

## Core inflation in Singapore quickens but dips below expectations

Price pressures failed to abate in January with headline inflation steady at 4%



Headline inflation was steady at 4%, driven in large part by the sustained pickup in food prices

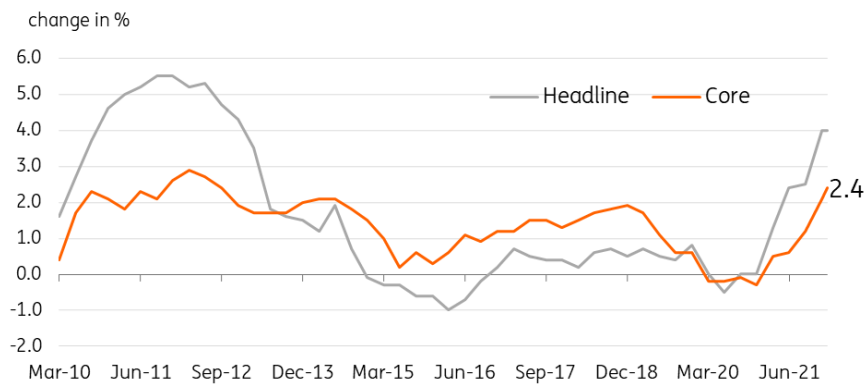
**2.4%** January Core inflation

Lower than expected

### Headline inflation steady at 4%, but core accelerates to 2.4%

Headline and core inflation remained elevated in January. Headline inflation was steady at 4% driven in large part by the sustained pickup in food prices (2.6%) on top of housing and utilities (4.1%). Meanwhile, transport, household durables and services, and recreation and culture experienced a deceleration in inflation for the month. Core inflation on the other hand quickened to 2.4% notching the 7th month of acceleration. The Monetary Authority of Singapore (MAS) previously indicated that core inflation could surge to 3% by mid-year.

## Singapore core inflation on the rise...



Source: Singapore Department of Statistics

## Under pressure

Despite slipping below consensus estimates, the latest inflation turnout suggests that inflation may continue to climb in the near term. Upside pressure on inflation will likely persist given the ongoing supply-side bottlenecks coupled with elevated global energy prices due to heightened geopolitical tensions. Meanwhile, domestic demand conditions appear to be firming at a time when labour market conditions are set to tighten due to revised rules on foreign labour. Projected increases to taxes by early next year should also translate to a sustained path of elevated inflation well into next year. These developments continue to support our expectation that MAS will retain its hawkish tilt with further tightening in the coming months a possibility.