News Release

EMBARGOED UNTIL: 08:30 (Singapore), 00:30 (UTC) March 5th 2019

Nikkei Singapore PMI™

PMI edges into contraction territory in February

Key points:

- Output and new business rise only marginally
- Employment, input purchasing and inventories all reduced
- Output prices reduced for first time since last June

Data collected February 12 – 22

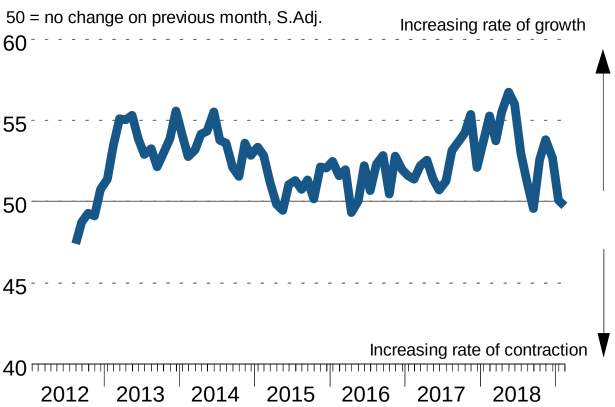
Singapore's private sector economy contracted fractionally during February as a third successive easing of new business growth, coupled with a sharper reduction in staffing levels, contributed to the deterioration in the country's macroeconomic health. Output volumes increased, albeit only slightly, while export demand diminished during February. Lower staffing levels helped alleviate labour cost pressures, enabling companies to discount their output charges. Softer sales growth also prompted firms to scale back both their stocks and purchases of inputs. Nevertheless, the business outlook remained upbeat, with confidence improving.

The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** fell for a third month in succession during February, dipping to a five-month low of 49.8, from 50.1 in January. Moreover, it was the first time since last September that the PMI has indicated a deterioration in Singapore's business environment.

A key factor contributing to the fall in the headline index was new business growth, which approached near-stagnation in February, rising only marginally. Anecdotal evidence suggested some firms had resorted to sales promotions to lift demand, but slowdowns in some industries restricted the expansion. Meanwhile, new orders from external markets declined for a third consecutive month.

Nevertheless, the sustained upturn in sales led companies to raise output to satisfy demand. However, growth was only slight and notably softer then the average rate seen across the past 12 months. Relatively weak expansions in order book and output volumes subsequently drove companies to reduce employment for a second straight month in February. The rate of job shedding, albeit only

Nikkei Singapore PMI™



Sources: Nikkei, IHS Markit

modest, was the sharpest in just over three years.

In turn, businesses observed a further decline in labour costs, which helped pull overall input costs down in February. Amid lower operating expenses, prices charged for goods and services in Singapore fell for the first time since last June. Promotional efforts and intensified competition also partly explained discounting.

Capacities at private sector businesses in Singapore were squeezed in February, although backlogs rose only slightly and to a weaker extent than in the previous month. There were reports of faster turnaround times at suppliers, leading to a softer deterioration in vendor performance.

Weaker supply chain efficiency losses were in part driven by reduced input purchasing in February, with stock levels reportedly sufficient to meet demand. Pre-production inventories declined for a second successive month.

Lastly, business confidence strengthened to a level that was broadly consistent with its long-run average. Positive demand forecasts and strategy changes supported optimism.

Continued…

Comment:

Commenting on the Singapore PMI survey data, **Joe Hayes,** Economist at IHS Markit, which compiles the survey, said**:**

"Dragging the headline PMI into negative territory for the first time since last September was a further slowing of new business growth, which has dipped notably from the strong expansions witnessed across Q4. The underlying weakness was a reflection of reduced demand on the international front and easing domestic market pressures.

"Further signs of worry came from employment data, which showed a second successive cut back in staffing levels across the private sector. Some panellists had reported that efforts to stimulate demand came from sales promotions. For the first time since last June, output charges were discounted.

"Despite the apparent downside momentum from the latest round of survey data, output expectations remained well anchored around their long-run average, suggesting that firms expect current difficulties to not persist beyond the near-term."

-Ends-

Nikkei Singapore PMI™ is sponsored by NIKKEI

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

http://www.nikkei.co.jp/nikkeiinfo/en/

NIKKEI ASIAN REVIEW **http://asia.nikkei.com/**

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.

Asia300:
Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.

JAPAN UPDATE:
Keeping you up-to-date with business and news from Japan.

VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, including our column “Tea Leaves” written by some of our best writers.

POLITICS & ECONOMY:
Looking at fiscal and monetary policy, international affairs and more

MARKETS:
Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

Video:

Watch analysts explain our articles, catch interviews with top executives.

Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Joe Hayes, Economist
Telephone +44-1491 461006
Email bernard.aw@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922-4239
E-mail jerrine.chia@ihsmarkit.com

Nikkei inc.

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81-3-6256-7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Nikkei Singapore *PMI*™ is based on data compiled from monthly replies to questionnaires sent to executives in over 400 private sector companies, selected to accurately represent the true structure of the Singapore economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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. To learn more go to https://ihsmarkit.com/products/pmi.html.