

News Release

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S&P Global Singapore PMI[®]

Private sector expands at the second-fastest pace on record in July

Key findings

Output and new order growth accelerate in July...

... at rates remain among the highest on record

Severe inflationary pressures continue

Singapore's private sector expanded for a twentieth month running in July and at a faster pace, according to the latest S&P Global PMI[®] data. Sector improvement was primarily underpinned by sustained expansions in output and new orders, with rates of growth accelerating from June in both cases. Continued improvements in underlying demand conditions reportedly led to faster growth in buying activity, an increase in pre-production inventories and an accumulation of backlogged work.

However, a second consecutive month of job shedding weighed upon the strength of overall sector improvement in July. Meanwhile, severe inflationary pressures persisted. Increasing costs of freight, raw materials and energy reportedly continued to be partially shared with clients. As a result, selling price inflation was the second-highest on record.

The S&P Global Singapore Purchasing Managers' Index™ (PMI) rose to 58.0 in July, up from 57.5 in June. This marked the twentieth straight month in which the PMI printed above the neutral 50.0 threshold, signalling improving business conditions. Moreover, the pace of growth was the second fastest in survey history.

July data indicated a sharp expansion in output within Singapore's private sector and at a rate which was among the highest on record. In line with production, volumes of new orders expanded at the second-fastest rate on record. Anecdotal evidence suggested that strong levels of underlying demand, supported by sustained COVID-19 recovery, drove the accelerated uptick in both.

Similarly, quicker growth in new export orders was recorded in July amid reports of global COVID-19 recovery and higher demand levels from key overseas markets.

To accommodate the increasing levels of demand, Singapore private sector firms increased their purchasing activity and at the fastest rate in the current positive sequence. Likewise,

S&P Global Singapore PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-25 July 2022.

Comment

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

"The headline PMI figure was the second-highest on record in July signalling significant improvement in the health of Singapore's private sector, according to latest S&P Global PMI[®] data. Rapid expansions in output and new orders largely underpinned overall sector growth and reportedly stimulated increased purchasing activity and pre-production inventory building. Strong underlying demand conditions will hopefully continue into the future and lead to further sector improvement.

"That said, a few factors have the potential to dampen future demand and subsequent expansion across Singapore's private sector. Production capacities may start to become constrained as a result of declining employment levels whilst more worryingly demand may start to decline as a result of sustained inflationary pressures."

PMI[®]

by S&P Global

an expansion in pre-production inventories was recorded in July as firms looked to bolster stock to meet current and forecasted demand levels.

Despite this, July data signalled a second month-on-month decline in staffing levels. Anecdotal evidence suggested that COVID-19 related sickness and a reduction in part-time employees were the primary factors driving the headcount reduction in July.

In turn, backlogged work accumulated for a twentieth consecutive month and at a sharp rate overall. Panel members attributed the uptick in levels of outstanding work to increasing order book volumes and continued supply chain disruptions.

Vendor performance continued to deteriorate in July, extending the current sequence of lengthening lead times to 31 months. Notably, the rate of deterioration was above average amid reports of shipping delays, COVID-19 disruptions, and a shortage in manpower.

On the price front, July data indicated sustained severe inflationary pressures. The rise in average staff expenditure was a five-month high with firms frequently citing overtime and commission pay-outs alongside salary readjustments as factors driving the net increase. Moreover, the rate of purchases price inflation was among the highest on record amid reports of increasing costs of freight, energy, and raw materials. In turn, selling price inflation was the second-highest in the survey history as firms continued to share part of their increased input cost burden.

Finally, an overall sense of optimism remained across Singapore's private sector as firms hoped for sustained COVID-19 recovery and subsequent strong demand conditions. That said, the degree of confidence slipped significantly from June amid concerns surrounding rising living costs and a sluggish global economy.

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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