



THE EMERGING ASIA ECONOMIC MONITOR

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MIGUEL CHANCO, CHIEF EMERGING ASIA ECONOMIST
MOORTHY KRSHNAN, SENIOR ASIA ECONOMIST

Retail sales growth in Singapore disappointed hugely in April, falling to a new post-pandemic low...

...We suspect that a shift to overseas spending was the main culprit, as income growth still looks strong.

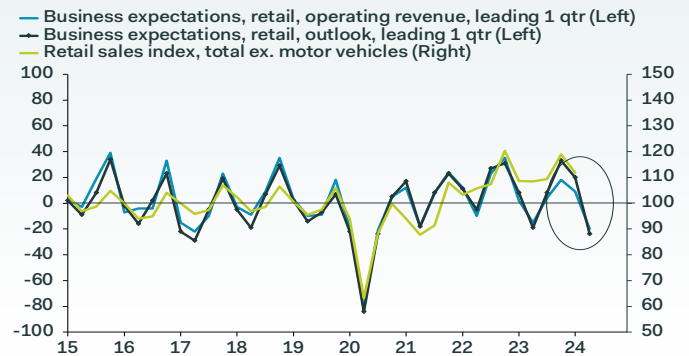
The risk of CPI re-breaching the BSP's target range continues to wane, on fading non-core pressures.

Singaporeans switch to spending abroad, while still saving more

Singaporean retail sales growth surprised massively to the downside in April, falling to -1.2% year-over-year, from 2.8% in March. The consensus was expecting a more gentle moderation to 1.9%. This weak headline was already *flattered* by vehicle sales growth, which jumped to 25.0%, from 7.4%. This reversal is a dynamic we have been expecting for a while. Vehicle sales previously dragged on the headline, but rising COE quotas should make this segment a supportive force for the rest of the year, as the chart below shows. The more important metric is sales growth *excluding* vehicles, which fell more sharply to -4.5%, from 2.1%, representing a new post-pandemic low.

The retail categories seeing the sharpest slowdowns in sales were apparel, department stores and recreational goods. For all three, we suspect the

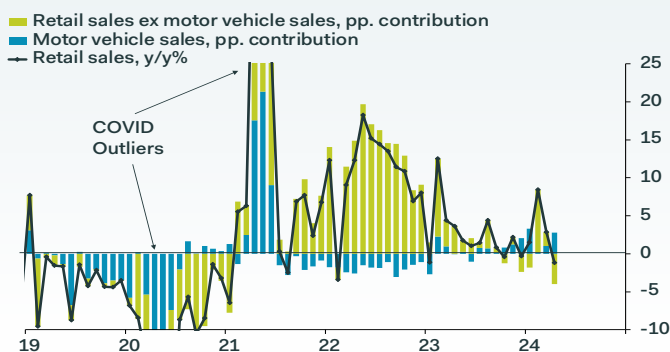
RETAILERS MORE PESSIMISTIC ABOUT SALES GROWTH IN H2



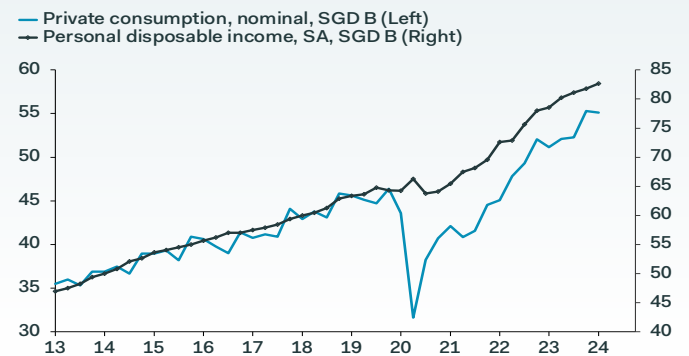
recent slowdown in tourist arrivals exacerbated the deterioration. Inbound arrivals growth plunged to 20.1% year-over-year in April, from 45.0% in March. *At the same time, the relatively strong SGD is likely incentivising more outward tourism, particularly to neighbouring countries, to purchase products that are easily portable.* This hypothesis is consistent with the sales categories that are exhibiting weaker growth.

