

IHS Markit Singapore PMI®

Growth in business activity gains momentum in January

Key findings

Business Activity Index at 21-month high

Fastest expansion in new order inflows since June 2018

Job shedding persists at marked rate

Data were collected 11-25 January 2021.

Singapore's private sector began 2021 on a brighter note, with the headline PMI™ rising to a 21-month high. The pick-up was supported by sharp growth in output and new orders, and stock building. Meanwhile, voluntary resignations led to a further cut in the workforce and an accumulation of incomplete orders. Nevertheless, the 12-month outlook for output remained historically strong with easing restrictions and hopes of greater demand adding to optimism.

Elsewhere, cost pressures continued to build with higher transportation, material and wage costs mentioned by respondents. Promotional activity and intense competition led to another reduction in output prices, however.

The IHS Markit Singapore Purchasing Managers' Index™ (PMI) rose from 50.5 in December to 52.9 in January, signalling a sharp overall improvement in business conditions in the Singaporean private sector.

Behind the strengthening in the PMI were pick-ups in its two key contributing components: output and new orders. Demand improved which panel members linked to promotional efforts, client referrals and the easing of coronavirus disease 2019 (COVID-19) restrictions. New orders increased for the second month running with the rate of growth the strongest since June 2018. Export levels at the start of the year were broadly unchanged, however. To cater for the growth in new orders, output rose at the sharpest rate since April 2019.

Respondents noted a cut in workforce numbers at the start of the year with voluntary resignations often cited. This extended the current period of reduction to 17 months. In combination with staffing cuts and a quicker expansion in order books, capacity pressures intensified with the rate of backlog accumulation accelerating to a 12-month peak.

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Singapore PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"After enduring difficult business conditions throughout 2020, January data brought some positivity as domestic-led demand supported the strongest rise in output since April 2019. Policymakers will welcome the expansion, which followed the movement into phase 3 restrictions (resumption of domestic flights).

"While output growth was strong, firms were reluctant to add to workforce numbers, contributing to a rise in incomplete work at the start of the year. At the same time, firms engaged in promotional activity to facilitate demand, which was at the cost of profit margins.

"The latest reading is uplifting, but growth must continue and gain momentum in the months ahead to continue the turnaround from a lengthy period of contraction. Officials will now seek to maintain an equilibrium that contains virus case numbers whilst encouraging economic prosperity."

Greater output and an improving demand environment contributed to a boost in purchasing activity. The rate of expansion was sharp overall and the joint-fastest since June 2014. As a result of higher demand, firms added to their stocks of inputs for the first time in 11 months.

Supply chain pressures continued to mount at the end of the year with companies often mentioning tighter COVID-19 restrictions in overseas markets. Firms also attributed the deterioration to insufficient workforce numbers. Lead times have now lengthened in each month since January 2020, although the latest data showed only a modest increase in times.

Average input prices rose further in January, linked to higher transportation and material costs. That said, the rate of inflation slowed since December. Meanwhile, promotional activity persisted as efforts to increase sales led to a reduction in selling prices. The rate of discounting eased for a fourth consecutive month, however.

Finally, stronger operating conditions in the latest survey period filtered through to the business outlook, with confidence remaining relatively strong. Hopes of greater demand, business expansion plans and the easing of COVID-19 restrictions fuelled optimism. That said, sentiment eased since the end of 2020 with economic uncertainty weighing on the degree of optimism.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

Contact

Shreeya Patel
Economist
IHS Markit
T: +44 134 432 81096
shreeya.patel1@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

Survey methodology

The IHS Markit Singapore PMI™ is compiled by IHS Markit 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.

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.

Survey dates and history

January data were collected 12-25 January 2021.

Survey data were first collected August 2012.

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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. ihsmarkit.com/products/pmi.html