Snap | 23 April 2019

Singapore inflation misses estimates

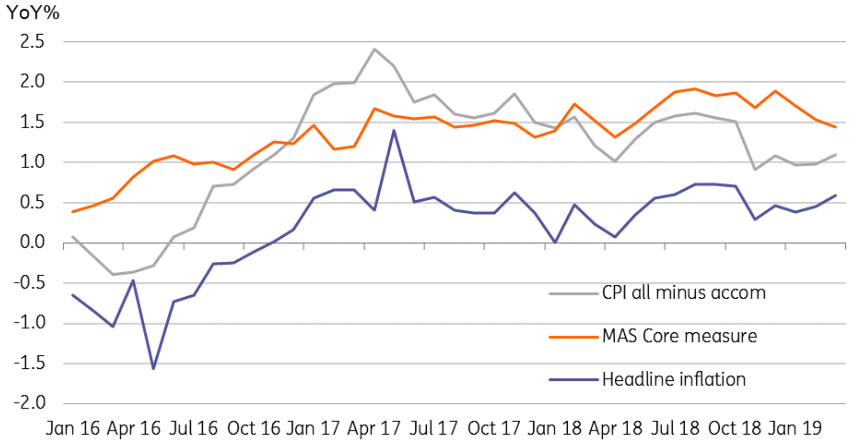
After a slew of weak activity data, inflation not surprisingly also disappoints in March

Source: Shutterstock

A consistent picture

You have to scroll a long way back on Singapore's recent data releases to find something that isn't rather disappointing. February industrial production declines gave way to a weak 1Q19 GDP result. Retail sales data and non-oil domestic export softness add consistency to the picture. With all this activity weakness, it is not entirely surprising that this is also now showing up in the inflation figures.

Singapore inflation



Source: CEIC

Singapore inflation

Headline rises, core falls

The slight rise in the March headline inflation rate to 0.6%YoY from 0.5% still missed consensus estimates (0.7%) and the MAS core measure of inflation, which excludes private transport and accommodation declined further to 1.4%YoY from 1.5%, and down from its recent peak of 1.9% in December last year.

Weakness was widespread

This wasn't some flukey single item outcome. Inflation components across the board either registered negative monthly price movements or grew more slowly than the previous month. Some rebound from the February Lunar New year bounce is a probable explanation. And the data should hopefully settle down in April allowing for a more considered evaluation.

Monetary Authority of Singapore (MAS) on hold

The softening of both activity and price data vindicates the recent April MAS decision to leave the SGD nominal effective exchange rate path unchanged - a policy "on hold" decision. The next policy decision is not scheduled until October this year, and it would take quite a turnaround in the fortunes of the economy to put the MAS back onto a tightening stance.

That said, we don't believe things have deteriorated sufficiently for the MAS to consider reversing their earlier tightening, nor do we expect things to get that bad. The recent government budget provides some offset to the headwinds of the trade war and global tech slump and should soften the impact of both for the time being.

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