

Singapore

Economics Update

MAS acts to nip inflation in the bud

Singapore core inflation breaches the 2.0% mark for the first time since 2014



CPI and PPI divergence is at its highest this century



- This morning, the MAS surprised markets by announcing a “slight raise” to the S\$NEER slope, despite having done so just three months ago.
- Although 60% of 2021’s CPI was driven cars & petrol, the Dec 2021 core inflation breach of MAS’s target of “just under 2%” prompted them into action.
- The divergence between the CPI and PPI in Singapore reached its highest this century; we predict no change to the S\$NEER slope in Apr 2022.

\$SNEER slope raised to combat near eight-year core inflation high

This morning, the Monetary Authority of Singapore (MAS) surprised markets by releasing an off-cycle monetary policy announcement, announcing a “slight raise” to the S\$NEER slope, despite having done so [just three months ago on 14 Oct 2021](#). The unforeseen tightening of monetary policy by the MAS comes just one day after the release of record-breaking Dec 21 headline and MAS core CPI numbers that reached new near nine-year and near eight-year highs, respectively. This is only the third time the MAS has released an off-cycle monetary policy announcement since the beginning of this century (the same time it began its semi-annual reporting cycle). The last time the MAS released an off-cycle announcement was in Jan 2015, when it reduced the slope of the S\$NEER as a result of a very sudden tepid turn in global oil prices (Brent Crude: down almost 60% from Jun 2014 to Jan 2015), leading to a change in the inflationary outlook.

Top 20% income earners burdened with the largest CPI increase

Singapore’s headline inflation accelerated for the fifth consecutive month in Dec 21, reaching 4.0% yoy (vs. +3.8% yoy in Nov 21), its highest since Feb 2013 (+4.9% yoy). However, the story very much matches what we had been seeing since the beginning of 2Q21: the majority of the headline inflation has been [driven by the cost of private transportation \(cars and petrol\)](#). 48% Dec’s headline inflation can be attributed to the rise in private transportation alone, a decrease from 57% in Nov, due to core inflation gaining significant momentum. As owning private cars is typically the preserve of the top earners in Singapore who can afford the hefty COE premiums, the middle 60% and bottom 20% of income earners in Singapore experienced more muted headline inflation than 2021’s average of 2.3% (please see Fig. 3). We expect the surge in private transportation inflation in 2021 to ease over the course of 2022F as a result of cooling COE premiums and an appreciating S\$NEER that lowers the cost of imported petrol.

Core inflation was a loaded spring throughout 2021

The MAS Core Inflation accelerated to 2.1% yoy in Dec 21, its sixth consecutive month of acceleration, bringing it above the MAS’s target inflation of “just under 2%” and its highest level since Jul 2014 (+2.2%). It was always well known that core inflation was a spring that was waiting to unload. If we look at the Domestic Supply Price Index (DSPI) for Singapore vs. core inflation, we see a stark and strong divergence occurring since the beginning of 2Q21 (see Fig. 7). The difference between the CPI and PPI has reached its highest levels this century for not only Singapore, but also the US and China as well (see Fig. on left). As 88% of the total population has received their full vaccine regimen and the [annual GDP has surpassed pre-pandemic levels](#), the more positive outlook presents a timely opportunity for businesses that have suffered months of elevated input costs to pass on these costs in higher prices to end-consumers. We expect core inflation to continue to rise in the coming months before decreasing in the second half of this year.

We do not expect a triple consecutive tightening by MAS in Apr 22

Contained within the MAS’s statement this morning was also an upgrade in their headline inflation forecast from 1.5-2.5% (CGS-CIMB: 3.0%) to 2.5-3.5%, and core inflation from 1-2% to 2-3% (CGS-CIMB: 2.4%). The MAS has never done a triple consecutive slope raise in history, and we do not expect them to do so this time around. We believe that the Oct 2021 and Jan 2022 slope raises should be impactful enough for both the economy and the markets, and clearly signal MAS’s intentions regarding inflation.

