

# Nikkei Singapore PMI™

## Private sector grows modestly during May

### Key points:

- Upturn in demand sustained, output expands further...
- ...but new business from overseas declines
- Employment growth remains above historical average

Data collected May 13 – 24

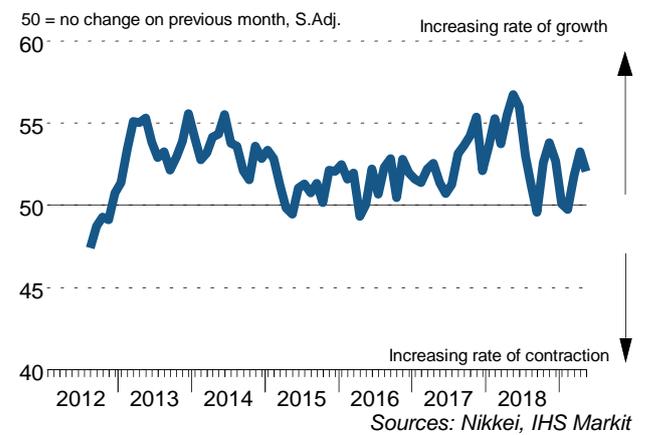
Singapore's private sector economy continued to show signs of improvement during May, building on expansions seen in the preceding two months. However, the rate of increase softened amid slower rises in new orders, output and employment. Firms remained optimistic that growth could be sustained over the coming year, however some firms showed caution towards the short-term, with input buying falling and stocks being reduced. Meanwhile, cost pressures continued to build, leading firms to raise selling prices.

The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** dipped to 52.1 in May, from April's five-month high of 53.3, signalling a slightly weaker pace of improvement in economic conditions in Singapore's private sector. The slowdown in growth was primarily driven by softer rises to output, new business and employment. Nevertheless, the expansion was stronger than the average across the first quarter of 2019.

For the fourth month in a row, output in Singapore's private sector increased. Firms attributed the sustained upturn to supportive demand conditions and higher employment. Although growth softened since April, it was solid overall.

A similar trend was observed in new orders, which increased at a robust but weaker pace in May. Nevertheless, it was the eighth time in as many months that sales volumes have improved. The upturn in demand was linked to increased advertising, promotional activity and new product launches. The slowdown in new business was in part a reflection of reduced workloads from abroad. New export orders declined for the first time since February.

### Nikkei Singapore PMI™



Latest survey data pointed to capacity pressures in Singapore, with backlogs of work rising amid continued monthly gains in new work. Subsequently, firms showed an appetite for new hires, with employment growing for a third successive month, albeit at a slightly weaker pace. Temporary and part-time staff recruitment reportedly drove a rise in jobs that was sharper than the historical series average.

Increased payroll numbers contributed to a rise in labour expenses during May. Meanwhile, price hikes from suppliers and greater market prices for certain materials led overall input costs to inflate. To mitigate profit margin pressures, firms increased selling charges modestly.

Meanwhile, firms scaled back their purchasing activity during the latest survey period amid reports of sufficient stock levels. This helped lead to the first monthly improvement in vendor performance since July 2017.

Finally, the business outlook remained strongly positive in May. Predictions of stronger demand as well as planned new store openings and sales promotions supported optimism.

Continued...

## Comment:

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

*“Singapore’s private sector economy has endured a turbulent time of late, with the PMI signalling a mixed picture for business conditions. Headwinds remain apparent amid trade tensions between the US and China re-escalating, as well as the latter enduring slowing growth.”*

*“Nevertheless, the domestic market continued to provide support in May, defying the decline seen in export orders. Survey data also showed further gains in employment, while reports from panellists suggest that wages also rose, helping to support spending. Discounting a marked slowdown in June, the PMI is set to indicate an improved rate of economic growth for the second quarter, following the recent soft patch official data has signalled.”*

-Ends-

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**Notes to Editors:**

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

The Nikkei Singapore *PMI*<sup>™</sup> 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<sup>™</sup> (PMI<sup>™</sup>) 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](mailto:economics@ihsmarkit.com).

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