

## S'pore's private sector PMI plummeted to 33.3 in March.

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### Highlights

**Singapore's private sector PMI plummeted further from 33.3 in March to a new record low of 28.1 in April.** This clearly illustrates the severe demand shock arising from the Covid-19 outbreak and as the Circuit Breaker measures kicked in on 7 April. In particular, the output gauge saw its fastest pace of decline in the survey's near 8-year series as the Circuit Breaker meant non-essential business activities were shut. Approximately 82% of firms also reported lower business activity compared to a month ago. Hence, the drop off in momentum between March and April is significant.

**On the positive side, the overall input cost gauge also saw its fastest pace of decline in April amid the fiscal assistance on wage and rental subsidies** rolled out in the Budget to combat the economic fallout from the Covid-19 pandemic. There was also some pass-through to selling charges and fee discounts. However, the prognosis for the domestic labour market remained soft. Some companies have trimmed their workforces to cut costs, and while the employment index may have bottomed, it remains at very depressed levels.

**The external shock due to the global Covid-19 pandemic is also twofold –** global supply chain disruptions have materialised in the form of vendor difficulties in shipping items and manpower constraints amid global travel restrictions and numerous national lockdowns. In addition, new overseas orders have declined substantially due to overseas lockdown and weak consumer and business sentiments. That said, the significant fiscal stimulus packages frontloaded in the global and regional economies suggest that there should be some flow through in.

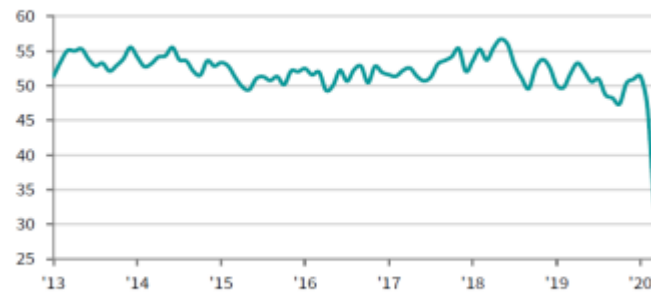
**While the slack in Singapore's private sector is likely to persist into May with the extension of the Circuit Breaker, the June-July data would be key to watch** with the gradual lifting of lockdowns in major economies like the US and Europe in coming weeks and the sequenced resumption of economic activities. Assuming that any subsequent waves of global Covid-19 infections are managed, there could be some stabilization in the PMI data after June, albeit it would not be back to business-as-usual by any means. This was reinforced by the recent Business Expectations Survey for services firms which saw a net 58% of firms anticipating less favourable outlook for April-September 2020, compared to just 2% three months ago, which is worse than the GFC when the previous record low was -53% in December 2008. Recent initiatives to improve access to credit and loan moratoriums for corporates, especially SMEs, may buy some time, but unless there is a turnaround in the global and domestic demand conditions, the recovery story for the Singapore economy in 2H20 may be sluggish.

## Singapore

6 May 2020

### Singapore PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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## Treasury Research & Strategy

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