



Live more,
Bank less

Singapore: Elevated business costs

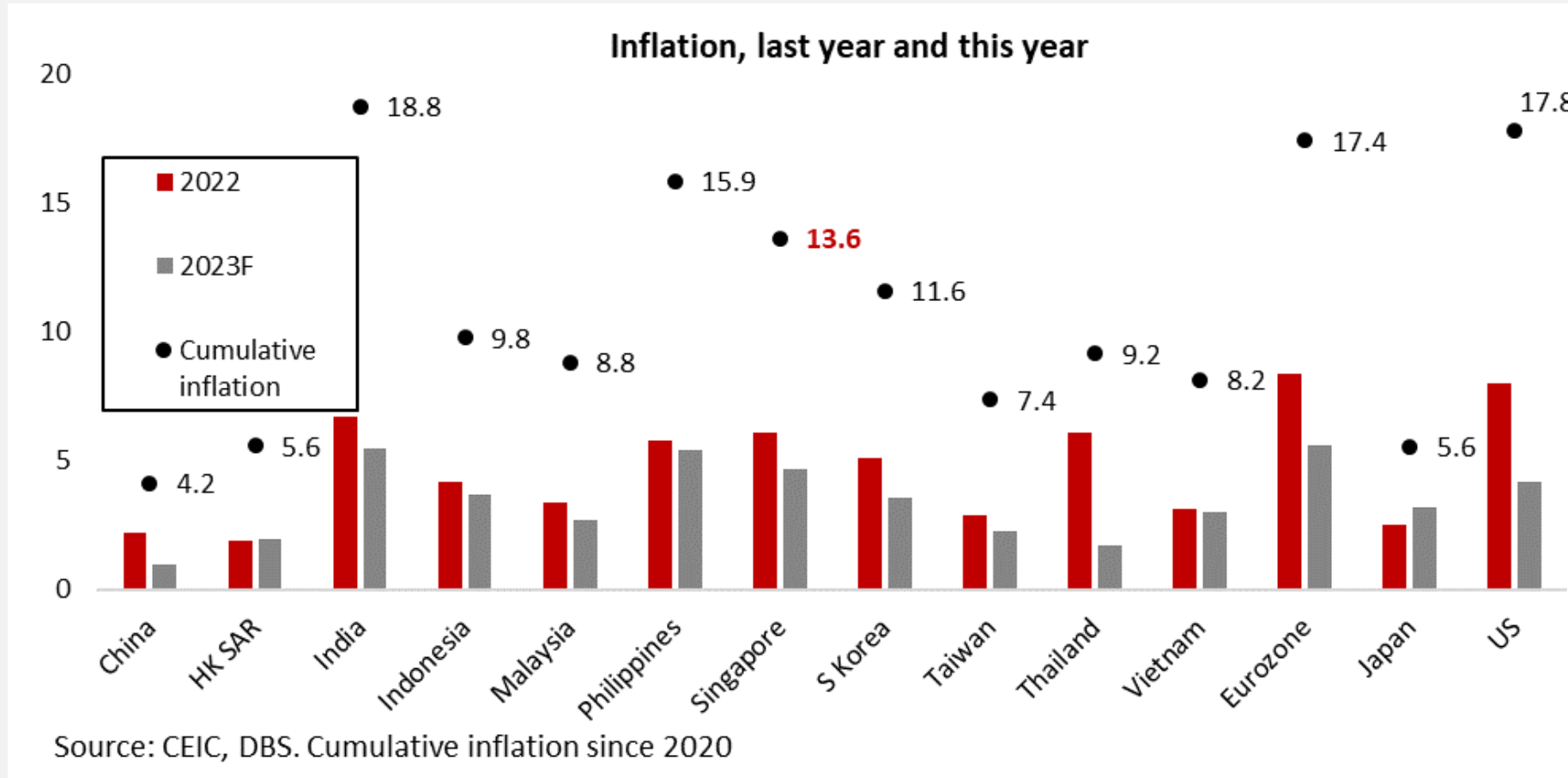
39th Singapore Economic Roundtable

CHUA Han Teng, CFA, Economist

