

# Nikkei Singapore PMI™

## Singapore's private sector growth picks up in March

### Key points:

- Faster rises in both output and total new orders boost PMI
- Return to positive business sentiment
- Firms raise prices modestly despite sharp rise in costs

Data collected March 13-27

The latest PMI survey saw growth momentum in Singapore's private sector pick-up in March, with business conditions improving by a faster pace at the end of the first quarter. Stronger expansions in output and new orders were recorded, while faster growth in employment and higher buying levels also contributed to expansion.

Improved client demand underpinned upbeat business expectations for the first time since December 2016. Meanwhile, input costs surged by the greatest extent in over three-and-half years.

At 52.2 in March, up from 51.4 in February, the headline Nikkei Singapore *Purchasing Managers' Index™ (PMI™)* indicated a stronger improvement in the health of Singapore's private sector. The latest PMI reading was the highest in four months.

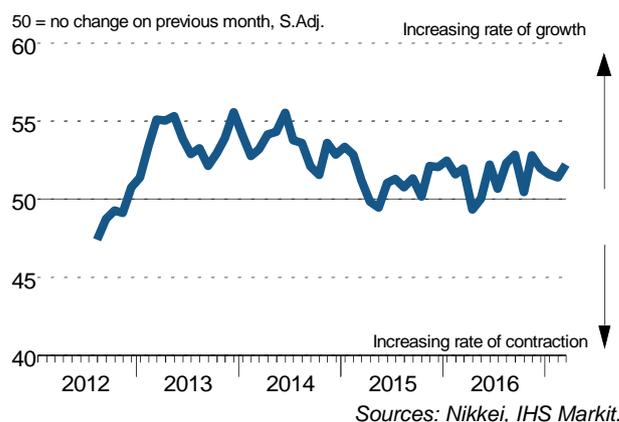
Data suggested that the improvement in the headline PMI was supported by growth in output and new business. Order book volumes increased at a quicker rate in March, with promotional activity and new product launches reportedly helping to boost sales, according to panellists.

Though showing a marginal upturn, export sales returned to growth in March. In line with higher sales, greater levels of output were registered.

Stronger client demand helped to boost business confidence. This was highlighted by the Future Output Index, where the latest reading was above the no-change 50.0 mark for the first time since December 2016.

In response to greater capacity pressures and a brighter outlook, firms raised staff numbers for the fifth successive month in March.

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Despite greater manpower, the level of outstanding work saw the largest monthly rise in three months. Modest strains on supply chains were also seen, with longer delivery times reported for the second month running although the rate of deterioration in vendor performance was only slight.

Anticipating higher demand, companies stepped up buying activity again in March. Moreover, the rate of increase was the joint-highest in 33 months, on par with November 2016. This helped Singapore's private sector firms increase the level of pre-production stocks for the first time since February 2016. Anecdotal evidence suggested that firms were building up stocks to support new product launches and meet higher demand.

Stronger cost inflation was seen on the back of increases in input prices and wages. In particular, salary bills rose by the most in four months, with higher payouts for overtime work and commissions highlighted as reasons.

While costs for purchased inputs were up again, the rate of inflation was the slowest since September 2016. Bulk discounts from suppliers explained in part slower price inflation. At the same time, the rate of increase in firms' selling prices was slower than the rise in input costs, reflecting an ongoing squeeze on margins.

**Comment:**

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

*“Singapore’s private sector registered a pick-up in growth at the end of the first quarter, on the back of stronger expansions in output and new orders. Export sales also returned to growth.*

*“All this helped to boost business confidence. Firms signalled optimism for the first time since December 2016, according to the Future Output Index. Brighter expectations led them to continue hiring and stock building.*

*“However, delving a little deeper into the data revealed some worrying trends. March saw a sharp increase in cost pressures, the steepest in over three-and-a-half years, as wage inflation gained momentum. At the same time, prices charged for Singaporean goods and services rose only modestly, indicating an ongoing squeeze on margins. Unless demand increases further, this could have repercussions on investment and hiring plans in the months ahead.”*

-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.

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](mailto:economics@ihsmarkit.com).

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