

News Release

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S&P Global Philippines Manufacturing PMI[®]

Stronger improvement in operating conditions in Filipino manufacturing sector in November

Key findings

Headline PMI index jumps to 29-month high

Output growth quickens

Typhoon impact behind longer delivery times

The latest PMI[®] data from S&P Global revealed a strong improvement in operating conditions within the Filipino manufacturing sector in November. Production levels expanded at a faster pace as demand continued to strengthen, with companies also gearing up for anticipated sales growth in the coming months. Employment, input buying and post-production holdings also saw increases, the latter rising for the first time in four months, reflecting a proactive approach to meeting higher production needs. Notably, optimism for the year ahead reached a 22-month high.

However, typhoons making landfall over the last month and their impact have led to longer lead times for inputs. The incidence of delays was the most marked since October 2021. Additionally, the latest data indicated a further escalation in inflationary pressures, with input costs and output charges climbing at their fastest rates in 21 months, respectively.

The headline S&P Global Philippines Manufacturing PMI – a composite single-figure indicator of manufacturing performance – rose from 52.9 in October to 53.8 in November, marking the fifteenth consecutive monthly improvement in the health of the Filipino manufacturing sector, and one which was the most marked since mid-2022.

Manufacturers eagerly anticipated a sales boost in the months ahead, prompting a notable ramp-up in production during the latest survey period, with growth accelerating from October.

A portion of this production was directed towards supporting the growth of current new sales. Demand conditions improved for the fifteenth straight month. While the pace of increase moderated to a three-month low, it remained solid and historically strong. The uptick in output was also attributed by companies to inventory building. Stocks of finished goods rose for the first time in four months, with the rate of accumulation the joint-fastest in two years (alongside

Philippines Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-25 November 2024.

Comment

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

"November saw the Filipino manufacturing sector ramping up production in anticipation of greater sales in the coming months. Hiring, purchasing activity and post-production inventories were also raised in preparation. New sales recorded further growth, as demand conditions continued to improve.

"However, some supply-side challenges acted as headwinds, as adverse weather conditions resulting from the recent typhoons hitting the country and rising inflationary pressures make a difficult environment for manufacturers. Nonetheless, firms remained optimistic about future output, with hopes that improved demand trends and the upcoming election year will provide a boost to the sector."

PMI[®]

by S&P Global

April 2024).

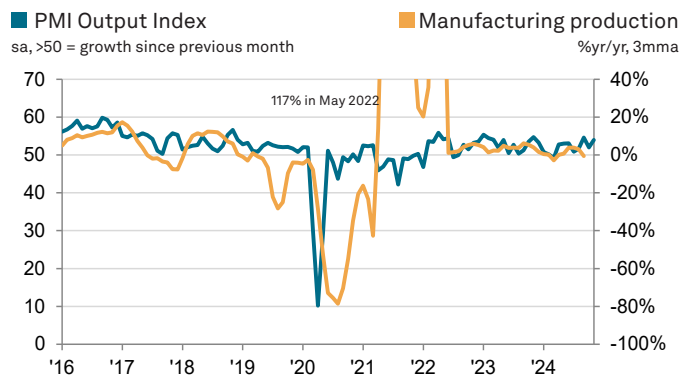
Companies expanded their capacity further as job creation was recorded for a third straight month. The pace of increase was just shy of October's recent peak.

Purchasing activity surged as well, with the rate of expansion accelerating over the month. However, this increase in input buying did not translate into a rise in pre-production inventories, as companies often utilised inputs directly for production.

November data signalled that supply chains remained strained. Adverse weather conditions stemming from recent typhoons and their impact, led to port congestion and flooding and severely impacted delivery times for inputs, with average lead times lengthening rapidly and to the most significant degree in over three years.

Meanwhile, inflationary pressures intensified. Rising costs from suppliers and raw materials resulted in a rapid increase in expenses, which was the strongest since February 2023. Consequently, charges for Filipino manufactured goods rose sharply, with output charge inflation also hitting a 21-month high.

Despite these challenges, manufacturers expressed strong optimism regarding future output in November. Sentiment reached its highest level since early-2023, as firms were hopeful that improving demand conditions and the upcoming election year would support further expansions.



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.

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