News Release

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IHS Markit Singapore PMI®

COVID-19 outbreak leads to heavy business disruption in Singapore

Key findings

Output falls at survey-record rate as intakes of new business slump

Survey respondents report order cancellations and supply shortages

Sentiment plummets as uncertainty grows over COVID-19 impact

Private sector output in Singapore fell at the strongest rate since data collection started in August 2012, according to the February PMI survey, as the coronavirus outbreak caused supply shortages, reduced export demand and hesitancy to spend among domestic clients. Furthermore, with companies uncertain as to the full economic impact of COVID-19, business sentiment plummeted to a survey low.

Firms reacted to the negative demand shock by cutting employment and output prices in February. Meanwhile, reports of material shortages due to cancelled shipments exerted upward pressure on input costs.

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 level on record in February. At 47.0, down from 51.4 in January, the headline figure signalled the first deterioration in economic conditions since last October. Furthermore, it was the sharpest decline since data collection began over seven-and-a-half years ago.

A major drag on Singapore's private sector economy was the negative shock to demand, caused by the outbreak of coronavirus. According to panel members, sales were strongly affected during February as clients became hesitant to spend and cancelled orders. Latest survey data signalled the sharpest fall in new business since August 2012. As well as widespread disruption to domestic demand, new work from overseas markets also declined in February. Lower exports were

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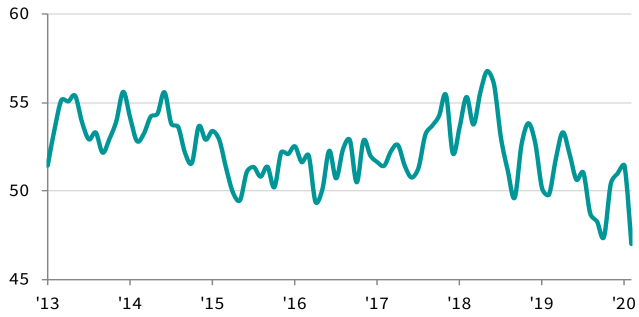
Singapore PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"The strong negative economic shock from COVID-19 was laid bare in the latest Singapore PMI. Given Singapore's economy is so reliant on tourism, international supply chains and export demand, it comes at no surprise to see that output declined at a survey-record rate in February (survey began in August 2012).

"Even worse, there is a high likelihood that the economic impact could get far worse. The number of confirmed cases in Singapore was relatively low during the survey dates. The hit to the service sector from lower tourism could be exacerbated even further if domestic consumers are deterred from going out and spending.

"It is still unclear as to how long it will take for supply chains to recover. Efforts to contain the virus are straining labour supply, meaning bottlenecks once factories begin to re-open will block the supply-side of the economy, which policymakers are powerless to help."

attributed to reduced sales right across Asia, but China was mentioned as the key area of weakness.

The negative demand-side impact of COVID-19 was compounded by supply chain disruption as input lead times lengthened to the greatest extent in five months. The combined effect of raw material shortages and lower order books led to reduced business activity in February. Furthermore, the decline in output was the steepest recorded since the survey began in 2012.

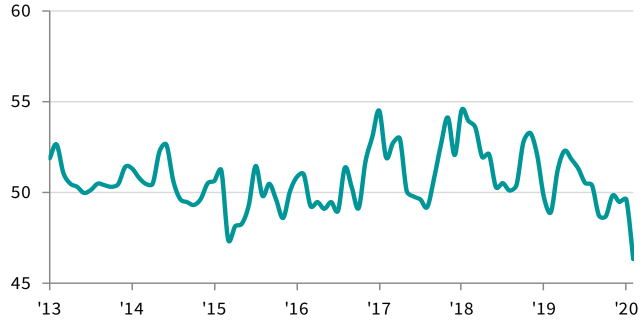
Uncertainty over the extent of the economic impact of COVID-19, as well as how prolonged the disruption will be, led business sentiment to plummet to a record low in February. Some firms indicated that they expect the economy to be tipped into a recession as a consequence of coronavirus.

Cost-cutting measures were implemented in February as purchasing activity rose at a slower rate and firms cut employment levels. Workforce numbers fell at the strongest rate since survey data were first collected in August 2012.

In response to lower demand, prices charged for goods and services fell for the first time since last October as firms attempted to regain lost sales. This was despite sustained upward pressures on costs, with survey data pointing to higher labour expenses and purchase prices.

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

February 2020 data were collected 12-24 February 2020.

Survey data were first collected August 2012.

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. ihsmarkit.com/products/pmi.html.