

Snap | 23 February 2022

SINGAPORE

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

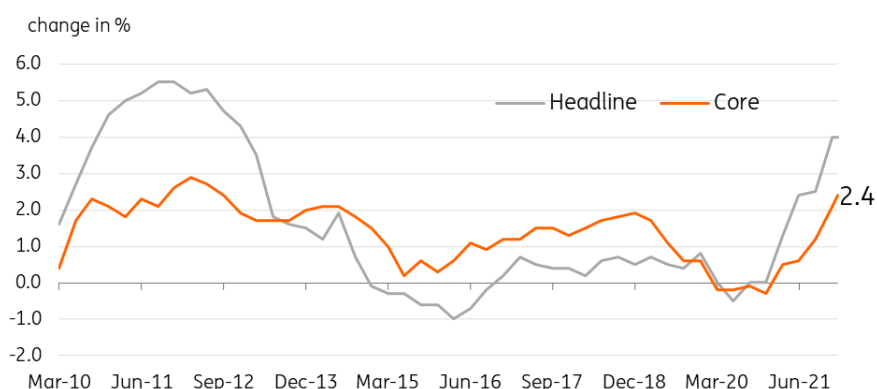
2.4% January Core inflation

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.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose

THINK economic and financial analysis

possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.