

# IHS Markit Singapore PMI®

## Economic downturn eases sharply in June

### Key findings

Output declines at slower rate as circuit breaker lifted

Demand conditions remain fragile in June...

...but respondents mention improved exports to the US and Europe

June data were collected 12-24 June 2020.

Singapore's private sector economy continued to contract in June, according to the latest PMI data, although the decline was considerably weaker than the unprecedented drops seen in both April and May. Reports suggest that the easing of lockdown measures aimed at stemming the spread of the coronavirus disease 2019 (COVID-19) had led to improvements in certain parts of the economy, although this could only partially offset reduced activity and demand elsewhere.

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) rose to a four-month high of 43.2 in June, from a record low of 27.1 in May. While still below 50.0, and therefore indicative of yet another deterioration in economic conditions across Singapore, the latest reading was substantially higher than in May, pointing to a far slower rate of contraction.

Activity levels in Singapore's private sector fell once again in June, although there were small signs of improvement as approximately 45% of surveyed companies expanded output on the previous month. According to some firms, an easing of lockdown measures drove a rise in activity. However, this was insufficient to drive an overall rise in output as nearly 50% of businesses recorded a reduction.

Weighing on business activity was a further drop in demand, according to anecdotal reasons. Latest survey data highlighted another monthly decline in total new orders. Although the decrease in overall sales was less severe than May's survey record, it was steep and faster than any decline seen prior to the COVID-19 outbreak.

Singapore PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

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

*"With Singapore's circuit breaker ending at the start of June, it is unsurprising to see parts of economy returning to growth at the end of the second quarter. Around 45% of survey respondents registered higher activity. Key metrics of macroeconomic health such as the output and new orders indices both moved substantially higher, which indicates that the downturn peaked across April and May.*

*"That said, with both measures recording under 50.0, rates of decline have merely eased, and we're yet to see a growth on a broad and sustainable scale. Until this is the case, a return to the levels of economic activity seen prior to the COVID-19 pandemic will be very gradual.*

*"At the same time, this will also be dependent on economic conditions globally, given that Singapore is a small and open economy."*

continued...

Export demand continued to deteriorate during June as businesses reported difficult global trade conditions amid the ongoing COVID-19 pandemic. That said, the downturn slowed to a modest pace, with increased orders from customers in European and US markets negating some of the weakness elsewhere.

With overall sales performances remaining on a downward trajectory, staffing numbers were cut in June as firms increased their efforts to reduce costs and streamline their operations. In fact, there was evidence of spare capacity in June as backlogs of work were reduced for a fifth month running.

Overall input costs rose for the first time in four months in June. Although firms reportedly enforced pay cuts as part of retrenchment efforts, lower staff costs were more than offset by a rise in purchase prices, partly due to higher shipping fees. Despite operating costs falling overall, firms discounted their prices at a survey-record rate.

Lastly, business confidence improved noticeably in June, rising to a five-month high. Expectations of greater activity over the coming 12 months were linked to upbeat projections towards the global economy. That said, firms remained slightly pessimistic overall.

### Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

## Contact

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### Survey 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.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

June 2020 data were collected 12-24 June 2020.

Survey data were first collected August 2012.

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### 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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).