

Nikkei Singapore PMI™

PMI shows a further slowdown in growth in June

Key points:

- Weaker rises in both output and total new orders
- Employment falls, as does purchasing activity
- Further easing in cost inflation leads to milder rise in charges

Data collected June 12-26

Expansion of Singapore’s private sector weakened at the end of the second quarter, reflecting a slowdown in both output growth and new sales. Reduced employment and inventory depletion also contributed to the lower headline reading. Amid slowing client demand, purchasing levels fell for the first time since last October. However, business optimism improved further. Meanwhile, milder inflationary pressures were seen.

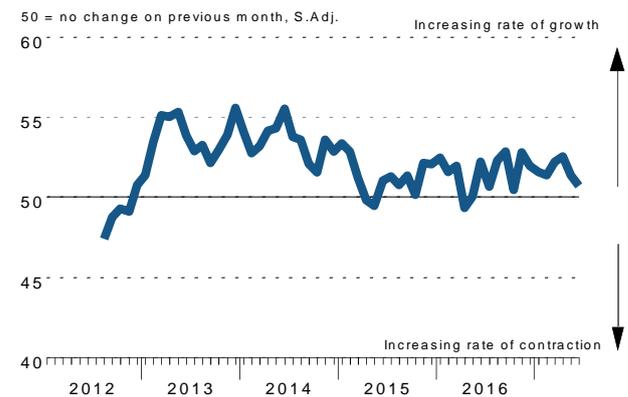
The headline **Nikkei Singapore Purchasing Managers’ Index™ (PMI™)** edged down from 51.4 in May to 50.7 in June, signalling a marginal improvement in the private sector. The latest reading was the lowest in eight months.

Signs of slowing client demand persisted in June. Growth in new business eased to the lowest in nearly a year, which was paired with stagnant overseas sales. Survey data indicated that export order volumes were unchanged after three months of expansion. Firms blamed a softer economic climate for the weaker rise in total order book volumes.

Growth in output decelerated in line with the trend in sales. The rate of output expansion eased again to reach the weakest in four months, and was modest overall. Softer expansion in new sales inflows enabled firms to work through their backlogs. The rate of increase in unfinished work was the same as the previous month. There were comments on a slow-moving real estate industry.

Amid lower operational demand, firms were encouraged to take on fewer workers to cut costs. Employment numbers fell for the first time since last October, although the rate of decrease was only marginal. There were again reports of layoffs and reduced part-time employment.

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Sources: Nikkei, IHS Markit.

Meanwhile, companies reported decreased purchasing activity in June. This was the first time in eight months that an increase in buying levels was not registered. According to anecdotal evidence, weaker sales forecasts and having sufficient stocks to meet demand were key reasons for the fall in input purchases. Reduced input buying alongside operational usage weighed on inventories. June data showed a further decline in stocks of purchases, although the rate of depletion slowed from the previous month and was only slight.

There were signs of a further easing of inflationary pressures. After a sharp pullback in May, cost inflation slowed again, with input prices barely rising in June. The rate of inflation was the weakest since a decline was recorded in August last year. A slower rise in input purchases was responsible for the softer uptick in overall cost burdens. While firms cited higher costs for transportation and raw materials, they also commented on bulk discounts. By contrast, wage inflation reached the highest in nine months during June, on the back of salary adjustments, higher payouts for commissions and bonuses, as well as over-time work. Lower cost pressures led firms to raise selling prices only marginally.

Business confidence improved further in June to a 10-month high. Optimism was linked to higher sales forecasts, product releases, and promotional activity.

Comment:

Commenting on the Singapore PMI survey data, **Bernard Aw**, Economist at IHS Markit, which compiles the survey, said:

“Singapore’s private sector economy showed a further loss of momentum in June, which is disappointing news after a promising start to the second quarter. The average expansion seen in Q2 is slightly lower than that seen in the first quarter, indicating a slowing in the underlying pace of economic growth.

“Softer client demand was reflected in slower expansions in both output and new business. That persuaded Singaporean private sector firms to take on fewer workers. In fact, net employment fell marginally for the first time in eight months, amid reports of layoffs.

“Despite the slowdown in business activity expansion, confidence improved further at the end of the second quarter. While encouraging, other forward-looking indicators such as the new orders and employment suggest that a pick-up in growth would be unlikely.”

-Ends-

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Notes to Editors:

The Nikkei Singapore *PMI*[™] is based on data compiled from monthly replies to questionnaires sent to executives in over 400 private sector companies, selected to accurately represent the true structure of the Singapore economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index[™] (PMI[™]) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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