News Release

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IHS Markit Singapore PMI®

Singapore's economy improves only slightly at the start of the third quarter

Key findings

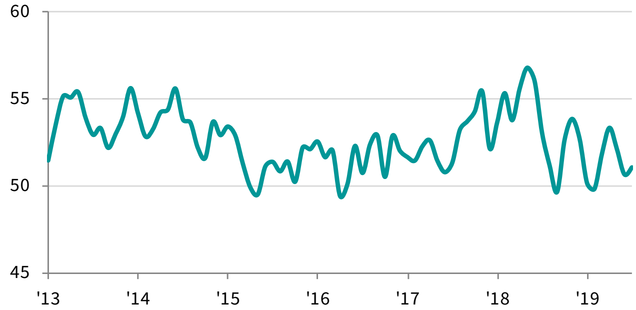
Private sector output rises at mild pace

Sales growth and business confidence both remain subdued

Employment growth slides for third month running

Singapore PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

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,

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Comment

Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

"Singapore's private sector slowed sharply in the second quarter, a signal which was accurately picked up in the PMI. The first survey data point of the third quarter fails to dispell the risk that weakness will persist into the rest of the year.

"While the PMI did rise, the implied rate of improvement in the economy remained sluggish. Forward-looking indicators such as new orders and purchasing activity also suggest firms have begun to brace themselves for challenging times.

"Notably, business confidence slumped further following the marked slide in June and now stands at its weakest since early 2017.

"With strong external growth headwinds from around the globe, particularly in Asia, the weak signal from the latest PMI data bodes ill for Singapore's domestic economy."

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.

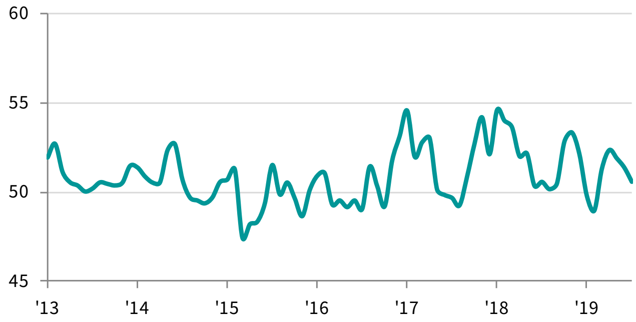
However, staff costs continued to rise in July and at the fastest pace in three months. Anecdotal evidence highlighted improved pay packages in order to attract new workers. Purchase prices also increased, but at a broadly similar rate to June. As a result, overall input costs rose moderately, prompting 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.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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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.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.

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