News Release

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Nikkei Singapore PMI™

Business conditions improve at slower rate in July

Key points:

- Slower rises in both output and new orders
- Export sales fall for first time in almost a year-and-a-half
- Cost inflation decelerates noticeably

Data collected July 12–25

Singapore's private sector economy lost some momentum at the beginning of the second half of 2018, with both output and new orders expanding at slower rates from June. Notably, export sales fell. Backlogs grew at a much weaker pace and jobs growth remained marginal. However, firms purchased more inputs, which contributed to higher inventories.

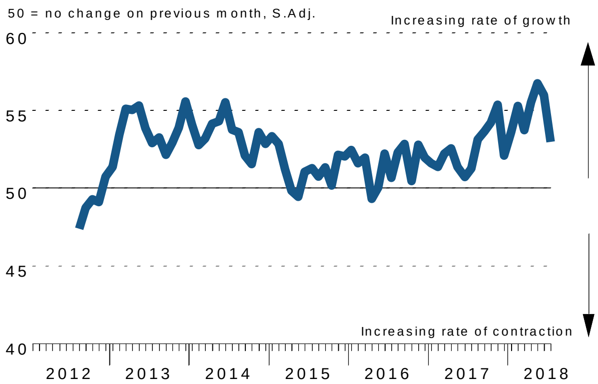
On the price front, cost pressures eased noticeably, with a marked slowdown in wage inflation, while selling prices were largely stable. Companies remained positive regarding future output.

The headline **Nikkei Singapore Purchasing Managers' Index™ (PMI™)** dropped from 56.0 in June to 53.0 in July, marking the weakest pace of improvement in the health of the sector so far this year. Nevertheless, the latest reading remained above the historical average. The headline reading is a composite index derived from questions on new orders, output, employment, suppliers' delivery times and inventories, thereby providing an early indication of the health of the private sector.

Slower expansions in both output and new business weighed on the headline PMI. Having increased at a survey-record rate at the end of the second quarter, output growth eased to a six-month low. There were signs of weaker improvements in demand conditions. Though still marked, order book growth slowed noticeably from June and was weaker than the average seen in the first half of 2018. Lower export orders were partially responsible. Overseas sales fell for the first time in nearly a year-and-a-half.

Meanwhile, employment gains were marginal, with survey data showing a mild rise in staff numbers, in contrast to stronger growth in the first quarter of this year.

Nikkei Singapore PMI™



Sources: Nikkei, IHS Markit

There remained signs of capacity pressure in the private sector, as evidenced by another increase in the level of unfinished work. However, the pace of accumulation was the slowest in just over a year and modest overall, consistent with a softer expansion in new work.

Although firms stepped up purchasing activity in July, after a decline in June, the rate of buying was modest overall. There were reports of firms reducing purchases due to sufficient inventories to meet demand. Input stocks returned to growth, albeit marginally.

Survey data signalled easing inflationary pressures at the beginning of the third quarter. Overall input cost inflation was slower than the sharp increases of the last few months, although still solid overall. Wage hikes were primarily responsible for inflation, with salaries rising at a marked pace in July. At the same time, paid prices for purchases were largely steady.

Finally, firms remained positive regarding output in the year ahead. The Future Output Index remained above the no-change level of 50.0, with optimism connected to planned business expansions, new marketing strategies, promotional activity and new project wins.

Comment:

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

"After a solid first half of the year, the Nikkei PMI data showed a loss of growth momentum in Singapore's private sector economy in July. Survey indices also suggested that the stellar performance in the first half may not repeat in the second half of 2018.

"First, export sales fell for the first time in nearly one-and-a-half years, which contributed to a notable slowdown in overall order book growth. Second, backlogs of work rose at the weakest rate in just over a year. Third, comparing with a solid gain in the first half of 2018, jobs growth was marginal in July. Furthermore, wage inflation remained steep, which could discourage firms from hiring amid a tight labour market.

"IHS Markit expects Singapore's economic growth to moderate to around 2% in the second half of this year, down from 4.1% in the first half amid a winding down of the electronics cycle."

-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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