Nikkei Philippines Manufacturing PMI™

Business conditions see only slight uplift in April

Key points:

- Output growth drops to 19-month low
- New orders increase at weakest rate since last July
- Selling charges rise at softest pace in nearly two years

Data collected from April 10-23

Business conditions in the Philippines manufacturing sector improved only slightly during April, with production levels increasing at the weakest rate in over one-and-a-half years. New orders rose solidly but at the softest pace for nine months, as demand from overseas saw a moderate decline.

Firms responded by reducing job numbers for the second month running, while also lowering stocks of pre-production goods. Output prices increased only modestly, as fewer manufacturers reported higher input costs. Optimism surrounding future output improved but remained subdued on average.

The seasonally adjusted Nikkei Philippines Manufacturing Purchasing Managers' Index (PMI™) fell from 51.5 in March to 50.9 in April, the lowest reading for nine months. This signalled only a slight improvement to business conditions, one that was softer than seen throughout the first quarter of the year.

Output growth at Filipino manufacturers slowed to the least marked for 19 months in April. In addition, this marked the second-weakest rise in production in the series history, which began in January 2016. Companies that raised output levels highlighted a rise in customer demand. At the same time, many firms curtailed output or even stopped production due to a lack of raw materials.

Concurrently, while sales of manufactured goods increased solidly at the start of the second quarter, they did so at the slowest rate since July 2018. This was in part affected by a sustained drop in new export orders. The pace of decline was the fastest so far this year, linked to a lack of client demand from overseas.

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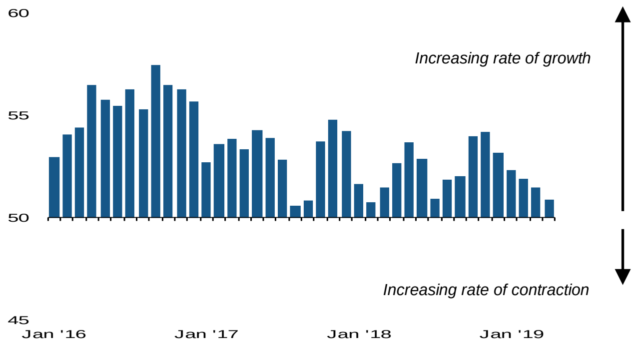
50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

Weaker new orders growth led to limited input supply in April. Whilst purchases continued to increase, stock levels dropped for only the third time in the series history. Finished goods inventories were broadly unchanged from March, although some firms that expanded holdings related this to forecasts of future demand. Employment dropped for the second month running, albeit mostly linked to a large number of resignations.

Meanwhile, vendor performance improved for the first time in nine months, as businesses commented on shorter delays from the recent port congestion in Manila.

Selling charges increased modestly at the start of the second quarter, as the rate of output price inflation fell to a 22-month low. Only a small proportion of firms raised prices, mostly relating this to higher raw material costs. On the flip side, some businesses lowered fees to remain in line with global prices.

With output growth softening further, the outlook for activity remained relatively subdued in April, albeit still positive overall. Firms that projected positive expectations cited company and product development as key reasons likely to underpin future output expansion.

Comment:

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

"April PMI revealed an even more subdued picture for the Philippines. With first quarter results already reflecting weaker manufacturing growth than at the end of last year, the latest data did little to raise hopes for the second quarter. Output expanded at the weakest rate since September 2017, while new order growth was dampened by a quicker drop in export sales.

"There was some positive news from the survey as firms reported an alleviation of import delays due to the recent port congestion at Manila. This led to the first improvement in supplier delivery times in nine months, although slowing output growth still led manufacturers to reduce stock levels.

"With the national election during May, production growth may be stifled again in the next survey. As such, it is looking like the second quarter may prove to be a challenging one for the manufacturing sector."

-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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