

IHS Markit Singapore PMI®

Private sector conditions weaken further in August

Key findings

Renewed fall in output

Order book volumes decline at faster rate

Job shedding persists

Data were collected 12-24 August 2020.

Business conditions across Singapore's private sector deteriorated further in August as output fell back into decline and inflows of new business continued to fall. Survey data showed construction and business service sectors especially hard hit.

Companies consequently remained in retrenchment mode, with employment falling sharply again amid a renewed development of spare capacity. Purchasing activity and inventories were also reduced further. Business expectations about the year-ahead outlook remained negative.

The IHS Markit Singapore *Purchasing Managers' Index™ (PMI™)* fell from 45.6 in July to 43.6 in August, and indicated a marked deterioration in the health of the private sector. The average PMI reading so far for the third quarter nonetheless still represented an improved picture when compared to the second quarter.

Business activity contracted sharply midway through the third quarter, following a mild increase in July. This coincided with a stronger decline in new business intakes, which in part was driven by weakening external demand. Export sales returned to decline in August.

The survey data showed an uneven development across sectors, with construction and business services being severely affected by ongoing measures to contain the spread of the coronavirus disease 2019 (COVID-19). By contrast, consumer services showed further growth in output and sales.

The overall weakening sales trend contributed to a development of unused capacity, as reflected by a renewed fall in backlogs of work during August. This in turn weighed on the labour market, with firms reducing headcounts further amid widespread reports of layoffs.

Singapore PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"Singapore's private sector economy remained mired in a downturn during August, according to the latest PMI survey data. The further deterioration in business conditions and other survey indicators hinted at a challenging and stop-start recovery in the months ahead."

"Business activity returned to decline in August, accompanied by a steeper fall in new orders. Overall sales remained weak, not least weighed down by a renewed decline in export orders. Survey data showed that sectors relating to construction as well as administrative and support services were adversely affected by ongoing social distancing measures."

"With the business outlook remaining dim, companies continued to seek to lower costs in order to remain viable. Job shedding persisted amid reports of layoffs, while purchasing activity and inventories were reduced at substantial rates again."

"While the PMI survey indicated that the third quarter performance so far showed a much-improved picture when compared to the second quarter, rising unemployment, subdued international demand and uncertainty regarding the course of the pandemic could undermine the economic recovery."

continued...

On the price front, input costs continued to rise in August, with the pace of inflation remaining steep, driven primarily by higher shipping costs and suppliers' fees. Weak demand and competitive pressure constrained the ability of firms to pass on higher expenses to customers. On the contrary, output charges fell sharply in August as firms provided discounts to stimulate sales.

As part of efforts to control costs, companies cut back purchasing activity and inventories again, with both falling at substantial rates during August. Staff costs also fell.

Business prospects consequently remained downbeat in August. However, the degree of pessimism was lower when compared to July, with the Future Output Index rising sharply though still remaining below the neutral 50.0 threshold. The uncertainty surrounding the course of the COVID-19 pandemic remained the dominant concern weighing on confidence, alongside business closures, ongoing social distancing measures and border restrictions. Where firms were optimistic, they highlighted the push for 5G technology, lower interest rates and higher demand for biomedical research as reasons for an expected rise in output.

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

August data were collected 12-24 August 2020.

Survey data were first collected August 2012.

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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