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IHS Markit Philippines Manufacturing PMI®

PMI hits eight-month high amid new order growth

Key findings

Output falls fractionally in November

New orders rise at the quickest rate in eight months

Inflationary pressures continue to mount

Data were collected 12-23 November 2021.

Business conditions in the Philippines manufacturing sector continued to strengthen in November. Demand expanded for the first time in eight months, while output neared stability. A series of relaxing COVID-19 restrictions prompted increased footfall and greater client demand. However, firms continued to face global material shortages with delivery delays and intense cost pressures also adding to production difficulties. Nevertheless, hopes of a return to normality and higher sales led companies to raise their output expectations for the year ahead which reached a 21-month high.

The IHS Markit Philippines Manufacturing PMI® rose marginally to 51.7 in November, from 51.0 in October, registering above the 50.0 no-change threshold that separates expansion from contraction. Although only modest, the latest uptick was the strongest in eight months, and in line with the long-run series average.

Central to the uptick was an expansion in new orders received by Filipino manufacturers, with new sales rising for the first time since March. Higher client numbers, increased footfall, and a general improvement in customer demand were the key drivers of growth, according to panellists. The rate of growth was subdued in the context of the series history, however.

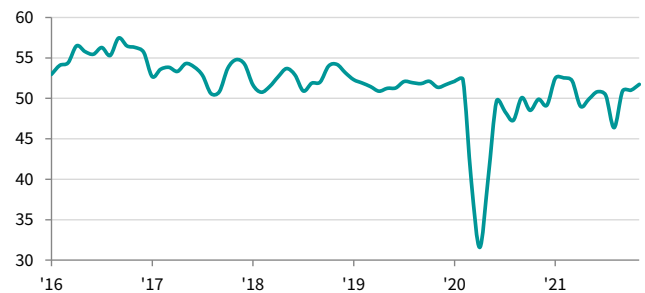
At the same time though, manufacturers recorded an eighth monthly decline in production, albeit one that was only fractional. While stronger sales helped some businesses to expand their output, others mentioned delays receiving inputs, as well as material and staff shortages constrained capacity.

Traffic issues, port congestions and difficulties sourcing materials influenced another deterioration in vendor performance during November. The extent to which lead times lengthened was marked, but eased during the month.

Meanwhile, workforce numbers continued to fall, though only modestly and at the softest pace for four months. Respondents

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:

"Latest PMI data continued to signal a recovery in operating conditions in the Philippines with the headline figure at an eight-month high. Supporting this was an expansion in new orders, which was the first uptick since the end of the opening quarter of the year. Output meanwhile fell at the softest pace in eight months and inched closer towards stability during November."

"Stockpiling and efforts to boost production were a key theme in the latest release, but supply-side issues and the lack of availability of raw materials weighed on production. Voluntary resignations were also of concern with headcounts falling continuously over the last year-and-a-half. Encouragingly though, firms were able to keep backlogs at bay, suggesting that companies, for now, are dealing with labour shortages."

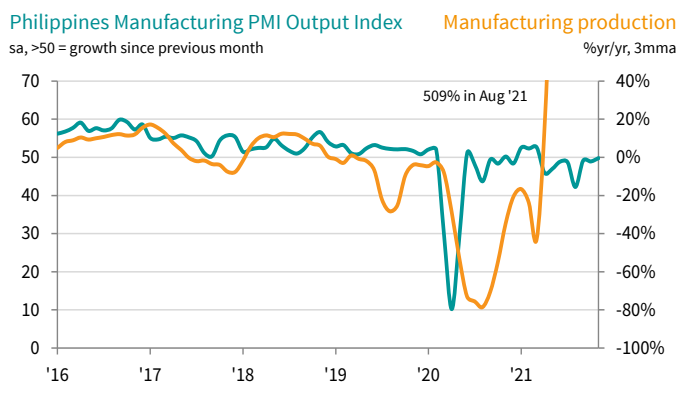
"On the COVID-19 front, low vaccination rates remain one of the sectors largest threats. The Philippines government nevertheless remains committed to inoculating the population before the end of 2022."

often cited that voluntary resignations led to the decline, but firms also reportedly found it difficult to source skilled replacements. Despite this, backlogs of work fell sharply, and at a quicker pace. Anecdotal evidence suggested that firms were able to keep up with demand as employees worked overtime to complete existing orders.

With new orders expanding marginally in November, companies raised their buying activity for the second month running. Expectations that demand will continue to improve encouraged firms to add to their input stock levels, which they did so at the strongest rate since February.

On the price front, input costs rose during penultimate month of the year, extending the current period of inflation to 19 months. The rate of increase quickened to the sharpest since March 2018 and was among the steepest in almost six years of data collection. Panel comments often linked the surge to higher raw material, transportation and energy costs. Selling charges also rose, and at a quicker pace as firms sought to pass-through higher expenses.

Looking ahead, firms remained confident that output will improve over the course of the year. In fact, the degree of optimism improved to a 21-month high with hopes of a return to normality and greater demand underpinning the outlook. That said, although sentiment was higher than the average for 2021 so far, it was below the long-run series average suggesting concerns regarding the pandemic still persist.



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 12-23 November 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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