Nikkei Singapore PMI™

Private sector growth slows noticeably in August

Key points:

- Slower expansions in both output and new orders
- Export sales fall further
- Business confidence improves to one-year high

Data collected August 13–24

Singapore's private sector economy lost further momentum midway through the third quarter, with slower rises in both output and new orders recorded. Notably, export sales declined again. Purchasing activity fell sharply which, in turn, led to a marked depletion in input inventories.

Employment levels were broadly stagnant. Cost inflation eased further, while selling prices were raised slightly. Survey data also indicated an improvement in optimism.

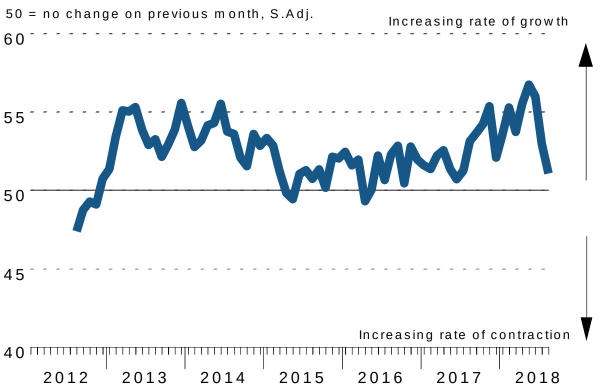
The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** fell from 53.0 in July to 51.1 in August, signalling the weakest pace of improvement in the health of the sector since the middle of 2017.

The headline reading is a composite index derived from questions on new orders, output, employment, suppliers' delivery times and inventories, thereby providing an early indication of the health of the private sector.

The noticeably slower rate of growth in both output and new orders as well as a marked fall in stocks of purchases weighed on the headline PMI. Output growth eased for a second straight month in August and was the slowest seen so far this year. Inflows of new business also rose at a weaker pace. Notably, overseas sales fell further in August, with the rate of decline the steepest for two years.

With softer client demand, firms were reluctant to add jobs, particularly when capacity pressures remained modest. Employment levels were largely stagnant in the middle of the third quarter, while the rise in backlogs was noticeably less sharp than those seen in the first half of 2018.

Nikkei Singapore PMI™



Sources: Nikkei, IHS Markit

Firms cut back on purchasing activity, with anecdotal evidence pointing to sufficient inventories to meet current demand and slowing sales as reasons for the reduction. Furthermore, the fall in buying levels was the sharpest seen in the six-year survey history. Consequently, stocks of purchases also fell, with the pace of decline the most marked since January 2017.

Despite reduced appetite for inputs, suppliers' capacity came under pressure. Delivery delays were reported in August, but the rate of deterioration in vendor performance was marginal.

Survey data signalled further signs of easing inflation. In August, input prices rose at the weakest rate so far this year, with cost inflation noticeably lower than the average seen over the first half of the year. Paid prices for inputs rose slightly, while wage inflation slowed further. At the same time, increased costs prompted firms to raise selling prices, albeit marginally.

Finally, business confidence about output over the next year improved to the best for a year, with optimism generally connected to promotional activity, new marketing strategies and planned business expansions.

Comment:

Commenting on the Singapore PMI survey data, **Bernard Aw,** Principal Economist at IHS Markit, which compiles the survey, said**:**

"Singapore's private sector economy is poised to see the weakest quarterly growth since the summer of 2017, according to latest Nikkei PMI data. Both output and new orders rose at notable slower rates, while firms cut back on purchasing activity, preferring to tap existing inventories to meet demand.

"Employment was broadly stagnant after nearly a year of job creation. More worryingly was a further decline in export sales, which reflected softer global trade conditions. That said, improved business confidence suggests that the current slowdown in economic growth could be temporary."

-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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About PMI

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