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CPI fell for the 18th month

Monday, 23 May 2016

- Headline CPI fell for the 18th straight month by 0.5% yoy (0.1% mom nsa) in April, but at a more modest pace compared to March reading of -1.0% yoy (0% mom nsa) and marking the smallest yoy decline since July 2015. There was also a low base in April 2015 due to the disbursement of S&CC rebates then.
- The drag from transport (-5.4% yoy, largely private road transport), household & utilities (-1.9%, attributable mostly to fuel & utilities) and communications (-1.9%) were partly mitigated by price increases for education (+3.1%, mainly tuition fees & other fees, as the effects of the waiver of national examination fees last April faded), food (+2.3%, mainly fish & seafood and vegetables), clothing & footwear (+1.8%) and healthcare (+1.1%, mainly medical & dental treatments).
- MAS core inflation accelerated from +0.6% yoy in March to +0.5% in April, as services inflation picked up from 0.4% to 0.7% amid more costly holiday travel and domestic services (including FDW and other domestic house cleaning services etc).
- This brought the headline and core CPI inflation for the year-to-date to -0.7% yoy and +0.6% respectively. This is within the official forecasts for the former to remain negative throughout 2016, and average -1% to 0% for the whole year, while the latter is likely to be in the lower half of 0.5-1% range.
- MAS-MTI's April inflation outlook was largely ad verbatim unchanged, with the only minor difference being that "the increase in core inflation will be mild", rather than "milder" in the March statement.
- Our view is that headline inflation may attempt to bottom in 2Q16, but stay subdued for the rest of the year due to the continuing drag from disinflationary asset prices and notwithstanding the slight uptick in global crude oil prices.

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