News Release

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Nikkei Singapore PMI™

Private sector economy edges closer to stagnation

Key points:

- Private sector grows only fractionally in January
- Output stagnates as new business growth weakens further
- Activity expectations drop to six-month low

Data collected January 11 – 25

Latest survey data revealed that Singapore's private sector continued to grow during January, albeit at just a fractional pace. The rate of expansion eased for a third month and edged closer to stagnation. The slowdown in the private economy's performance came amid an end to a three-month growth run in output and a weaker rate of improvement in demand. Meanwhile, export orders declined and employment was reduced for the first time since August 2017, helping to reduce staffing costs. Nonetheless, purchasing prices and input delivery times increased despite buying activity falling.

The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** fell in January to 50.1, from 52.7 during December, registering only just above the no-change mark of 50.0 which signals stagnation. The headline figure indicated a fractional rate of improvement in private sector economic conditions that was also the weakest in the current four-month sequence of expansion.

One factor that slowed growth momentum in Singapore was output, which stopped expanding in January for the first time since last September. According to panellists, the underlying growth trend had deteriorated. Indeed, this was further evidenced by data on new work in January. The increase in new business was only modest and among the weakest recorded across the past two-and-a-half years. However, sales to foreign clients declined at an accelerated pace amid reduced workloads from Southeast Asia.

Slower growth in order books reportedly curbed recruitment in Singapore during January, ending a 16-month run of job creation in the private sector. This in turn helped reduce input costs, with survey data indicating the first monthly fall in staff

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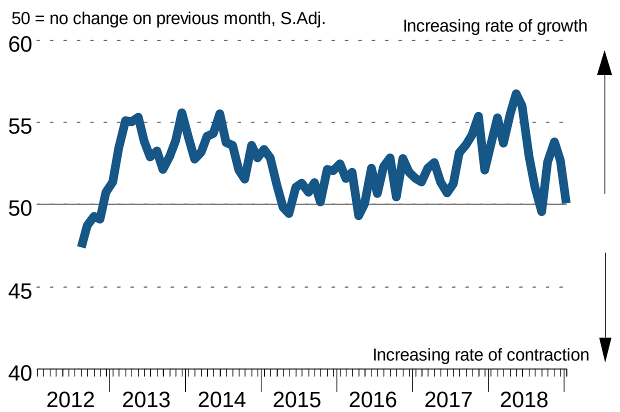

Sources: Nikkei, IHS Markit

expenses since last September. Meanwhile, purchase prices rose at the weakest pace in six months. Subsequently, overall operating expenses dropped at the sharpest rate in six-and-a-half years of data collection.

Despite diminished pressures on margins, further cost-cutting efforts were evidenced by reductions in buying activity and inventories. These decisions were reportedly motivated by industry slowdowns and already-ample stock levels.

Nonetheless, supply chains continued to be squeezed, as input lead times lengthened to a stronger extent. Operational and administrative backlogs also grew in January across Singapore's private sector. That said, the rate of accumulation eased to just a mild pace.

Firms predict that output will be higher in 12 months' time, with new branch openings and positive sales projections underpinning optimism. However, confidence eased to the weakest in six months amid concerns of a wider economic slowdown.

Continued…

Comment:

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

"The underlying trajectory of Singapore's economy took a turn for the worse during January, as PMI data revealed a further loss of growth momentum. Output stagnated amid a weaker rise in new business. Export orders declined at a faster rate, with panellists blaming neighbouring Southeast Asian countries for the drop in foreign demand.

"Survey data suggests that private sector companies are bracing themselves for less favourable times, with employment, input buying and stock levels being reduced. In combination with slower output price inflation, businesses seem to be more defensive in their approach. Against an already-challenging global economic environment, signs of a waning domestic market suggest difficulties lie ahead for Singapore."

-Ends-

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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.

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