

Nikkei Singapore PMI™

Private sector economy gathers pace in September

Key points:

- Faster rises in both output and new orders boost the PMI
- Export growth at record high
- Backlogs rise again despite additional staff numbers

Data collected September 11–25

Singapore's private sector economy gained further momentum at the end of the third quarter, supported by expansions in both output and new orders. Notably, export sales increased at a record pace. Firms also expanded workforce numbers for the first time in four months, but the increase was insufficient to handle the additional workloads, leading to a further rise in backlogs.

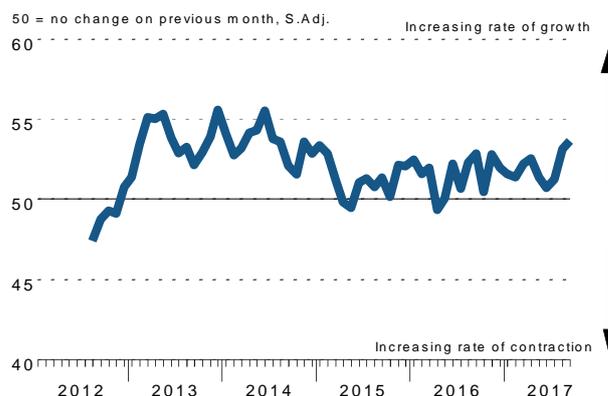
Meanwhile, greater demand led firms to scale up purchasing activity which, in turn, pressured supply chains. Cost pressures intensified, prompting renewed price hikes from companies. Despite increased activity, firms were less confident about the business outlook during September.

Rising from 53.2 in August to 53.7 in September, the headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** pointed to the strongest improvement in the health of the private sector for just over three years. The latest reading extended the current trend of expansion to 17 months.

Signs of strengthening client demand emerged in September. Order book growth picked up slightly from August to the highest rate since last November, buoyed by external demand. Having slowed in August, export sales rose considerably, reaching the strongest growth rate in the survey history. Firms pointed to increased demand from Europe and Asia, especially China, as the drivers of the rise in foreign orders.

Matching higher sales, output growth accelerated to a one-year peak, where anecdotal evidence revealed that firms utilised over-time hours to raise output. Singaporean private sector firms bought greater quantities of inputs during September, consistent with higher operational requirements.

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Sources: Nikkei, IHS Markit.

Purchasing activity rose by the greatest degree in over three-and-a-half years, which in turn lifted inventories of pre-production goods

Increased appetite for inputs placed further strains on supply chains. Vendor performance deteriorated for a second straight month. While marginal, the rate at which delivery times lengthened was the quickest since February. There was evidence of a lack of manpower at vendors.

Payroll numbers increased for the first time in four months during September, although this was generally associated with the hiring of part-time and contract staff. However, the trend of rising backlogs persisted as the growth in manpower was insufficient to cope with additional workloads.

Rising demand failed to bolster firms' confidence. On the contrary, business optimism slipped during September, though remained positive. Higher sales, marketing and promotional activity are all expected.

On the price front, there were signs of rising cost pressures, with inflation reaching a five-month high. Driving costs higher were rises in both purchase prices for inputs and salaries.

In response to higher input costs, companies resumed raising their charges during September in order to protect their margins. Notably, the rate of charge inflation was the highest since April.

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 the third quarter with a burst of activity, as stronger demand took hold. The latest PMI survey signalled solid expansions in output and new orders. Notably, export sales increased at a record pace, lifted by increased orders to Asia and Europe.

“Robust growth in business activity encouraged firms to hire more. Employment rose for the first time in four months. However, the bulk of hiring was for part-time and contract staff, suggesting that companies remained apprehensive about the growth outlook. Business optimism slipped in September, as more firms are expecting output to stay the same in the year ahead.”

-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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