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IHS Markit Singapore PMI®

Economic downturn accelerates as lockdown continues in Singapore

Key findings

Private sector output falls at fastest rate in survey history

Domestic and export demand plummet further

Government subsidies alleviate cost pressures for businesses

April data were collected 07-24 April 2020.

Singapore's private sector economy slumped deeper into contraction territory at the start of the second quarter, according to the latest PMI data. The "circuit breaker", which resulted in widespread closures of non-essential businesses as the government acted to stem the spread of the coronavirus disease 2019 (COVID-19), was the key factor causing activity to fall at a survey-record rate. Lockdown measures also had a considerable impact on demand, which plummeted when compared to the previous month.

Latest survey data also showed a sharp and survey-record decline in costs as the government rolled out wage and rental subsidies. Nevertheless, employment fell sharply in response to lower output requirements.

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 even further in April, following the substantial drop seen in March. At 28.1, the headline figure recorded a new survey low, falling from 33.3, signalling yet another unprecedented month-to-month deterioration in business conditions across Singapore.

Anecdotal evidence indicated that the severe and accelerated downturn had resulted from measures implemented by the government to stem the spread of coronavirus. Private sector output fell at the fastest rate in the survey's near-eight-year history during April amid the closure of non-essential businesses. Approximately 82% of firms reported lower business activity

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:

"It's unsurprising to see Singapore's private sector economy plunging deeper into contraction at the start of the second quarter. When the global economy is hit by severe negative shock, small open economies are undoubtedly going to be some of the worst hit."

"The demand-side impact of such a shock is especially evident in the export component of the survey, which showed yet another extreme month-on-month decline."

"The 'circuit breaker' - which has led to widespread business closures, only adds further woe, and at this stage, it appears the hit to the economy in the second quarter is going to be huge."

"We can take away some very minor positives from the latest data, however. The government stepping in to subsidise wages and property rentals for businesses saw operating costs fall drastically on the month, which should act to alleviate some stress on the corporate sector's balance sheets."

continued...

when compared to March.

Measures to control the COVID-19 outbreak also had a significant effect on demand for goods and services, which fell at the steepest rate on record. Key clients shutting their businesses, as well as lockdown measures overseas led to a substantial decline in new orders. Survey data showed workloads from abroad plummeting once again in April. The rate of contraction was slightly stronger than in March.

With output requirements falling, latest survey data signalled a sharp rise in slack across Singapore's private sector. In response, some companies reduced their workforces in order to trim costs. Despite the rate of job shedding easing slightly, it remained sharp overall.

Elsewhere, overall input costs declined at the fastest rate on record in April. A number of firms suggested that government subsidies for wages and property rentals had reduced operating expenses. There was some pass-through to selling charges, with panellists providing discounts on their fees.

Finally, supply chains came under intense pressure, with input delivery times lengthening sharply during April. Staff shortages and difficulties shipping items as a result of the global COVID-19 pandemic reportedly led to the deterioration in vendor performance.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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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.

Survey dates and history

April 2020 data were collected 07-24 April 2020.

Survey data were first collected August 2012.

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