

Singapore

Economics Update

Macro: Inflation a growing concern

Elevated price pressure on soaring food and fuel costs

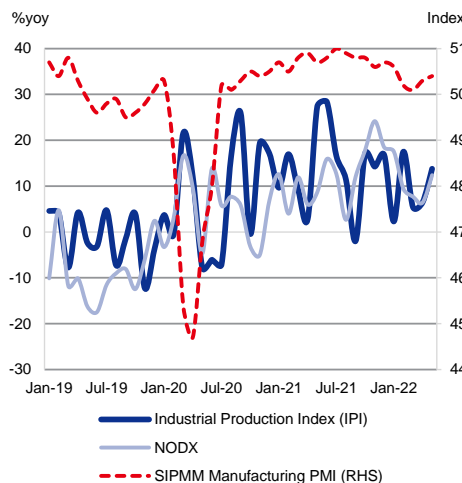


- CPI grew 5.6% yoy in May, highlighting growing price pressures, especially on food, which could worsen amid the June chicken export ban by Malaysia.
- May IPI data significantly beat consensus, driven by semiconductors. Robust demand for 5G and data centres is likely to keep the segment afloat.
- Headline retail sales growth for Apr was 12.1% yoy but marred by low base and price effects. On volume basis, momentum appears to have slowed.

Chicken ban to add to inflationary pressures

Headline CPI inflation for May reached another high of 5.6% yoy vs. 5.4% in April, a rate of growth not seen since Nov 2011 and breaching the Monetary Authority of Singapore's (MAS) year target of 4.5-5.5%. Core inflation also shot up higher at 3.6% yoy from 3.3% in the month prior, above the year estimate of 2.5-3.5%. Food was the major culprit (rising 4.5% vs. Apr: 4.1%), with the component of meat, seafood, food services, and catered food seeing the largest increases following supply chain issues and higher production costs. In addition, the economy was running high, with labour market tightening leading to a rise in wages. This demand-pull pressure partly contributed to the strong rise in core inflation.

Manufacturing activity improved in May



We maintain our 2022F average inflation projection of 5.1% yoy. Prices are likely to trend higher over the next few months. Malaysia announced a ban on chicken exports starting 1 June to stem its own domestic supply shortages, cutting off one-third of Singapore's poultry supply. On 14 Jun, the ban was partially lifted, with exports of kampung and black chicken resuming, but the ban on broiler chicken, a main staple, remained in place. Meanwhile, the demand-pull pressure is likely to remain strong, resulting in a firm labour market and businesses passing through costs to consumers. This should continue to support a steady increase in core inflation.

Electronics IPI likely to retain momentum

May industrial production grew by 13.8% yoy in May vs. Apr's 6.4% and significantly higher than consensus estimate of 5.5%. The upside surprise likely came from the strong growth in the electronics cluster of 33.6% yoy (Apr: 10.4%), with the semiconductor components seeing the largest increase at 45.7% (Apr: 12.9%). Indeed, the electronics sector continued its stellar performance, driven by the robust demand from 5G markets and data centres despite the hurdles from global supply chain problems. Also taking advantage of the strong demand for electronics was precision engineering. The segment grew by 15.0% yoy vs. Apr's 4.7%, aided by semiconductor foundry investments into new equipment. Nevertheless, electronics PMI data paint a mixed picture ahead. While it remained in expansion at 50.5 reading, its sub-components, in particular the inventories, stocks of finished goods, and deliveries, still showed contractions, highlighting the struggles faced by the sector since the middle of last year. On the plus side, new export orders remain expansionary, highlighting continued demand ahead. The increase in China's manufacturing capacity post reopening in June is also likely to add to growth.

Robust headline retail sales due to price and base effect

Singapore's retail performance improved further in Apr, with headline retail sales growth at 12.1% yoy (Mar: 8.8%). By breakdown, several sub-components showed double-digit growth, namely department stores (31.6% yoy; Mar: 17.0%), wearing apparel & footwear (46.6%; Mar: 26.2%), as well as food & beverages (35.6%; Mar: 21.5%). While appearing robust, headline retail sales are published on a nominal basis, which take into account the price inflation during the month. In addition, the yoy growth numbers suffer from a low base effect given that the circuit breaker measures were in effect in April last year. On a mom seasonally adjusted volume basis, the momentum is showing some slowdown. Retail sales volume moderated to +3.1% mom sa vs. Mar +11.7%. Over the next few quarters, we view that retail is likely to slow further as pent-up demand dissipates while high inflation growth eats into consumer spending.

