

Nikkei Singapore PMI™

Private sector growth accelerates in April

Key points:

- Faster rises in output and new orders boost headline PMI
- Export sales up at survey-record rate
- Optimism improves to three-month high

Data collected April 11–24

Growth in Singapore’s private sector regained momentum at the start of the second quarter. Driving the upturn were faster expansions in both output and new orders. As a consequence, firm client demand led companies to raise hiring, purchasing and build-up inventories.

Despite these efforts, capacity pressures continued to mount in the sector, as signalled by a further rise in backlogs of work. Supply chains remained stretched while inflationary pressures intensified, with a sharp rise in wages recorded. Businesses remained optimistic.

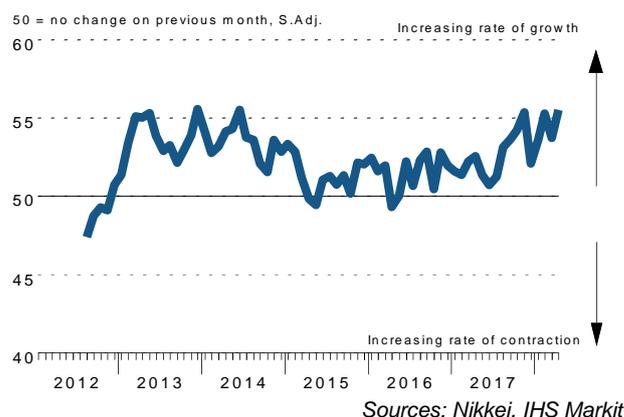
The headline **Nikkei Singapore Purchasing Managers’ Index™ (PMI™)** rose from 53.7 in March to 55.6 in April. The latest reading was the highest in nearly four years and signalled a strong improvement in the health of the sector. The headline index is a composite index based on questions on new orders, output, employment, suppliers’ delivery times and inventories, thereby providing an early indication of the health of the private sector economy.

Underlying demand strengthened noticeably in April, with external markets providing a strong boost. Inflows of new business grew at the fastest pace for over four years, lifted by rising exports. New foreign sales increased at a survey-record rate, with anecdotal evidence suggesting increased orders from China and South East Asian markets.

Higher sales were matched by a marked rise in output, with the rate of growth the strongest since February 2015.

Strong client demand also added to the strain on operating capacity. Backlogs of work rose again in April, and at the highest rate in the survey history, even as companies continued to expand capacity.

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Employment increased further, albeit at the slowest pace since September last year. Anecdotal evidence revealed companies hiring more workers due to increased business requirements.

Singapore’s private sector also scaled up purchasing activity in April, marking a fourth straight month of growth. Higher buying activity resulted in a further build-up in inventories. Meanwhile, increased appetite for purchases weighed further on supply chains. Vendor performance deteriorated for a ninth month running.

Stretched supply chains enabled vendors to raise prices, according to survey evidence, contributing to a further increase in average cost burdens. Higher salaries also added to higher input costs for firms. Wage inflation was the second largest in the survey history during April. Citing higher input prices and efforts to protect profit margins, companies raised their selling prices at the fastest rate since last November.

Business confidence improved in April. The Future Output Index registered above the neutral 50.0 mark, rising to a three-month high. New marketing strategies, wider product variety and higher sales forecasts were all cited as reasons for optimism.

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 kicked up into a higher gear at the start of the second quarter, with business activity expanding at a faster pace in April. Further good news came in the form of a strong pickup in new business intakes, especially in export sales.

“After a solid start to the year, the second quarter could prove to be even stronger. The current data (three-month moving average) point to an annualised GDP growth rate of around 4.5%, with odds of some upside surprises.

“First, new business volumes picked up in April to show the largest growth in demand for Singaporean goods and services for over four years. The upturn was not limited to domestic markets, but also included external demand, with a survey-record expansion seen in export sales. Second, companies continue to hire, with more reports of permanent employment. Third, firms’ expectations of growth over the coming 12 months remain upbeat and above the historical average.

“However, prices are being pulled upwards by the strength of the upturn, with a steep rise in wage growth in April. The latest survey data thereby supports the view of Singapore’s central bank that faster wage growth and rising domestic demand will drive inflation higher.”

-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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