Nikkei Singapore PMI™

Singapore loses growth momentum at end of 2018

Key points:

- Total new order growth dips slightly, leading to weaker increase in output
- Inflationary pressures continue to intensify
- Capacities stretched amid slower rise in employment

Data collected December 5–17

December survey data for the final month of 2018 softened when compared to November, with the headline PMI falling to signal a loss of growth momentum. The weaker economic expansion reflected a softer improvement in demand and a slower rise in activity. That said, there was evidence of stretched capacities. Backlogs of work were accumulated at the strongest pace in six months amid weaker employment growth. Meanwhile, inflationary pressures across the economy intensified. Higher material and labour costs squeezed margins, leading firms to levy higher charges on goods and services.

The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** fell to 52.7 in December, from 53.8 in November, reflecting declines in four of the five sub-components of the headline figure: output, new orders, employment and stocks of purchases, while suppliers' delivery times lengthened to a weaker extent. Nonetheless, Singapore's private sector economy grew for a third successive month, with the PMI above 50.0 in December.

New orders continued to rise in December, and although the rate of expansion was weaker than in November, it was solid overall. Firms suggested that new products and sales promotions supported demand. That said, weighing on total order book volume growth were reduced new business wins from abroad, which declined modestly on the month. This contributed to a slower increase in private sector output during the latest survey period.

To accommodate for higher workloads, employment was increased. However, in line with dampened demand growth, jobs were added to the payroll at a weaker rate. There was evidence that

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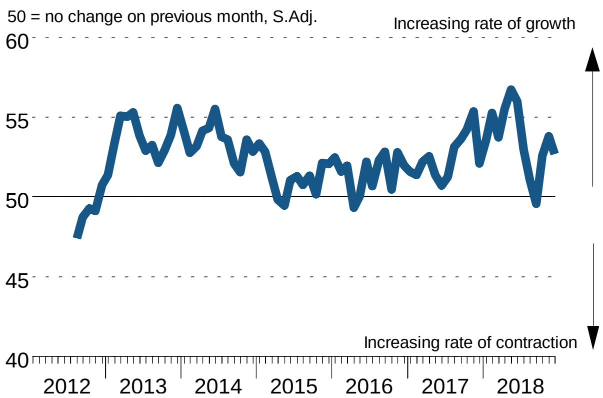

Sources: Nikkei, IHS Markit

the rise in staffing levels was insufficient to alleviate capacity pressures, as backlogs of work were accumulated to the greatest degree in six months.

Meanwhile, purchasing activity increased as firms sought to acquire inputs to satisfy client demand, although the expansion was softer than in November, with some firms cutting back buying due to ample stock levels. Indeed, survey data pointed to broadly unchanged inventories in Singapore during December. Nevertheless, suppliers continued to struggle to fulfil deliveries in a timely manner, as average lead times lengthened again.

Further inflationary pressures were indicated by survey data in December. Higher costs for materials and labour pushed operating expenses up, prompting firms to place higher charges on goods and services.

Looking towards the coming 12 months, businesses were more optimistic than in November. Forecasts of improved sales helped lift confidence.

Continued…

Comment:

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

"Recent marked gains in growth momentum seen over the first two months of the fourth quarter were somewhat dampened in December, as the headline PMI fell to signal a weaker expansion in the private sector economy. Nonetheless, latest data rounds off a solid quarter of growth, with survey data pointing to a robust annual GDP expansion of around 4%.

"Underlying trends remain positive, as both employment and demand continued to expand at relatively robust rates. Furthermore, expectations for the year ahead were bullish. Surveyed companies attributed their optimistic outlook to forecasts of stronger sales. Indeed, confidence in these predictions were also made apparent in pricing decisions, as selling charges were increased at one of the sharpest rates seen in 2018. Overall, Singapore's economy looks in good shape as we head into 2019."

-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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