

Singapore

Broad-based Pick-up In June Inflation

- ◆ Singapore's CPI inched up to 0.6% YoY in June (Bloomberg consensus: +0.6%) from +0.4% in the preceding month due to a broad-based increase in overall prices of goods & services. Core CPI edged up to 1.7% YoY, from +1.5% in May.
- ◆ Overall, June numbers are consistent with our estimate for inflation to trend higher in 2H18. We expect Singapore's CPI to rise to 1.3% YoY in 2018, up from +0.6% in 2017. However, domestic inflation will remain moderate, as retail rents have remained relatively subdued.
- ◆ After increasing the slope of S\$NEER in April, we expect MAS to maintain the status quo in the next monetary policy review in October.

Singapore's CPI inched up to 0.6% YoY in June, in line with consensus estimate and from +0.4% rise in May. This was largely due to higher food and services inflation, but generally, there was a broad-based increase in overall prices of goods & services.

As it stands, food prices increased at a faster pace of 1.5% YoY in June, from +1.3% in May, as prices of non-cooked food items more than offset a slower pace of increase in the prices of prepared meals.

Transport cost resumed increasing with +0.3% YoY in June, after stagnating the month before. The increase was mainly due to a pick-up in private transport cost, amid faster pace of increase in petrol prices, as well as smaller YoY fall in car prices following a rise in Certificate of Entitlement (COE) premiums.

Meanwhile, the cost of housing & utilities fell by a smaller margin of 1.8% YoY, compared to a 2% drop the month before. By sub-segment, the cost of accommodation declined at a slower pace during the month, reflecting a gradual decline in housing rentals.

Segments that exerted higher pressure on inflation also included healthcare, household durables, communication and recreation & culture. As a result, core CPI (which excludes accommodation and private road transport) rose to 1.7% YoY, picking up from +1.5% in May, also reflecting higher inflation of food and services cost.

Overall, June's headline and core readings are consistent with our estimate for inflation to trend higher towards 2H18. We expect Singapore's CPI to rise by 1.3% in 2018, picking up from a 0.6% increase in 2017. This would be underpinned by imported inflation, following rising commodity prices. Meanwhile, global food commodity prices are projected to rise slightly, as global demand strengthens amid ample supply conditions. On the domestic front, inflationary pressure is expected increase in tandem with rising wage growth and domestic demand.

After increasing the SGD nominal effective exchange rate (S\$NEER) slope in April, we expect Monetary Authority of Singapore to maintain the status quo in the next monetary policy review in October – consistent with a modest and gradual appreciation path of the S\$NEER policy band.

Singapore's inflation indicators

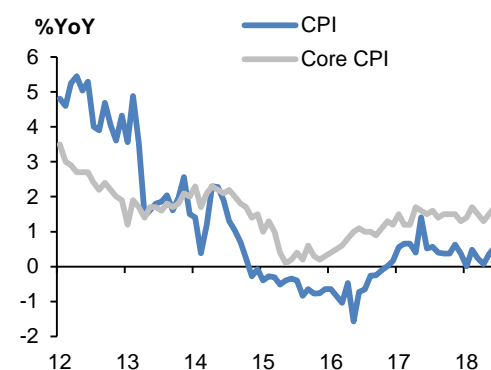
% YoY	2016	2017	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018
Headline inflation	-0.5	0.6	0.5	0.2	0.1	0.4	0.6
Core Inflation	0.9	1.5	1.7	1.5	1.3	1.5	1.7
Food	2.1	1.4	1.4	1.4	1.4	1.3	1.5
Housing & utilities	-4.1	-2.5	-2.1	-2.0	-2.3	-2.0	-1.8
Household durables	1.8	1.1	0.8	0.7	0.7	0.8	0.9
Healthcare	1.1	2.5	2.4	2.1	2.0	2.3	2.4
Transport	-2.4	2.6	0.6	-0.5	-0.7	0.0	0.3
Communication	-0.4	0.6	-0.1	-0.3	-1.3	-0.8	0.2
Recreation & culture	0.9	0.3	1.6	0.6	0.7	1.2	1.4
Education	3.1	3.0	2.9	3.0	2.9	2.9	2.9

