

Nikkei Singapore PMI™

Private sector growth eases in December

Key points:

- Slower rises in both output and new orders
- Purchasing activity falls for first time in six months
- Inflationary pressures ease markedly

Data collected December 5–15

December PMI data signalled that growth in Singapore’s private sector economy lost momentum at the end of the year. Slower increases in both output and new orders weighed on the sector performance. Notably, export growth eased considerably. The slowdown dampened corporate purchasing activity, which fell for the first time in six months. This, in turn, led to a drop in pre-production inventories.

Meanwhile, employment growth persisted as a sustained rise in backlogs reflected straining operating capacity. Business optimism also improved. On the price front, inflationary pressures eased despite signs of pressure on supply chains.

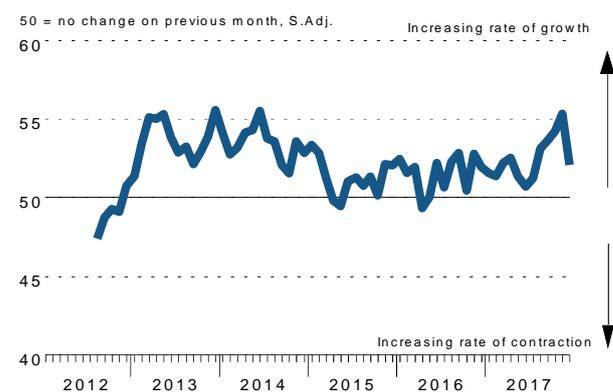
The headline **Nikkei Singapore Purchasing Managers’ Index™ (PMI™)** eased to 52.1 in December from 55.4 in November, signalling the slowest improvement in the health of the sector since July. With the latest reading, the average PMI for the fourth quarter stood at 53.9, the strongest since the second quarter of 2014.

Having showed solid expansions in recent months, output growth slowed substantially in December, with the rate of increase reaching a six-month low.

This was accompanied by an easing in new order book growth. Slowing client demand was seen in both domestic and foreign markets. After recording sharp increases in the last three months, growth in export sales slowed markedly, although anecdotal evidence suggested that limited capacity held back further growth.

The slowdown prompted companies to scale back input purchasing, which resulted in the first decline in buying levels since June. Reduced purchasing activity weighed on inventories.

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Sources: Nikkei, IHS Markit

Lower stocks of purchases were registered in December after five months of stock accumulation. Firms pointed out that current levels of stocks were sufficient to meet demand.

Meanwhile, lower purchasing activity failed to alleviate the pressure on supply chains. On the contrary, vendor performance worsened further and at the fastest rate since June 2016. Suppliers blamed a lack of manpower for delivery delays.

Nevertheless, increased inflows of new business saw a sustained rise in backlogs of work. Outstanding business has now risen in each month for the past two years, highlighting strained capacity across Singapore’s private sector. As a result, firms added more headcounts to keep on top of additional workloads. That said, panellists generally commented on hiring part-time employees to meet increased operating requirements despite a much slower rise in wage costs.

Survey data showed signs of slowing inflationary pressure. Overall input prices barely rose in December, with the rate of inflation down noticeably from that seen in the previous two months. The main reason for subdued input inflation was a sharp slowdown in wage rises. From the highest in over three years, staff costs grew at the slowest pace for over two years during December.

Business expectations about the outlook in the year ahead improved at the end of the year. Reasons for optimism included higher sales forecasts, promotional activity, new marketing strategies, and more product offering.

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 ended this year with its best quarterly performance in over three years, according to the Nikkei Singapore PMI survey. However, the fly in the ointment was a marked slowdown in growth momentum during December, boding ill for the private sector as Singapore moves into 2018.

“Growth in new business inflows was the slowest for five months, not least helped by a substantial easing in export expansion. Having risen at sharp rates in recent months, the latest growth in overseas sales was below the 2017 average. In addition, firms reduced purchasing activity and depleted inventories, which reflected an air of caution in the near term.

“Meanwhile, employment growth continued but survey evidence suggested that most of the hiring was of a part-time nature. Furthermore, wage inflation was the slowest for over two years, which could dampen household spending.”

-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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