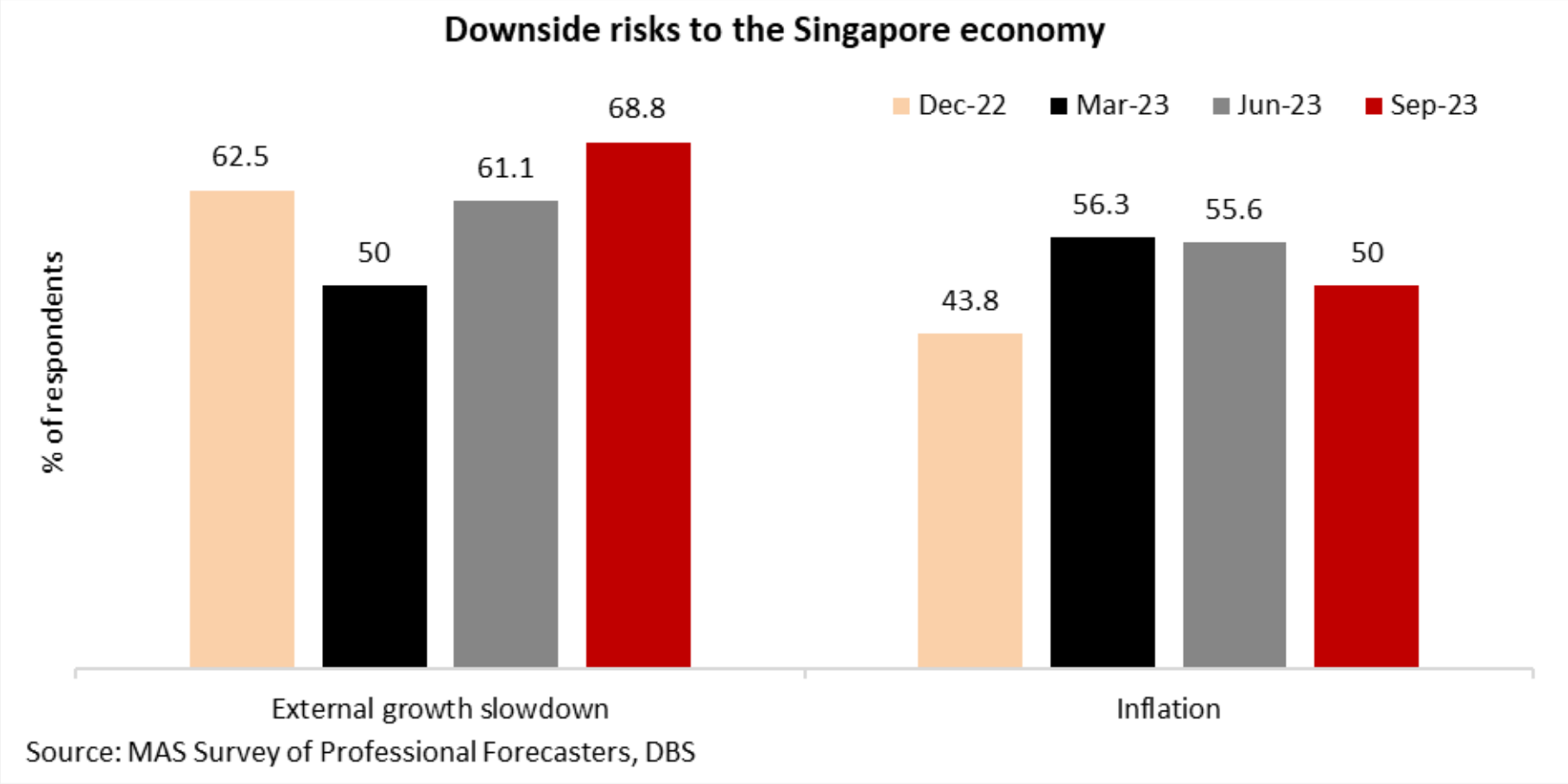
9 November 2023



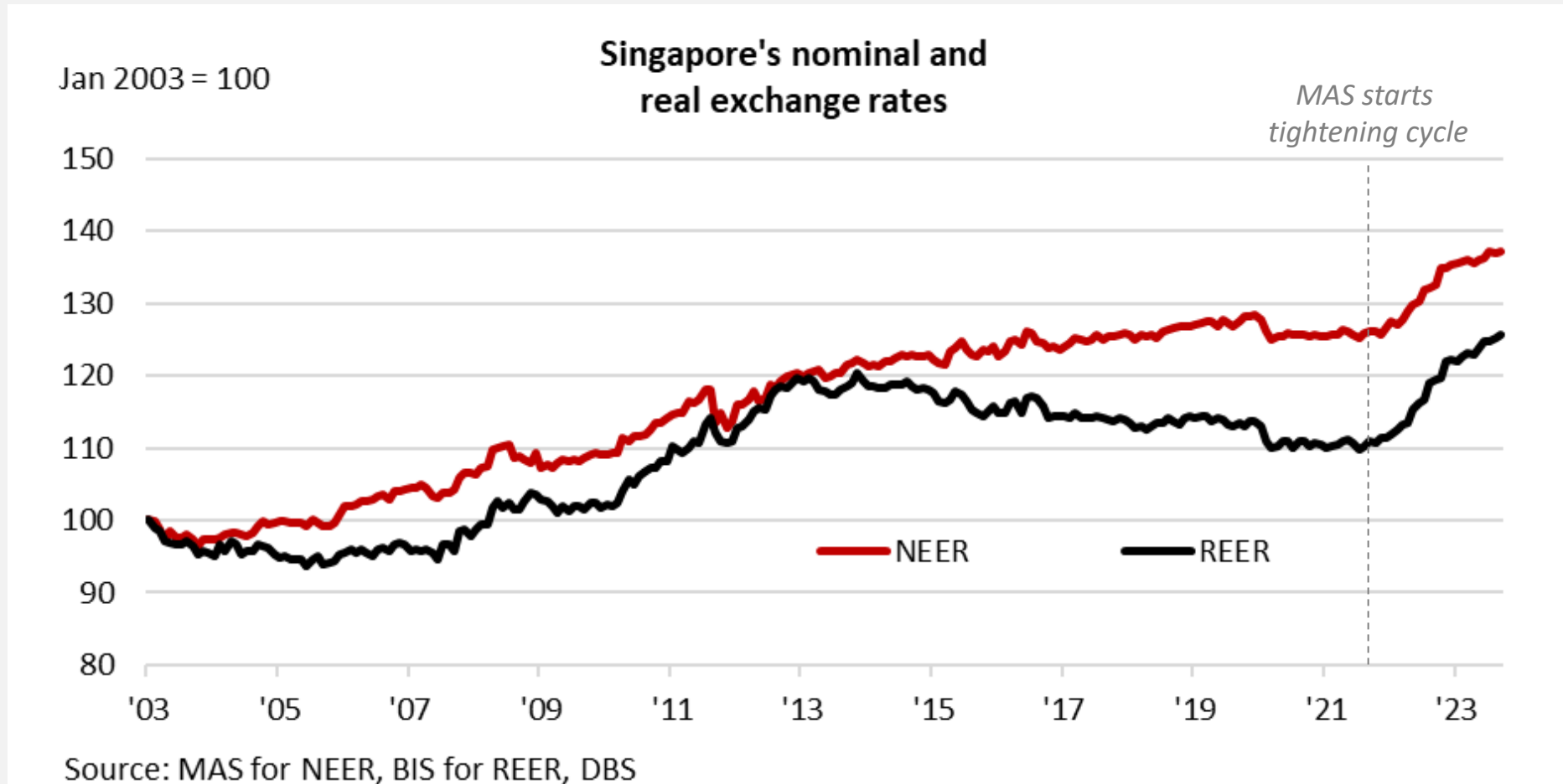
3rd highest cumulative inflation in Asia since 2020



