News Release

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IHS Markit Philippines Manufacturing PMI®

Manufacturing sector conditions improve at faster pace in February

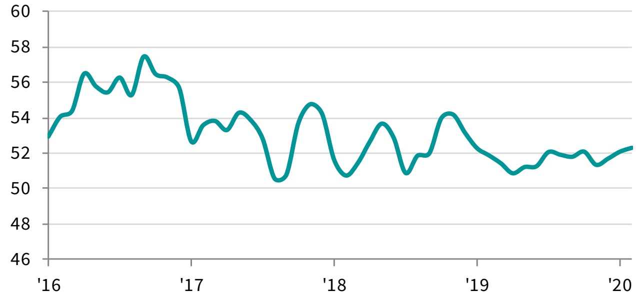
Key findings

Headline PMI rises to 13-month high of 52.3

New orders rise at stronger rate in February...

...but supply-side constraints become evident

Philippines Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

According to latest survey data, the Philippines' manufacturing economy improved midway through the first quarter. A modest month-on-month rise in output was supported by sustained growth in new orders from both domestic and overseas clients. In anticipation of further gains in demand, employment and purchasing activity were expanded.

That said, shipment delays from China due to the COVID-19 outbreak hindered stockpiling of finished goods and inputs, and also led to a slower decline in outstanding work.

The IHS Markit Philippines Manufacturing PMI® edged up fractionally in February to 52.3, from 52.1 in January. By increasing further above the neutral 50.0 mark, this was indicative of a faster rate of improvement in manufacturing sector operating conditions. That said, although the headline index reached its highest mark in just over one year it remained below its historical average.

Output volumes increased during February, sustaining the trend which has been apparent since data collection started in January 2016. Overall, the rate of expansion was modest and little-changed from January's three-month high. While there were some reports that COVID-19 and the recent volcano eruption limited growth, solid demand conditions were supportive of higher production.

New orders rose at the fastest rate since last October during the latest survey period. Anecdotal evidence highlighted a favourable underlying trend in demand for Filipino-manufactured goods. Workloads from foreign markets also increased at an accelerated pace during February. The pickup in exports was the strongest since July 2018 amid client wins and the launch of new products.

In line with the historical trend, further output growth is foreseen over the coming 12 months, according to panellists. Ample pipeline work, aggressive sales targets and expansion plans underpinned the confident outlook.

continued...

Comment

Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

"February survey data signalled a continuation of respectful growth across the Philippines' manufacturing sector. Firms are enjoying resilient demand conditions, both domestically and abroad, with anecdotal evidence suggesting that pipeline work remains sufficient to support the positive production trend in the near term.

"COVID-19 poses a downside risk, but this seems to have been isolated to the supply-side so far as exports grew at the fastest rate in over one-and-a-half years.

"That said, panellists indicated that input deliveries out of mainland China had dented stockpiling and slowed the rate at which firms were completing outstanding orders.

"Given that stocks of purchases have risen strongly in recent months, firms should have appropriate buffers in place to withstand delivery disruptions, but if they continue, production volumes could be adversely impacted."

PMI® By IHS Markit

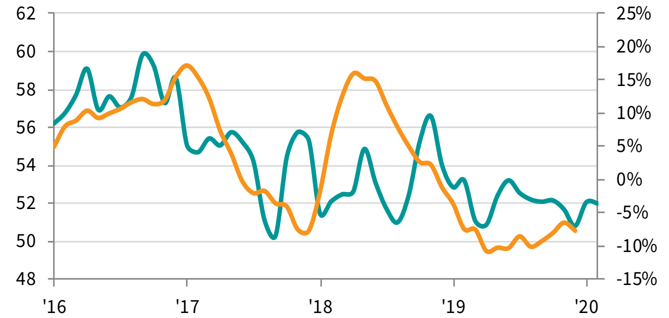
To cope with current and predicted workloads, Filipino manufacturers recruited extra staff in February. Overall, the rate of job creation was above the long-run average and contrasted with January, when employment was cut for the first time in seven months.

However, despite the gains in operating capacity that greater workforces bring, backlogs of work fell at the slowest pace in almost four years. According to surveyed companies, delayed raw material deliveries out of China prevented the completion of orders in a timely manner.

Supply chain disruption was evidenced by February survey data, which showed input delivery times lengthening to the greatest extent since December 2017. COVID-19 had reportedly exacerbated problems with shipments caused by stock shortages and power outages.

As a result of these supply-side constraints, purchasing activity and input stocks both increased at slower rates during February. Buying activity rose at softest pace in just over a year as some companies tried to keep a lid on costs.

Prices data showed diverging inflationary trends during the latest survey period. An accelerated rate of increase in input costs contrasted with a slower rise in selling charges. Output prices were cut in some cases as some firms chased competitive gains.



Sources: IHS Markit, PSA.

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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.

February 2020 data were collected 12-21 February 2020.

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.
ihsmarkit.com/products/pmi.html.