

Embargoed until 0830 PHT (0030 UTC) 5 April 2021

IHS Markit Philippines Manufacturing PMI®

Operating conditions improve modestly, but price pressures continue to build

Key findings

Production volumes rise solidly while new order growth softens

Purchasing activity growth strengthens for the second month in a row

Inflationary pressures build amid higher raw material prices

Data were collected 12-24 March 2021.

Filipino manufacturers registered a modest expansion in operating conditions amid a moderate rise in production volumes during March. Businesses were also encouraged by a marginal growth in new orders, despite overseas demand falling substantially. Higher output volumes and expectations of an improving demand environment led firms to add to their pre- and post-production inventories. Meanwhile, falling backlogs and voluntary resignations contributed to a marginal decline in workforce numbers. Firms remained optimistic that output will rise over the next 12 months, with hopes of higher sales fuelling expectations.

Price pressures continued to build in March, with reports of material shortages often mentioned. Firms consequently raised their charges, with the overall rate of output price inflation quickening to the strongest in over two years.

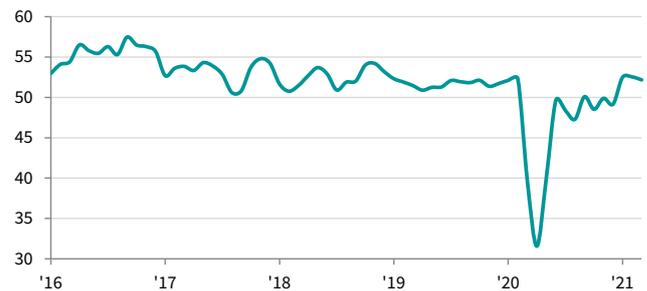
The IHS Markit Philippines Manufacturing PMI® registered at 52.2 in March, down fractionally from 52.5 in February, but continuing to post above the 50.0 neutral value that separates expansion from contraction. The latest reading was indicative of a modest improvement in the health of the manufacturing sector with growth registered throughout the first quarter of 2021.

Goods producers reported a marginal rise in new order volumes during March. That said, the rate of expansion softened from that seen in February and was weaker than the long-run average. Meanwhile, foreign client demand was especially subdued during the month as restrictions linked to the coronavirus disease 2019 (COVID-19) pandemic persisted in abroad markets.

An overall rise in new work led Filipino manufacturers to increase their output, and at an accelerated pace. The rate of growth was moderate but was the joint-fastest since June 2019. Some firms noted efforts to stockpile finished goods amid expectations of greater demand in the months ahead.

A number of companies were hampered by resignations during
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:

"The Philippines manufacturing sector ended the first quarter on a positive note with a modest expansion recorded in March. Promisingly, output volumes rose despite a moderation in new order growth. Meanwhile, employment levels fell only marginally with anecdotal evidence suggesting that this was mostly voluntary, and not due to cost-cutting efforts at firms.

"A key area of concern, however, continues to be rising price pressures. Material shortages were often blamed for the higher costs incurred by firms. A sustained increase in client demand, however, allowed some firms to partially pass on rising expenses.

"Nevertheless, a strong first quarter places the sector in good stead for a return to industrial production growth in 2021, with our current forecast expecting a 7.1% expansion."

March, which led to the thirteenth consecutive month of contraction in employment. Encouragingly, the latest fall was the softest in the aforementioned sequence and only marginal. Firms were nevertheless still able to clear their backlogs of work, with the rate of depletion in outstanding business sharp overall.

Supply chain pressures continued to build in March as lead times for inputs lengthened. Panellists continued to cite freight delays as driving the deterioration in vendor performance, with delivery times lengthening markedly. As such, firms sought to increase their inventory holdings to minimise future shortages due to delays.

Greater output, and expectations of an improvement in demand conditions encouraged firms to increase their purchasing activity. The rate of expansion equalled the strongest since July 2019 and was solid overall. As well as boosting pre-production inventories, firms also expanded their stocks of finished goods.

Cost burdens faced by Filipino goods producers increased at a sharp and accelerated pace. Firms linked higher costs to shortages of raw materials. Firms chose to partially pass on rising expenses by increasing factory-gate prices. The rate of output price inflation was robust overall, and sharpest since November 2018.

Finally, the outlook for production remained in positive territory in March, with hopes of stronger economic conditions often linked to positivity. However, the degree of optimism posted below the long-run trend, suggesting that the global pandemic continues to weigh on expectations.

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



Sources: IHS Markit, PSA.

Contact

Shreeya Patel
Economist
IHS Markit
T: +44 134 432 8196
shreeya.patel1@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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 12-24 March 2021.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click here.

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