

S'pore headline CPI at -0.7% yoy in April.

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Highlights

Singapore headline inflation declined -0.7% yoy last month, plunging from 0.0% yoy the month before. This was lower than the median consensus estimate of -0.5% yoy (OCBC est: -0.6% yoy), largely led lower by a deflationary spin in the transport basket. Core inflation posted a third negative print at -0.3% yoy (OCBC est: -0.4% yoy), but was otherwise broadly stable when compared with previous months.

The private transport sector led headline inflation lower last month at -5.5% yoy (OCBC est: -2.6% yoy). This was largely expected, given the continued drop in global crude oil prices last month, especially with the negative WTI price episode in mid-April. The suspension of ERP charges in April, in addition to a possible sharp decline in vehicle sales due to the circuit-breaker measures, also led to strong deflationary pressures in this segment.

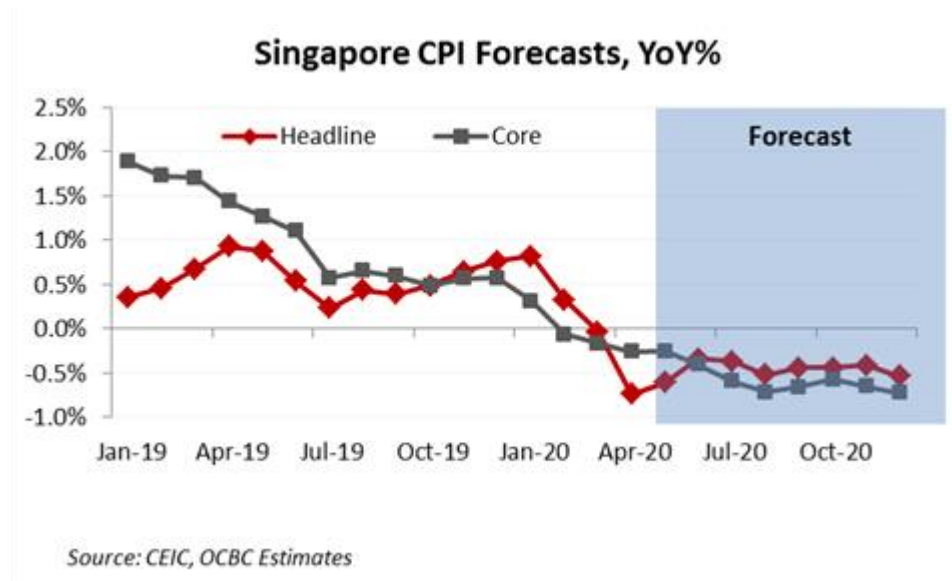
The raw food basket saw a jump in prices, rising 3.5% yoy last month – more than twice the appreciation noted in March (1.6% yoy). The various lockdown measures in other countries had disrupted global and regional supply chains, resulting in higher prices in food necessities. This is expected to continue through May but may start to alleviate from June onwards, given the gradual easing of movement restrictions in the region.

Looking ahead, much as we expect headline inflation to possibly hit a trough by the end of Q2, overall inflationary forces are expected to remain weak. The headline CPI fell 0.7% yoy in April and we expect May's figure to be approximately consistent. With the rollback of circuit-breaker measures beginning June and firming crude oil prices, we expect pockets of inflationary pressure to start manifesting from next month. However, oil prices are still very low by historical standards and the softening labour market is expected to cap domestic cost pressures.

We do not expect the domestic economy to return to positive inflationary territory before the end of 2020. Even though deflationary forces are expected to hit a trough in Q2, we still see the Singapore economy experiencing an average deflation of about -0.5% yoy in H2.

Singapore

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