

Embargoed until 0830 SST (0030 UTC) 3 June 2021

IHS Markit Singapore PMI®

Private sector output and price inflation boosted by strong demand

Key findings

Output and new orders grow at faster rates in May

Business outlook weakens amid Phase 2 restrictions

Price pressures intensify with lingering supply constraints

Data were collected 12-24 May 2021.

Singapore's private sector saw a sixth straight month of expansion despite the reimposition of Phase 2 (heightened alert) restrictions. The K-shaped recovery featured strongly with contrasting reactions towards latest announcements. Overall business confidence nevertheless moderated while staffing levels fell for a second month. The heightened restrictions also contributed to an increase in average cost burdens faced by firms.

The IHS Markit Singapore Purchasing Managers' Index™ (PMI) rose to 54.4 in May from 51.8 in April, signalling an improvement in Singapore's private sector business climate. This marked the sixth consecutive month in which operating conditions have improved, the longest stretch of expansion in nearly three years.

Both manufacturing and services registered stronger performances in May, but the construction sector saw a sharp downturn. The finance and insurance sub-sector registered another rapid rate of expansion in activity.

The key domestic event that took place in May had been the reintroduction of Phase 2 restrictions mid-month. Some respondents noted an increase in output ahead of the setting of new restrictions contributing to the overall improvement of business activity. Anecdotal evidence around the implications of the Phase 2 restrictions on demand was mixed, reflecting the differing impact of the new rules on various businesses. That said, the overall new business inflow increased for the sixth consecutive month in May.

Foreign demand supported the increase in new orders, with renewed export growth in May following a marginal fall in April. Panellists reported stronger demand from top trading partner nations such as the US.

Business confidence weakened notably in May as firms grew

continued...

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:

"May PMI data reflected a still-expanding Singaporean private sector economy, although the return of Phase 2 restrictions dampened the optimism with regards to future output. A more cautious attitude surrounding hiring was apparent, even as demand continued to improve."

"Disruptions from the new measures also impacted the supply chain, with ongoing supplier delays and stronger input price inflation in May. Greater cost pressures resulted in output price inflation hitting a three-year high."

"Looking at the big picture, both domestic and foreign demand were positive in May. In the event the latest outbreak can be treated efficiently, the impact on the private sector economy may be minimised going forward. IHS Markit forecasts Singapore's GDP to grow at 6.5% in 2021."

less optimistic following the stricter rules reintroduced amid the spread of a new COVID-19 variant in Singapore. The outlook regarding output over the coming year slipped to a nine-month low. At the same time, job shedding continued in May, albeit at a marginally softer rate, and despite the increase in demand.

In turn, the decline in operating capacity contributed to the accumulation of backlogged work at the fastest rate since June 2018. More than half of the respondents reported an increase in work outstanding, with some highlighting the disruption from the new restrictions causing further delays.

Purchasing activity increased in May after a brief dip in April, in line with the faster rise in new orders. Firms, however, continued to report COVID-19 related supply constraints which led to a depletion of stock of purchases for the third consecutive month.

Overall input costs continued to increase in May, and at the fastest pace since June 2018. The amalgamation of rising purchased goods prices, wage costs and other expenses led Singaporean private sector firms to face higher cost burdens, which continued to be passed on to clients.

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

May data were collected 12-24 May 2021.

Survey data were first collected August 2012.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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.