Inflation is a key downside risk, besides external headwinds



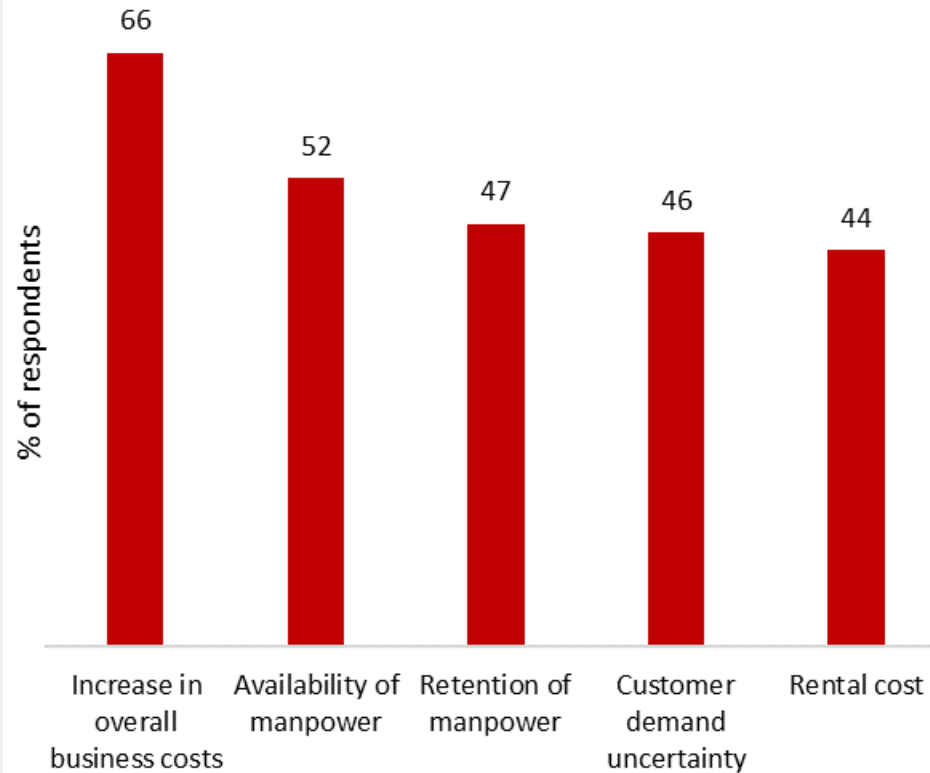
The Singapore dollar has soared in recent years



Business costs are a top challenge for Singapore's companies

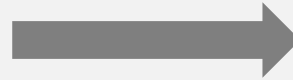
2022

Top challenges faced by Singapore businesses



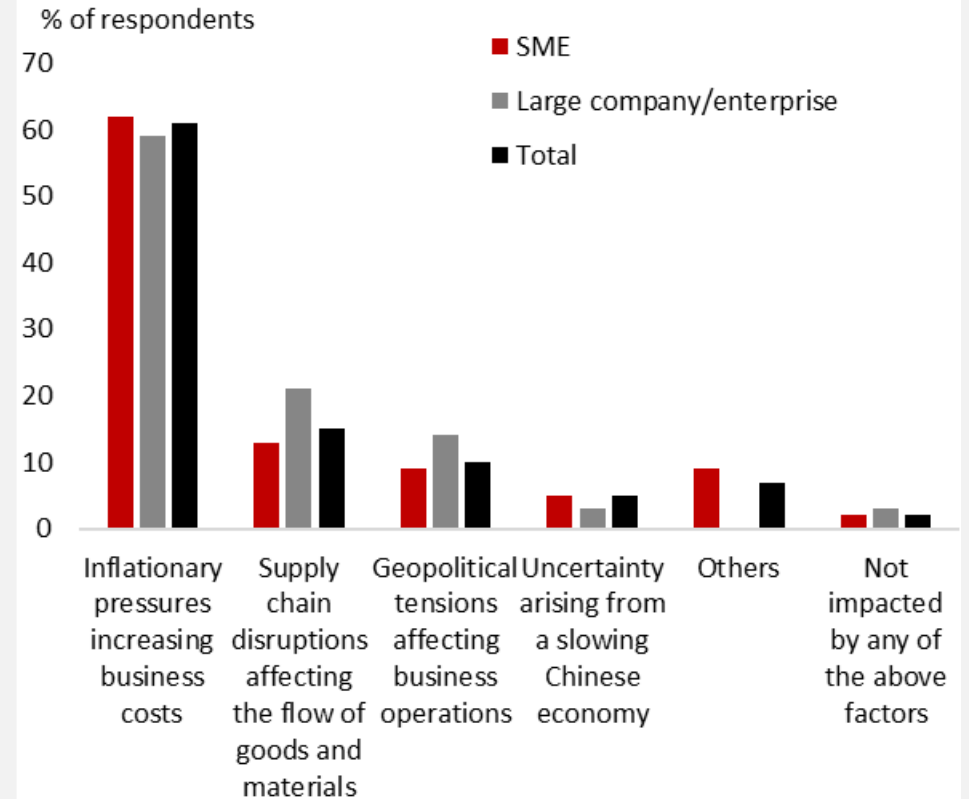
Source: SBF National Business Survey 2022/23

