

# News Release

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## S&P Global Philippines Manufacturing PMI<sup>®</sup>

### Filipino manufacturing sector records sustained improvement in August

#### Key findings

PMI unchanged at 51.2

Output and new orders record stronger upticks

Employment slips back into contraction

The latest PMI<sup>®</sup> data by S&P Global indicated sustained and modest improvement in operating conditions across the Filipino manufacturing sector in August. Overall growth in new orders picked up, despite a fall in international sales. Firms thus raised their production levels, with the rate of increase nearly matching the long-run average.

That said, firms were hesitant to onboard new staff. As a result, a renewed fall in employment was recorded.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – was unchanged from July, posting again at 51.2 in August. The health of the Philippines manufacturing sector has now strengthened in successive months for a year, albeit with latest data signalling only a modest improvement.

Underlying data signalled improved demand trends, with Filipino goods producers recording the strongest uptick in new orders in three months. However, demand from foreign customers faltered in August, as new exports sales fell for the first time since the start of the year. The data thus suggesting that demand was domestically driven.

Nonetheless, overall growth in new orders supported a stronger uptick in output during August. The rate of growth quickened from July's four-month low and was broadly in line with the historical series average.

Growth in business requirements supported firms' decisions to increase purchasing in August. That said, the rate of increase softened to a five-month low and was modest overall.

The slowdown in buying activity was reflected in a softer build-up of pre-production inventories held at manufacturers. The upturn was slight and the weakest in the current six-month period of accumulation. Meanwhile, post-production inventories were depleted in August, the first downtick noted since February followed five consecutive

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-22 August 2024.

#### Comment

*Maryam Baluch, Economist at S&P Global Market Intelligence, said:*

*"The Filipino manufacturing sector showed sustained and modest gains midway through the third quarter. Growth in output and new orders accelerated on the month, thereby highlighting improving demand trends. However, employment fell, and buying activity cooled, suggesting that manufacturers remain cautious about growth prospects.*

*"Confidence levels also waned in the latest survey period and hit a four-month low, further confirming that expectations surrounding the production outlook have softened."*

PMI<sup>®</sup>

by S&P Global

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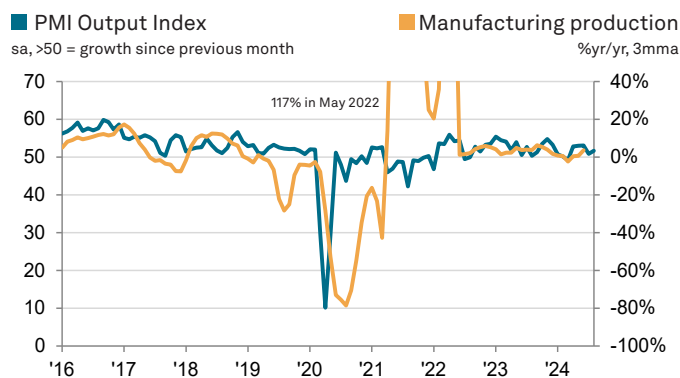
months of stock building.

Turning to employment, the uptick seen in July was reversed in August. Contractions have now been noted in three of the past four survey periods. Moreover, the tenacity of goods producers to complete workloads efficiently, despite a contraction in workforce numbers, highlighted sufficient capacity.

Encouragingly, inflationary pressures were curbed further. Input costs rose moderately during the latest survey period. Meanwhile, selling prices for goods were raised at a softer and only a slight pace, indicating that firms are in part absorbing costs in a bid to boost sales and remain competitive.

Firms also registered a further lengthening of lead times for inputs received from suppliers. Vendor performance deteriorated for a fourth straight month, but the latest incidence of delays was the least pronounced since May.

Finally, expectations among firms in the Filipino manufacturing sector point to further expansions in output in the coming 12 months, with the respective index printing well above the neutral 50.0 mark. However, latest data revealed a dip in the level of confidence, thereby suggesting more modest production gains are anticipated compared to those seen in July.



Sources: S&P Global, Philippines Federal Reserve.

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### Survey methodology

The S&P Global Philippines Manufacturing PMI® is compiled by S&P Global from responses to 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. Data collection began in January 2016.

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.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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