

News Release

Embargoed until 0830 PHT (0030 UTC) 2 May 2022

S&P Global Philippines Manufacturing PMI®

Business conditions improve at quickest rate since November 2017

Key findings

Strongest upturns in output and new orders since late-2018

Input stocks expand at quickest rate for more than five years

Inflationary pressures remain intense

The Filipino manufacturing sector saw the strongest improvement in operating conditions for more than four years in April, as the country showed further signs of recovery from the latest wave of COVID-19 infections. The sector benefited from quicker upturns in output and new orders as pandemic-related restrictions eased. Furthermore, stronger client demand prompted one of the fastest accumulations of pre-production inventories on record.

At the same time, both input price and output charge inflation remained elevated, with rates of increase easing only slightly from the record highs seen in March.

The S&P Global Philippines Manufacturing PMI® increased from 53.2 in March to 54.3 in April, marking the third successive month whereby the headline figure posted above the 50.0 no-change mark that separates growth from contraction. Moreover, the latest reading was the highest since November 2017 and pointed to a solid improvement in overall operating conditions.

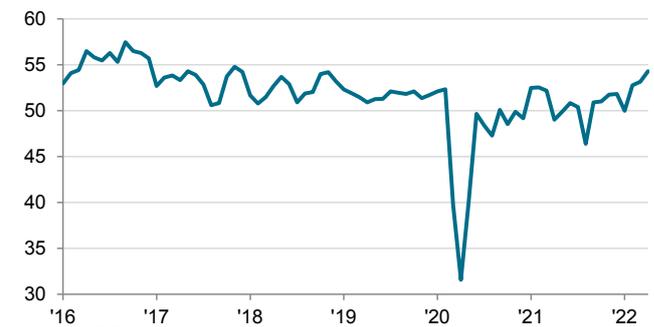
Output and new orders increased for the third month running in April, with the respective rates of growth both accelerating from March to the quickest since November 2018. Anecdotal evidence indicated that looser pandemic restrictions had supported the latest upturns in customer demand and production schedules.

That said, demand from international markets decreased for the second month running. Russia's invasion of Ukraine, higher shipping costs and limitations due to the pandemic had reportedly hampered new export orders.

Concurrently, raw material shortages and transportation delays led to a further lengthening of average suppliers' delivery times. That said, the extent to which lead times for inputs increased was the least severe for nearly two-and-half-years.

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-22 April 2022.

Comment

Maryam Baluch, Economist at S&P Global, said:

"Looser pandemic restrictions led to a stronger improvement in operating conditions across the manufacturing sector in the Philippines at the start of the second quarter.

"As client demand strengthened, both output and new orders expanded at rates not seen for over three years. Furthermore, upbeat forecasts have resulted in a solid increase in stocks of inputs, with the sector moving towards recovery.

"Although output growth picked up in April, global headwinds, notably from the Russia-Ukraine war and lockdowns in China, led to further pressure on supply chains. Furthermore, the rate of input cost inflation eased only slightly from the record high seen in March, leading to another sharp increase in selling prices.

"While strengthening client demand has been able to support the recovery so far, it will be important to see how growth momentum is sustained amid ongoing supply chain disruption and sharply rising costs."

PMI®

by S&P Global

The improvement in customer demand and rising production requirements led to a further increase in buying activity in April. Notably, the rate of growth was the fastest in more than three years. At the same time, firms increased their holdings of raw materials and semi-finished items. Furthermore, the rate of accumulation in stocks of inputs accelerated to one of that fastest seen since the survey began in January 2016.

The level of work-in-hand (but not yet completed) declined again in April, and at a solid pace. A number of firms commented that rising production had helped them to process and complete orders. Meanwhile, April data pointed to a stabilisation of workforce numbers across the Filipino manufacturing sector. Improving economic activity resulted in no change in employment in the latest survey period, thereby ending a 25-month period of job shedding. However, reports of worker resignations were widespread, often due to the pandemic, which weighed on companies' abilities to expand staff numbers overall.

Finally, business confidence regarding the 12-month outlook for output improved to a four-month high in April. Weaker COVID-19 containment measures underpinned forecasts of stronger demand conditions and rising output in the coming months.



Sources: S&P Global, Philippines Federal Reserve.

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Survey methodology

The S&P Global Philippines Manufacturing PMI® is compiled by S&P Global from responses to 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. Data collection began in January 2016.

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.

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

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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.