Nikkei Philippines Manufacturing PMI™

PMI rises for first time in six months

Key points:

- Production growth improves amid quicker rise in new orders
- Overseas demand increases at strongest rate since July 2018
- Manufacturers see fastest fall in employment for 15 months

Data collected from May 13-23

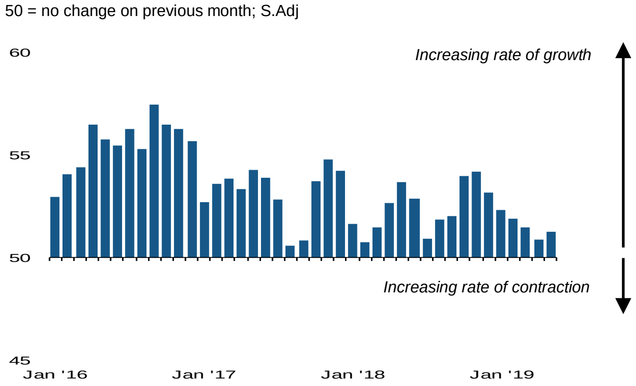
Goods-producing firms in the Philippines were buoyed by a stronger improvement in operating conditions in May, as faster new order growth encouraged businesses to boost output and input purchases at a greater rate than in April. However, a number of worker resignations led employment to drop at the sharpest rate in 15 months. Input costs continued to rise only modestly, whereas output charges ticked up at the joint-quickest pace since last November.

At 51.2 in May, the seasonally adjusted Nikkei Philippines Manufacturing Purchasing Managers' Index (PMI™) was up from 50.9 in April to signal a modest, but stronger, improvement in the health of the manufacturing sector. This marked the first time since November 2018 where the headline PMI has increased, although it was still below its average seen through the first quarter of the year.

Producers reported a solid upswing in total new orders in May. While still weaker than the trend across the series, the rate of growth rose to the most marked in four months. As well as increasing demand from local customers, panellists also attributed the expansion to improving sales from overseas. Overall, new export orders grew at the quickest rate in nearly a year, marking a sharp reversal from the joint-record decline observed in April.

Greater demand thereby encouraged Filipino manufacturers to raise output at an accelerated pace in May. The increase was moderate but also the greatest since February. Some respondents also noted the positive impact of recent product launches and branch openings on production growth.

Nikkei Philippines Manufacturing PMI



Sources: Nikkei, IHS Markit

Meanwhile, supply-side pressures appeared to ease as lead times on inputs shortened for the second month running and at the fastest rate for over two years. Mostly this was due to easing port congestion allowing suppliers to deliver goods on schedule. As such, firms were able to increase purchasing quantities solidly and expand stock levels after a marginal reduction in April.

On the other hand, a number of companies were hampered by multiple resignations during May. This led to the sharpest decline in employment for 15 months as firms chose to not replace these employees. Nevertheless, firms still managed to clear backlogs quickly.

Price pressures remained subdued midway through the second quarter. The rate of input price inflation edged down to the weakest in 39 months, while some panellists mentioned increased agricultural prices due to recent weather disruption. Firms meanwhile elevated selling charges at the fastest pace since January.

Finally, the outlook for output improved for the second successive month in May from the record low during March. Positive sentiment was generally linked to higher demand growth from home and overseas, as well as new store openings and product launches.

Comment:

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

"Filipino goods producers reported an improved picture in May, as output growth strengthened amid a sharper increase in new orders. Firms were helped by a rise in foreign demand for only the second time since last September as the global trade war intensification led to weaker export conditions. This should ease some nerves in the wake of further tariffs announced by the US and China.

"Panellists again reported several employee resignations in May. This was also noted in April, but the problem appeared to intensify as the rate of job losses accelerated to a 15-month high. Manufacturers may need to curb these resignations if they hope to sustain higher production levels."

-Ends-

Nikkei Philippines Manufacturing PMI™ is sponsored by NIKKEI

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

http://www.nikkei.co.jp/nikkeiinfo/en/

NIKKEI ASIAN REVIEW **http://asia.nikkei.com/**

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.

Asia300:
Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.

JAPAN UPDATE:
Keeping you up-to-date with business and news from Japan.

VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.

POLITICS & ECONOMY:
Looking at fiscal and monetary policy, international affairs and more

MARKETS:
Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

Video:

Watch analysts explain our articles, catch interviews with top executives.

Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)
David Owen, Economist
Telephone +44 2070 646 237
Email david.owen@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)
Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone 81-3-6256-7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: 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. To learn more go to https://ihsmarkit.com/products/pmi.html.