

Nikkei PMI retreats amid weaker output and new export orders

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- S'pore's Nikkei PMI retreated from 52.3 in June to 50.7 in July, but still stayed in expansion territory, albeit it is a far cry from the 51.3 print in July 2015 and 53.8 in July 2014. This data also marks the weakest print since May 2016 and also the largest decline (1.6 points) since April 2016 as well, but sounds reasonable if read in a post-Brexit context.
- The softening in July should not surprise given weaker output and new orders, especially from foreign export demand, in view of the attendant downgrades in global growth forecasts post-Brexit. It also dovetails with the recent business expectations survey that pointed to a net weighted 6% of firms anticipating a less favourable business conditions for 2H as well, albeit this is less severe than the -13% seen three months ago. The more upbeat industries were accommodation, F&B, and business services, whereas the most bearish was a close tie between real estate and wholesale trade.
- In particular, new export sales fell at the second-sharpest pace since end-2012, behind April 2016. Many businesses could have adopted a wait-and-see attitude amid the Brexit-related uncertainties. Meanwhile, both input costs and prices charged rose only modestly from June.
- On balance, this translated into a relatively cautious approach to their staffing and part-time staff were partly behind the decrease in workforce headcount. This also reinforces the cooling in the domestic labour market when 2Q16 unemployment rate crept slightly higher to 2.1%, up from 1.9% in 1Q16.

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