

Singapore's central bank likely to stand pat after inflation picks up

Stubborn inflation points to the Monetary Authority of Singapore standing pat at its 29 January meeting



The Monetary Authority of Singapore building

3.7% December YoY change

Higher than expected

December inflation picks up to 3.7%

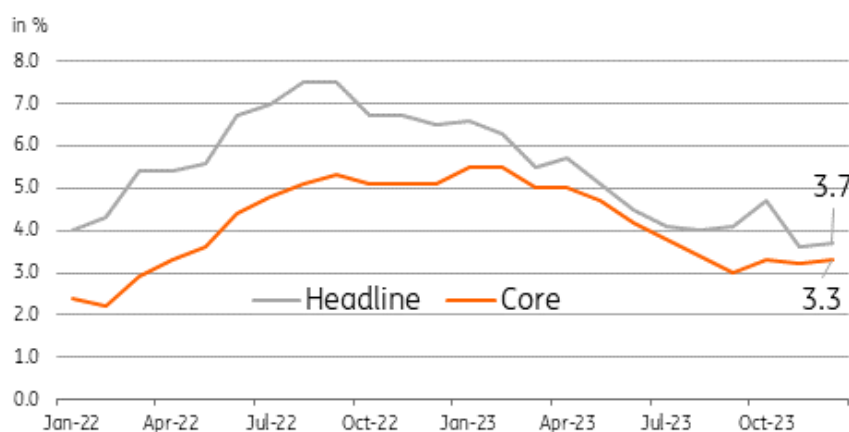
Singapore's December inflation quickened to 3.7% year-on-year, faster than markets had forecasted (3.5% YoY) and up from the 3.6% YoY reported in the previous month. December saw food inflation moderate to 3.7% YoY (from 4% YoY) while clothing inflation fell 1% YoY.

Forcing headline inflation higher were faster prices increases for transport (3.9% vs 2.8% YoY) and recreation and culture (6.3% vs 5.6% YoY previously).

Meanwhile, core inflation, which is the price measured more closely followed by the Monetary Authority of Singapore (MAS), rose to 3.3% YoY – much higher than expectations of a 3% YoY rise. December's core inflation was faster than the 3.2% YoY gain recorded in November.

We expect inflation to remain elevated in the near term, with Singapore implementing the [second round of increase for the goods and services tax](#) (GST). On top of this, a potential increase in global shipping costs due to issues on security at important shipping lanes could mean that inflation remains sticky in 2024.

Inflation comes in higher than expected, pointing to MAS keeping setting untouched



Source: Singapore Department of Statistics

Faster inflation points to MAS standing pat

MAS recently switched to conducting four policy meetings per year, with the first policy meeting for 2024 set for 29 January. With inflation accelerating more than expected and price pressures remaining elevated due to the implementation of GST and potential spikes in global shipping costs, we expect the MAS to retain all policy settings at its upcoming meeting. Furthermore, we believe the MAS will likely want to retain their hawkish bias until they are convinced that core inflation will remain under control.