

## IHS Markit Singapore PMI®

# Private sector downturn softens at end of third quarter

### Key findings

Output declines at slower rate

Slowest rate of job shedding since February

Business sentiment turns positive

Data were collected 11-24 September 2020.

Singapore's private sector moved closer to stabilisation at the end of the third quarter, with business conditions weakening at a slower pace in September according to the latest PMI™ data. Output declined further but at a slower rate. Companies remained in retrenchment mode, though the rate of job shedding was noticeably slower when compared to recent months. Encouragingly, panel members were positive about the year-ahead business outlook for the first time since January.

The IHS Markit Singapore *Purchasing Managers' Index™ (PMI)* rose from 43.6 in August to 45.1 in September, and indicated a further deterioration in the health of the private sector. The average PMI reading for the third quarter was notably higher than that seen in the second quarter, representing a rebound from the peak impact of the coronavirus disease 2019 (COVID-19) pandemic.

Business activity shrank further in September, with reduced output concentrated in sectors relating to accommodation & food services as well as administrative & support services. Underlying data showed that construction activity returned to growth as project sites were permitted to restart and workers being cleared to resume work. Manufacturing output was also broadly stable.

Demand conditions continued to be hampered by social distancing measures designed to control the spread of COVID-19. New business inflows fell again in September, with the rate of decline broadly similar to that seen in August. The weakness in sales was recorded across most sectors, with the exception of the transportation, information & communications sector, which reported increased orders. External demand meanwhile deteriorated further. Export sales fell for a second month running and at a substantial rate.

*continued...*

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 Singapore's private sector economy moved closer to stabilisation at the end of the third quarter. However, the survey also hinted at a challenging recovery ahead, one that is crucially reliant on the global pandemic being brought under control."*

*"Business activity fell at a slower rate, though underlying data pointed to an uneven development across sectors. Food retail and administrative & support services sectors remained adversely affected by ongoing social-distancing measures, while construction activity returned to growth as worksites resumed operations and workers permitted to restart work. Manufacturing output was also broadly stable."*

*"Demand conditions weakened further, however, resulting in further forced redundancies as firms sought to control costs. That said, employment fell at the slowest rate since February, suggesting that the labour market could stabilise in coming months."*

*"In line with hopes that the COVID-19 situation will improve, firms were optimistic about the year-ahead outlook for the first time since January."*

As a result of subdued sales, backlogs of work were depleted further, resulting in spare capacity persisting into September. With output and sales still weakening, firms continued to reduce headcounts as part of efforts to control costs and remain viable.

Purchasing activity was also reduced further, though the rate of contraction was the slowest in the current seven-month sequence of decline. Subsequently, stocks of purchases contracted again. Despite the appetite for inputs remaining weak, firms continued to report longer delivery times, citing reduced manpower and the pandemic as reasons for delays.

Overall input prices rose for the fourth straight month in September, with higher shipping rates and reduced wage subsidy mentioned as reasons. The overall rate of inflation moderated from August, but remained above its long-run average.

Weak sales and competitive pressure restricted the ability of firms to pass on higher costs to their customers. Instead, prices charged for Singaporean goods and services fell further, with the rate of reduction quickening to the fastest for three months.

Finally, business sentiment about the outlook for activity in the coming year turned positive in September, with firms expecting an improvement in the pandemic situation, government support and greater market confidence to drive output higher.

### 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](mailto:economics@ihsmarkit.com).

### Survey dates and history

September data were collected 11-24 September 2020.

Survey data were first collected August 2012.

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### 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](https://ihsmarkit.com/products/pmi.html)