Note: Survey period 29 Aug to 23 Nov 2022; respondents=931



2023

Top global factor impacting Singapore businesses



Source: SBF Survey on Manpower and Wages 2023

Note: Survey period 20 Jul to 31 Jul 2023; respondents=282

Tracking business costs

Wages

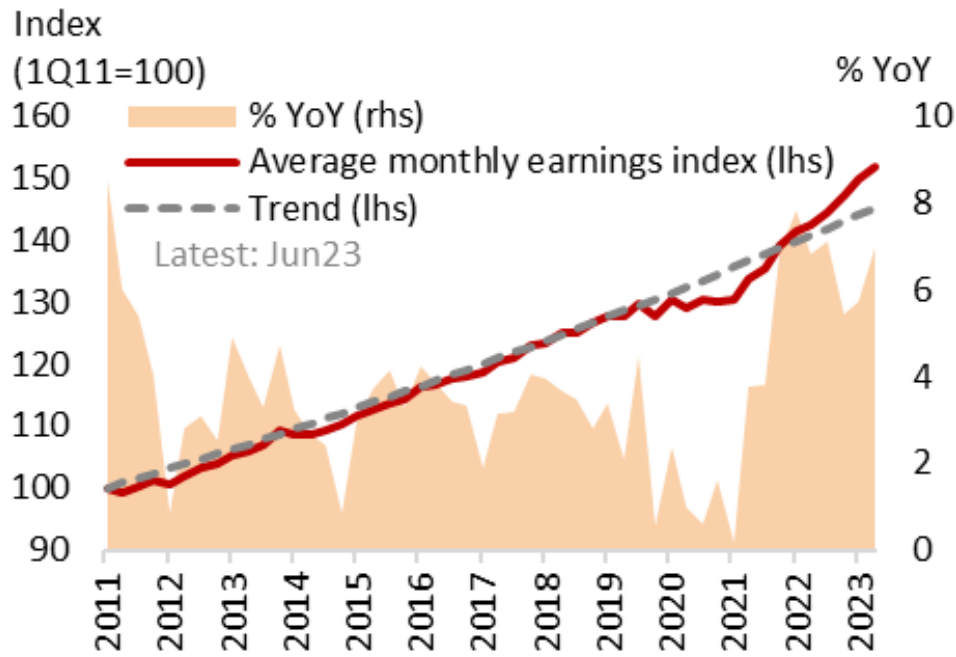
Logistics & Imports

Utilities

Rental

Wages: A top business cost challenge

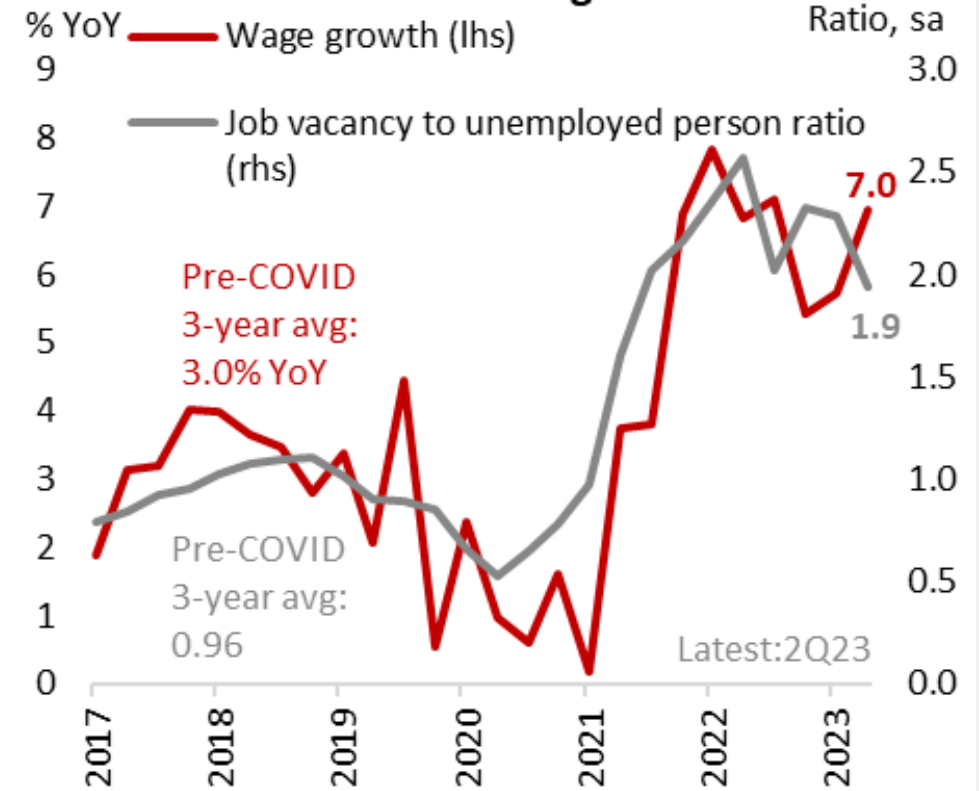
Wages are above pre-pandemic trend, but growth is below 2022 peak