Business expectations have adjusted accordingly, with 70% of firms on a net weighted basis expecting their operating revenue to fall over the next quarter, while 74% of retailers have a negative outlook for H2. Declining tourist foot-traffic is compounded domestically by employment growth falling sharply, with only 4.9K jobs being added in Q1, a far cry from the 22.1K average rise achieved in 2023.

CHANGE IN FORTUNES AS VEHICLE SALES GROWTH OUTPERFORMS



SINGAPOREANS INCREASINGLY PREFER TO SAVE



To be sure, sounding the alarm bell now would be premature. First, consumer credit remains healthy. Credit-card loan growth moderated to 14.3% year-over-year in April, from 15.8% in March, but is still firmly in double digits. Additionally, deposits and currency in circulation remain robust. Real income growth has been positive since 2021—even with the previous marked rise in inflation—as high disposable income growth has more than compensated for the erosion in spending power. What is evolving, though, is the propensity to consume, as our previous chart shows. **The gap between income and consumption appears to be persisting, with the savings rate over the past four quarters rising to 34.7%, after averaging 27.6% in 2014-to-19.**

Another month, another positive PH CPI print

CPI inflation in the Philippines continued to inch up in May, rising by a further 0.1pp to 3.9% from 3.8% in April. The risk of the headline breaching—temporarily—the 4% upper bound of the BSP’s target range in the short run remains, although it has receded materially due to a few factors. Our below-consensus 3.3% forecast for 2024 average inflation remains appropriate; it implies that inflation will rise again in June, to 4.0%, before slowing markedly for most of H2.

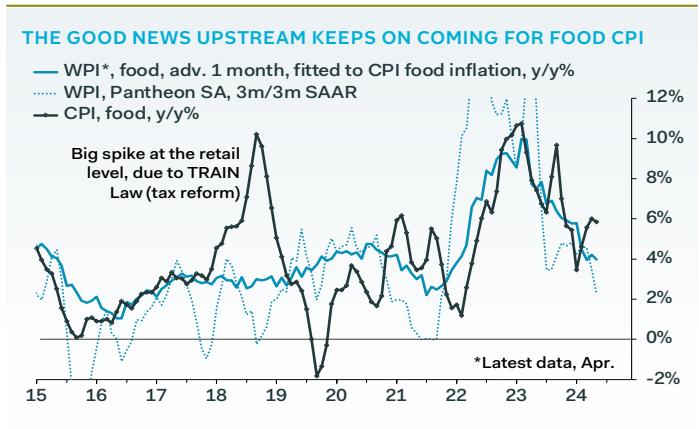
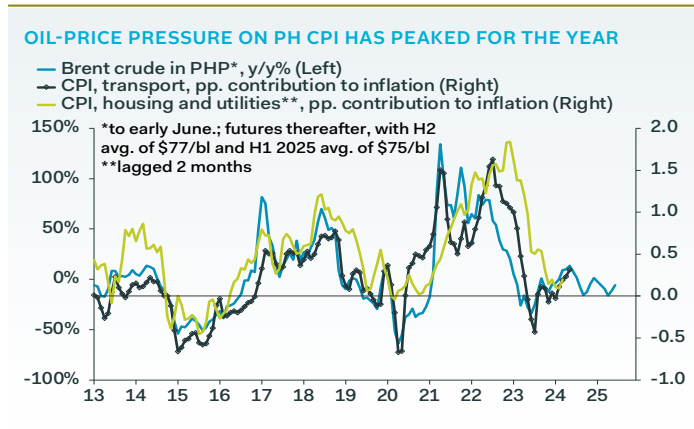
For starters, the main drivers of the modest headline acceleration in May—higher housing & utilities and transport inflation—were merely responding to previous gains in global oil prices with a natural lag. The former appears to have bottomed out finally, rising to 0.9% from 0.4%, while the latter firmed up to a 14-month high of 3.5%. **That said, June should mark the peak in the**

combined contribution from these components—at a projected 0.6pp, after 0.5pp in May—as oil prices have seen a massive 15%-plus correction from their highs in April. Futures now indicate that Brent crude will average USD77/bbl in the second half of 2024, down from USD82/bbl when the April CPI came out.

