

IHS Markit Singapore PMI®

Private sector expansion stalls amid heightened restrictions

Key findings

Much slower growth of output and new orders amid Phase 2 restrictions

Selling price inflation accelerates to record pace

Business outlook improves in June

Data were collected 11-24 June 2021.

Singapore's private sector broadly stagnated in June following strong growth in May. Demand and output increased only marginally over the month as the pace of growth was affected by the reimposition of Phase 2 (heightened alert) restrictions. Price pressures were sustained, with output charge inflation accelerating to the fastest on record. More positively, businesses grew more optimistic on average in June with vaccinations underway in the country.

The IHS Markit Singapore Purchasing Managers' Index™ (PMI) fell sharply to 50.1 in June from 54.4 in May, signalling almost stagnant economic conditions in the month. This nevertheless marked the seventh consecutive month in which the PMI printed above the neutral 50.0 threshold, the longest stretch of expansion in nearly three years.

The reimposition of the Phase 2 restrictions, which stretched into June, took a toll on business activity and demand growth in the latest readings. Despite gradual easing of restrictions into Phase 3 by end-June, both the output and new orders indices signalled much slower increases compared with May. While some private sector firms experienced a boost in June with increased demand for online activities, those that required face-to-face interaction suffered, emphasizing the K-shaped recovery phenomenon. Foreign demand meanwhile printed a second consecutive month of growth but likewise witnessed the pace of growth easing in May.

By sub-sector, activity fell in manufacturing, services and construction, and rose in wholesale & retail.

Despite the sustained rise in demand, firms adopted a more cautious attitude with purchasing activity, reducing their acquisition of inputs in June. This had led to the stock of purchases falling at a faster rate. Anecdotally, firms reflected

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Singapore PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

“Visible slowdowns of business activity and demand growth amid lingering Phase 2 restrictions were reflected by the latest IHS Markit Singapore PMI for June. Concurrently, supply constraints were exacerbated, as private sector firms saw longer lead times and sustained price pressures.

“The disruptions brought about by the resurgence of COVID-19 cases, both domestically and externally in the region, also led private sector firms to be more cautious with purchasing and hiring activities over the month.

“That said, things did improve at the end of the month given the transition to Phase 3 and with vaccination underway in the country, private sector firms were generally more optimistic compared to May. IHS Markit forecasts Singapore’s GDP to grow at 7.4% in 2021.”

the deterioration of the COVID-19 conditions leading to their lowered demand for inputs.

COVID-19 related disruptions also caused workforce numbers to decline at a faster in June. With the lower operating capacity, backlogs accumulated for the seventh month running. Firms noted supply constraints likewise contributing to the increase in work outstanding. In fact, the rate at which supplier delivery times lengthened was the greatest since December 2020, attributed in part to the Phase 2 restrictions.

Supply and demand imbalances persisted as well, with price pressures sustained across purchases and wages in June, leading to a thirteenth month in which overall input prices rose. Firms continued to share their cost burdens with customers and at a record rate in June. Some firms reflected the need to do so in order to protect margins.

Overall, optimism in the Singaporean private sector improved in June, but remained at levels below the survey average. Survey respondents highlighted the vaccine progress supporting hopes of further economic recovery.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

Contact

Jingyi Pan
Economics Associate Director
IHS Markit
T: +65 6439 6022
jingyi.pan@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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

June data were collected 11-24 June 2021.

Survey data were first collected August 2012.

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