

IHS Markit Singapore PMI®

Private sector expansion accelerates in December

Key findings

Demand and output grow at fastest rates since July

Supply chain constraints lead to record increase in backlogs

Output charges rise at an unprecedented rate

Data were collected 6-17 December 2021.

Singapore's private sector expanded at a faster rate in December, according to the latest IHS Markit PMI™ data. Both demand and output grew at the quickest pace in five months. Purchasing activity increased once again, though employment levels remained subdued, affected by COVID-19 disruptions. Supply constraints, including longer lead times, continued to be reported, leading to a record rise in backlogged work. Price pressures likewise mounted, while output expectations improved.

The IHS Markit Singapore Purchasing Managers' Index™ (PMI) rose to 55.1 in December from 52.0 in November. This marked the thirteenth straight month in which the PMI printed above the neutral 50.0 thresholding, signalling improving business conditions. The rate of expansion was also the fastest since July and was above the 2021 average.

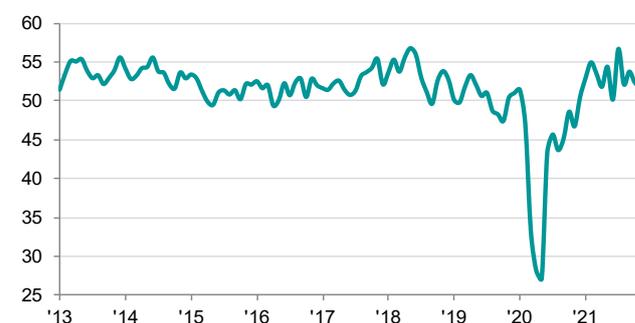
Both demand and output growth accelerated in the final month of the year as economic conditions improved, aided by vaccinated travel lanes (VTLs) in operation which boosted cross border travels. Anecdotal evidence also suggested that demand in the property sector improved, leading to the construction sector experiencing the highest increase in output in December. Foreign demand growth meanwhile decelerated but remained strong by historical standards.

Higher new orders and output led to a renewal of buying activity growth in December with panellists also highlighting the need for safety stock building. The overall level of stocks of purchases continued to fall, however, amid delivery delays.

Indeed, suppliers' delivery times continued to lengthen at a severe pace in December, surpassing the 2021 average. International shipping issues, affected by the COVID-19 pandemic and the surge in demand, led to the increase in lead

continued...

Singapore PMI
sa, >50 = improvement since previous month



Comment

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

“Singapore’s private sector expanded at a stronger pace in the closing month of 2021, according to the latest IHS Markit Singapore PMI. Demand and output both grew at faster rates, which had been a reflection of the strong recovery absent any severe COVID-19 disruptions. That said, the latest survey was mainly taken ahead of heightened COVID-19 concerns which led to the temporary suspension of VTL ticket sales.

“Meanwhile supply constraints remained prevalent. Longer lead times, manpower shortages and resultant surge in prices all embodied the issues, although these remain linked to the demand-supply imbalances amid the recovery of APAC economies from the latest Delta wave.

“While the COVID-19 Omicron variant continues to pose downside risks, sentiment in the first half of December remained positive amongst private sector firms, which had been a positive sign. IHS Markit projects that Singapore’s GDP will expand by 3.9% in 2022.”

times according to panellists.

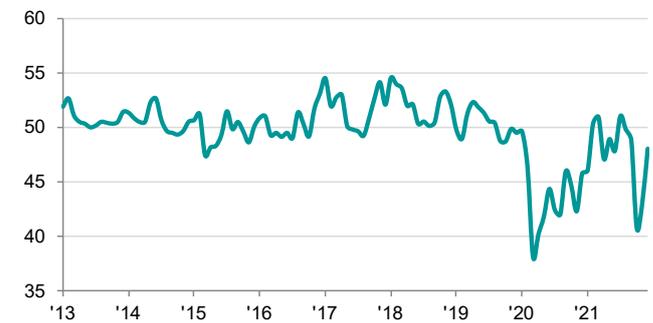
Meanwhile employment levels remained affected by COVID-19 disruptions including quarantine orders despite the rise in demand in December. In addition to the supply constraints and demand growth, the manpower shortages sent backlogged work building at a survey record rate in December.

On prices, output price inflation rose to a record level in the latest survey as private sector firms continued to share their cost burdens with their clients. This stemmed from a record rate of purchase price inflation which, along higher wages in December, led to overall input prices rising at the second-fastest rate on record. Sub-sector data suggested that the manufacturing sector experienced the sharpest increase in cost pressures.

Despite the amalgamation of supply issues and price pressures, private sector firms held a positive outlook in December, broadly hoping for the economic recovery to continue. Business confidence also rose to a two-month high in the latest survey.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Singapore PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

December data were collected 6-17 December 2021.

Survey data were first collected August 2012.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.