

# News Release

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

### Manufacturing production continues to expand in December

#### Key findings

Output increases at a quicker pace

Hiring activity resumes in December

Price pressures moderate

As 2022 concludes, the latest PMI<sup>®</sup> data from S&P Global signalled a solid improvement in the health of the Filipino manufacturing sector. Both production and new orders expanded for the fourth consecutive month, albeit the latter increasing at a slightly softer rate. Moreover, the marginal upturn in employment, following a slide in workforce numbers during November, helped further boost the headline PMI figure.

Meanwhile, price pressures moderated. Inflationary pressures have intensified greatly over the last two years and remained historically elevated in December. However, rates of both input price and output charge inflation softened, with selling prices rising at the slowest pace in a year.

The S&P Global Philippines Manufacturing PMI<sup>®</sup> continued to post above the 50.0 no-change mark that separates growth from contraction in December, thereby extending the current sequence of improving operating conditions that began in February. Edging upwards for the second consecutive month, the headline index rose from 52.7 in November to a six-month high of 53.1 in December.

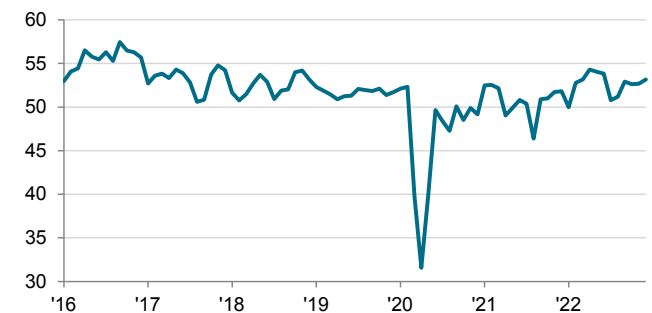
A solid expansion in production levels was reported during December. The rate of growth quickened on the month, indicating the fastest rise in output levels since June.

Furthermore, growth in new orders also entered its fourth successive month, as demand conditions remained strong for Filipino manufactured goods. However, the data pointed to domestic demand being the driving force behind the latest upturn in incoming new business, as foreign orders contracted for the tenth month running.

Increasing business requirements resulted in firms resuming hiring activity in December, following the first fall in headcounts in eight months during November. While the return to growth was clearly a positive indication of improvement across the Filipino manufacturing sector, the rate of job creation was only fractional overall.

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 06-16 December 2022.

#### Comment

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

*"The latest PMI data signalled sustained growth across the Filipino manufacturing sector. The release of pent-up demand because of the COVID pandemic continued to help the recovery of the manufacturing sector this year. Furthermore, the latest upturns in output and new orders were stronger than the survey averages. December data also revealed growth in employment after a solid fall in workforce numbers was reported in November.*

*"However, challenges in the form of supply-chain disruption and inflationary pressures remain an ongoing concern to the sector and could potentially threaten growth prospects in 2023. While the central bank of Philippines has taken measures to curb inflation, global supply chain delays and material shortages remain a much more complex issue to solve. Nonetheless, goods producers remain strongly upbeat for the year-ahead, banking largely on domestic demand to help maintain growth."*

PMI<sup>®</sup>

by S&P Global

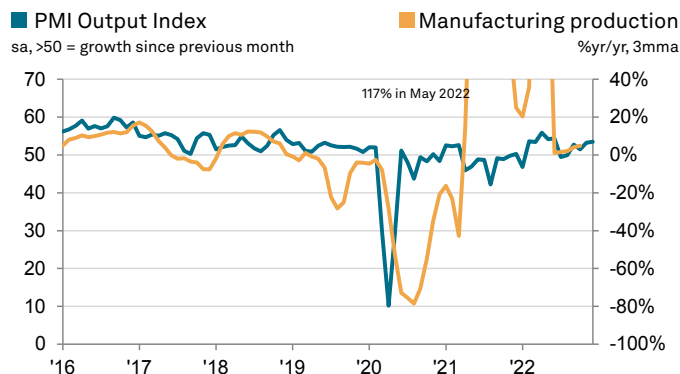
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That said, firms became more cautious in their input buying during December. Adjusted for seasonality, the respective index ticked down from November's six-month high, indicating only a slight increase in the quantity of inputs purchased.

Simultaneously, holdings of pre-production inventories increased at a softer pace than compared to that recorded over the previous month. In addition, the accumulation of post-production inventories was the joint-weakest in the current 11-month sequence of expansion, suggesting firms were more inclined to rely on inventories to meet demand.

Recent months have signalled some easing of price pressures but rates of inflation remain sharp and an ongoing threat to demand. The pace of increase in cost burdens was the slowest for three months, whilst firms raised their selling prices at the softest rate for a year in December amid efforts to drive sales.

Firms remained optimistic in the outlook for output for the year-ahead. Firms were hopeful that demand will remain sturdy and grow amid a stable economic environment. Additionally, some firms also have investment plans. That said, the degree of confidence weakened to a four-month low in December as rising market competition and inflation dampened 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@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).