Nikkei Singapore PMI™

Expansion of Singapore's private sector eases further in February

Key points:

- Slower rises in both output and total new orders...
- ... but input buying growth accelerates despite business pessimism
- Smaller increase in selling prices due to slowing inflation

Data collected February 10-22

February survey indicated another growth slowdown in Singapore's private sector. Slower expansions in output, new orders and hiring drove the headline PMI to its lowest level in four months. Foreign sales also declined, while further stock depletion weighed on the index. However, higher buying levels continued to be reported. At the same time, the survey also found inflationary pressures to have subsided since the previous month. Business sentiment remained negative.

At 51.4, marginally lower than 51.6 in January, the headline Nikkei Singapore *Purchasing Managers' Index™ (PMI™)* signalled an improvement in the health of Singapore's private sector that was the weakest in four months.

Key drivers for the latest expansion were further growth in output and new orders, although both recorded slower rates of increase. There was anecdotal evidence that promotional activities and, in some cases, bulk discounts supported demand. Much of the headline expansion was underpinned by domestic demand as foreign orders for Singaporean products and services contracted in February after growing for the last five months.

Easing growth in activity and new business inflows alongside weak business sentiment prompted more cautious hiring. Though staff headcounts were increased, the degree of growth was the smallest in three months. Panellists highlighted that reduced hiring of part-time employees, staff resignations and retrenchments were the main reasons for the slower hiring.

Nonetheless, increased employment helped to bring the rate of backlog accumulation down to the lowest since May 2016.

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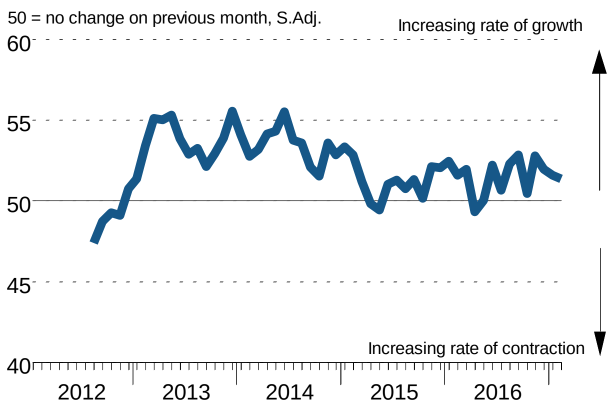

Sources: Nikkei, IHS Markit.

Despite slower increases in client demand, Singaporean private sector firms stepped up their purchasing activity in anticipation of growing output. Some firms mentioned that higher buying levels were linked to bulk discounts from suppliers.

Greater demand for inputs led to busier suppliers, with a deterioration in vendor performance reported for the first time since August 2016. That said, the rate at which average delivery times lengthened was marginal overall.

Higher purchasing activity did not lead to increased levels of pre-production stocks. Input inventory levels declined as operational requirements outpaced the rate of stock acquisition.

Slower growth in Singapore's private sector was accompanied by subsiding inflationary pressures. While input costs rose in February, the inflation rate was lower compared to January. Softer rises in purchased costs and wage bills were contributory factors. This also saw firms raise selling prices at a slower pace.

Finally, slowing economic conditions and global uncertainties were highlighted as reasons for downbeat business expectations in Singapore. The latest survey showed that pessimism was the greatest recorded in the near five-year series history.

Comment:

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

"Singapore's private sector businesses remained pessimistic about their output levels in the year ahead, citing slowing economic conditions, geopolitical uncertainties and low growth in certain sectors such as marine engineering and construction, according to the Future Output Index.

"February survey found that the moderating growth trend in Singapore's private sector economy continued on the back of slower expansions in both output and new orders. Lower export sales were seen for the first time since August 2016. All of this led to companies becoming more conservative in hiring. Employment levels grew at the slowest in three months during February.

"At the same time, inflationary pressures seemed to have subsided, as costs rose at a slower rate compared to January. Subsequently, companies only raised prices for their products and services moderately. That staves off concerns that consumers may face increasingly higher inflation in the months ahead.

"The government had recently announced a mildly expansionary budget for fiscal year 2017 in light of slowing growth momentum. There were several fiscal measures that will help support economic expansion. In particular, the bringing forward of public infrastructure projects should benefit the flagging construction sector. Additionally, corporate and personal income tax rebates could also boost investments and consumption."

-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.

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 Markit. Please contact economics@ihsmarkit.com.

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