News Release

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IHS Markit Philippines Manufacturing PMI®

Business conditions improve at modest pace in August

Key findings

New order growth falls to lowest in 13 months...

... but job numbers rise at quickest rate in nearly two years

Production and input buying continue to increase

Operating conditions at goods-producing businesses in the Philippines improved at a moderate rate during August. Firms raised production but only modestly, as new order growth fell from July levels. Job numbers increased, while supply chains were stretched amid difficult weather conditions. Input and output price inflation remained relatively mild.

The IHS Markit Philippines Manufacturing PMI® posted 51.9 in August, signalling a modest improvement in the health of the Filipino manufacturing sector. The headline reading was down slightly from 52.1 in July, but was still one of the highest recorded this year so far.

Latest data revealed slight downward pressure on production growth over the month. Output did increase, but only modestly and at the slowest pace for four months. This was widely linked by panellists to a softening in the rate of new order growth.

In fact, the increase in new business was the least marked in 13 months. While sales remained strong overall, some firms were impacted by monsoons as well as a drop in demand from foreign clients.

Adverse weather conditions also led to a slight deterioration in vendor performance, the first recorded since March. Despite this, manufacturers managed to increase their input stocks for the fourth consecutive month, and at a stronger rate than in July. Purchases continued to expand solidly.

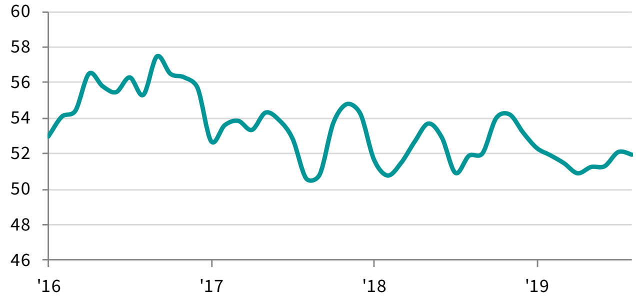
As with the previous month, holdings of finished items were broadly unchanged during August. Firms reportedly saw little need to raise inventories in the wake of slower growth in new orders.

On the other hand, there were greater requirements for labour over the month, indicated by firms raising employment at the quickest rate since November 2017. The increase was only

continued...

Philippines Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"Latest PMI figures showed that growth in the Philippines manufacturing sector was largely similar in both July and August. While sales growth was down from the previous month, greater hiring activity meant that the headline reading dropped only slightly to 51.9 (from 52.1).

"Some firms noted a slowdown in customer demand due to monsoons during August. This also led to a slight deterioration in supply chain efficiency as lead times increased marginally. Nevertheless, firms were still able to increase stock levels."

"One note of caution from the data was another moderate fall in export demand. New orders from abroad have now fallen in ten out of the last 12 months, as trading conditions in the region remain difficult due to the US-China trade war. The economy is subsequently relying on strong domestic sales to stop growth from falling any further."

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modest though. Firms meanwhile continued to lower backlogs, although the latest reduction was among the weakest seen in the series. In fact, some businesses saw work-in-hand rise due to problems with machinery and raw material shipments.

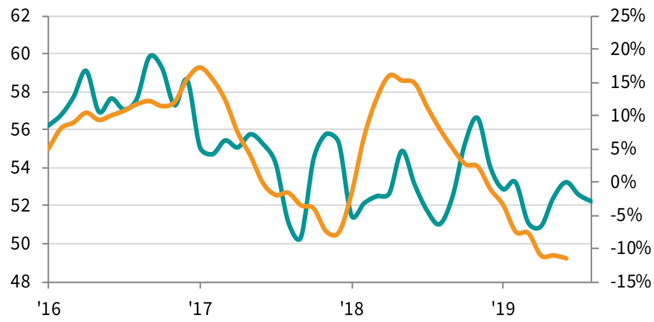
On the price front, selling charges at goods producers increased modestly over the course of the month. The uptick was faster than in July but was still softer than the series trend. Companies that did raise their fees often attributed this to higher supplier prices.

Likewise, input prices rose at a sharper pace than in July, but again the rate of inflation was weak compared to the 44-month series history. According to anecdotal evidence, higher raw material prices was a key factor leading to greater cost burdens.

Finally, predictions of output growth in the manufacturing sector remained positive overall, although the level of optimism was the second-weakest since the series began. Around 57% of firms were hopeful of raising production in the coming year, often linking hopes to higher current sales and product development. This contrasted with 4% of respondents giving negative forecasts for growth.

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

Manufacturing production
%yr/yr, 3mma



Sources: IHS Markit, CSO.

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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.

August 2019 data were collected 12-22 August 2019.

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

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