News Release

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Nikkei Philippines Manufacturing PMI™

PMI dips to six-month low in February

Key points:

- New order growth weakest in seven months...
- ...but export orders rise for first time since August
- Output and employment both increase at manufacturers

Data collected from February 11-21

Manufacturing firms in the Philippines saw a weaker improvement in operating conditions in February, led by the softest rise in new orders for seven months. However, output grew solidly, with firms also increasing purchases and employment. Export orders expanded for the first time since August. Selling charges rose at a slower pace amid relatively soft cost inflation. Business sentiment edged up to the highest in six months.

The seasonally adjusted Nikkei Philippines *Manufacturing Purchasing Managers' Index (PMI™)* fell from 52.3 in January to 51.9 in February, signalling a modest improvement in the health of the manufacturing sector. The latest reading was the lowest recorded since August 2018. The headline PMI is a composite index designed to provide a broad indication of the health of the manufacturing sector each month.

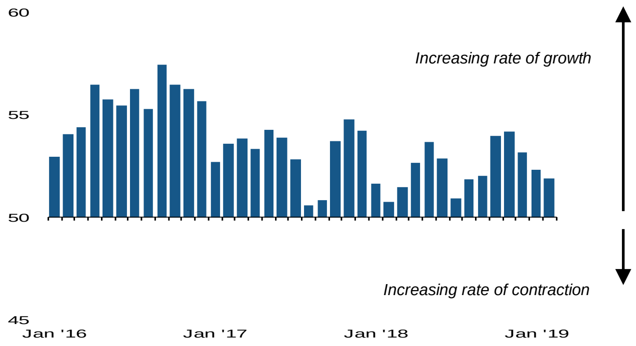
Underpinning the softer growth was a notably weaker increase in order book volumes in February. The rate of expansion was at a seven-month low, albeit still solid. At the same time, new business from overseas grew for the first time in six months, with panellists reporting an increase in foreign clients and orders from existing clients.

Output growth was solid in February, with the pace of expansion accelerating from January. As well as stronger demand, companies highlighted new branches and machinery as key factors raising production levels.

Concurrently, firms increased purchasing activity at a quicker rate than January's record low, although still weaker than on average. However, stocks of purchases rose only slightly as higher production requirements led to inputs being depleted at some manufacturers. Employment grew at a gradual pace after declining at the start of the year.

Nikkei Philippines Manufacturing PMI

50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

Stocks of finished goods fell for the first time in eight months during February, with firms pointing to faster deliveries for their customers. Lead times were broadly unchanged, although some panellists saw a rise due to continued port congestion and supply shortages of some raw materials.

Output charges set by Filipino manufacturers rose solidly in February. However, the rate of inflation was slightly weaker than in January, continuing the trend of softer price rises compared to most of 2018. Firms that raised their fees generally linked this to higher raw material prices.

Input price inflation was slightly lower in February, sustaining the relatively soft rate of increase seen in recent months. That said, companies continued to report higher costs overall, with anecdotal evidence pointing to increased raw material and gasoline prices, as well as the TRAIN tax laws.

Finally, the outlook towards future output improved slightly in February, edging up to the highest for six months. Firms found that new projects, business development and strong economic conditions helped to bolster expectations of growth.

Comment:

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

"Weaker new business growth led to a lower headline PMI in February. That said, the survey also pointed to an increase in export orders for the first time since August, suggesting that softer demand signals were predominantly from the domestic market. There is little cause for concern though, with the PMI having been relatively strong over the last few months. With inflation falling and employment strong, manufacturers will likely see improved business conditions ahead."

-Ends-

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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.