

IHS Markit Singapore PMI®

Business conditions return to growth territory in December

Key findings

Modest expansions in output and new orders

Job shedding persists at marked rate

Business confidence improves to highest on record

Data were collected 4-17 December 2020.

Singapore's private sector concluded 2020 with an expansion in business conditions, bringing an end to ten consecutive months of deterioration. Both output and new orders increased despite restrictions linked to the coronavirus disease 2019 (COVID-19) continuing. The uptick in new orders prompted capacity pressures, with backlogs rising sharply. Meanwhile, job losses persisted with firms recording another solid cut in workforce numbers. Nevertheless, government announcements surrounding easing virus-related restrictions and vaccine distribution contributed to the highest level of optimism since the series began over eight years ago.

On the price front, average cost burdens rose for the seventh month in succession, supported by an uptick in staff costs. Companies had difficulties passing on higher costs, and instead engaged in discounting strategies in efforts to stimulate sales.

The IHS Markit Singapore Purchasing Managers' Index™ (PMI) rose from 46.7 in November to 50.5 in December, indicating an improvement in the health of the private sector. Although marginal, the latest uptick signalled a turnaround in business conditions across Singapore's private sector.

New orders increased for the first times since January with respondents mentioning stronger demand, a rise in e-commerce sales and promotional activity. New orders from overseas markets also rose, and at the strongest rate since November 2018. Subsequently, firms raised output during December, which rebounded from November's relatively solid contraction.

Despite the rise in workloads, job shedding persisted in the final month of 2020 and at a marked rate. Firms mentioned that voluntary resignations and forced redundancies drove the downturn. Workforce numbers have now been cut in each month since September 2019, although the latest decline eased to the slowest in three months. Staffing cuts and higher output

continued...

Singapore PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"Singapore's private sector recorded growth in December, thereby ending a period of contraction that had lasted for the majority of 2020. Output and new orders increased concurrently for the first time since January. At the same time, a surge in demand prompted capacity pressures resulting in an accumulation of incomplete work.

"There were some signs of fragility however: workforce numbers were cut again, and sharper price pressures emerged. Firms continued promotional activity to stimulate a rise in sales, at the cost of profit margins.

"That said, sentiment improved to the strongest in the series history, fuelled by announcements of vaccination rollouts and moderating case numbers. For now, Singaporean firms will welcome the movement to phase 3 (easing restrictions), which should continue the recovery, from the lengthy downturn, in 2021."

underpinned a renewed rise in outstanding business, with backlogs increasing solidly in the latest survey period.

Purchasing activity stabilised in December, thereby halting nine months of contraction. Panellists mentioned efforts to better control inventories, whilst companies who raised purchasing noted stronger demand had prompted purchasing activity. At the same time stocks of inputs were depleted marginally, and to the least extent in the current ten-month sequence of decline.

Supply chain pressures mounted at the end of the year, with pandemic restrictions and insufficient workforce numbers weighing on vendor performance. Input delivery times lengthened the most since August.

Elsewhere, input price inflation intensified with a solid uptick reported in transportation costs. Survey data also indicated a rise in staff costs following overtime and commission payments. Despite rising costs, firms reported discounting efforts to prompt higher sales during December.

Looking ahead, firms remained optimistic about their output levels in 2021. Announcements of easing restrictions and vaccination rollouts supported the highest degree of sentiment since the series began in August 2012.

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

December data were collected 4-17 December 2020.

Survey data were first collected August 2012.

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