Source: CEIC, DBS

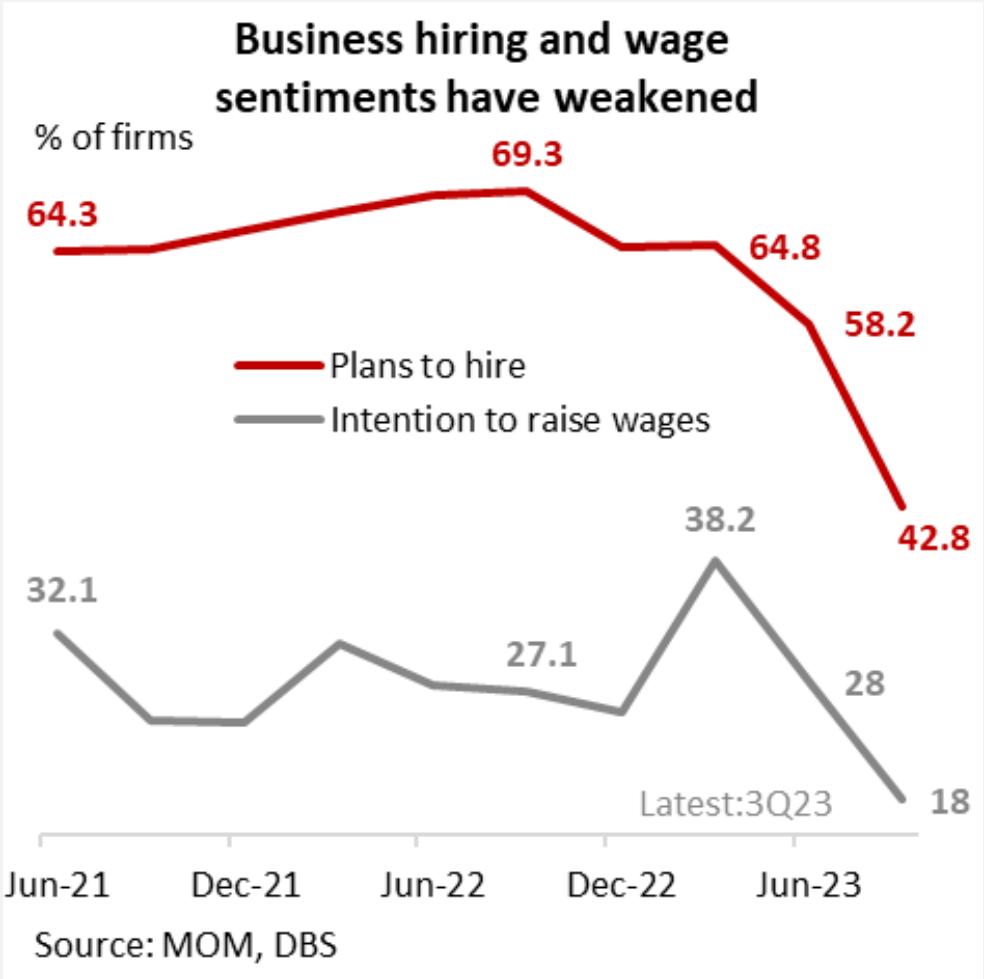
Note: Average monthly earnings index is seasonally adjusted (sa) by DBS; trend line is derived using average QoQ sa from 1Q11 to 4Q19