Economist(s)



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Figure 1: Singapore's inflation

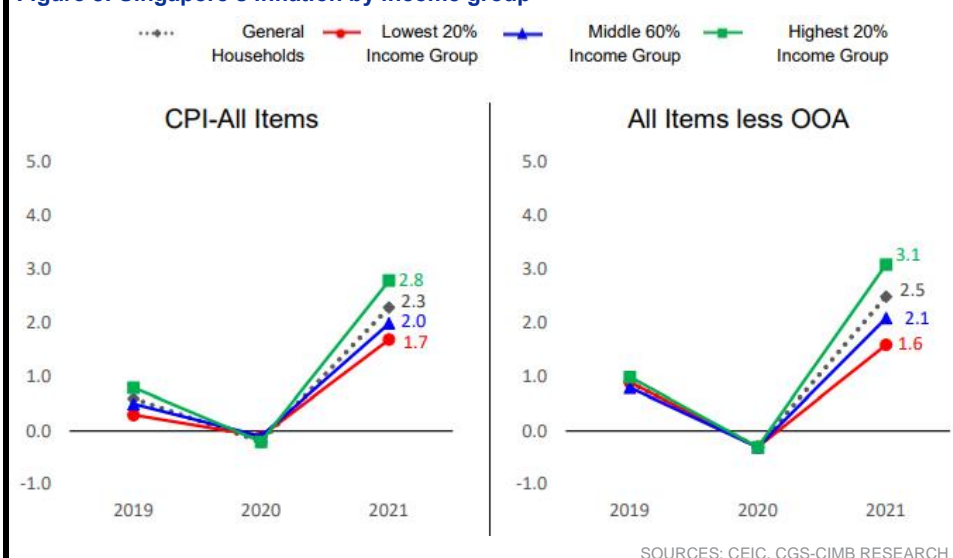
	Weight %	Oct 21	Nov 21	Dec 21	2021	Oct 21	Nov 21	Dec 21
		%yoy				%mom sa		
Consumer Price Index (CPI)	100.0	3.2	3.8	4.0	2.3	0.8	0.5	0.5
MAS Core Inflation	65.8	1.5	1.6	2.1	0.9	-	-	-
Food	21.1	1.7	1.9	2.1	1.4	0.2	0.3	0.3
Clothing & Footwear	2.1	-3.2	-6.6	-6.2	-5.5	1.6	-4.5	1.3
Housing & Utilities	24.8	2.7	3.1	3.4	1.4	1.2	-0.1	0.4
Household Durables & Services	4.9	1.6	1.8	2.0	1.5	0.0	0.1	0.2
Health Care	6.6	1.7	1.5	1.5	1.1	0.1	-0.1	0.0
Transport	17.1	11.1	14.2	13.7	8.8	2.3	2.7	1.3
Communication	4.1	-1.6	-1.2	-1.2	-0.6	0.3	0.2	0.0
Recreation & Culture	7.9	2.1	2.0	1.9	1.0	-0.1	-0.1	-0.5
Education	6.6	1.6	1.6	2.0	1.3	0.2	0.2	0.4
Miscellaneous Goods & Services	4.8	-0.6	-0.1	0.0	-0.5	-0.2	0.3	0.3
CPI Less Imputed Rentals on OOA	82.5	3.4	4.1	4.1	2.5	0.8	0.6	0.5
CPI Less Accommodation	78.0	3.5	4.2	4.2	2.5	0.7	0.7	0.5

SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 2: Previous MAS monetary policy decisions

