News Release

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Nikkei Philippines Manufacturing PMI™

Output growth at near two-year high despite record fall in exports

Key points:

- Production rises at fastest rate since December 2016
- Export orders decline for third successive month
- Input price inflation cools to slowest this year

Data collected from November 12–23

Operating conditions in the Philippines' manufacturing sector were buoyed by sharp uplifts in output and new orders in November. Production grew at the quickest rate in 23 months, despite the sharpest fall in new export orders seen across the series history. Employment growth remained weak, while backlogs continued to decline. Input prices rose at their softest pace of the year so far, leading to a reduction in selling charge inflation.

The seasonally adjusted **Nikkei Philippines Manufacturing Purchasing Managers' Index (PMI™)** rose from 54.0 in October to 54.2 in November, signalling another notable improvement in the health of the manufacturing sector. The index has now risen for four consecutive months, with the latest reading an 11-month high.

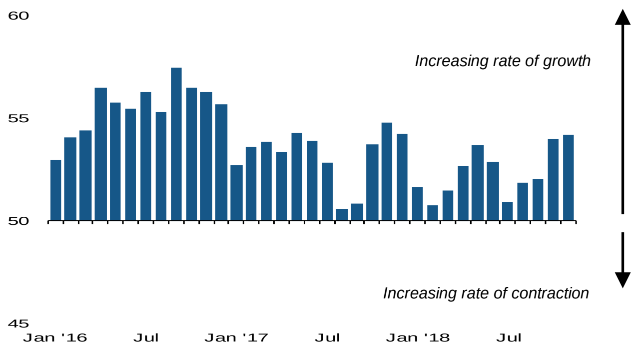
Filipino manufacturers were boosted by a sharp increase in new orders in November. Marginally quicker than in October, the latest rise in demand was the strongest seen in 12 months.

Meanwhile, new export orders declined at their fastest pace on record. The latest data extended the run of falling new business from abroad to three months, the longest observed throughout the series history. This trend was concurrent with the global slowdown in exports.

Lower export orders did not appear to affect output in November, as manufacturing firms reported the sharpest increase in production for nearly two years. The strong rate of expansion was slightly faster than in October, continuing the trend of higher growth during the final quarter of the year.

Nikkei Philippines Manufacturing PMI

50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

As a result, firms sharply increased purchasing activity during November, albeit at a fractionally reduced pace than in October. Meanwhile, stocks of input goods rose at the fastest rate in 23 months, with some firms raising inventories in anticipation of future growth.

Suppliers continued to be troubled by port congestion at Manila, as delivery times lengthened for the fourth month in a row. However, the latest rise was fractional, with most firms seeing no change in vendor performance.

Employment growth remained weak, despite the strong expansion of output at manufacturers. Businesses found that they were able to keep on top of backlogs, as the level of outstanding business fell at a sharp rate again.

Inflationary pressures cooled at manufacturers in the Philippines in November. While input costs have risen at a sharp rate throughout 2018, partly due to new tax laws and unfavourable exchange rates, the latest increase was the weakest seen throughout the year. Concurrently, output charges rose at a softer pace, recording in November the lowest inflation seen since June.

Looking ahead, the level of confidence in the Philippines' manufacturing sector remained strong in November. Many firms expect the current run of sharp growth to continue, while others highlighted the development of new products as a factor likely to boost demand and raise output at their business.

Comment:

Commenting on the Philippines Manufacturing PMI survey data, **David Owen, Economist** at IHS Markit, which compiles the survey, said**:**

"Output growth remained sharp in Philippines' manufacturing sector during November, building confidence for stronger GDP growth in Q4. The headline Nikkei PMI strengthened even further from October, while production levels rose at the fastest rate in almost two years.

"On the flip side, export orders continued to decline, with the latest drop the quickest seen since the survey began nearly three years ago. Manufacturers were unfazed though, as domestic demand was strong enough to offset the fall. Nonetheless, should the trend continue in line with the global trade slowdown, it may dampen output growth in the new year.

"Input prices eased to their weakest rate of inflation all year in November. Recent pressures from the TRAIN laws and the exchange rate with the dollar are showing signs of wavering, offering hope of a more settled end to 2018 for manufacturers."

-Ends-

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Notes to Editors:

The Nikkei Philippines Manufacturing *PMI™* is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Philippines Manufacturing *PMI™* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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