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Figure 1: Singapore's manufacturing performance

	Weight	Mar 22	Apr 22	May 22	5M22	Mar 22	Apr 22	May 22
	%	%yoy				%mom sa		
Industrial Production Index (IPI)	100.0	5.4	6.4	13.8	8.7	-10.9	2.1	10.9
IPI excl. Biomedical Manufacturing	82.1	10.3	8.0	18.0	11.2	-5.5	-1.9	9.8
Electronics	39.3	14.4	10.4	33.6	17.3	-12.8	-4.5	22.0
Biomedical Manufacturing	17.9	-18.4	-1.1	-7.2	-3.8	0.9	1.6	-4.8
Chemicals	13.0	0.9	-3.4	-3.4	-2.1	3.5	-1.4	-3.3
Precision Engineering	13.8	0.8	4.7	15.0	4.2	-5.8	10.6	-2.7
Transport Engineering	8.3	22.7	16.6	12.9	14.7	17.0	-3.7	-2.8
General Manufacturing	7.8	10.7	11.4	9.0	12.0	-13.0	0.0	3.1

SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 2: Singapore's inflation performance

	Weight	Mar 22	Apr 22	May 22	5M22	Mar 22	Apr 22	May 22
	%	%yoy				%mom sa		
Consumer Price Index (CPI)	100.0	5.4	5.4	5.6	5.0	1.2	0.6	0.3
MAS Core Inflation	65.8	2.9	3.3	3.6	2.9	-	-	-
Food	21.1	3.3	4.1	4.5	3.4	0.8	0.8	0.7
Clothing & Footwear	2.1	-3.3	0.8	2.2	-1.5	-0.2	3.7	1.0
Housing & Utilities	24.8	4.4	5.0	5.0	4.5	0.4	1.5	-0.5
Household Durables & Services	4.9	1.6	2.0	2.1	1.8	0.2	0.4	0.2
Health Care	6.6	1.1	1.6	1.3	1.5	0.1	0.4	-0.3
Transport	17.1	18.7	15.5	15.5	15.4	4.6	-0.6	0.5
Communication	4.1	-2.6	-0.9	-0.8	-1.9	-0.3	0.6	-0.1
Recreation & Culture	7.9	2.2	2.7	3.5	2.1	1.6	0.5	1.2
Education	6.6	2.0	2.0	2.4	2.1	0.2	0.1	0.6
Miscellaneous Goods & Services	4.8	0.3	0.1	0.0	0.1	0.1	-0.2	-0.1
CPI Less Imputed Rentals on OOA	82.5	5.7	5.7	5.9	5.2	1.4	0.5	0.3
CPI Less Accommodation	78.0	5.9	5.8	6.1	5.3	1.4	0.4	0.4

SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 3: Singapore's retail performance

	Feb 22	Mar 22	Apr 22	4M22	Feb 22	Mar 22	Apr 22
	%yoy				%mom sa		
Retail Sales Index (RSI)	-3.3	8.8	12.1	7.6	-1.2	7.4	1.2
RSI excl. Motor Vehicles	-1.7	13.6	17.4	11.5	-1.0	8.2	1.7
Dept Stores	-5.8	17.0	31.6	18.5	-11.7	18.3	13.2
Supermarkets	-10.7	9.3	5.1	5.8	0.0	4.7	-6.3
Mini-Marts & Convenience Stores	-14.1	-6.0	-5.5	-5.7	-2.5	0.8	-2.4
Food & Beverages	-16.6	21.5	35.6	13.9	5.3	16.9	14.2
Motor Vehicles	-14.1	-14.1	-16.4	-14.1	-2.7	1.6	-3.1
Petrol Service Stations	9.1	23.9	24.5	21.0	-1.5	15.8	-0.2
Medical Goods & Toiletries	17.8	25.4	15.3	19.3	15.0	0.7	-7.5
Wearing Apparel & Footwear	-3.2	26.2	46.6	24.1	-3.0	18.5	17.4
Furniture & Household Equipment	3.4	15.2	16.7	9.7	2.1	3.2	-2.6
Recreational Goods	-1.8	-1.8	7.6	2.2	-5.6	0.4	8.8
Watches & Jewellery	9.9	16.3	28.4	21.2	-4.4	5.3	5.2
Computer & Telecom Equipment	8.2	25.4	20.5	15.8	-5.4	24.5	-5.3
Optical Goods & Books	-7.4	-8.2	-0.7	-5.5	-6.9	4.8	4.7
Others	-8.3	-1.5	6.6	-0.4	2.4	0.6	7.1

SOURCES: CEIC, CGS-CIMB RESEARCH

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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