NIKKEI

PMI™ By IHS Markit

News Release

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Nikkei Philippines Manufacturing PMI™

Manufacturing growth weakens to four-month low in January

Key points:

- Output expands solidly but at softer pace than December
- New orders rise sharply despite continued slump in foreign demand
- Employment declines for first time since July

Data collected from January 10-24

The Philippines manufacturing sector saw a moderate improvement in business conditions in January, according to survey panellists. Output grew solidly but at the softest pace in four months. New order growth remained sharp, but export demand fell for the fifth month running. Employment dropped for the first time in six months. Output prices rose solidly, as input price inflation increased slightly from December's 28-month low.

The seasonally adjusted Nikkei Philippines Manufacturing Purchasing Managers' Index (PMI™) fell from 53.2 in December to 52.3 in January to indicate a modest advancement in business conditions. That said, this was the lowest reading since September and markedly weaker than the survey average.

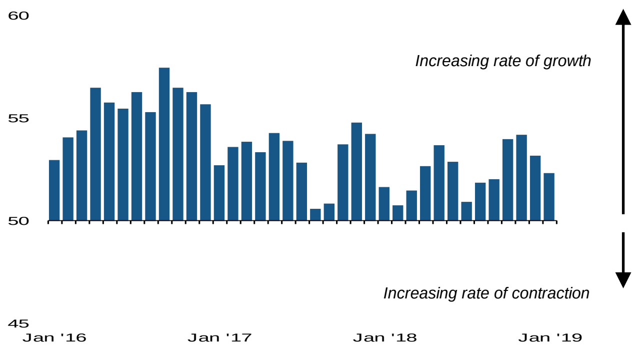
Manufacturing output growth was solid in January, despite the rate of expansion sliding to a four-month low. Firms that raised production linked this to a sharp uplift in new orders, with many highlighting the introduction of new clients into the market. Some also noted the impact of business expansion on sales.

At the same time, demand from overseas continued to decline, extending the run to five months. Anecdotal evidence suggested that foreign clients that used to place regular orders are now reducing this frequency.

Meanwhile, purchasing activity expanded modestly in January, with the latest data signalling the weakest rise in input buying across the series, which began three years ago. Pre-production stocks grew at a solid pace, however, as some firms found that previous purchases arrived late. On that note, delivery times increased only fractionally, as congestion at Manila's port eased.

Nikkei Philippines Manufacturing PMI

50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

Employment at Filipino manufacturing firms declined for the first time in six months during January. According to panellists, this was mainly due to a number of resignations. Nevertheless, firms reduced backlogs at a sharp rate, as the respective index lowered from December's 33-month high.

Following the sharp fall in output price inflation in December, January saw a solid increase in manufacturers' selling prices. However, this still represented a historically soft rate of inflation. Respondents that raised output charges linked this to an overall rise in input costs.

Similarly, input price inflation edged up slightly from the softened rate in December. Key factors still included the TRAIN tax laws introduced a year ago, as well as higher raw material prices. A rising dollar value increased import costs.

Finally, confidence about output in 12 months' time dipped fractionally in January to the second-lowest in the survey history. That said, businesses retained a generally positive outlook, citing an expected increase in sales and expansion of products and premises during the year. Exactly 62% of firms expect output to rise.

Comment:

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

"January data suggested a slow start to the year for Filipino manufacturers. Purchasing activity grew at the weakest rate throughout the series history, while employment declined for the first time since July. Export orders fell for the fifth month in a row, as China, their top export destination, reported slower growth during 2018. This news may add to fears that exports could slow even further in the first quarter. Nevertheless, strength in the domestic market should carry the industry through a potentially turbulent period."

-Ends-

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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.

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Notes to Editors:

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.

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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.