News Release

Embargoed until 0830 PHT (0030 UTC) 4 May 2020

IHS Markit
Philippines Manufacturing PMI®

PMI falls further as lockdown extension stifles manufacturing output

Key findings

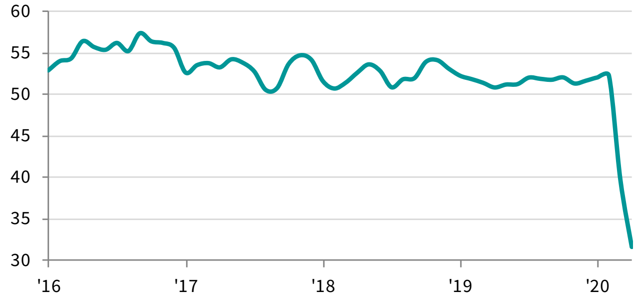
Output, new orders and exports fall at quickest rates in survey history

Job losses extend into April, but rate of decrease softens

Delivery times lengthen markedly since March

Philippines Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Data were collected 7-23 April 2020.

The downturn in the Philippines' manufacturing sector deepened in April, following the lockdown of a large part of the economy to ease the spread of the coronavirus disease 2019 (COVID-19). Production fell rapidly, while new orders and export sales declined at record paces. Job shedding continued, although the rate of decrease softened from March.

Suppliers meanwhile struggled to complete deliveries, leading to a marked increase in lead times overall. At the same time, firms reduced input purchases at the quickest rate in the series history.

The IHS Markit Philippines Manufacturing PMI® fell further to 31.6 in April, from 39.7 in March, to indicate another steep decline in operating conditions across the manufacturing sector. The headline reading marked a new record low, with a deterioration recorded in all five sub-components of the index (though supplier's delivery times is inverted in the PMI calculation).

Lockdown measures were extended throughout April, leaving most firms unable to operate at normal capacity. Production levels thus collapsed, with the rate of contraction by far the quickest since the series began in January 2016.

The lockdown also had a large impact on manufacturing demand at the start of the second quarter, as restricted activity led clients to cancel orders and consumers to limit spending. In addition, exports fell drastically due to company closures and global measures to limit the spread of COVID-19. As a result, total new orders fell at the fastest pace seen in the series history.

Manufacturers made large efforts to reduce purchasing in April as demand collapsed, with input buying sliding at a marked pace from March. Pre-production inventories fell substantially, while stocks of finished goods also decreased at a sharp rate.

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Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

"The Philippines Manufacturing PMI joined a chorus of data demonstrating the widespread and severe impact of lockdown measures on the global economy in April.

"The headline PMI posted 31.6, another record low after March's dismal figure. Output declined at a rapid pace, signalling that industrial production data is likely to be bleak during the lockdown period.

"A key factor in this crisis will be employment. April data suggested the decline in job numbers softened from March, though it was still marked overall. However, a quick return to activity may bring about a strong recovery in jobs.

"Manufacturers also face difficulties with both overseas supply and demand, with exports falling sharply and supply chains struggling amid the pandemic. A removal of lockdown measures in the Philippines may temper these issues, but they will likely remain in some form for the duration of this global crisis."

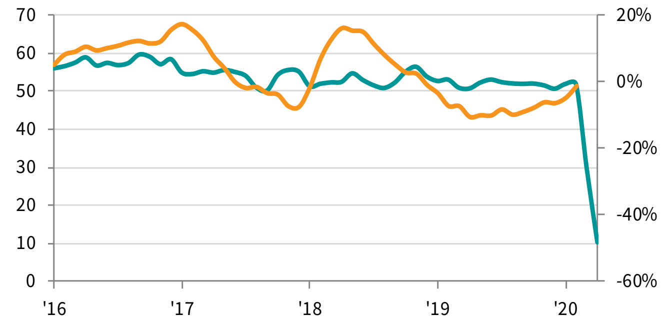
Several firms noted that stocks were slow to arrive in April as a result of lockdown measures, as supply chains were hampered by restrictions. Lead times increased for the ninth month running, with delays lengthening to the greatest extent in the series so far.

Falling activity led to a steep drop in workforce numbers in April. Panellists mentioned operating with much lower employment, whereas firms that closed factories noted large numbers of layoffs. However, the rate of job shedding was slower than seen in March.

The softer fall in employment was in line with a slightly improved outlook for future output at Filipino manufacturers. Respondents were more upbeat of a lifting of lockdown measures in the near term, while also noting plans for new products and the completion of outstanding orders once activity resumed. That said, confidence remained weaker than the series trend.

Input costs faced by manufacturers dropped for the second consecutive month in April. According to panellists, reduced input demand led suppliers to lower prices, while a sharp drop in oil prices was also recorded. However, raw material shortages weighed on cost burdens, with the overall fall in input costs weaker than in the previous month.

At the same time, output charges declined for the second month in a row, albeit with the rate of decrease softer than in March. Businesses reported lowering charges to try and boost sales during the virus pandemic.



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.

April 2020 data were collected 7-23 April 2020.

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

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.

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.