Source: DOS, RHB

Economist

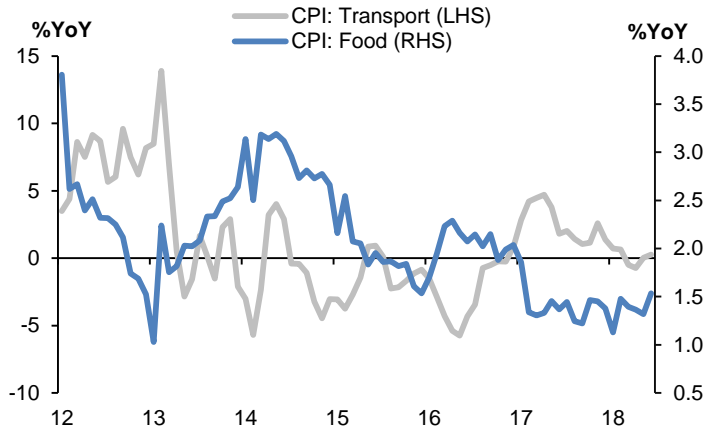
Singapore Research
+65 6533 0781 / +603 9280 2172
sg.research@rhbgroup.com

Headline and core CPI inched up in June



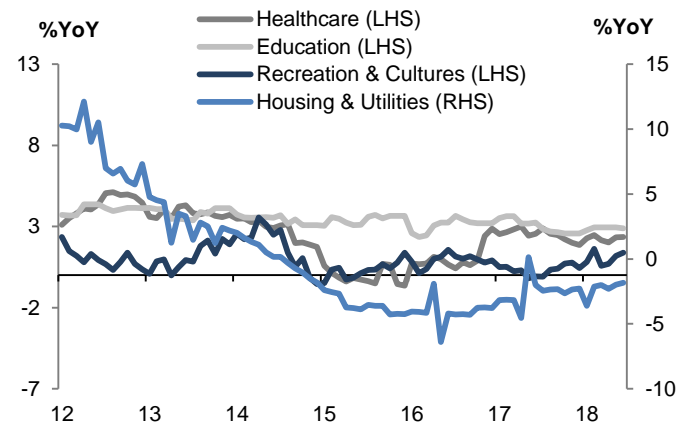
Source: Department of Statistics Singapore, RHB

Figure 1: Food prices picked up while transport cost resumed rising after stagnating in previous month



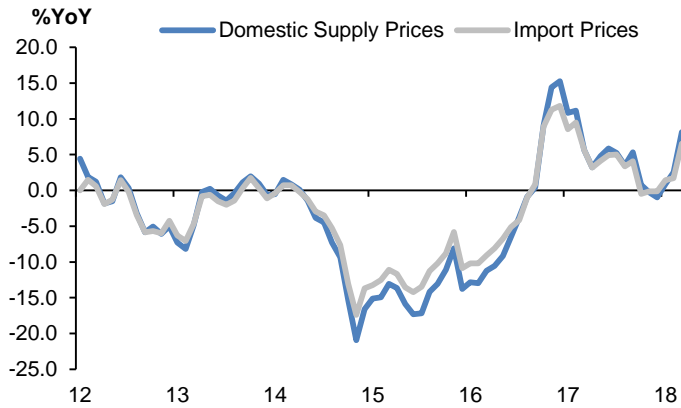
Source: DOS, RHB

Figure 2: Broad-based pick-up in inflation



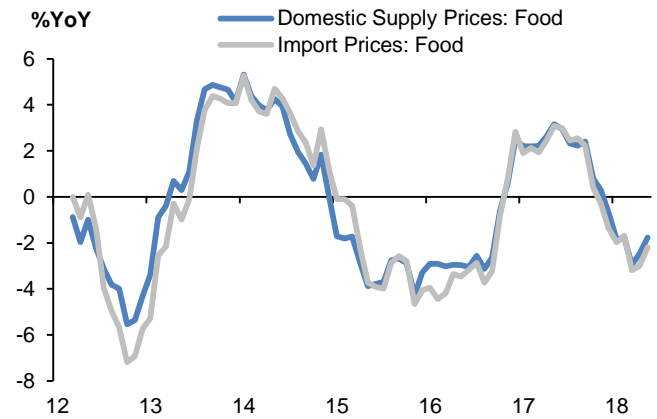
Source: DOS, RHB

Figure 3: Overall domestic and import prices exerting higher pressure on inflation



