According to latest survey data, Singapore’s private sector economy began the third quarter on a weak footing, with output growing at a mild pace. Forward-looking indicators also highlight challenging conditions for firms, as new orders rose at a subdued pace, employment growth moderated and business confidence slid to its weakest in nearly two-and-a-half years.

Meanwhile, inflationary pressures remained apparent, with costs rising at the fastest pace in three months, leading to another monthly increase in output charges.

The IHS Markit Singapore PMI® is compiled by IHS Markit from survey responses from a panel of around 400 private sector companies. The headline PMI is a composite single-figure indicator of economic performance derived from indicators for new orders, output, employment, suppliers’ delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the economy.

The IHS Markit Singapore Purchasing Managers’ Index™ (PMI) moved higher in July to 51.0, from 50.6 in June. While this signalled a strengthening in Singapore’s private sector economy, the rate of improvement was only slight and weaker than the average in the second quarter (52.0).

The PMI’s two principal components, output and new orders, both indicated stronger rates of growth when compared to June. However in both cases, expansions were subdued by historical standards. Panellists mentioned that conditions in the domestic economy had turned challenging, partially restricting demand. Nonetheless, it was the tenth successive monthly gain in new work. Back-to-back increases in export sales were also registered in July.

Sustained growth in new business exerted pressure on operating capacities in Singapore, with backlogs of work rising. That said, continued...
the rate of accumulation was the weakest in four months.
In line with slower growth in outstanding work, employment
was increased to a softer extent during the latest survey period.
The rate of job creation slowed for a third successive month and
was only marginal. Panellists suggested that weak demand and
subdued business conditions had weighed on recruitment.
However, staff costs continued to rise in July and at the fastest
pace in three months. Anecdotal evidence highlighted improved
pay packages in order to attract new workers. Purchase prices
also increased, but at a broadly similar rate to June. As a result,
overall input costs rose moderately, prompting firms to increase
their charges in an attempt to support profit margins.
The outlook over the coming 12 months turned less positive
in July, failing to recover ground from June’s sharp drop. The
level of positive sentiment was at its lowest since March 2017.
Uncertainty compounded forecasts of sluggish demand and a
fragile domestic economy.

Expectations of a more challenging business environment
coincided with reduced input purchasing and cuts to stock
levels. Both buying activity and inventories have been trimmed
in each of the past seven months.

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Methodology

The IHS Markit Singapore PMI® is compiled by IHS Markit from responses to questionnaires sent to
purchasing managers in a panel of around 400 private sector companies. The panel is stratified by
detailed sector and company workforce size, based on contributions to GDP. The sectors covered by
the survey include manufacturing, construction, wholesale, retail and services.

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.

July 2019 data were collected 12-25 July 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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