Wage growth driven by labour market tightness

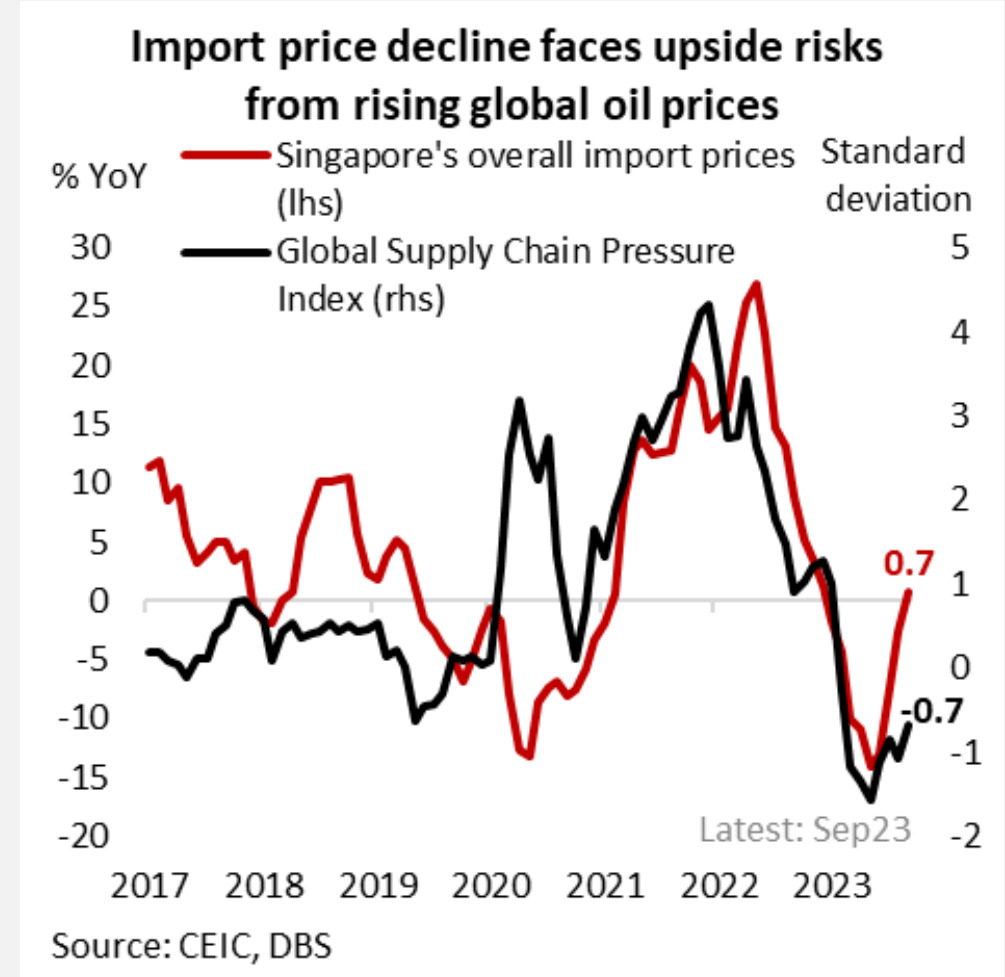
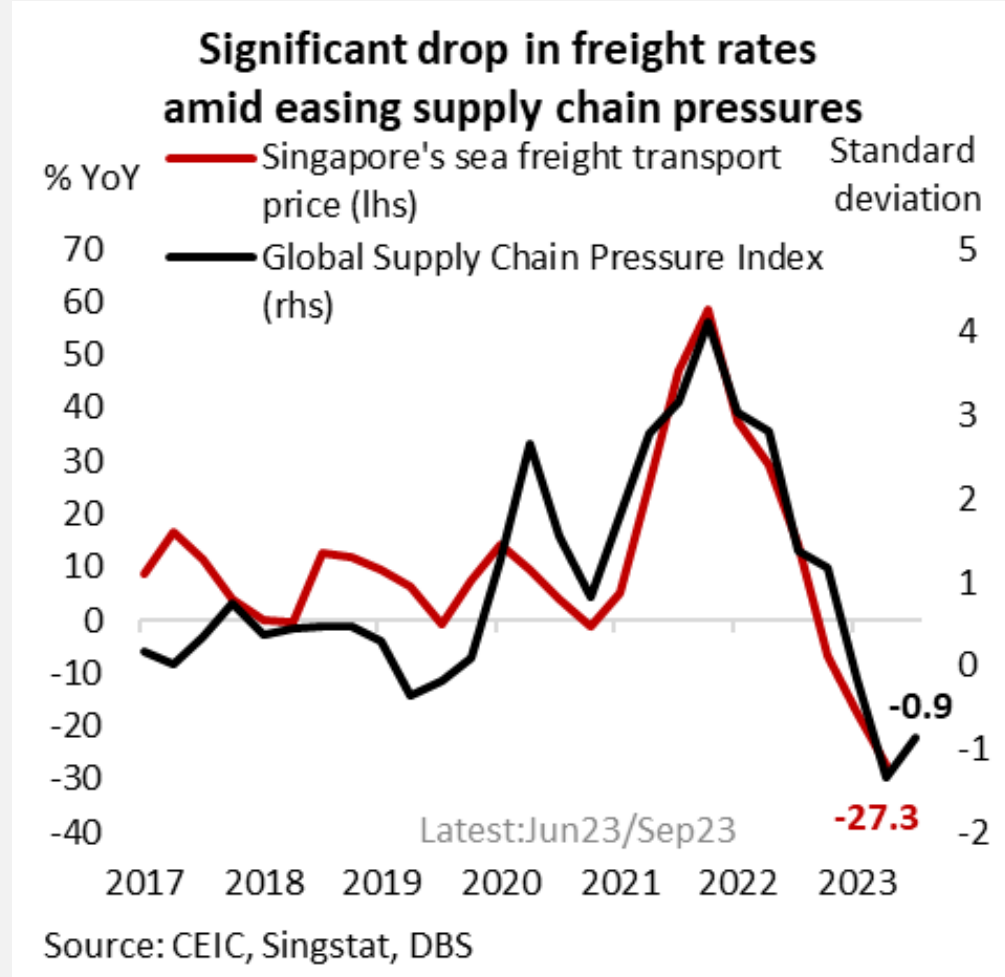


