

Nikkei Singapore PMI™

Modest growth of Singapore private sector signalled in January

Key points:

- Output and total new orders both expand at slower rates
- Strong job growth gives greater support to headline PMI
- Firms raise prices at record pace amid rising cost inflation

Data collected January 12-24

Growth in Singapore's private sector eased to a modest rate in January, with slower expansions in output and new orders key drivers. However, a marked increase in employment contributed positively to overall operating conditions.

Meanwhile, operational demand outstripped purchasing activity, which led to another drop in pre-production stock levels. However, business confidence regarding the 12-month outlook for output turned pessimistic for the first time in the survey history.

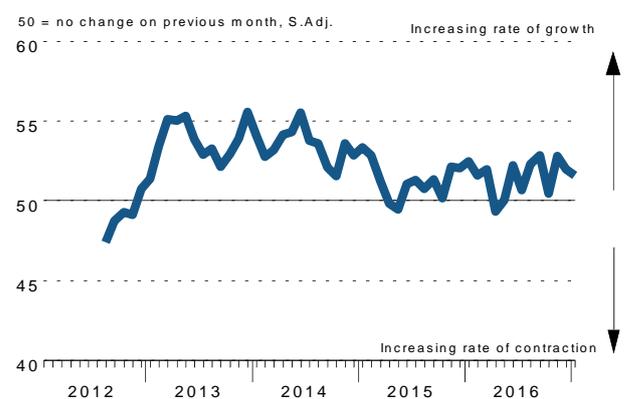
The headline Nikkei Singapore *Purchasing Managers' Index™ (PMI™)* stood at 51.6 in January, slightly down from 52.0 in December, and signalling a modest rate of growth in Singapore's private sector that was the lowest for three months.

Supporting the improvement in business conditions was further growth in output and new orders, although both recorded slower rates of increase. Growth in order books was linked by survey participants to growing client demand. However, some firms pointed towards specific industry slowdown, such as real estate, for decelerating new business growth.

January data implied that the domestic market contributed a larger share to growth in new work, as the expansion in new export orders eased substantially from December. Firms blamed the slowdown on subdued demand from international clients such as the US and EU.

Nonetheless, sustained expansions in output activity and new business inflows prompted firms to raise staff numbers. Employment rose at the fastest rate on record in January. There was evidence of higher permanent and part-time staff headcounts

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Sources: Nikkei, IHS Markit.

but a number of firms commented on taking on more temporary labour.

In line with growing operational demand, backlogs of work increased for the fourteen month in a row. However, the rate of growth was the slowest in three months, which was in part reflective of the sharp rise in workforce numbers.

Meanwhile, firms bought more inputs for the third month running. However, the increase in purchasing activity was outstripped by operational needs at a time when output was rising at a faster rate than input buying. This resulted in a decline in pre-production inventories for the eleventh month in a row.

On the prices front, Singaporean private sector firms continued to face rising costs. The rate of increase in overall cost burdens was the steepest in just over three years, lifted by surging costs for raw materials, such as steel. Salary rises also contributed to higher costs. This led to the sharpest rate of increase on record for prices charged by firms.

Finally, Singapore's private sector businesses were pessimistic about output for the year ahead for the first time in the survey history, citing slowing economic conditions.

Comment:

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

“Growth in Singapore’s private sector was sustained at the start of 2017, with further expansions in both output and new orders reported, albeit at slower growth rates. However, there were a number of worrying developments for the Republic.

“For the first time in the survey history, private sector businesses in Singapore expressed pessimism about their 12-month outlook for output because of slowing economic conditions, according to the Future Output Index. Weak business confidence has affected employment trends. While increases in both permanent and temporary employment boosted job growth in January, panellists reveal that much of the growth is centred in part-time hiring.

“Moreover, growth in export orders slowed markedly in January, which cast doubts on the recent strong growth numbers in official export data. If new business from abroad slows or even decline in the months ahead amid growing uncertainty about global trade policy, Singapore’s economic growth could be affected.

“At the same time, Singaporean consumers should be concerned about rising inflationary pressures. Prices for Singapore’s products and services have become more and more expensive as firms passed on higher costs to consumers. According to the Nikkei Singapore PMI data, input cost inflation for businesses was steepest in around three years during January, which led to the sharpest increase in prices charged at Singapore’s private sector firms on record.”

-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.

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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