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B1

MANUFACTURING GROWTH CONTINUES TO SLOW DOWN DUE TO TRAIN

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Higher input prices and job losses partly blamed on new or increased excise tax rates on various goods under the Tax Reform for Acceleration and Inclusion (TRAIN) law further slowed down manufacturing growth in February, the latest Nikkei Philippines Manufacturing Purchasing Managers' Index (PMI) showed.

Last month, the seasonally adjusted PMI score slipped further to 50.8 from 51.7 in January, global research firm IHS Markit said in a report Thursday.

The reading in February was the second lowest since the survey began in January 2016.

A PMI score of above 50 nonetheless indicates an overall increase in manufacturing activity.

In a note to clients, London-based Capital Economics said the Philippines "was the only country where the average headline PMI in the first two months of 2018 was below its average for the fourth quarter" of 2017.

"Growth in the Philippine manufacturing economy lost further momentum in February, according to the Nikkei PMI data, setting the sector on course for the weakest quarter in the survey history," IHS Markit principal economist Bernard Aw said in a statement.

"Survey data suggested that the new excise taxes, implemented at the start of the year, continued to have an adverse impact on demand. While growth in output and new orders picked up from the lows in January, the rates of increase remained well below historical averages. Export sales also weakened further," Aw said.

Signed by President Duterte in December, Republic Act No. 10963 or the TRAIN law starting Jan. 1 this year jacked up or slapped new excise taxes on various products to compensate for the restructured personal income tax regime that raised the tax-exempt cap to an annual salary of P250,000.

"After seeing four months of job gains, staffing numbers fell in February at the steepest pace in the survey history. The persistent lack of capacity pressure, as indicated by declining backlogs, weighed on hiring," Aw added.

"What's concerning was the tighter squeeze on profit margins as inflationary pressures built rapidly to survey-record rates. There were reports of layoffs as part of efforts to reduce costs. Firms blame higher excise tax rates and increased commodity prices for the sharp cost increase. A weaker peso also worsened the impact of higher import costs," Aw said. INQ

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