Singapore’s core inflation dips, but the headline number ticks higher

Higher fuel prices are largely responsible for the rise

Marina Bay, Singapore

4.1% Headline inflation

Singapore

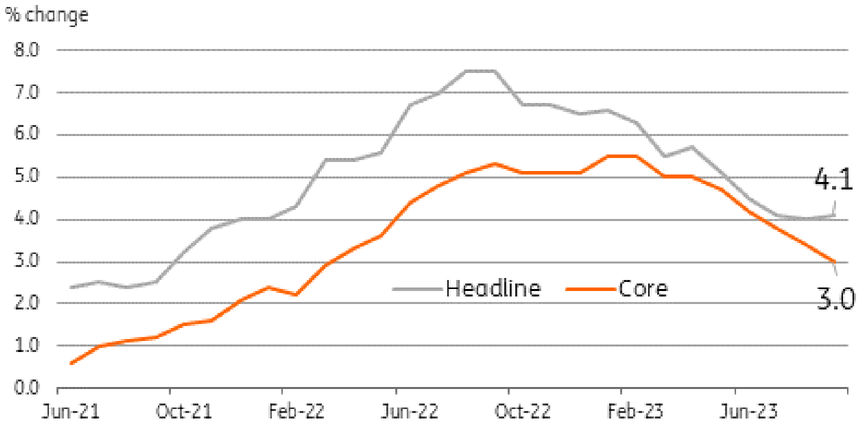
Higher than expected

Inflation edges up to 4.1%

Singapore inflation moved higher to 4.1%YoY (4.0% previous) driven largely by the uptick in transport costs due to the recent rise in global energy prices. Food inflation slipped to 4.3%YoY (from 4.8%), but we did see faster inflation for transport (6.3%), healthcare (4.5%) and communication (3.6%).

Core inflation, on the other hand, slid to 3.0% YoY from 3.4%, a move expected by the market. Year-to-Date inflation is now at 5.1 %YoY and should settle around 5% for the year with an expected acceleration by the end of the year.

Inflation inches up due to rising transport costs but core sustains deceleration



Source: Singapore Department of Statistics

Inflation elevated validates MAS decision

The Monetary Authority of Singapore (MAS) opted to retain all policy settings at its most recent meeting this month. MAS continues to balance the lingering risk from price pressures against an economy facing a challenging landscape.

The export sector continues to struggle with non-oil domestic exports still in the red due to soft global demand. Industrial production has largely tracked the weakness in NODX and is similarly in contraction.

Given this backdrop, we expect the MAS to continue to be mindful of the brewing price pressures while being aware of the challenges the economy faces.

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