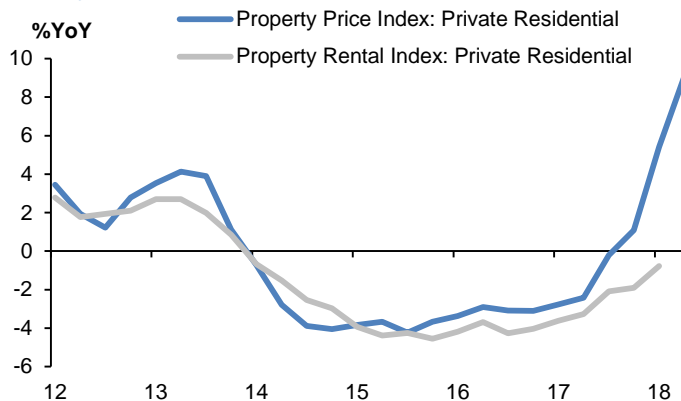
Source: DOS, Bloomberg, RHB

Figure 4: Domestic and imported food also recovering from decline in prices



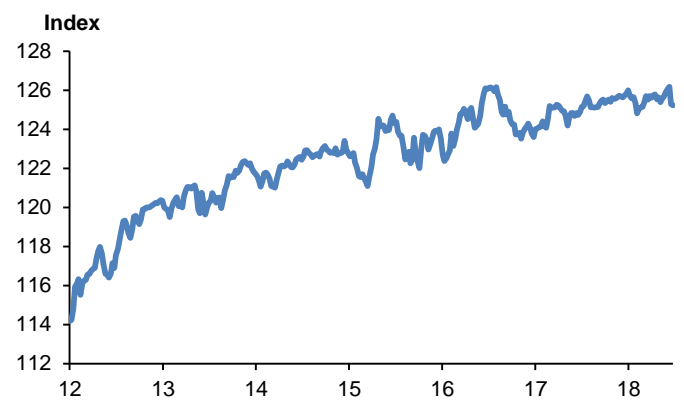
Source: DOS, Bloomberg, RHB

Figure 5: Residential property price and rents recovering sharply



Source: DOS, CEIC, RHB

Figure 6: S\$NEER continued to appreciate after MAS increased its slope in April



Source: MAS, Bloomberg, RHB

Figure 7: Regional economic indicators

ASEAN & CHINA ECONOMIC INDICATORS																
Country	GDP growth (%)				Inflation (%)				Policy rate (end period,%)				Exchange rate (end period, vs. USD)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F
Indonesia	5.0	5.1	5.3	5.3	3.5	3.8	3.4	3.5	4.75	4.25	5.75	5.75	13540	13588	14500	14200
Malaysia	4.2	5.9	5.2	5.0	2.1	3.7	1.9	2.0	3.00	3.00	3.50	3.50	4.49	4.06	4.10	4.02
Philippines	6.8	6.7	6.5	6.6	1.8	3.2	4.0	3.5	3.00	3.00	3.50	3.50	49.62	49.83	54.00	52.00
Singapore	2.4	3.6	3.0	2.8	-0.5	0.6	1.3	1.6	-	-	-	-	1.45	1.34	1.36	1.34
Thailand	3.2	3.9	4.2	3.7	0.2	0.7	1.2	1.4	1.50	1.50	1.50	1.50	35.85	32.57	33.40	32.60
Vietnam*	6.2	6.8	6.7	6.2	2.7	3.5	3.6	3.6	6.50	6.00	6.00	6.00	22770	22709	22950	22850
China**	6.7	6.9	6.6	6.4	2.0	1.6	2.5	2.6	4.35	4.35	4.35	4.35	6.95	6.51	6.70	6.95