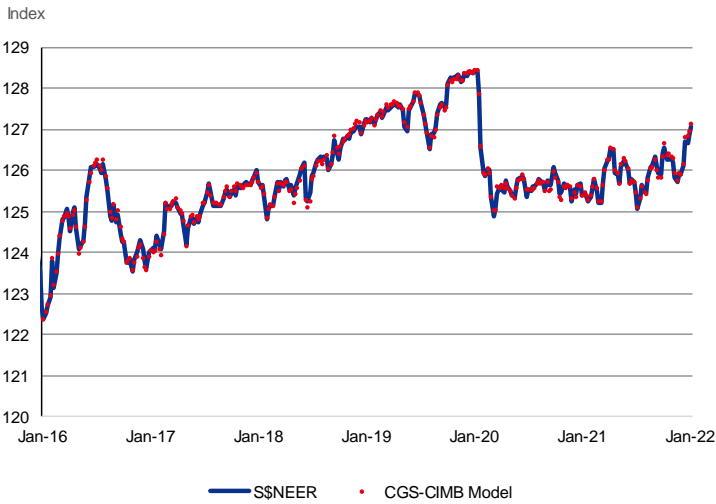
Date	Monetary Policy Decision		
	Slope	Width	Midpoint
25-Jan-22	Increase slightly	Unchanged	Unchanged
14-Oct-21	Increase slightly from 0% appreciation	Unchanged	Unchanged
14-Apr-21	Maintain a 0% rate of appreciation	Unchanged	Unchanged
14-Oct-20	Maintain a 0% rate of appreciation	Unchanged	Unchanged
30-Mar-20	Adopt a 0% rate of appreciation	Unchanged	Recentre to the prevailing level
14-Oct-19	Reduce rate of appreciation slightly	Unchanged	Unchanged
12-Apr-19	Maintain current rate of appreciation	Unchanged	Unchanged
12-Oct-18	Increase slightly	Unchanged	Unchanged
13-Apr-18	Increase slightly from 0% appreciation	Unchanged	Unchanged
13-Oct-17	Maintain 0% appreciation	Unchanged	Unchanged

SOURCES: CGS-CIMB RESEARCH, MAS

Figure 3: Singapore's inflation by income group


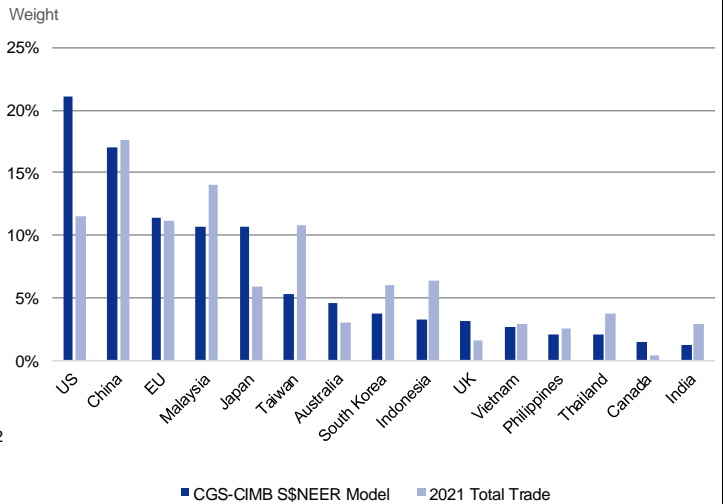
SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 4: S\$NEER Index vs. the CGS-CIMB S\$NEER Model



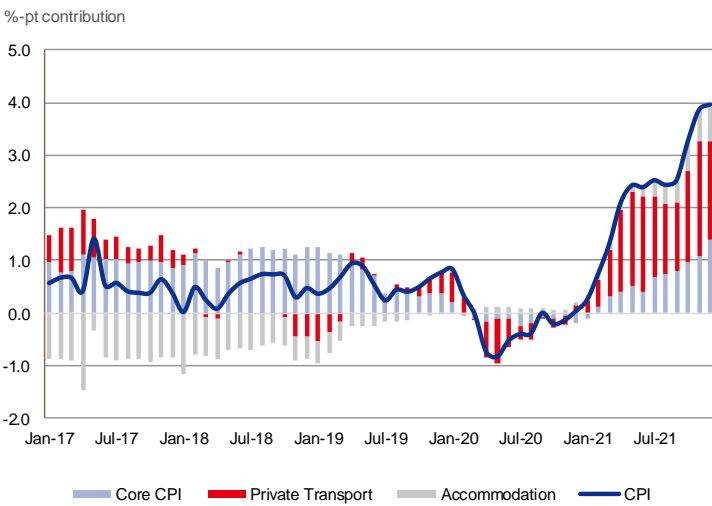
SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 5: CGS-CIMB S\$NEER basket and model weights vs. Singapore 2021's trade weights



