

# Nikkei Singapore PMI™

## Private sector economy gains momentum in August

### Key points:

- Faster rises in both output and total new orders
- Lower employment persists
- Firms cut prices despite rising cost inflation

Data collected August 10-24

Growth of Singapore's private sector economy gathered pace in August, as stronger demand took hold. Both output and new orders grew at much faster rates compared to recent months, accompanied by rising optimism about the coming year.

Despite increased workloads, firms did not boost hiring, which led to a further build-up of backlogs. Meanwhile, there were signs of rising cost pressures.

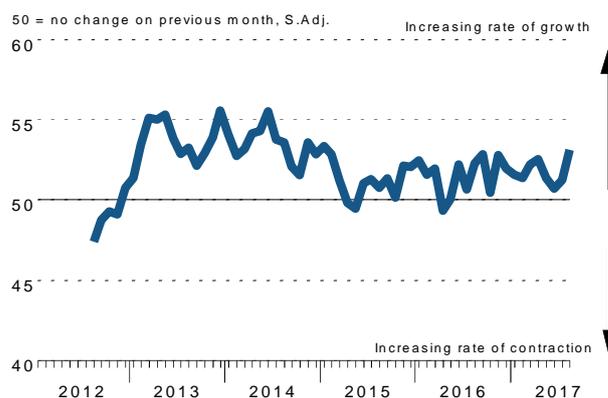
The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** — a composite indicator based on five individual indices of varying weights — rose to 53.2 in August, up from 51.3 in July, indicating the best improvement in the private sector since January 2015.

Output rose during August at the fastest rate for nine months, matching a robust expansion in order book volumes. There were signs that domestic demand was pulling ahead of business from abroad. In particular, firms mentioned greater demand for industrial metals, transport services, and an improving resale housing market. Growth in export orders slowed markedly since July's record, with anecdotal evidence pointing to lower demand from the US.

Nonetheless, business confidence about the 12-month outlook improved to the highest for nearly one-and-a-half years. A combination of higher sales forecasts, new marketing strategies, business expansions, and product launches were cited as reasons for the improvement in the business outlook.

Rising confidence regarding future output encouraged firms to increase their inventories. Purchasing activity gained momentum, rising at one of the quickest rates in over three years. That led to

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Sources: Nikkei, IHS Markit.

a larger build in stocks of purchases. Greater appetite for inputs saw vendor performance worsen for the first time since May.

However, rising optimism failed to boost hiring: employment levels fell for a third straight month in August — and at the steepest pace since last October. That said, panellists cited reduced hiring of part-time staff as the primary reason for the decrease. Higher output and lower employment saw firms stretching to complete workloads. Backlogs of work increased for a twenty-first successive month, according to survey data.

There were signs of higher input price inflation in August but the rate of increase remained modest and below the historical average. Nonetheless, the latest reading marked a year of rising costs. Driving overall cost burdens higher were increases in both purchase prices for inputs and wages.

Despite further cost increases, firms gave promotional price discounts to bolster sales. Output prices fell for the first time since June 2016, with the pace of decline the steepest for over four-and-a-half years.

## 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 gathered momentum midway through the third quarter.*

*“After July’s record growth, new export sales increased at a much slower pace, raising concerns of slowing trade over the next few months. However, total new orders were supported by the domestic market, with panellists citing higher demand for industrial metals, semiconductors, transport services, alongside an improving resale housing market.*

*“Stronger client demand boosted business activity. Furthermore, confidence about the one-year ahead outlook was the highest since March 2016. This was also reflected in firms stepping up purchasing activity in anticipation of higher sales.*

*“However, the buoyant mood has not translated into jobs growth, with employment falling for a third straight month.”*

-Ends-

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**Notes to Editors:**

The Nikkei Singapore *PMI*<sup>™</sup> 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<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto:economics@ihsmarkit.com).

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