Source: CEIC, DBS

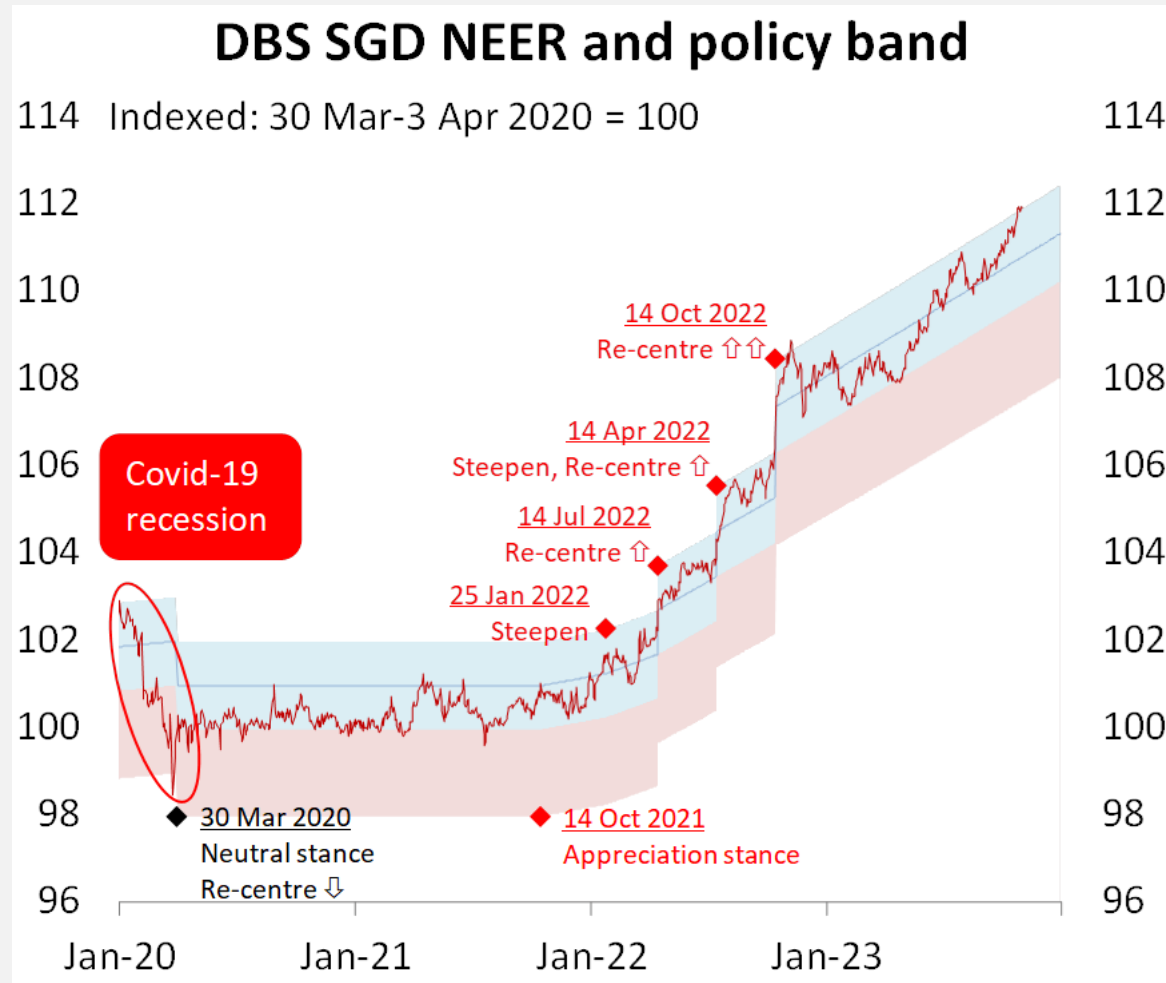
Wages: To increase but at a slower pace



Logistics costs look contained; Import costs face upside risk



Import costs: Dampened by strong SGD policy



MAS has been proactive in policy tightening to arrest the momentum of price increases

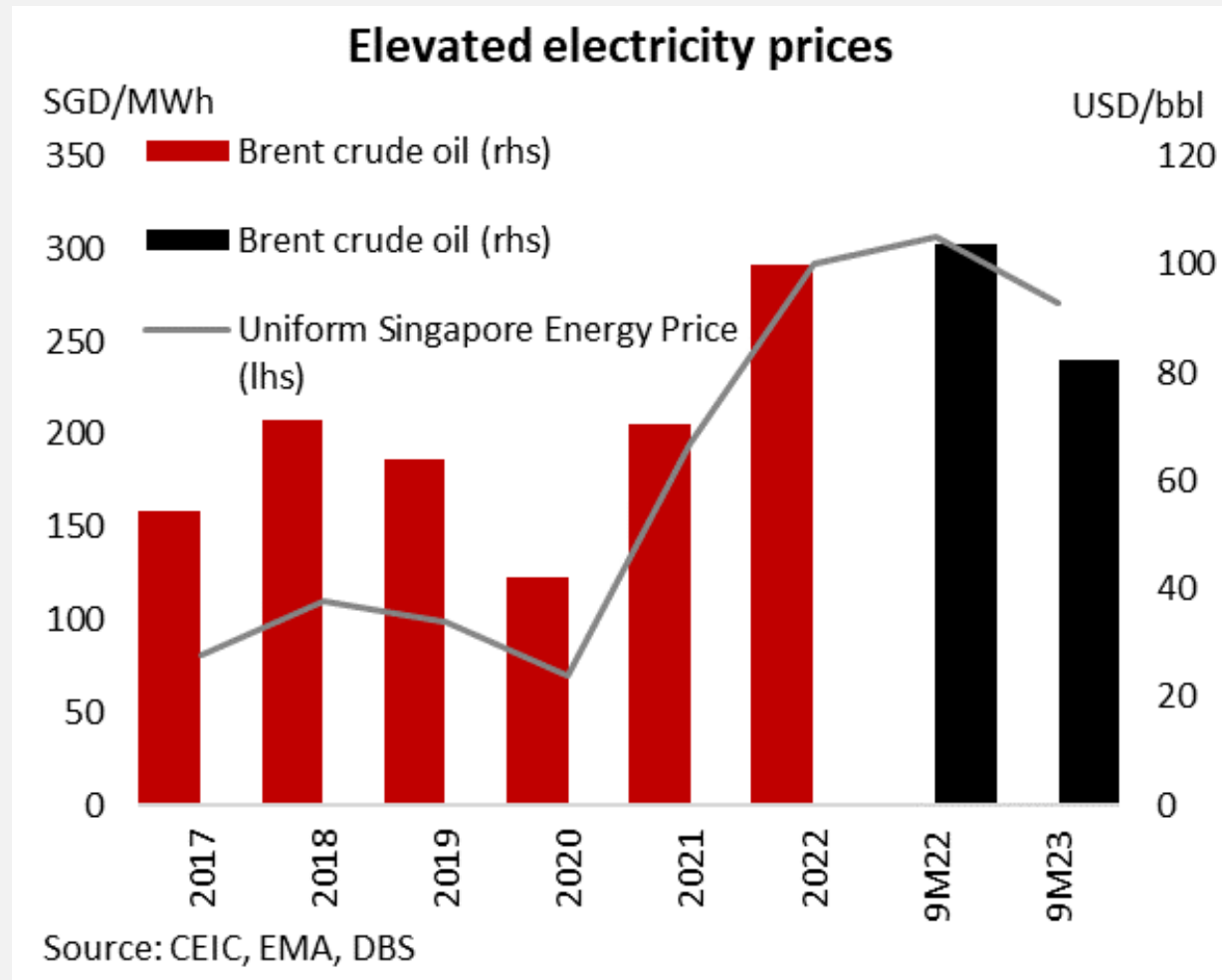
Oct 2021 ⇒ Oct 2022 (DBS estimates)