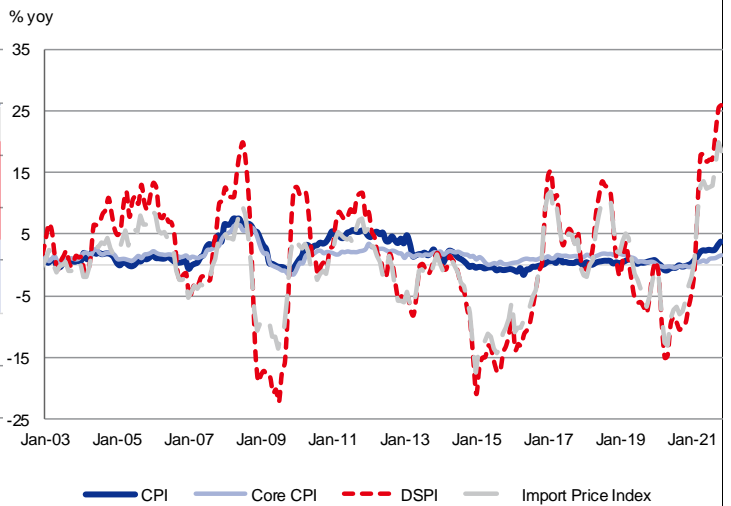
SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 6: Private transportation to make up a smaller percentage of inflation in 2022F as core and accommodation inflation pick up



SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 7: Import prices the main cause of the surge in DSPI in Singapore



SOURCES: CGS-CIMB RESEARCH, MAS, MTI

Figure 8: Easing of restrictions beginning 1 Jan 2022 and 1 Feb 2022

COVID-19 measures in Singapore for 2022

New measures from Jan 1, 2022

- 50% of those who can work from home can return to the office
- Unvaccinated people who have recovered from COVID-19 will get a 180-day exemption to enter vaccination-differentiated settings, down from 270 days currently

Vaccination-differentiated settings

New measures to take effect Feb 1, 2022

 Institutes of higher learning*	 Leisure guests at hotels, serviced apartments and hostels	 All indoor sports facilities	 Work-related events
 Media conferences	 Funerary memorial events	 Libraries under the National Library Board	 Selected activities in community clubs/centres under People's Association
 Dining in at F&B outlets, hawker centres and coffee shops	 Mask-off personal care services, including facials and saunas	 High-intensity or mask-off sports activities and classes	 Mask-off arts classes (e.g. involving singing or wind instruments)
 Attractions, including museums	 Cinemas	 Congregational and worship services	 Live performances
 MICE (meetings, incentives, conferences and exhibitions) events	 Shopping malls and large standalone stores	 Solemnisations and wedding receptions	 Spectator and participatory sports events

*Excluding students on campus who are under full-time pre-employment training (PET)

Infographic: Dawn Teo
Source: Ministry of Health, Dec 14, 2021



SOURCES: CGS-CIMB RESEARCH, CNA

Figure 9: Easing of restrictions beginning 22 Nov 2021

Group sizes to go up to 5 from Nov 22 in S'pore

ST

Here are the changes announced on Nov 20



Dining out

Groups of up to 5 fully vaccinated people can dine at restaurants from Nov 22, and at hawker centres and coffee shops from Nov 23



Social gatherings

From Nov 22, social gathering size and visitors per household raised from 2 to 5; unvaccinated people urged to exercise caution



Booster shots

Will be offered 5 months after first 2 doses



In-person visits at hospitals, nursing homes

Allowed to resume from Nov 22; all parties must be fully vaccinated



Weddings

From Nov 22, couples can unmask during the entire event and wedding party allowed to sing



