

Nikkei Philippines Manufacturing PMI™

Growth of Philippines manufacturing slows again in December

Key points:

- Output growth quickens while total new orders rise at a slower rate
- Vendor performance deteriorates for first time in survey history
- Input cost inflation at survey high, accompanied by output price hikes

Data collected from December 6-15

Although the Philippines manufacturing industry registered another strong improvement in the final month of the year, there was a further loss in growth momentum. Nonetheless, expansions in both output and total new orders remained marked and key factors driving the upturn. Greater client demand led firms to increase their input buying and staff numbers. However, backlogged work depletion fell at the fastest rate on record despite increasing orders. Meanwhile, charge inflation remained at a broadly similar pace even as firms faced the steepest rise in input costs in the survey history.

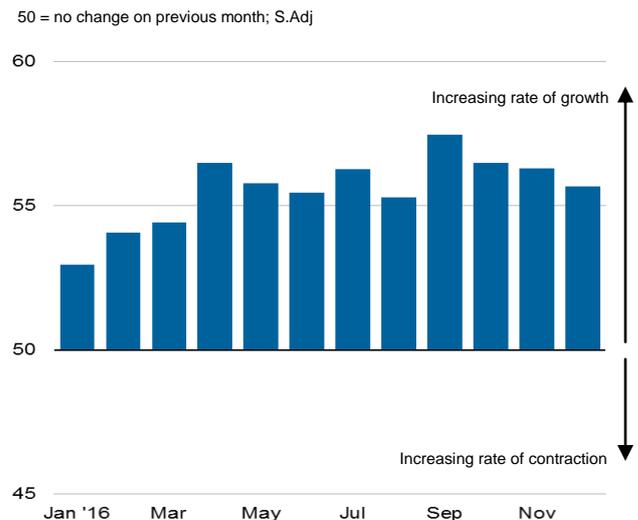
At 55.7 in December, compared to 56.3 in November, the headline Nikkei Philippines Manufacturing *Purchasing Managers Index (PMI)*™ signalled another solid expansion in the Filipino manufacturing industry. However, the headline index slowed for a third time in a row, where the latest reading was barely above the series average. While the increase in production volumes accelerated in the month, the rate of growth in total new sales decelerated for the third straight month.

December data survey indicated that output in the Filipino manufacturing sector rose at a quicker pace. A combination of improved production efficiency and promotional activity contributed partially to the latest increase.

Higher output was led by greater new orders placed at Philippines manufacturing firms, which reflected strong client appetite. However, the rate of expansion in new work was the slowest since March.

Client demand from foreign markets continued to strengthen at the end of the year but at a slower pace after expanding at a record high rate in November.

Nikkei Philippines Manufacturing PMI



Sources: Nikkei, IHS Markit

Facing higher pressure placed on production capacity, Filipino manufacturers ramped up purchasing activity, though at a slower rate. While this led to a further increase in pre-production inventories, the pace of growth was the slowest in six months. That said, accumulation of stocks of finished goods was the greatest since April.

At the same time, firms took on extra headcounts to meet the growth in new work, although the rate of job creation was the slowest since August. Additional employees and greater over-time enabled firms to work through their backlogged work in December. Notably, the rate of backlog depletion was the fastest since the series started in January.

Meanwhile, average lead times lengthened for the first time in the series history during December, though the rate of deterioration was moderate overall. Firms cited port congestions and custom bottlenecks as factors. Input cost inflation accelerated to the sharpest on record but the rate of increase in charged prices was broadly stable.

Comment:

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

“The Philippines continued to see strong improvements in manufacturing conditions during December, where robust client demand underpinned the PMI. Growth in key variables such as production volumes, new orders, employment and purchasing activity remained marked. Filipino manufacturers continued to increase staff numbers to meet greater operational requirements.

“That said, while the manufacturing sector registered another expansion, there was a further loss of growth momentum at the end of the fourth quarter. Total new orders, input buying and employment all rose at slower rates.

“Meanwhile, there were concerns that traffic congestions and customs bottlenecks impeded the smooth delivery of pre-production materials. On the prices front, Philippines manufacturing companies faced the sharpest rise in cost inflation in December as a combination of peso weakness and higher costs for raw materials lifted input prices. At the same time, hikes in selling prices were at broadly similar pace to recent months. If this continues, manufacturers’ profit margins may come under pressure in the coming months.”

-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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