the Filipino manufacturing sector. Expansions were noted for both new orders and output, which supported firms to continue raising their purchasing activity as well as increasing their payroll numbers for the first time in three months. Inventory accumulation was also recorded as firms remained keen to build their stocks to meet increased demand requirements.

Meanwhile, inflationary concerns remained at bay, despite cost burdens rising at the fastest pace in five months. Meanwhile, charges were raised at a softer pace.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted at 51.2 in July, broadly in line with the 51.3 reading for June, and marked an eleventh successive month of improvement in operating conditions. That said, the latest index reading signalled only a modest improvement in the health of the Filipino manufacturing sector, and one that was the weakest since March.

Production continued to rise across the Filipino manufacturing sector in July. The latest data signalled a cooldown in the rate of growth, however, with production activity rising at the weakest pace in the current four-month sequence of expansion. Weighing on the upturn was the impact of longer supplier delivery times. The incidence of delay was the most pronounced since February as port congestion hampered the timely delivery of inputs.

Nonetheless, demand trends continued to improve across the manufacturing sector. New orders rose at a rate faster than June's five-month low. However, firms recorded modest and cooling demand from overseas markets.

A sustained rise in production requirements supported firms' decisions to raise their purchasing activity further in July. Though the rate of growth softened since the preceding survey period, it was solid overall. Firms remained keen

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.  
Data were collected 11-24 July 2024.

#### Comment

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

*"The second half of the year started modestly, with the Filipino manufacturing sector signalling further upticks in output and new orders. Though in both cases, the rates of increase were weaker than their respective long-run averages, thereby indicating relatively subdued growth across the sector.*

*"Nonetheless, a historically muted inflationary environment, as indicated by the PMI price gauges, could open the door to policy rate cuts. Easing financial conditions should help solidify and strengthen growth in the coming months. Moreover, sustained expansions in purchasing activity and the renewed uptick in workforce numbers, indicate that goods producers are likely banking on the strengthening of demand conditions in the coming months."*

PMI<sup>®</sup>

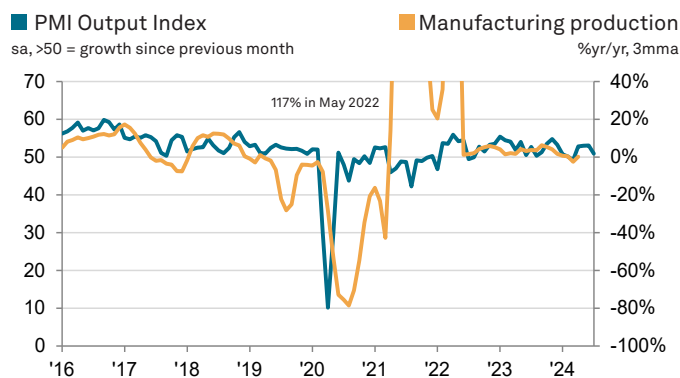
by S&P Global

to expand their holdings of finished goods and purchased items. Both pre-and-post-production inventories were accumulated at rates stronger than their respective long-run averages.

Despite backlogs falling for the thirteenth successive month in July, Filipino goods producers were spurred by the stronger uptick in new orders and raised their staffing levels. July data marked the first month of growth in employment since April, albeit only modest overall.

Turning to prices, July survey data also recorded a relatively muted inflationary environment. Cost burdens rose only modestly, despite the rate of input price inflation ticking up to a five-month high. Meanwhile, the pace of increase in charges edged down to a three-month low and was only marginal overall.

Manufacturing companies based in the Philippines expect production to increase in the coming 12 months. The Future Output Index, which printed comfortably above the neutral 50.0 mark in July, indicated optimism regarding the outlook across the sector. There was a slight fall in the degree of confidence, however, as some firms remained cautious of the demand environment.



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](mailto:economics@spglobal.com).

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