Entry to libraries, CC activities

Only fully vaccinated people from Dec 1

SOURCES: CGS-CIMB RESEARCH, THE STRAITS TIMES

Figure 10: Easing of restrictions beginning 10 Nov 2021

COVID-19 measures eased in Singapore: Key changes

From Nov 10, 2021

Eating out



F&B outlets

Up to 5 from the same household
Must be fully vaccinated*



**Hawker centres and
coffee shops**

No change: 2 per group



Recorded music allowed, but not live entertainment

**Provision for children 12 years and below applies*

Sports and fitness classes



Indoor high-intensity classes

At least 2m safe distancing
between people, down from 3m

At least 2m between multiple
groups; no intermingling

Work-related events



Public speaking

Up to 10 speakers allowed to be unmasked at any time

Must keep at least 2m from audience while speaking unmasked

Worship, weddings, spectator sports & MICE events

Zones of up to 100 attendees
allowed, up from 50

At least 2m separation between
each zone, down from 3m



Live performances, including worship

At least 2m between performers and audience

Static performers allowed in groups of 2; no need to maintain
safe distance within the group

Stay at least 1m from other groups

Infographic: Dawn Teo

Source: Ministry of Health, Nov 8, 2021



SOURCES: CGS-CIMB RESEARCH, CNA

Figure 11: Tightening of restrictions beginning 27 Sep 2021 (*extended to 21 Nov 2021)

Tighter COVID-19 restrictions in Singapore: Key changes

From Sep 27 through Oct 24, 2021



Social gatherings

2 people max, down from 5

Up to **2 unique household visitors** a day; **1 social gathering** per day



F&B outlets, excluding hawker centres and coffee shops

Up to **2 people** per group, down from 5

Must be fully vaccinated

Hawker centres and coffee shops

No change: **Up to 2 people** per group, regardless of vaccination status



Workplaces

Work from home is the default

Suspension of snap 10-day work-from-home regime

No social gatherings allowed

People are encouraged to do weekly testing before returning to the workplace



Gyms and fitness studios

Indoor mask-off activities:
30 people max, in groups of 2 if all are vaccinated

Indoor mask-on activities and all outdoor activities:
50 people max, in groups of 2 irrespective of vaccination status

No in-person classes for students aged 12 and below



Tuition and enrichment classes

Up to 50 per class, in groups of 2

Classes for students **aged 12 and below**: Must be moved online or suspended till Oct 10

Classes for students **aged 13 and above**: Encouraged to pivot online










Infographic: Dawn Teo

Source: Ministry of Health, Sep 24, 2021



SOURCES: CGS-CIMB RESEARCH, CNA

Figure 12: Easing of restrictions beginning 19 Aug 2021

<h2 style="text-align: center;">COVID-19 RULES FROM AUG 19</h2> <p style="text-align: center;">(As announced on Aug 6)</p>		
 <p>Workplace</p> <ul style="list-style-type: none"> • Up to 50% of employees who can work from home can return to the workplace • Social gatherings allowed 	 <p>Congregational & other worship services</p> <ul style="list-style-type: none"> • Up to 1,000 persons if all vaccinated • Up to 50 persons if unvaccinated; provisions for children 12 years and below apply 	 <p>MICE & live performances</p> <ul style="list-style-type: none"> • Up to 1,000 persons if all vaccinated • Up to 50 persons if unvaccinated; provisions for children 12 years and below apply
 <p>Marriage solemnisations</p> <ul style="list-style-type: none"> • Up to 1,000 persons if all vaccinated • Up to 50 persons if unvaccinated; provisions for children 12 years and below apply 	 <p>Spectator & participatory sports events</p> <ul style="list-style-type: none"> • Up to 1,000 persons if all vaccinated • Up to 50 persons if unvaccinated; provisions for children 12 years and below apply 	 <p>Cinemas</p> <ul style="list-style-type: none"> • Up to 1,000 persons if all vaccinated • Up to 50 persons if unvaccinated; provisions for children 12 years and below apply
 <p>Attractions, cruises, museums & public libraries</p> <ul style="list-style-type: none"> • Operating capacity of 50% 	 <p>Shopping malls & showrooms</p> <ul style="list-style-type: none"> • Occupancy limit of one person per 10 sqm of Gross Floor Area (GFA) 	 <p>Tour groups</p> <ul style="list-style-type: none"> • Up to 50 persons for conveyance tours (Duck Tours etc.) • 20 persons for non-conveyance tours