In addition, food inflation has effectively peaked, barring any new supply shocks. Food disinflation—the first since January—limited the headline rise in May, slipping to 5.8% from 6.0%. This gauge will probably rebound this month, as the favourable food-price base effects turn temporarily neutral. That said, this arithmetic drag will be back with a bang for all of Q3, bringing down food inflation substantially to around 2.0% by September.

Note, too, that upstream food-price pressures are still diminishing. Indeed, WPI food inflation, which declined to 3.6% in April—the latest data—from 4.0% in March, suggests that CPI food inflation should be closer to around 4.0% currently. Meanwhile, the three-month-on-three-month seasonally adjusted annualised rate in food WPI has softened to a two-and-a-half-year low of just 2.2%, as at April.

At the retail level, government policy will provide a much-needed helping hand at the margins. Earlier this week, President Ferdinand Marcos Jr approved a big reduction in the import tariff for rice—the primary headache over the past nine months or so—to 15% from 35% until 2028, pending a related Executive Order.



Moorthy Krshnan, Senior Asia Economist +44 020 3997 1725
moorthy@pantheonmacro.com
Miguel Chanco, Chief EM Asia Economist +44 019 1249 9274
miguel@pantheonmacro.com

THIS WEEK IN BRIEF

Data and events covered in the EA Data Wrap and Datanotes.

Monday, June 3

• Indonesia: CPI (5) 11:00 CIT

Inflation dipped to **2.8%** in May, from 3.0% in April, below the no-change consensus. This was down primarily to a continued moderation in food inflation. Core inflation inched up to **1.9%**, from 1.8%, in line with the consensus.

Tuesday, June 4

• ASEAN: Manufacturing PMI (5) 07:30 ICT

The PMI rose to **51.7** in May, from 51.0 in April. The prints for two of the region's main exporters—Thailand and Malaysia—finally returned to the black, while Singapore's gauge leapt solidly over 55, outperforming the other countries.

Wednesday, June 5

• Philippines: CPI (5) 09:00 PST

Inflation edged up to **3.9%** in May, from 3.8% in April, coming in below the consensus, 4.0%. The uptick was led by an increase in housing & utilities and transport inflation, which both respond to global oil prices with a lag.

• Singapore: Retail Sales (4) 13:00 SGT

Sales growth slumped to **-1.2%** y/y in April, from 2.8% in March, disappointing the consensus, 1.9%. Stronger vehicle sales, which benefited from a larger COE quota, were unable to offset weakness in other retail categories.

Thursday, June 6

• Taiwan: CPI (5) 16:00 TST

Headline inflation probably rose to **2.3%** in May, from 2.0% in April. Food disinflation likely continued, but we expect this to be offset fully by stronger services inflation, particularly in the health and education sectors. **Consensus: 2.1%**.

Friday, June 7

• Philippines: Volume of Net Sales Index (4) 09:00 PST

Base effects will turn much more favourable for the April report, pushing y/y growth up sharply to **9.6%** from -4.0% in March. This jump in growth is unlikely to last, as trends at the margin remain very subdued. **Consensus: N/A**.

• Thailand: CPI (5) 10:30 ICT

Inflation probably jumped to **1.2%** in May, from 0.2% in April, due mainly to a low base effect from one of last year's utility tariff cuts. Upside risks dominate, given the relaxation of the implicit freeze on diesel prices. But core inflation should dip to **0.3%** from 0.4%. **Consensus: Headline 1.2%, core 0.4%**.

