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# IHS Markit Philippines Manufacturing PMI®

## Stronger output growth offsets slower demand gains during June

### Key findings

Solid expansion in output at Filipino manufacturers

New orders increase at softest rate in 11 months

Export sales fall at record pace

Filipino goods producers kept up a solid rate of output expansion at the end of the second quarter of the year, despite a softer increase in total new orders and the fastest drop in export sales seen in the series history. Employment trends remained subdued, while firms continued to build up stocks to avoid shortages. Sentiment about the future meanwhile dipped to the second-lowest recorded by the series to-date.

The IHS Markit Philippines Manufacturing PMI® rose slightly from 51.2 in May to 51.3 in June. The latest figure signalled a still subdued picture for the manufacturing sector, with the reading among the lowest in the three-and-a-half year history despite being highest seen since March.

The marginal rise in the headline index was mostly due to a greater expansion in output at Filipino manufacturers. In line with February's result, the rate of growth was the joint-fastest in 2019 so far. Anecdotal evidence generally related the increase with higher demand for goods, although it was also driven by firms working through pre-existing orders and raising post-production stocks.

At the same time, new orders grew at only a modest pace that was the least marked in nearly a year. Companies squarely linked this to another fall in new orders from abroad, the eighth in ten months. Notably, the latest downturn was the sharpest seen since the series began in 2016, as a number of firms highlighted a lack of demand from overseas clients.

Employment declined further in June, again linked to non-replacement of leavers at manufacturing firms. This extended the current period of deterioration to four months, although the latest drop was softer than in May.

On the price front, goods producers reported another subdued increase in input costs at the end of the second quarter. Just 7%

*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:

*"Certain factors suggest that Filipino manufacturers were facing a weakening growth environment in June. Output growth was solid, but new orders increased only modestly and at the slowest pace since last July. Instead, firms appeared to focus on stock-building; finished goods inventories grew for the second consecutive month, while input stocks also rose as some panellists hinted at risks of supply shortages.*

*"Altogether this suggests that there will be less incentive to raise output in the months ahead, unless firms see a strong inflow of new orders. Many companies may switch to using up their inventories, in which case activity could dry up. Firms also face notable labour market problems, as resignations were once again mentioned by a number of panellists.*

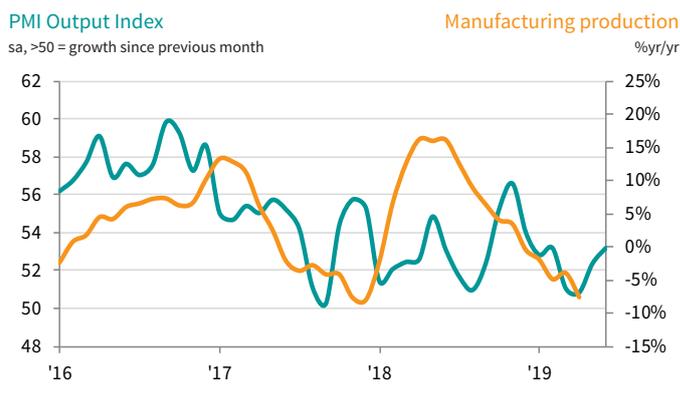
*"That said, supply chains have improved in recent months as port congestion has eased, while price pressures are also relatively subdued. These factors should help to minimise any short-term risks to businesses."*

of panellists saw a rise in supplier prices, partly attributing this to a higher dollar rate and increased taxes, whereas the majority of respondents registered no change from May.

As such, manufacturers raised output charges only modestly. The rate of inflation fell since May and was the second-weakest in nearly two years.

Meanwhile, purchasing activity was stepped up in June, as firms expanded their input buying at the sharpest rate in seven months. Despite new order growth easing, businesses reportedly wanted to build up input stocks, with some noting a risk of supply shortages. Inventories increased but at a slower rate than in the previous month. Some firms also took advantage of improving lead times which shortened for the third month running amid better conditions at Manila's port. The drop in delivery times was fractional though.

Output expectations weakened slightly in June. Despite the latest round of production growth, the outlook was the second-weakest recorded in the survey history. Nonetheless, optimism remained positive overall, with firms expecting a rise in new orders and company growth to drive up activity in the future.



## Contact

David Owen  
Economist  
IHS Markit  
T: +44 2070 646 237  
[david.owen@ihsmarkit.com](mailto:david.owen@ihsmarkit.com)

Bernard Aw  
Principal Economist  
IHS Markit  
T: +65 6922 4226  
[bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto: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.

June 2019 data were collected 12-21 June 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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 [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).