Source: Ministry of Health

SOURCES: CGS-CIMB RESEARCH, TODAY

Figure 13: Easing of restrictions beginning 10 Aug 2021 (for those fully vaccinated)

Vaccination-differentiated COVID-19 restrictions

From Aug 10, 2021



Social gatherings

Group size of **up to 5 people**

Unvaccinated people encouraged to stay in groups of up to 2

Up to 5 unique household visitors, capped at

2 social gatherings per day



F&B outlets

Dine-in allowed in groups of **up to 5** if all are vaccinated

Not allowed otherwise

If there is **more than one child** in a group, they must be from the same household



Hawker centres and coffee shops

Dine-in allowed in groups of **up to 2**, regardless of vaccination status



Gyms and fitness studios

Indoor mask-off high-intensity activities

Capped at **30 people** in groups of up to 5, if all individuals are vaccinated

Indoor mask-on activities and all outdoor activities

Capped at **50 people** in groups of up to 5, irrespective of vaccination status



Large-scale events

Up to 500 attendees if all are vaccinated

Up to 50 attendees otherwise

From Aug 19:

Up to 1,000 attendees if all vaccinated

Up to 50 attendees otherwise



Wedding receptions

Up to 250 attendees if all vaccinated, in groups of up to 5

Only one reception allowed



Workplaces (from Aug 19)

Up to 50% of employees who can work from home can return to the workplace

Social gatherings allowed

Who is considered fully vaccinated in Singapore?



Those vaccinated with:

- Pfizer-BioNTech/Comirnaty
- Moderna
- Vaccines in WHO's emergency use list, such as AstraZeneca, Sinopharm and Sinovac

Figure 14: Just 3 days after restrictions were eased on 19 Jul, Singapore reverted to Phase 2 (Heightened Alert) on 22 Jul following a spike in new Covid-19 cases

BACK TO PHASE 2 (HEIGHTENED ALERT) KEY RESTRICTIONS

Jul 22 to Aug 18, 2021



Social gatherings

2 people max, down from 5



F&B outlets

No dining-in; only takeaway and delivery options allowed



Gyms and fitness studios

No strenuous indoor exercise activities, individual or group

Mask-off:

Indoor activities not allowed

Outdoor activities capped at

2 people

Mask-on:

Indoor and outdoor activities

capped at 30 people in

groups of 2



Shopping malls

Occupancy limit reduced to 16sqm per person,
down from 10sqm per person



Wet markets and hawker centres

TraceTogether token or app required for check-ins



Massage establishments and hair salons

Facials, saunas and make-up services not allowed



Worship services, live performances and sports events

Up to 100 people with pre-event testing (PET)

