Singapore inflation rises more than expected

Headline inflation heated up to 4.7% year-on-year compared to expectations of a 4.5% rise

Source: Shutterstock

3.3%

YoY core inflation

Higher than expected

October inflation heats up more than expected

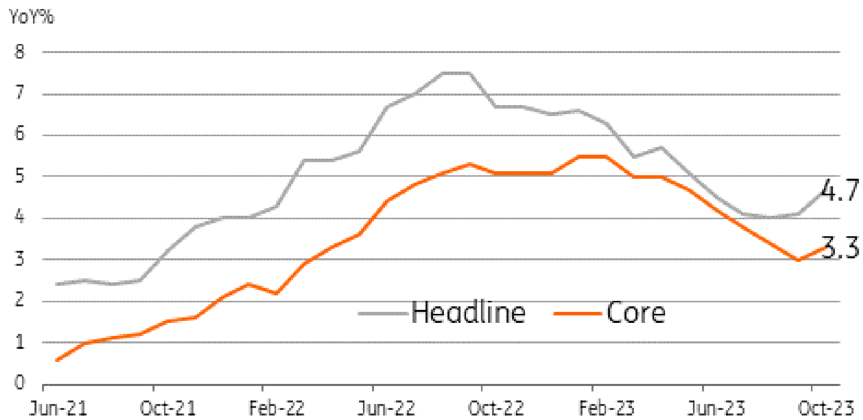
Singapore's headline inflation rose to 4.7% YoY, higher than the median forecast of a 4.5% increase from October last year. Prices were up 0.2% from the previous month. Core inflation, which is the preferred measure of the Monetary Authority of Singapore (MAS), rebounded to 3.3% YoY, up from the previous month's 3.0% gain.

The central bank was expecting some upside pressure on prices in the near term owing to higher energy prices and utilities but the acceleration in October was more than market participants were anticipating.

As expected, transport costs picked up (8.4% YoY vs 6.3% previous) as did healthcare (5.2% YoY) and housing & utilities (3.9% YoY). Meanwhile, items related to recreation & culture saw prices increase 5.8% YoY (vs 4.3% previous), reflecting still robust domestic spending, which figured in the latest 3Q GDP report.

For the year, the MAS expects headline inflation to average roughly 5% YoY while core inflation is forecast to settle at between 2.5-3.5% YoY.

Inflation picks up more than expected in October



Source: Singapore Department of Statistics

Elevated inflation points to MAS extending pause well into 2024

With the latest rebound in inflation and still elevated risks to the inflation outlook, we expect the MAS to extend its pause well into 2024. With the MAS announcing it will be meeting four times beginning next year, we believe the central bank will have more flexibility to react to changes in the inflation and growth outlook.

Despite today's pickup in both the headline and core inflation readings, the central bank still expects inflation to cool in 2024. If we see core inflation head back closer towards the 2% level, we believe the MAS could consider adjusting its current stance in the second half of 2024.