

Headline CPI fell 0.7 per cent

Tuesday, 23 August 2016

- Headline inflation fell again by 0.7 percent yoy in July, the same as June. The main drags were familiar, namely private road transport (-4.4 percent yoy amid a moderation in the pace of decline after the easing of auto loan rules at end-May) and housing and utilities (-4.3 percent yoy amid SCC rebates disbursement for HBD flats) as well as clothing and footwear (-1.8 percent due to more attractive discounting during GSS)m
- MAS core inflation eased slightly from -1.1 percent in June to -1.0 percent in July. MAS reiterated that core inflation is tipped to pick up gradually over the course of the year, but will be constrained on the upside due to the tepid external outlook, sluggish growth prospects and reduced labour market tightness.
- Looking ahead, with headline inflation having likely troughed in Q2 and likely to creep higher in the coming months, we maintain our full-year inflation forecast of -0.4 percent yoy. Core inflation will similarly hold around the 1 percent yoy for 2016, but reflect the wage growth slowing slightly over the course of the year.

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