

Singapore: Inflation heats up further in February with more on the way

Accelerating inflation is likely to prod the central bank to act again in April



Source: Shutterstock

4.3% February headline inflation

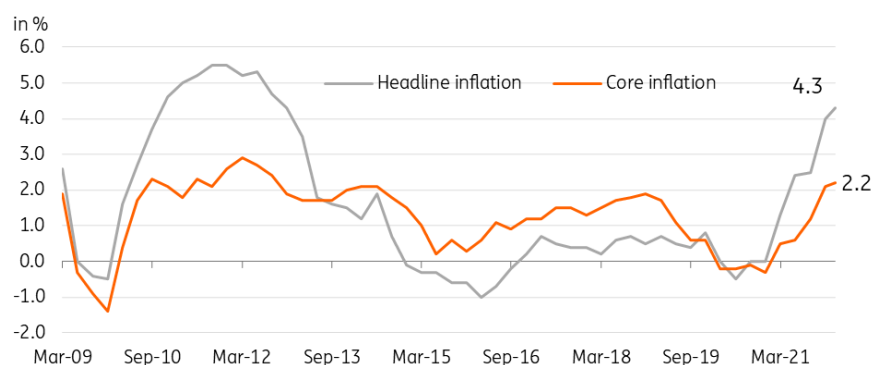
Higher than expected

February inflation rises to 4.3%

Price pressures remained elevated in February with the latest headline inflation rising to 4.3%, just beating market expectations of 4.2%. The pickup in headline inflation was driven in large part by the 14.8% inflation for transport and to a lesser extent, by higher inflation for healthcare. Offsetting the price gains to some extent was softer inflation for food items (2.3% vs 2.6% previous), recreation and education. On the other hand, core inflation which strips out private transportation costs and accommodation dipped below the consensus estimate to settle at 2.0%,

down from 2.2% previously. Core inflation is the measure of inflation monitored by the Monetary Authority of Singapore (MAS) for its policy decision. Meanwhile, inflation for all items less accommodation was at 4.6%.

More where that came from...



Source: Singapore Department of Statistics

Budding price pressures to prod more action from MAS

Despite the slip in core inflation, we can expect price pressures to continue to build in the coming months as a result of the fallout from the ongoing war in Ukraine. Surging commodity prices across the board will find their way to consumer prices in Singapore as everything from food items to transportation costs gets pricier. MAS believes core inflation will eventually crest at 3% by mid-year and we believe this may happen as early as May. With the impact of these recent developments likely to surface in March, we may need to brace ourselves for faster inflation in the near term. With expectations for faster inflation down the line, we fully expect MAS to resort to additional tightening at the upcoming April meeting.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

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