

Embargoed until 0830 SST (0030 UTC) 3 June 2020

IHS Markit Singapore PMI®

Economic conditions deteriorate considerably in May

Key findings

Output and demand plummet as businesses remain shut

Business confidence sinks to new survey low

Spare capacity grows; firms reduce employment

May data were collected 12-22 May 2020.

Singapore's private sector economy remained under severe pressure during May, with the headline PMI falling to a new survey low as businesses remained closed and demand for goods and services plummeted at an unprecedented rate due to the coronavirus disease 2019 (COVID-19) pandemic. With new orders collapsing, spare capacity grew sharply and firms remained firmly in retrenchment mode, reducing staff numbers and input purchasing. Heightened business uncertainty and fears of a protracted downturn led business confidence to slump to a record level of pessimism.

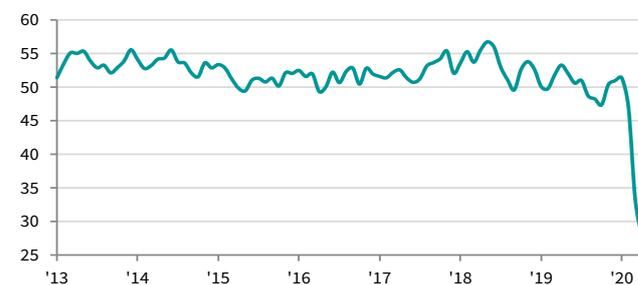
The IHS Markit Singapore PMI® is compiled by IHS Markit from survey responses from a panel of around 400 private sector companies. The headline PMI is a composite single-figure indicator of economic performance derived from indicators for new orders, output, employment, suppliers' delivery times and 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 27.1 in May, down from 28.1 in April, signalling a deterioration in private sector business conditions that, prior to the outbreak of COVID-19, was unparalleled in strength. The headline figure also reached a new survey low, indicating a stronger deterioration in economic health than seen in April.

Latest survey data pointed to another considerable drop in business activity during May. The pace of decline was similar to April's survey record as extended business shutdowns, reduced staff availability and a complete collapse in sales severely impeded business operations.

May's survey pointed to a further decrease in new business which was once again unprecedented in scale, with approximately 90% of companies registering lower intakes of new work. Measures to stem the spread of COVID-19 were reportedly the

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:

"Latest PMI data makes for another grim assessment of Singapore's economy as containment measures to stem the spread of COVID-19 continued throughout May.

"Extended business shutdowns have led to a complete collapse in domestic demand, while tourism restrictions and a sharp deterioration in the global economy have weighed drastically on Singapore's small open economy.

"With the stringency of the circuit breaker set to be partially eased from June, we can expect to see a gradual improvement as certain sectors return to work, although it is clear that the economic damage caused thus far is going to take a considerable amount of time to heal."

continued...

key factor pulling demand lower. Sales to overseas markets also sank during May, which firms attributed to weak global economic conditions.

The collapse in new work intakes seen since March contributed to a further sharp rise in excess capacity at businesses across Singapore. Consequently, businesses remained firmly in retrenchment mode, as evidenced by further declines in purchasing activity and employment. Input buying fell drastically and at a survey-record pace amid lower business requirements. While the drop in employment was the weakest since February, it was sharp overall as anecdotal evidence indicated that workers were laid off due to the unfavourable economic environment.

Cost pressures eased substantially during May as a result of government subsidies and businesses' efforts to reduce expenses. Prices charged for goods and services were subsequently reduced as firms attempted to attract sales. In both cases however, rates of deflation eased from April.

Looking ahead, business sentiment slumped to a new survey low and indicated a substantial degree of pessimism towards activity levels over the coming 12 months.

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

May 2020 data were collected 12-22 May 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.