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Whole economy PMI rebounded strongly

Monday, 5 September 2016

- S'pore's whole economy PMI rebounded strongly from 50.7 in July to 52.3 in August, and is back to June levels. This suggests that the July could have been a kneejerk Brexit blip, as we also saw similar improvements in the domestic manufacturing, especially electronics PMI readings.
- The upturn in new orders was largely driven by domestic demand rather than external demand as new export business slipped for the sixth straight month. There also does not appear to be a strong seasonal effect in August looking at the previous two years' pattern.
- The S'pore whole economy improvement in August also appears to be in line with those for the services PMIs for China, Hong Kong and India.
- While this data bodes well for the services momentum providing continued support for the Singapore economy, there are some dark clouds potentially gathering on the horizon. The recent Zika outbreak and relatively rapid local transmission, with attendant near-term anticipated effects on visitor arrivals and possibly even domestic consumption, could weigh in September. Moreover, the domestic labour market is also showing signs of softening, and caution may start to re-emerge on the consumer confidence front ahead of any Fed rate hike prospects for the remainder of this year.

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