

Nikkei Singapore PMI™

Private sector returns to growth territory in October

Key points:

- Stronger improvement in sales supports higher output volumes
- Input buying and stockpiling both fall at softer rates
- Business confidence remains resilient

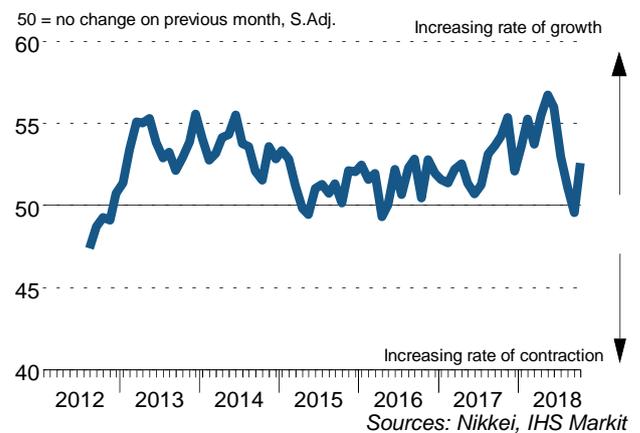
Data collected October 12–25

Latest survey data pointed to a notable turnaround in Singapore’s private sector economy, with both output and new business observing renewed upturns at the start of the fourth quarter. With demand pressures returning, operating capacities were tested, encouraging stronger recruitment of new staff. As a result, labour costs increased, contributing to an overall rise of input prices. In response, output charges were increased, albeit only slightly. Elsewhere, the soft patch in overseas sales continued, while input delivery times lengthened despite the scaling back of purchasing activity. Concurrently, business confidence remained strong.

The headline **Nikkei Singapore Purchasing Managers’ Index™ (PMI™)** returned to expansion territory during October, rising to 52.6 from 49.6 in September. The latest reading signalled a moderate rate of improvement in private sector business conditions in Singapore that was also the strongest since July. Furthermore, it was the first time since May that the headline index has increased on a month-on-month basis.

Having fallen during September, total new orders increased solidly at the start of the fourth quarter. New contract wins and sales promotions reportedly helped lift order book volumes. However, demand from overseas remained frail during October, with export sales declining for a fourth successive month. According to panellists, firms struggled to successfully tender for new foreign projects. Nonetheless, the rise in overall workloads was ample to create backlogs. Outstanding business increased at the fastest pace since June, presenting a marked turnaround following a modest alleviation of capacity pressures in the previous month. To accommodate this, output was raised to a moderate extent during the latest survey period.

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Greater returns from workforces were also mentioned by panel members as a reason supporting output growth. Staffing levels increased in October, with just over three times as many firms boosting employment than those shedding jobs. The rate of recruitment was the fastest since March and relatively marked. However, extra hiring came despite reports of greater wage pressures. Staff expenses increased in October and reportedly drove a return of input price inflation. Purchasing costs also rose and at the quickest pace since May. To offset margin pressures, selling charges were lifted, but promotional efforts reportedly suppressed the overall increase to just a slight pace.

Meanwhile, supplier delivery times lengthened despite buying activity declining for a third successive month. That said, the rate of decline eased notably and was marginal. In line with this development, input inventories decreased to a softer extent, with some panel members suggesting current stock levels were sufficient to cope with sales.

Finally, private sector business confidence in Singapore remained elevated in October, despite dropping slightly. Optimism was supported by planned marketing initiatives, and stronger demand forecasts.

Continued...

Comment:

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

“The stark loss of growth momentum seen since May, which culminated in a reduction during September’s survey, partly reversed in October with the PMI signalling a rebound in growth. Output, new orders and employment, the key metrics of macroeconomic performance monitored by the survey, all expanded at solid rates.

“There was evidence to suggest that sales were driven by promotional efforts. Indeed, the pace of output price inflation moderated following some reports that charges had been reduced to boost demand. However, amid ongoing trade frictions, Singapore’s private sector continued to observe fewer inbound orders from overseas.

“Nonetheless, with the latest estimate of Q3 GDP coming in on the soft side, the first glimpse of business conditions for Q4 signal a more solid footing as we approach year-end.”

-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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