

Nikkei Singapore PMI™

Private sector growth gathers speed in April

Key points:

- Faster rises in both output and total new orders boost PMI
- Capacity pressures build despite higher employment
- Firms raise prices as cost inflation remains elevated

Data collected April 11-24

Singapore's private sector economy gathered further momentum at the start of the second quarter, according to the latest PMI survey. Both output and new orders rose at quicker rates in April and remained key growth drivers. Notably, growth in export sales strengthened while business confidence improved further.

Greater demand led firms to increase input buying but strained operational capacity. This resulted in more hiring. However, larger workforce numbers were insufficient to prevent another accumulation of backlogs. Meanwhile, companies charged higher prices as cost pressures remained elevated.

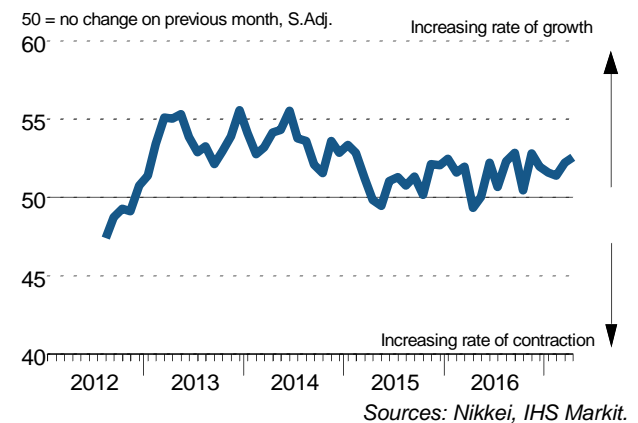
The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** rose from 52.2 in March to 52.6 in April, signalling a stronger improvement in the health of Singapore's private sector. The latest PMI reading was the highest since November 2016.

New business volumes increased at a quicker rate in April, where promotional activity and price discounts were highlighted by firms to have led to greater sales. After a marginal rise in March, growth in export sales gained momentum and increased to the highest in four months. Greater demand from Southeast Asia, Europe and China was mentioned by panellists.

Faster growth in new work helped to raise output levels to the greatest degree this year. Stronger client demand saw companies take on more workers to cope with additional work. Moreover, the rate of growth was the sharpest in three months and solid overall.

Despite increased labour resources, capacity pressures continued to build, with backlogs rising sharply.

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Sources: Nikkei, IHS Markit.

However, greater demand did not strain supply chains in April, as average delivery times were reported broadly unchanged. Nevertheless, some delivery delays in Europe were noted by survey respondents.

Higher operational demand saw companies increasing purchasing activity for the sixth straight month. The accumulation rate eased from the 33-month high in March but remained solid. There were reports of increased purchases for steel, plastic and electronic components. In line with higher buying levels, inventories of pre-production inputs rose for the second successive month but the rate of increase was only marginal.

Singapore's private sector continued to face strong cost increases. Input price inflation in April remained at one of the highest in recent years, driven up by higher input purchase and wage inflation. There was evidence that increased prices for raw materials, suppliers' price hikes, and salary adjustments contributed to the latest increase. Companies sought to protect margins by passing on some of the higher costs to customers.

Encouragingly, business confidence improved further in April, with a greater proportion of firms anticipating higher output growth in the year ahead. Survey data suggested that new marketing strategies, sales promotions and a wider variety of product offerings helped to improve expectations.

Comment:

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

“Singapore’s private sector started the second quarter on a stronger growth footing, supported by expansions in output and new business. In particular, export sales strengthened further in April, building on a marginal rise in March.

“In response to greater demand, firms stepped up hiring but increased labour resources were insufficient to dial back the rising trend in backlogs.

“With the private sector economy gathering momentum, business confidence also improved further, contrasting with the pessimism seen earlier this year.

“However, cost increases remained elevated. Even though input price inflation eased from March’s recent record, the rate of increase was still one of the highest in recent years. This was mainly driven by higher prices for inputs and sustained wage inflation.

“At the same time, firms raised selling prices modestly, with anecdotal evidence suggesting that greater competition has limited the extent to which businesses pass on higher costs to consumers. The squeeze on margins may affect future hiring and investment plans even if there were signs of building capacity pressures.”

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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.

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.

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