News Release

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IHS Markit Philippines Manufacturing PMI®

Output and new order growth softens

Key findings

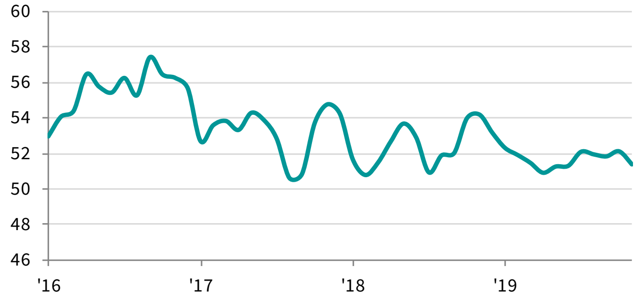
Production levels rise at weakest pace since April

New orders grow at solid, but slower, rate

Employment stagnates after four months of job creation

Philippines Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Growth in the Philippines manufacturing sector softened during November, as output and new orders increased at weaker rates and employment levels failed to improve. Cost pressures ticked up at a sharper rate, leading firms to raise output prices modestly. Despite the slowdown, output expectations improved to the highest for nine months amid focused plans for next year.

The IHS Markit Philippines Manufacturing PMI® posted 51.4 in November, indicating a moderate improvement in operating conditions in the goods-producing sector. The headline index was at its lowest level since June, after falling from 52.1 in October.

All five components of the headline PMI placed downward pressure on the figure. One of these, the Output Index, fell to its weakest since April and indicated a loss of growth momentum at manufacturing firms. The overall uplift in production was modest and often attributed by firms to higher new orders.

Total sales continued to rise in November, and at a solid pace, although the rate of expansion was the weakest since August. While domestic demand was strong, companies saw renewed difficulties in external markets, with new foreign orders falling for the fifth time in six months. According to panellists, overseas clients struggled to raise order volumes from October.

Weaker sales growth led firms to hold off on employment plans, with latest data signalling unchanged payroll numbers from October. This followed four successive months of job creation. While some companies hired new workers due to greater output requirements, others reduced labour or chose not to replace voluntary leavers.

In addition, inventories of both pre- and post-production goods rose at subdued rates in November. Higher input buying contributed to a slight rise in stocks, although the rate of

continued...

Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

"Growth softened to a modest pace in the Philippines manufacturing sector in November, as firms noted the weakest rise in factory orders since August. In particular, this led companies to hold back on hiring plans, signalling reduced pressure on capacity as output growth slowed. Meanwhile, stocks continued to rise, but at a notably subdued rate.

"At the same time, manufacturers looked towards 2020 with improved optimism as growth plans began to take shape. This brought output expectations to the strongest since February."

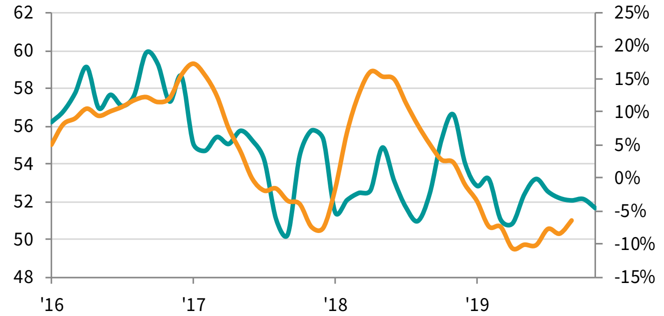
expansion softened from October.

Meanwhile, manufacturers continued to highlight traffic issues in November, leading to the fourth deterioration in vendor performance in as many months.

On the price front, input costs faced by Filipino goods producers rose solidly, marking the quickest rate of inflation since February. According to panellists, this was mainly due to increased raw material prices, in part resulting from higher demand for inputs.

Companies that reported a rise in cost burdens often passed this onto consumers with an increase in selling prices. That said, the overall mark-up was modest and only slightly faster than October's 45-month low.

Finally, the outlook for manufacturing output improved to a notable extent during November. The level of sentiment rose to its highest in nine months, as companies noted that plans for 2020, such as new products and factory openings, led to boosted optimism for the future.



Sources: IHS Markit, CSO.

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Methodology

The IHS Markit Philippines Manufacturing PMI® is compiled by IHS Markit from responses to monthly 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.

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.

November 2019 data were collected 12-22 November 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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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. To learn more go to ihsmarkit.com/products/pmi.html.