

## Singapore inflation - still absent

April tightening doubts resurface after soggy January inflation figures



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Doubts over our April Monetary Authority of Singapore (MAS) April meeting tightening call have resurfaced following the latest set of inflation figures. Headline inflation for the island state fell further in January, dropping to zero from a year ago. There was a little bit of comfort from the core inflation figures, which firmed up to 1.4% from 1.3%. But the trend in headline inflation has been fairly steadily down for over 12 months now, and the core rate seems to be acting as a poor longer-term magnet for the headline figures.

The MAS core measure of inflation excludes accommodation costs, and also the private element of transport costs, which is dominated by the expense of car licenses. These licenses have been getting cheaper since about April 2017 (for smaller engined cars anyway) and do not seem to have been boosted by the cap on vehicle licenses announced recently. Accommodation prices fell on both the month and from a year ago and show few signs of bottoming out.

What is most irksome about this latest data is that it had just begun to look as if the April MAS decision was becoming more callable, thanks to a generous budget announcement earlier in the week. Now with inflation barely in evidence, this outcome of this meeting is a much open question again.

## Not much evidence of inflation anywhere

Scanning the major subcomponent blocks suggests that most items are seeing price rises of close to 1% -including food, recreation, household durables, and clothing. Education is rising at a faster pace of almost 3%YoY, and so is healthcare (2.3%) - two items you can't really economize on.

The private element of housing costs appeared to be slowly turning up again at the end of 2017 and if that wasn't simply a saddle point, then we would expect this to start very slowly lifting the headline inflation rate back in the direction of the core. Likewise, the cap on vehicle licenses could help put a floor under private transport costs, with a similar effect.

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