Slope increased
0% ↗ 3%

Re-centred band
↑ by 4%

“A sustained appreciation of the policy band is necessary to dampen imported inflation and curb domestic cost pressures, thus ensuring medium-term price stability” – Oct 23 MPS

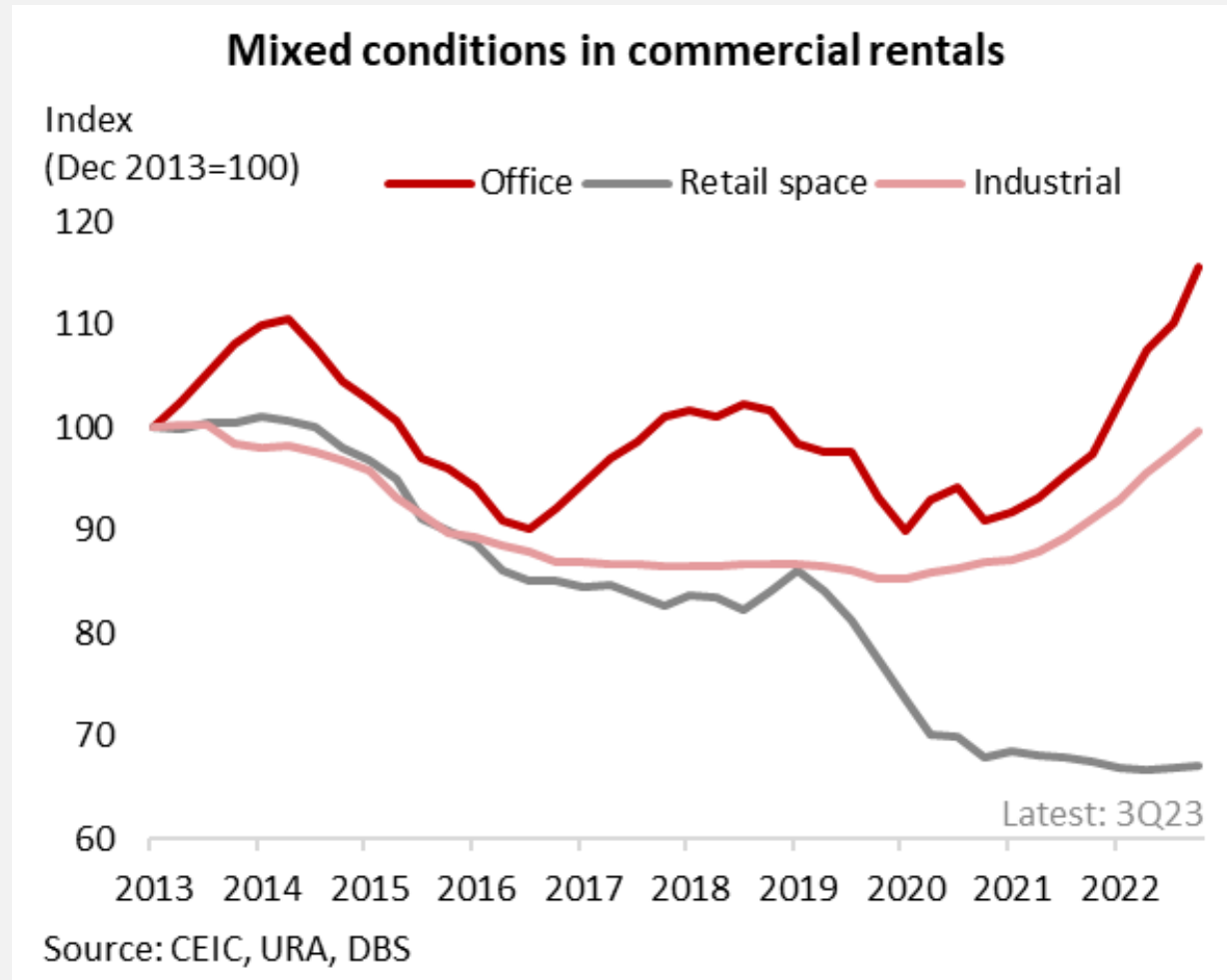
Utilities cost: Moderating but still high



Contained by below-peak oil prices

Tight power supply, Growing demand,
Carbon taxes

Commercial rentals: Mixed conditions



Office

Steady high rents, given tight supply

Industrial

Rents supported by FDI, limited supply

Retail

Rents to recover, amid returning tourists

Business cost tracker

	Wages	Sea freight transport price	Import price	Utilities	Rentals		
					Office	Retail	Industrial
Index vs 5-year average	Red	Red	Red	Red	Red	Green	Red
% YoY growth trend	Red	Green	Red	Green	Red	Yellow	Red
As of	Jun-23	Jun-23	Sep-23	Sep-23	Sep-23	Sep-23	Sep-23

Source: CEIC, Singstat, URA, DBS; Red=higher than 5-year average, growth uptrend; Yellow=stable; Green=lower than 5-year average, growth downtrend

Key takeaways

- 1) Business costs are still a major challenge, as they are elevated vs the past 5 years
- 2) ... But at least increases in some areas, such as logistics costs, have cooled
- 3) Wage growth has been robust, but is set to ease; But, import costs face upside risks

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