News Release

Embargoed until 0830 PHT (0030 UTC) 1 July 2021

IHS Markit Philippines Manufacturing PMI®

Manufacturing recovery regains momentum in June

Key findings

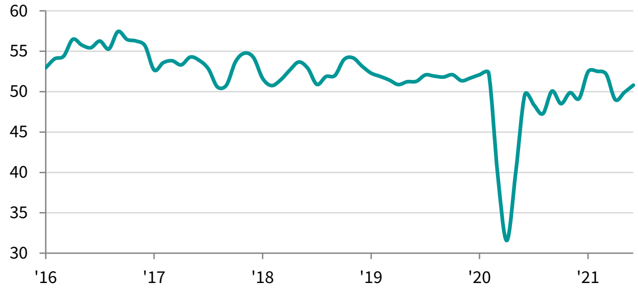
Softer declines in output and new orders

Renewed increase in purchasing activity

Output price inflation quickens for the fourth month in a row

Data were collected 11-23 June 2021.

Philippines Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Filipino manufacturers signalled a rebound in operating conditions at the end of the second quarter, led by softer declines in output, new orders, and employment, as a well as a renewed expansion in pre-production inventories. That said, the uptick was only marginal as the country continued to face modified and enhanced community quarantine (MECQ) measures following a rise COVID-19 cases. Vendor performance deteriorated further and to the greatest extent for ten months due to port congestions and virus-related restrictions.

On the price front, input costs rose with material shortages reportedly the main driver of inflation. That said, the rate of increase eased to a three-month low. Nevertheless, firms sought to pass on part of the burden by raising their selling prices, and did so at the quickest rate in over two-and-a-half years.

The IHS Markit Philippines Manufacturing PMI® rose from 49.9 in May to 50.8 in June, registering above the 50.0 no-change threshold that separates expansion from contraction. The latest expansion followed two consecutive months of decline, and signalled a rebound in operating conditions in the Philippines.

Production levels declined for the third month in a row at the end of the second quarter which panellists often linked to COVID-19 and subdued domestic demand. The rate of contraction eased for the second month running and was only modest, however.

Similarly, new orders also fell, although the rate of decline was only slight and the softest in the current three-month sequence of decline. According to panel members, MECQ measures enforced in key regions led to weak domestic demand. In contrast, international demand for Filipino manufactured goods rose for the second successive month, and with a rate of growth that was stronger than the historical average.

With declines in output and new orders persisting in June, manufacturers remained cautious about adding to their staffing

continued...

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"June data highlighted a partial rebound in the Filipino manufacturing sector following two consecutive months of contraction seen at the start of the second quarter. Declines across output, new orders and employment eased while exports rose sharply during the month. Expectations of greater production levels were reflected in firms adding to their stock levels, amid hopes of a stronger third quarter.

"It was not all good news in June, however, with MECQ measures persisting and, in some instances, delaying the supply of inputs. Meanwhile, rising raw material and transportation costs were often faced by goods producers during the month. Output prices rose further, and at the quickest rate in over two years, suggesting firms are committed to somewhat cushioning any potential losses.

"Nevertheless, with the vaccination program still in the early stages, controlling the spread of the pandemic remains principal to preventing another series of tightening restrictions. Firms in the meantime will hope issues surrounding the supply of materials are resolved."

PMI® By IHS Markit

levels. Workforce numbers have now fallen in each month since March 2020, though the latest decline was the softest in three months. Cost saving efforts and voluntary resignations were also cited by respondents as driving the fall in workforce numbers.

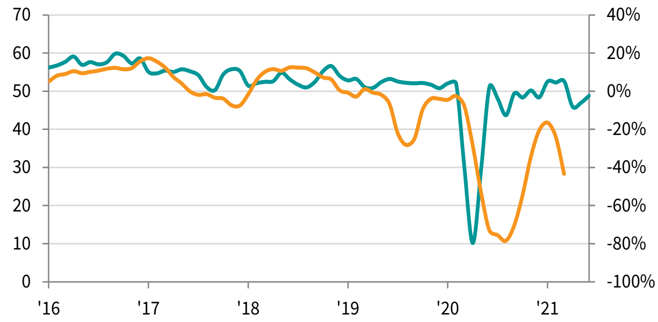
Input buying returned to growth in the Filipino manufacturing sector in June, which ended a two-month period of decline. Manufacturers were once again faced with a more severe lengthening of delivery times from suppliers, however, which was widely linked to stock shortages and port congestions by panellists. To protect against future delays, and in anticipation of greater demand over the coming months, firms expanded their pre-production inventory holdings further. Meanwhile, stocks of finished goods rose marginally.

Higher transportation and raw material costs resulted in rising input prices in June. Latest data indicated a robust overall increase in average cost burdens, although, the rate of inflation eased for the second month running. In efforts to protect profit margins, manufacturers raised their selling prices further by partly passing on higher expenses. Output price inflation quickened to an over two-and-a-half year high in June.

Looking ahead, goods producers in the Philippines remained optimistic about their overall prospects for higher production levels in the next 12 months. Sentiment reached a three-month high with hopes of greater demand often fuelling stronger expectations. However, the degree of optimism posted below the long-run trend level with some manufacturers commenting on concerns over the longer-term impact of the pandemic.

Philippines Manufacturing PMI Output Index
sa, >50 = growth since previous month

Manufacturing production
%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 11-23 June 2021.

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.