*prime rate; **1-yr lending rate

Country	Exports growth (%)				Imports growth (%)				Industrial Production growth (%)				Unemployment rate (% labour force)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F
Indonesia	-3.9	16.2	10.0	11.0	-4.9	15.6	11.0	12.0	5.0	5.1	5.3	5.6	5.6	5.5	5.4	5.3
Malaysia	1.1	18.9	6.5	4.7	1.9	19.9	6.2	5.1	3.8	5.2	4.5	3.8	3.5	3.4	3.3	3.2
Philippines	-2.4	9.5	8.0	9.0	18.3	10.2	9.0	10.0	6.4	6.2	3.6	6.2	5.5	5.7	5.6	5.5
Singapore	-4.4	8.5	6.7	5.2	-4.2	10.6	10.9	6.5	3.7	10.1	7.6	5.0	2.2	2.1	2.0	2.0
Thailand	0.5	9.9	7.0	5.4	-3.9	14.7	8.6	6.1	1.6	1.6	2.9	2.0	0.9	1.0	0.9	0.9
Vietnam	9.2	21.4	9.5	9.1	5.6	21.4	8.7	8.2	6.9	10.0	8.1	7.8	3.3	3.5	3.6	3.1
China	1.8	6.8	5.2	5.0	3.8	7.3	5.6	5.5	6.1	6.5	5.5	5.2	4.1	4.1	4.1	4.2

Country	Fiscal Balance (% GDP)				Current Acc. (% GDP)				Forex Reserves (USD bn)				External Debt (USD bn)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018	2019F	2016	2017E	2018F	2019F
Indonesia	-2.5	-2.5	-2.5	-2.5	-1.8	-1.7	-2.3	-2.0	116	130	127	134	320	353	380	400
Malaysia	-3.1	-3.0	-2.8	-2.8	2.4	3.0	2.7	2.9	95	102	112	124	201	213	222	231
Philippines	-2.4	-2.2	-2.9	-2.9	-0.4	-0.8	-1.0	-0.7	81	82	83	83	75	73	71	70
Singapore	1.3	2.4	-0.1	0.2	19.0	19.6	17.3	16.7	247	280	265	312	-	-	-	-
Thailand	-2.6	-1.8	-2.9	-3.0	11.4	10.8	7.7	6.9	172	203	208	227	152	155	159	164
Vietnam	-5.0	-5.3	-5.2	-4.8	2.7	1.9	2.1	2.2	43	40	45	49	76	79	83	84
China	-3.5	-3.6	-3.3	-2.6	1.8	1.3	1.1	1.3	3010	3140	3000	3000	1400	1450	1400	1380

Country	Deposit Growth (%)				Loan Growth (%)				L/D Ratio (%)				Money Supply* (%)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F
Indonesia	9.6	8.3	9.9	11.0	7.8	10.0	12.8	12.0	92.7	91.9	94.3	93.5	10.0	11.0	8.0	8.0
Malaysia	1.5	5.7	4.6	5.0	5.3	4.1	5.2	5.5	89.8	90.5	90.9	92.2	3.0	4.7	5.0	5.2
Philippines	14.3	11.9	11.8	12.0	16.1	18.1	18.0	18.5	70.7	74.1	74.1	78.7	12.8	11.9	10.0	11.0
Singapore	2.7	3.2	5.4	5.0	0.5	8.0	8.5	7.2	107.9	104.5	104.9	105.0	8.1	4.1	6.2	5.5
Thailand	3.8	4.1	5.3	5.0	3.6	4.1	5.1	4.8	93.3	93.1	92.9	93.0	4.2	5.2	5.3	5.0
Vietnam	15.0	10.0	11.2	10.8	18.0	15.0	13.5	12.9	79.6	81.0	83.0	83.5	16.0	17.0	18.0	17.2
China	11.0	10.7	9.6	8.5	13.5	12.1	10.5	9.5	70.8	71.7	72.2	73.0	11.3	8.2	8.0	7.5

Note: As at 03 July 2018

Note 2: *M2 is used for all countries except for Thailand M1 is used and Philippines M3 is used instead.

Note 3: **Starting 3 Jun 2016, the Philippines' policy rate was changed to purely Bangko Sentral ng Pilipinas' overnight reverse repurchase (RRP) facility at 3%

Source: International Monetary Fund (IMF), Oxford Economics, Various central banks, RHB

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Kuala Lumpur	Hong Kong	Singapore
RHB Research Institute Sdn Bhd Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur 50400 Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216	RHB Securities Hong Kong Ltd. 12 th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	RHB Research Institute Singapore Pte Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Bangkok
PT RHB Sekuritas Indonesia Wisma Mulia, 20th Floor Jl. Jenderal Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777	RHB (China) Investment Advisory Co. Ltd. Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	RHB Securities (Thailand) PCL 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 088 9999 Fax : +(66) 2 088 9799