

IHS Markit Singapore PMI®

PMI rises to nine-month high during October as business activity increases

Key findings

Output returns to growth

Demand weakens at slower rate

Business sentiment remains positive

Data were collected 12-26 October 2020.

Latest PMI™ data showed business activity across Singapore's private sector returning to expansion at the start of the fourth quarter. However, the upturn in output was marred by a further weakening of demand, with new business inflows declining again. Job shedding also persisted in October while companies continued to scale back on purchasing activity and inventories.

The IHS Markit Singapore *Purchasing Managers' Index™ (PMI)* rose from 45.1 in September to 48.6, which marked the highest reading since January. However, by remaining below the 50.0 no-change level, the latest reading signalled a further deterioration in the health of the private sector, albeit a modest one.

The gradual reopening of parts of the economy continued to benefit the recovery in Singapore's private sector economy during October. Business activity returned to growth for the first time in three months, rising at the fastest rate for nearly one-and-a-half years.

Output in manufacturing, services and construction all expanded, with an especially strong rebound seen in consumer services. Anecdotal evidence suggested that improved consumer confidence and an increasing number of businesses resuming operations amid a lower number of infection cases had boosted activity.

The solid rebound in output was not matched by rising sales, however. Intakes of new orders continued to fall at the start of the fourth quarter, dragged down by a drop in export sales. That said, the rate of decrease in overall new orders was the slowest in the current nine-month sequence of decline.

With sales still declining, albeit at a slower pace, firms continued to face with spare capacity, as reflected by a further decline in backlogs of work. This in turn weighed on hiring as companies sought to control costs. Employment shrank for the fourteenth

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:

"Latest PMI survey data showed business activity across Singapore's private sector economy returned to growth at the start of the fourth quarter. But a further weakening of demand added to fears that the upturn in activity may lose momentum in the coming months.

"The recovery in activity is broadening, with output growth seen in manufacturing, services and construction. Consumer services in particular saw an especially strong rebound. However, new sales continued to weaken across most sectors, pushing firms to be even more vigilant in controlling costs.

"Employment continued to shrink at a marked pace in October, with forced redundancies highlighted by firms operating in wholesale, transport, real estate, and administrative & support services.

"Longer-term prospects remain positive, with firms expecting Singapore's move towards Phase Three of reopening and government economic support to boost output over the coming year. Nevertheless, the slow pace of recovery and a global resurgence of COVID-19 cases remain key concerns."

continued...

straight month during October. Firms in sectors such as wholesale, transport, real estate, and administrative & support services highlighted forced redundancies.

Businesses also cut back on purchasing activity and inventories. Input purchases fell for an eighth month running during October, which contributed to a further depletion of input inventories. Meanwhile, the time taken to deliver inputs and services lengthened further, with companies noting that ongoing social distancing rules continued to hinder deliveries.

The survey also showed a sustained divergence in price trends. Overall input prices were up for a fifth straight month, lifted by greater purchase prices and higher wage costs. Anecdotal evidence indicated higher freight fees and supplier price hikes. On the other hand, efforts to boost sales and stay competitive drove firms to provide discounts via lower selling prices. Output charges dropped for a ninth consecutive month.

Finally, business expectations about the year-ahead outlook remained positive. Optimism was linked to hopes of improving market conditions as Singapore moved towards Phase 3 of reopening, as well as government initiatives. However, there remained concerns about the slow recovery due to the pandemic.

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

October data were collected 12-26 October 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