Up to 50 people without PET



Wedding receptions

Up to 100 people with PET required for all

Infographic: Dawn Teo
Source: Ministry of Health, Jul 20, 2021



Figure 15: Previous Covid-19 restrictions in Singapore

Phase 2(HA) vs Phase 3 (HA) vs What's Allowed From June 21

8
DAYS

	Phase 2 (Heightened Alert): May 16 to June 13	Phase 3 (Heightened Alert): June 14-20	Phase 3 (Heightened Alert): From June 21
Social gatherings	2 pax 2 visitors per household	5 pax 5 visitors per household	5 pax 5 visitors per household
Dining out	No	No	Yes, in groups of 2
The office situation	WFH	WFH	WFH
Gyms & fitness studios	Indoor: Mask-on activities allowed, up to 30 pax in groups of 2. Outdoor: Mask-off activities allowed, up to 2 pax; mask-on activities allowed, up to 30 pax in groups of 2.	Indoor: Up to 30 pax in groups of 5 with masks on. Outdoor: Up to 5 pax with masks off; Up to 30 pax in groups of 5 with masks on.	Indoor: Groups of 2 with masks off; groups of 5 with masks on. Outdoor: Groups of 5 with masks off. In all cases, a 30 pax cap applies.
Facials & other personal care services	Not allowed, if masks have to be off	Allowed, even with masks off	Allowed, even with masks off
In-person tuition & enrichment classes	Not allowed	Not allowed	Allowed, Groups of 5, up to 50 pax per class
Marriage solemnisations	50 pax without PET, 100 pax with PET	50 pax without PET, 250 pax with PET	50 pax without PET, 250 pax with PET
Wedding receptions	Not allowed	Not allowed	Not allowed until mid-July
Funerals	20 pax	20 pax	20 pax
Congregational worship services	50 pax without PET 100 pax with PET	50 pax without PET 250 pax with PET	50 pax without PET 250 pax with PET
Spectator sports events	Not allowed	50 pax without PET 250 pax with PET	50 pax without PET 250 pax with PET
Live performances, cinemas, B2B events	50 pax without PET 100 pax with PET No F&B in cinemas	50 pax without PET 250 pax with PET No F&B in cinemas	50 pax without PET 250 pax with PET F&B in cinemas allowed if all customers are in groups of 2.
Museums, public libraries, attractions	25% operating capacity	50% operating capacity	50% operating capacity
Tours	Up to 20 pax	Up to 50 pax for conveyance tours; 20 pax for non-conveyance tours	Up to 50 pax for conveyance tours; 20 pax for non-conveyance tours

SOURCES: CGS-CIMB RESEARCH, TODAY

Figure 16: Previous Covid-19 restrictions in Singapore

Activities/ Venues	Circuit Breaker <small>(From Apr. 7, 2020)</small>	Phase 1 <small>(From Jun. 2, 2020)</small>	Phase 2 <small>(From Jun. 18, 2020)</small>	Phase 3 <small>(From Dec. 28, 2020)</small>	Phase 3 <small>(Heightened Alert) (From May. 8, 2021)</small>	Phase 2 <small>(Heightened Alert) (From May. 16, 2021)</small>
Social Gatherings	✗	 to visit parents or grandparents only				
Dining in	✗	✗	✓	✓	✓	✗
WFH	Default	Default more could return to work	Default more could return to work	50% could return to office, up to 75% from Mar. 24	50% could return to office, workers to WFH where possible	Default
Shopping at retail shops	✗	✗	✓	✓	✓	✓
Hairdressers	✗ basic haircuts from May 12	✓	✓	✓	✓	✓
Singapore Pools	✗	✗	✓	✓	✓	✓
Gyms	✗	✗	✓	✓	✗ with limited exceptions	✗ with limited exceptions
Exercise Classes	✗	✗	50 from Sep. 1 in groups of 5	50 in groups of 8	30 in groups of 5	30 in pairs, no strenuous indoor classes
Swimming Pools	✗	✗	✓	✓	✓	✓
Attractions	✗	✗	✓ 25% capacity initially	 65% capacity	 50% capacity	 25% capacity
Cinemas	✗	✗	50 from Jul. 13	150 (max 50% capacity) from Oct. 1	50 (100 w/ PET)	50 (100 w/ PET) no food allowed
Religious Services	✗	✗	50/100 from Jul. 13/Oct. 3	250	100 (250 w/ PET)	50 (100 w/ PET)
Weddings	10	20 from Jun. 19	50/100 from Aug. 4/Oct. 3	100 (250 w/ PET, from Apr. 24)	50 (250 w/ PET)	50 (100 w/ PET) no receptions
Funerals	10 at any one time	20 at any one time from Jun. 19	30 at any one time from Aug. 4	30/50 at any one time/ on last day only, from Apr. 4	30/50 at any one time/ on last day only	20 at any one time, no receptions

SOURCES: CGS-CIMB RESEARCH, MOTHERSHIP

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