News Release

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# IHS Markit Singapore PMI®

## Headline PMI drops to lowest since August 2012

### Key findings

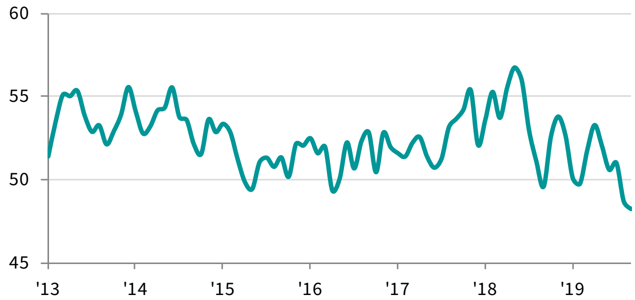
Demand deteriorates further, prompting further output cutbacks

Export orders fall markedly; employment reduced

Businesses maintain a subdued year-ahead outlook

Singapore PMI

sa, >50 = improvement since previous month




Source: IHS Markit.

Latest survey data indicated an intensified downturn in Singapore's private sector economy at the end of the third quarter. Output and new orders declined at near survey-record rates, while employment was reduced at the sharpest pace in almost four years. Output price inflation eased as a number of firms passed on discounts to stimulate demand, while cost-cutting efforts were seen as inventories and buying activity were both reduced.

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) fell to its lowest mark in just over seven years during September. At 48.3, latest survey data signalled back-to-back contractions in the private sector economy (August: 48.7), with the decline in September being sharper than previously.

The decline in business conditions reflected deteriorations in key barometers of macroeconomic health. Output decreased at the second-fastest rate seen in the survey history during September. Panellists attributed lower activity to weak demand and reduced operating capacity.

Order book volumes fell in September amid hesitancy among clients in both domestic and overseas markets. Furthermore, the decline in demand was the strongest for almost three-and-a-half years. International market conditions also remained challenging, with new export business falling to the greatest extent since July 2016. Some firms noted that the protests in

*continued...*

### Comment

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

*"PMI data for Singapore once again come in on the weak side. At current levels, the headline index is consistent with a very slight contraction in GDP between 0 and 0.5% on an annual basis. Crucially, another quarter-on-quarter decline in GDP would see Singapore in a technical recession. Latest survey data suggests the likelihood of this is notable.*

*"While the woes of the global tech sector are too well known, survey data has shed light on the impact that the deteriorating global picture has had on the domestic economy. Weak demand was attributed to local and export markets during September. Furthermore, employment was reduced at the fastest pace in almost four years, which has the potential to derail consumer spending and impact the domestic economy even further."*

Hong Kong has disrupted inflows of work from abroad.

Amid slowing business conditions, employment was reduced during the latest survey period. The rate of job cutting was modest overall, but the fastest in almost four years. As a result of lower headcounts, labour costs declined in September. The drop in staff expenses was the fastest seen across the survey history.

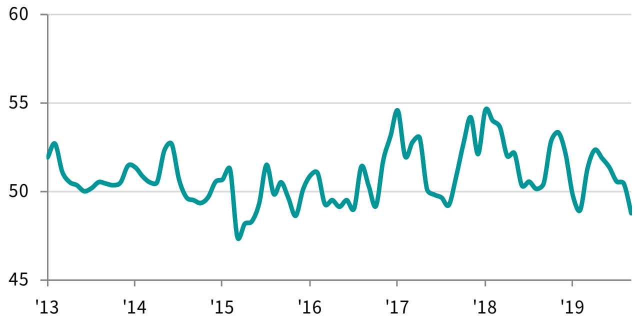
Nevertheless, lower workforce numbers did not hinder the ability of businesses to complete outstanding work. Backlogs declined for the second successive month in September, with reduced new order intakes easing capacity pressures.

Meanwhile, latest survey data showed further reductions to purchasing activity and pre-production inventories. According to anecdotal evidence, lower sales encouraged firms to keep stock levels lean. Despite weaker input demand, there were reports of suppliers hiking their fees in September. Overall input prices increased, albeit modestly.

Lastly, private sector firms in Singapore expect output volumes to be higher than at present levels over the coming 12 months, with optimism reaching a four-month high. That said, the outlook remained subdued by historical comparisons. Some panellists expressed concern towards sustained weakness of the domestic economy.

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.

September 2019 data were collected 12-24 September 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.