

# News Release

Embargoed until 0830 PHT (0030 UTC) 3 April 2023

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

### Modest expansion across the Filipino manufacturing sector

#### Key findings

Strong rises in output and new orders

Inflationary pressures ease

Employment falls for second consecutive month

The Filipino manufacturing sector continued to demonstrate modest growth in March, according to the latest PMI<sup>®</sup> data from S&P Global. Demand for manufactured Filipino goods remained strong, with both production and new orders rising at historically elevated rates.

In more positive news, inflationary pressures softened, as expenses rose at the slowest pace in over two years. Nonetheless, raw material shortages, higher energy prices and delivery delays remained the main drivers of the sharp rise in operating costs.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted above the crucial 50.0 neutral threshold for the fourteenth consecutive month. Despite slipping to 52.5 in March from 52.7 in February and marking the softest rate of expansion in seven months, the headline figure indicated a historically strong improvement in operating conditions.

Driving growth was a further expansion in output, which rose for the seventh consecutive month. The upturn in production was largely underpinned by the strong upturn in new orders. Firms noted that a stronger demand environment, new projects and a broader clientele helped boost sales. That said, foreign demand increased at a slower pace, with March data indicating only a fractional uptick in new business from abroad and suggesting that domestic demand propelled total new sales growth in the manufacturing sector.

Moreover, to support growth in new orders and mitigate against future hikes in costs, goods producers raised their purchasing activity in March. However, the pace of growth eased further from January's recent high as high input prices deterred some goods producers. Despite a softer rise in input buying, companies were keen to maintain their holdings of raw materials and semi-finished items amid hopes of continued growth in sales, and to protect against

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-24 March 2023.

#### Comment

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

*"The first quarter of 2023 concluded on a solid note, with a further expansion reported across the Filipino manufacturing sector, according to the latest PMI data. Both output and new orders rose at historically strong rates. Consequently, firms raised their buying activity to keep up with the growth in sales. However, operating conditions improved at the slowest pace in seven months, partly due to the softer rise in production and stocks of purchases, and with a second month of job shedding weighing on the headline index.*

*"Despite a slight slowdown, March data revealed pressures on inflation and supply chains easing. Operating expenses rose at the slowest pace in 27 months, while the incidence of delays was among the weakest since the current sequence of deterioration in vendor performance began in August 2019. Business confidence across the sector remained upbeat, as strong demand conditions buoyed optimism in the outlook for future output."*

PMI<sup>®</sup>

by S&P Global

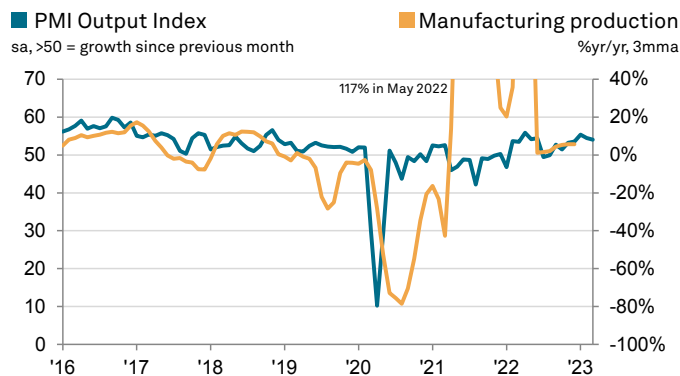
longer lead times.

While the incidence of delays at Filipino manufacturers was among the least marked in the current sequence of deterioration in vendor performance which began in August 2019, port congestion and material shortages meant a further lengthening of lead times. Delivery delays, in part, also resulted in a fresh rise in the levels of unfinished work, marking only the sixth month in the survey history (since January 2016) when backlogs have risen.

Additionally, amid reports of resignations and lay-offs, companies remained hesitant to raise employment. March data pointed to a second successive month of job cuts. That said, the rate of job shedding remained only marginal overall, as strong growth in new orders meant some firms were able to make additional hires.

Turning to prices, inflationary pressures eased. Greater demand for inputs, higher prices for energy and material scarcity continued to drive up operating expenses. That said, the rate of input price inflation was the slowest since December 2020, and softer than the historical average. The pace of charge inflation also eased from February and was solid overall, as some firms mentioned that increased competition resulted in less marked upticks in selling prices.

Filipino manufacturers remained strongly optimistic, with more than a half of the respondents predicting growth in output in the year ahead. That said, the degree of confidence was below the historical trend.



Sources: S&P Global, Philippines Federal Reserve.

## Contact

Maryam Baluch  
Economist  
S&P Global Market Intelligence  
T: +44-13-4432-7213  
[maryam.baluch@spglobal.com](mailto:maryam.baluch@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +82 2 6001 3128  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

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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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## About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).