• India: RBI Decision 10:00 IST

We expect the MPC to keep the repo rate unchanged, at **6.50%**. Our base case is that it will start cutting in August, after food-price base effects drag inflation below 4% in July. Cuts are likely to be off the table for the rest of 2024 if the MPC doesn't take this window of opportunity. **Consensus: 6.50%**.

• Taiwan: Trade Balance (5) 16:00 TST

The surplus likely rose sharply to **\$8.7B** in May, from \$6.5B in April. Export and import growth y/y probably rose, to **18.5%** and **9.2%**, respectively, from 4.3% and 6.6%. **Consensus: Trade balance \$6.8B, exports 9.4%, imports 4.5%**.

INDIA ECONOMIC FORECASTS

GDP	y/y	q/q, PM SA		CY	FY
Q4 2023	8.6%	3.0%	2022	6.5%	7.0%
Q1 2024	7.8%	1.1%	2023	7.7%	8.2%
Q2 2024	7.2%	1.1%	2024	6.8%	6.1%
Q3 2024	6.6%	1.3%	2025	5.8%	6.0%

CPI, y/y	Headline	Core, PM est.	WPI, y/y
Mar. 24	4.9%	3.2%	0.5%
Jun. 24	4.5%	3.3%	2.8%
Sep. 24	4.8%	4.0%	1.8%
Dec. 24	4.6%	4.3%	1.7%

Current Acct, % of GDP	2023: -0.9%	2024: -0.6%	2025: -0.6%
Budget, % of GDP	FY23: -5.6%	FY24: -5.2%	FY25: -4.5%

ASEAN AND TAIWAN ECONOMIC FORECASTS

GDP, y/y	Indonesia	Philippines	Singapore	Taiwan
Q4 2023	5.0%	5.5%	2.2%	4.9%
Q1 2024	5.1%	5.7%	2.7%	6.5%
Q2 2024	4.4%	6.0%	2.6%	3.9%
Q3 2024	5.5%	2.6%	2.7%	2.8%

CPI, y/y				
Mar. 24	3.1%	3.7%	2.7%	2.1%
Jun. 24	2.7%	4.0%	3.0%	2.3%
Sep. 24	2.4%	2.4%	2.7%	1.5%
Dec. 24	2.1%	2.7%	3.0%	2.0%

Current Account/Budget Balance, % of GDP				
2023	-0.1%/-1.7%	-2.7%/-6.2%	19.8%/-0.5%	14.0%/-1.6%
2024	-1.4%/-2.4%	-2.5%/-6.0%	17.2%/-0.3%	14.1%/-1.8%
2025	-2.0%/-2.5%	-2.2%/-5.5%	18.0%/0.1%	13.8%/-1.3%

MONETARY POLICY FORECASTS

India	25bp cut in Aug, 6.25% - end-24: 6.00%; end-25: 6.00%
Indonesia	25bp cut in Oct, 6.00% - end-24: 5.75%; end-25: 5.25%
Thailand	25bp cut in Jun, 2.25% - end-24: 2.00%; end-25: 2.00%
Malaysia	OPR on hold to Q1 2025 - end-24: 3.00%; end-25: 2.75%
Philippines	25bp cut in Aug, 6.25% - end-24: 5.75%; end-25: 5.25%
Vietnam	Refinancing rate on hold at 4.50%
Taiwan	Discount rate on hold at 2.000%

EXCHANGE RATE FORECASTS

Currency per \$		Mar	Jun	Sep	Dec
India		83.4	83.5	83.5	83.4
Indonesia		15,857	16,200	16,000	15,900
Philippines		56.2	58.0	57.5	57.0
Singapore		1.35	1.33	1.32	1.30
Taiwan		32.0	31.4	31.0	29.8