

# Macro Note

## Singapore: Manufacturing PMI Suggests Continued Optimism

Wednesday, 03 March 2021

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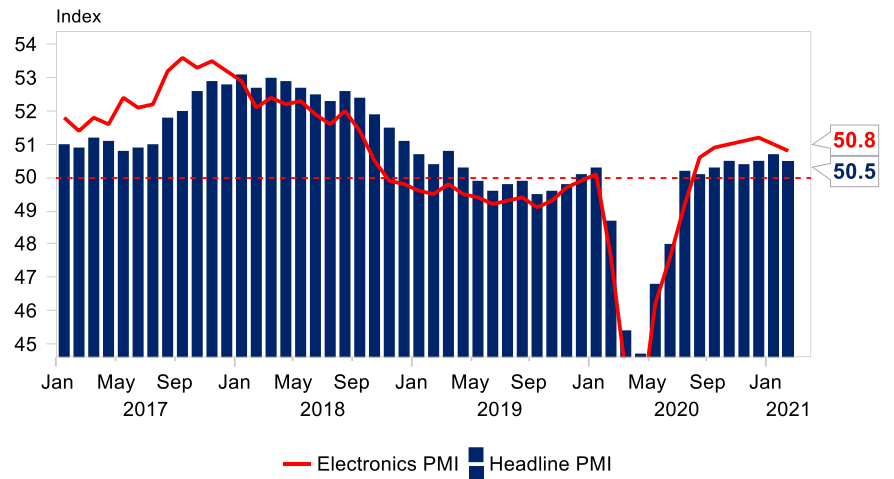
### Highlights

- **Singapore's manufacturing Purchasing Managers' Index (PMI) reported by SIPMM registered a smaller rate of expansion in February 2021 at 50.5**, compared to 50.7 in the previous month. Electronic PMI also eased to 50.8 points in the same month, down 0.2 points from the previous reading. The latest PMI data saw the first month-on-month decline, after two straight months of gain. Still, it remained above 50 points for its 8<sup>th</sup> straight month, **suggesting that the optimism has continued to outweigh.**
- Across the overall and electronics PMI, **slower expansions in new orders, new exports and factory output were the key factors** behind the lower PMI reading. Notwithstanding the slowdown, PMI's order backlog, which highlights the development of supply imbalances when new orders outstanding are accumulated<sup>1</sup>, rose for its 8<sup>th</sup> straight month.
- **We highlight three key observations in the latest PMI reading.** First, the PMI data remains supportive of Singapore's overall growth. This is seen from the sustained expansion in both the manufacturing and electronic PMI readings since 2H20. Second, Singapore's external environment continued to improve, where both exports and imports PMI remained above 50 since the 3Q20. The improvement in Singapore's exports especially, will likely further lift manufacturing momentum into the year ahead. Third, the labour market is expected to improve further into the year ahead. Note that employment PMI had risen for its third straight month, while the accumulation of order backlog suggest that additional resources may be needed into the year ahead to fulfil outstanding orders.
- **The moderation in February's PMI reading could also have been due to seasonal factors.** The Lunar New Year (12 – 13 February 2021) holiday might have affected manufacturing, exports and labour demand in February. Nonetheless, PMI remained in expansion zone at above 50, which suggests that Singapore's industrial production is likely to grow further in February 2021. Note that Singapore's industrial production expanded 8.6% y/y (+4.6% m/m sa) in January 2021. For more details on Singapore's industrial production, please read our latest [Industrial Production Report \(January 2021\)](#).
- **We keep our 2021 manufacturing growth outlook at +3.0% y/y.** The risk to our outlook appears to be balanced; upside risks to our outlook will include a quicker-than-expected rollout of the COVID-19 vaccine, resulting in an accelerated recovery back to pre-COVID-19 levels. On the other hand, uncertainties surrounding COVID-19 amidst the recent rise in geopolitical tensions may inject downside risks to our outlook.

<sup>1</sup> IHS Markit, [Interpreting PMI data](#), 2017

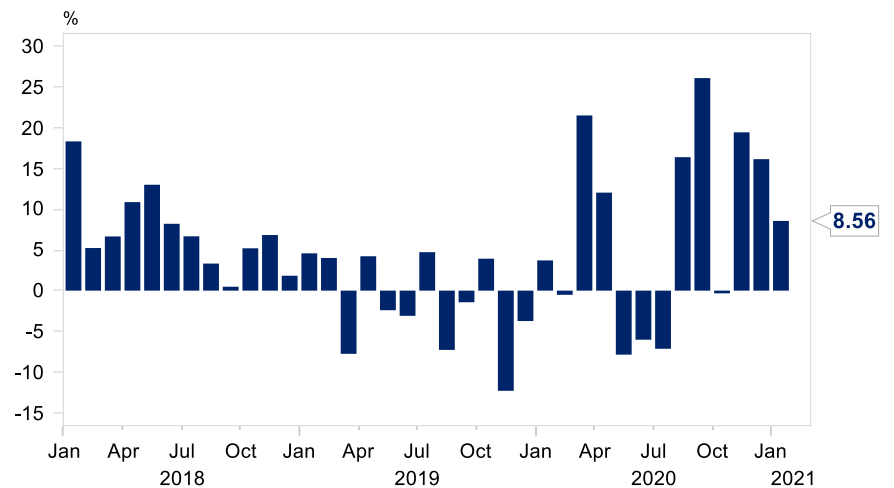
### Chart 1: Manufacturing PMI Expanded For Its Eighth Straight Month

Source: Macrobond, UOB Global Economics & Markets Research



### Chart 2: Industrial Production Grew 8.6% In January 2021

Source: Macrobond, UOB Global Economics & Markets Research



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