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IHS Markit Singapore PMI®

Singapore's economy loses further growth momentum in June

Key findings

Output, new orders and employment all grow at weaker rates

Concerns over demand hit buying activity and confidence

New export business bounces back into expansion

Singapore's private sector lost steam once again in June, with growth slowing further from April's five-month high. The economic expansion was impeded by softer rises in output, new business and employment. There were also signs that firms anticipate conditions to become more challenging, as buying activity was reduced and business confidence slid to its lowest since March 2017. Nevertheless, backlogs of work increased at a solid and quicker pace, while new business from abroad rebounded into expansion.

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 50.6 in June, from 52.1 in May, indicating a weaker pace of expansion. That said, robust growth in the preceding two months means that, for the second quarter as a whole, Singapore's private sector economy improved at a stronger pace than in the opening quarter of 2019.

The slowdown in June reflected a weaker improvement in demand, as new orders increased at the softest rate in four months. This was despite new export sales returning to expansion following May's notable dip. Private sector business activity was subsequently adjusted, as output growth also eased and was the slowest since February. Panellists associated these trends with slower business conditions in certain industries, causing clients to cut back on spending.

In anticipation of a tougher demand climate over the coming

continued...

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:

"June PMI data for Singapore revealed a softer improvement in economic conditions, but relatively solid expansions seen in April and May should help support a modest quarter-on-quarter expansion for the second quarter of 2019."

"Nevertheless, worrying trends continued to escalate, as new orders, employment and output growth all slowed. Firms were also cautious on buying and stocks, which both fell in June, while output price inflation eased as some companies began to cut their selling charges to stimulate sales."

"Notably, the survey's only sentiment-based gauge, the Future Output Index, fell markedly to its lowest since March 2017. Anecdotal evidence indicates that there were widespread concerns that conditions were set to become increasingly more challenging over the coming year."

months, buying activity was reduced for the sixth straight month. Nevertheless, survey data indicated greater supply chain pressures despite reduced demand for inputs.

There were signs that a softening business environment had led companies to pare back their expectations over the coming 12 months. Although firms were optimistic that output volumes would improve in the year ahead, the degree of confidence slipped markedly to its lowest since March 2017.

However, latest survey data signalled that current levels of existing work were sufficient to strain operating capacities, as backlogs of work rose at a solid and quicker pace in June. While anecdotal evidence suggested that sustained growth in new business had been a contributing factor, unfavourable weather conditions also had an impact.

To cater for outstanding workloads, hiring was increased in June. Nonetheless, the rate of job creation was only mild and eased, with headcount reductions in some industries pulling back the overall rise in staffing levels.

Finally, cost burdens faced by firms in Singapore increased in June. Prices paid for purchased items increased at a quicker rate, but labour expenses rose at a weaker pace, pulling overall input price inflation lower. Output charges continued to rise, but discounts were offered by some firms to stimulate demand, reducing the overall rise in selling prices.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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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.

June 2019 data were collected 12-24 June 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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. To learn more go to ihsmarkit.com/products/pmi.html.