

Singapore: Stronger-than-expected inflation piles pressure on central bank

Singapore's headline inflation jumped to 4.0% in December, blowing past market expectations



Source: Shutterstock

4.0%

December 2021 headline inflation

Highest since February 2013

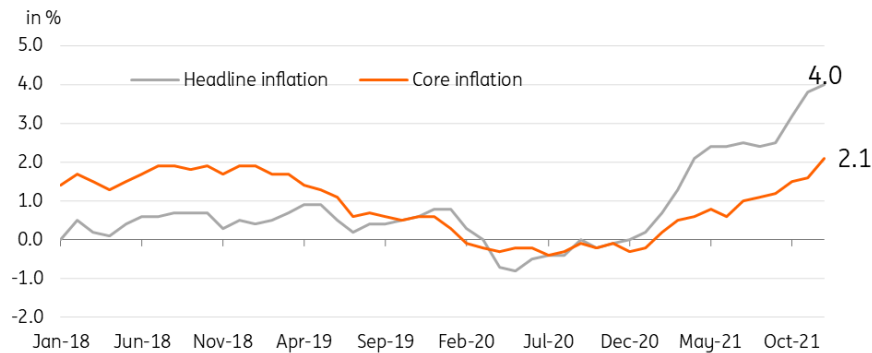
Higher than expected

December inflation at 4.0%

Price pressures continued to build in Singapore with December headline inflation accelerating by 4.0%. Core inflation tracked the rise in the headline number, up by 2.1% for the same period. Both measures of price gains blew past expectations with both supply-side and demand-side pressures likely contributing to the spike in prices. Food inflation rose to 2.1% compared to 1.9% in November, prompting authorities to roll out supply-side measures to help ease price pressures in early January. Education, housing & utilities and household durables & services all recorded faster

inflation in December versus the previous month. This was the fastest pace of inflation recorded since February 2013.

Singapore inflation hits highest level since 2013



Source: Singapore Department of Statistics

The heat is on

Persistent inflation will likely continue in early 2022 as commodity prices remain elevated and supply bottlenecks have yet to be resolved. Improving demand conditions will also likely drive additional price pressures, although the impact of the latest Covid-19 strain has yet to be felt. With inflation expected to remain stubbornly high, we expect the Monetary Authority of Singapore (MAS) to retain its hawkish rhetoric ahead of the April meeting. Elevated prices will likely add pressure on monetary authorities to tighten policy further to arrest the sustained pickup in prices.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com