Growth of Singapore’s private sector was sustained at a strong pace into the start of Q4, with demand and output rising at faster rates in October. Better demand conditions likewise drove higher buying activity, though this did not translate to a rise in inventory levels with supply constraints, manifesting in the form of longer suppliers’ delivery times, present. Price pressures meanwhile persisted, but firms grew more confident with regards to output.

The IHS Markit Singapore Purchasing Managers’ Index™ (PMI) eased to 52.3 in October from 53.8 in September. This marked the eleventh straight month in which the PMI printed above the neutral 50.0 threshold, signalling improving business conditions. The decline in the headline figure reflected sharper declines in employment and, to a lesser extent, stocks of purchases.

Demand and output growth both accelerated in Singapore’s private sector to the fastest since July. Better economic conditions, coupled with the introduction of vaccinated travel lanes (VTLs) in Singapore, boosted demand. New orders from abroad improved as well, growing at a rate only second to the April 2018 record with higher demand stemming from US, Europe and Asia according to panellists.

Given the rise in new business, purchasing activity returned to growth in October, albeit at a marginal rate. The stocks of purchases did not follow suit, however, with the higher demand and supply constraints causing inventory levels to decline in October. Indeed, vendor performance further deteriorated in October with lead times lengthening at the fastest rate in over a year. Suppliers’ performance was reported to have been bogged down by both shipping delays and manpower shortages.

The supply and manpower constraints also contributed to an increase in backlogged orders alongside the increase in order

**Comment**

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

“Singapore’s private sector maintained a strong growth rate into the start of Q4 according to the latest IHS Markit Singapore PMI, which was a positive sign for the economy. Demand and output exhibited strong, above-trend growth, aided by improving economic conditions and the established of vaccinated travel lanes.

“That said, the headline PMI eased from September, clearly affected by manpower constraints and destocking in October. Frequent reports of staff absence amid quarantine orders were observed. To a large extent, the prolongation of COVID-19 impact on the Singapore economy underpinned the supply issues and the stabilisation of the virus conditions may well alleviate some of these issues in the months to come.

“Broadly, private sector business sentiment improved in October with greater confidence that growth can sustain in the next 12 months among firms placing the focus on upcoming PMI releases.”
book volumes. Accumulation of backlogged work was seen at the fastest pace since July.

On prices, both input costs and output charges continued to climb. Overall input prices rose for the seventeenth successive month, with both purchase prices and wages underpinning inflation. Sub-sector data showed that the transport, information & communication technology sector saw the most rapid rates of inflation across both input and labour costs. In turn, private sector firms continued to pass on these cost burdens to customers and at the fastest rate since the survey began collecting results in 2012.

Overall business optimism extended into October with business confidence rising to the highest level in three months. The better business sentiment was supported by hopes for continued economic growth amid the move towards the ‘new normal’.