News Release

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Nikkei Philippines Manufacturing PMI™

Manufacturing growth accelerates in March

Key points:

- Faster rises in output and employment
- Greater sales and output lead to slower inventory build
- Charge inflation at record high on the back of surging input costs

Data collected from March 13-24

Expansion of the Philippines manufacturing economy gathered more strength in March, according to the latest PMI survey. Growth in both output and new orders remained key drivers, with rising client demand prompting firms to step up the pace of hiring.

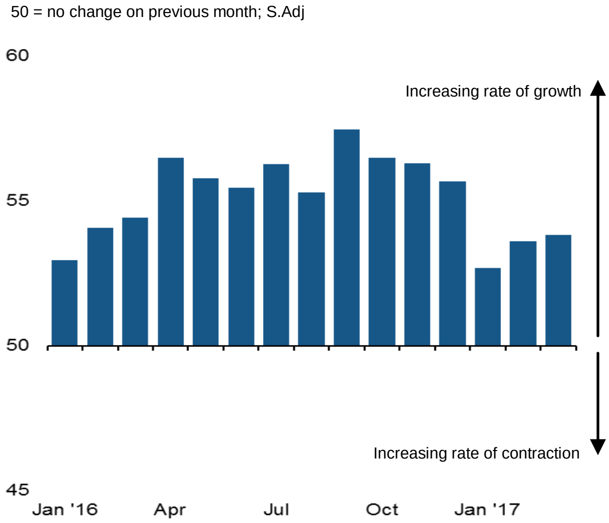
Firms also increased input buying but greater production usage led to only a modest build in inventories. Increased demand did not strain supplier capacity. On the contrary, vendor performance improved, albeit at a slower rate. Meanwhile, further cost increases led to firms raising selling prices by the greatest extent in the series history.

At 53.8, the seasonally adjusted **Nikkei Philippines Manufacturing *Purchasing Managers' Index (PMI™)*** was marginally up from 53.6 in February but signalled another robust rate of improvement in the health of the sector. That said, the rate of expansion in Q1 was substantially slower than in the fourth quarter last year.

Total order book growth was recorded at a solid pace during March as client demand remained strong. In some cases, the opening of new branches and a sharp fall in copper prices supported new business inflows. New export sales also increased but at a slower rate to total orders, suggesting that the domestic market remained the key driver of manufacturing growth.

A strong new business pipeline helped output to increase by the greatest extent so far in 2017. Anecdotal evidence suggested that the need to prepare for new orders and planned product launches were reasons for busier production schedules.

Nikkei Philippines Manufacturing PMI



Sources: Nikkei, IHS Markit

Facing greater production requirements, firms hired more workers in March, with the rate of increase the highest in four months. Planned business expansions were also cited as a reason for higher staff headcounts.

More manpower helped companies to work through their business inflows. Backlog depletion was reported for the thirteenth successive month in March.

Anticipating a rise in demand, factories raised their level of input buying during March. New product launches and model changes were revealed as causes for higher purchasing activity. There were also reports of some advance buying (especially metals) to avoid future price hikes.

However, higher operational usage and sales led to a smaller rise in inventories. Pre-production stock levels were modestly higher, recording the weakest expansion in 14 months. The build-up in stocks of finished goods was also markedly slower than February, and the lowest since May 2016.

Meanwhile, suppliers reported another improvement in average lead times, citing better communications, strict penalties for delays and increased overtime work as contributory factors.

On the price front, input costs continued to rise at a steep pace, though slower than in February. Sharp cost increases led Filipino manufacturers to raise their factory gate prices to the greatest extent on record.

Comment:

Commenting on the Philippines Manufacturing PMI survey data, **Bernard Aw,** at IHS Markit, which compiles the survey, said**:**

"The March survey points to a further strengthening in the rate of expansion of the Philippines' manufacturing sector, which bodes well for economic performance in the first quarter. Growth is being driven mostly by robust domestic demand, stemming from buoyant consumers and public infrastructure spending in particular.

"Export growth remained modest, helped by a stronger US dollar. However, the weaker exchange rate means that prices for imported inputs continued to be more expensive than before. Firms were able to pass on much of the higher costs to customers as demand for Filipino goods remains strong.

"However, the manufacturing sector was not performing as well in the first quarter as it had in the fourth quarter of last year. Although if recent sectoral improvements continue, especially with increased government spending and resilient private consumption underpinning the economy, we could see stronger growth in the months 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.

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 Markit. Please contact economics@markit.com.

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