News Release

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S&P Global Singapore PMI®

Private sector expansion slows to five-month low in August

Key findings

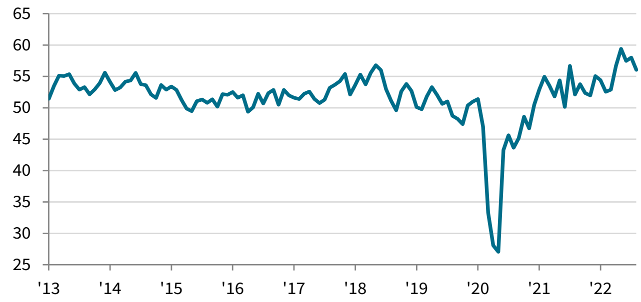
Output and new order growth both soften...

...but remain historically elevated

Second-sharpest rate of staff cost inflation in survey history

S&P Global Singapore PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-24 August 2022.

Singapore's private sector economy remained firmly in expansion territory midway through the third quarter. Despite staying historically sharp, the rate of improvement eased to a five-month low amid slight softening's in both output and demand growth. Meanwhile, job shedding continued, but at a rate which was very slight and the slowest in the current sequence.

In terms of prices, inflationary pressures remained severe with staff costs increasing at the second-fastest rate on record. Subsequently, firms continued to partly pass on input cost burdens to their clients in the form of higher selling prices.

The headline seasonally adjusted S&P Global Singapore Purchasing Managers' Index™ (PMI™) posted 56.0 in August, down from 58.0 in July. The latest reading remained above the 50.0 no-change mark for a twenty-first successive month to signal a further strengthening in overall operating conditions. That said, the rate of sector improvement was the slowest in five months.

Despite softening, growth in output remained significant and historically sharp - a similar picture was signalled for new orders. Strong underlying demand conditions, supported by a sustained COVID-19 recovery, reportedly drove expansion in both indices. That said, some firms mentioned that current interest rates and inflationary pressures were beginning to weigh on demand, causing a general market slowdown.

Indeed, rates of inflation remained historically sharp and among the highest on record. The rate of input cost inflation accelerated from August, driven by rises in both purchase costs and average staff expenditure. Higher fuel, energy and raw materials costs were all reported. Moreover, staff costs increased, and at a rate which was the second-sharpest on record. Anecdotal evidence suggested that commission and overtime pay-outs, higher headcounts, and salary adjustments all contributed to sharp wage growth.

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"Despite a slight softening in the latest headline PMI figure, Singapore's private sector economy continued to improve in August and at a sharp pace. A sustained post-pandemic COVID-19 recovery has been pivotal in supporting sector growth this year. Expansion rates of both demand and output have remained historically sharp for a number of months which is certainly an indication of healthy operating conditions. However, the rates of growth for other forward-looking indices have begun to slow. An easing in the rate of input buying and a slower accumulation of pre-production inventories indicated that production may drop in the near future. Anecdotal evidence also pointed to this with a number of firms expressing concern over a general market slowdown."

With overall input prices continuing to increase, firms raised their selling prices in an attempt to protect profitability. Despite softening to a three-month low, the pace of output price inflation remained among the quickest on record.

An uptick in new orders encouraged firms to expand their buying activity and pre-production inventories in August. Backlogs of work also accumulated at a substantial pace amid reports of labour and material shortages.

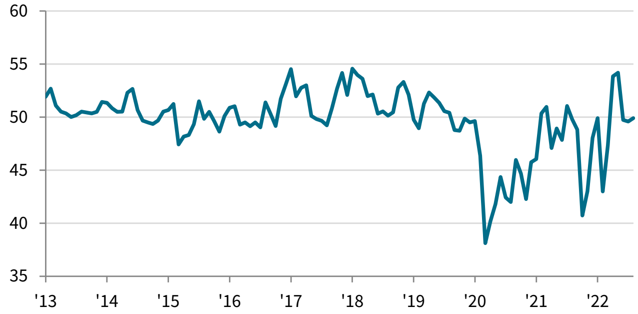
Employment levels contracted for a third consecutive month. The rate of job shedding, however, was the slowest in the current negative sequence and was only fractional.

August data signalled a further deterioration in vendor performance, though the rate of decline was the softest in 12 months. Labour shortages were frequently cited as the key driver in lengthening lead times.

Finally, optimism remained across Singapore's private sector economy amid hopes for a sustained post-pandemic market recovery.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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Survey methodology

The S&P Global Singapore PMI® is compiled by S&P Global 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. Data were first collected August 2012.

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.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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.

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