

Embargoed until 0830 PHT (0030 UTC) 1 October 2021

IHS Markit Philippines Manufacturing PMI®

PMI hits six-month high in September

Key findings

Softer decline in output and new orders amid easing restrictions

Pre-production stockpiling efforts resume

Supplier delivery times remain severely impacted by global shortages

Data were collected 13-23 September 2021.

Latest PMI data revealed a step in the right direction for the Philippines manufacturing sector as it concluded the third quarter of 2021 with a renewed overall expansion. Although only marginal, the uptick followed a robust contraction in August following the re-introduction of Enhanced Community Quarantine (ECQ) measures. Whilst some virus-related restrictions remained in place, the rates of decline in output, new orders, input purchasing and employment eased during the month amid looser measures. Moreover, firms resumed stockpiling efforts in September in anticipation of greater client demand. Nevertheless, firms continued to be struck by global supply shortages with delivery times lengthening notably and the rate of input price inflation historically elevated.

The IHS Markit Philippines Manufacturing PMI® rose sharply from 46.4 in August to 50.9 in September, registering marginally above the 50.0 no-change threshold that separates expansion from contraction. Although only marginal, the latest uptick was the strongest since March.

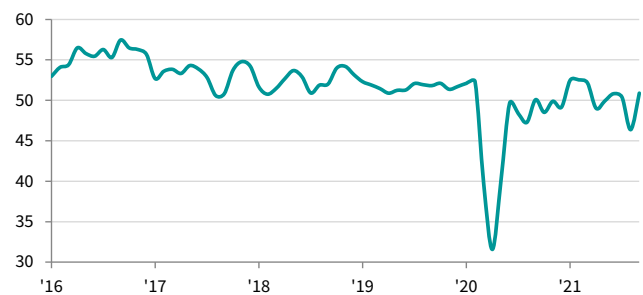
Production volumes fell during September, marking a six-month sequence of decline. Firms continued to indicate that the remaining COVID-19 restrictions hampered production. That said, the rate of contraction slowed considerably from that seen in August. Those companies registering higher output levels mentioned a resumption in factory operations.

Similarly, new orders declined further, but at a softer pace during September. Anecdotal evidence revealed a general reluctance to spend among clients amid ongoing restrictions. Meanwhile, after falling sharply in the previous survey period, there was broad stagnation in new export sales.

A combination of weak consumer demand, ECQ measures and voluntary resignation left manufacturing firms in the Philippines with lower staffing levels. Headcounts have now fallen in 20 of the last 21 months with the overall rate of decline solid in September.

continued...

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"After a tough trading period in August, manufactures in the Philippines welcomed the relaxation of some virus-related restrictions. A number of factories and businesses resumed their operations, however, the domestic and international demand environment remained challenging. Job shedding persisted, but anecdotal evidence highlighted that this was mostly voluntary. Nevertheless, backlogs fell solidly which could result in efforts to rein in spending and cut headcounts until demand for Filipino manufactured goods improves."

"Global shortages have also weighed on the sector with prices increasing sharply. Unfortunately, firms will have to endure the disruption as supply pressures show no signs of slowing."

"On a positive note, the vaccination effort supported optimism, and with the government securing more doses, the Philippines looks committed to inoculating the population."

Despite the sustained period of job shedding, firms were able to keep backlogs at bay, as has been the case since March 2016. The rate of backlog depletion eased from that seen in August, however.

Supply chains continued to be impacted by international COVID-19 restrictions during September. In addition to the pandemic, there were reports of port congestion, freight delays and container shortages. With the exception of the marked decline seen in the previous survey period, lead times were extended to the greatest degree since August 2020.

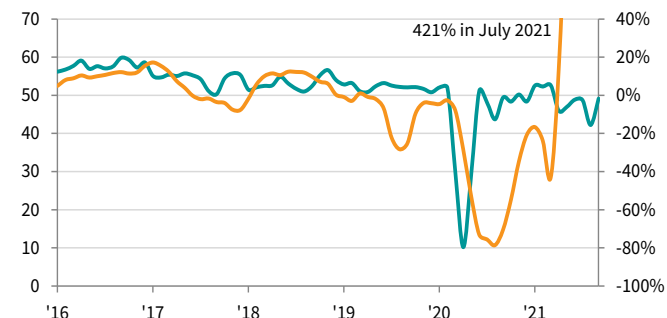
In response to lengthy lead times, and in anticipation of greater client demand, firms raised their stocks of purchases, which followed a decline in August. Post-production holdings fell for the second month in a row, but at only a marginal pace.

Turning to prices, raw material scarcity, container shortages, higher shipping fees and unfavourable exchange rate movements were among the key drivers of rising costs, according to panel members. The rate of input price inflation moderated for the fifth month running, but was still quicker than the long-run series average.

This, in turn underpinned an increase in selling charges as firms sought to pass on part of the burden. However, the rate of charge inflation was weak in the context of historical data. Firms that lowered their selling prices mentioned efforts to encourage sales.

Lastly, sentiment was widely upbeat, and improved from that in August amid global vaccination efforts. That said, firms remained sceptical of the longer-term implications of COVID-19 with optimism historically subdued.

Philippines Manufacturing PMI Output Index Manufacturing production
sa, >50 = growth since previous month %yr/yr, 3mma



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.

Data were collected 13-23 September 2021.

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

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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.
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