## Singapore

25 March 2024

# Look past the February rebound in Singapore's headline and core CPI - MAS likely to remain on hold at upcoming April MPS

Selena Ling
Head of Research and Strategy
LingSSSelena@ocbc.com

## Highlights:

- **The February inflation rebound was well anticipated** - given the timing difference of the Lunar New Year (LNY) festive season falling in January 2023 but February 2024, it was no surprise that prices of food, air tickets and holiday expenses amongst others would have ticked higher. In addition, MAS had also given ample warning of this possibility, so it should not have come as a complete surprise. Headline inflation reaccelerated from 2.9% YoY (-0.7% MoM nsa) to 3.4% YoY (1.0% MoM nsa), attributable to higher accommodation (mainly due to the additional earlier S&CC rebates which were not disbursed in February, which also affected housing maintenance and repair costs) and core CPI. This is in line with our forecast of 3.4% YoY (1.1% MoM nsa) but a tad higher than the Bloomberg consensus forecast of 3.2% YoY. Notably, the key segments contributing to the February uptick were recreation & culture (5.5% YoY), healthcare (4.6%), housing & utilities (3.9%), food (3.8%), education (3.4%), miscellaneous goods & services (2.6%). One silver lining was the lower COE premiums which helped to rein in private road transport costs.

- **However, core CPI which jumped from 3.1% YoY to 3.6% was more buoyant than expected**, both above our forecast of 3.3% YoY and also the Bloomberg consensus forecast of 3.4%. The contributors include higher services and food costs. In particular, contributing factors included items such as holiday expenses (7.3% YoY), hospital costs (7.2% YoY), fast food prices (6.6%), public transport fares (5.5%), and outpatient costs (4.9%). While some of the LNY-related temporal effects will fade, nevertheless, the key determinants going forward are still the state of the domestic labour market and services inflation. Interestingly, the hospitality and entertainment-related inflation may not subside significantly in March due to the increased international visitor arrivals for Taylor Swift concerts.

- **The inflation outlook trajectory remains a tad bumpy in the near-term, but largely intact to ease over the medium term.** MAS-MTI noted that while crude oil prices have risen, most food commodities and intermediate and final manufactured goods prices have continued to decline. In addition, services associated with overseas leisure travel is tipped to moderate as supply ramps up, and the gradually appreciating S$ should continue to temper imported inflation in the quarters ahead. While domestic labour costs have cooled, businesses are still likely to continuing passing on higher business costs to consumers, albeit at a gradual pace. Within the domestic policy level is the COE supply which has been increased and will help to dampen private transport inflation this year. COE premiums may remain rangebound around current levels this year. With Budget 2024, S&CC rebates will also apply for April, July and October. Moreover, the housing supply is also being ramped up, so accommodation inflation, especially for rental, should also continue to ease. **We lower our 2024 full-year headline inflation forecast to 3.0% YoY but keep our core inflation forecast at 3.1%.**

- **For the upcoming monetary policy review in April, MAS is still likely to stay on hold**. There was also no change to the full-year 2024 headline and core inflation forecasts of 2.5-3.5% respectively, suggesting no urgency to pull the recalibration trigger. MAS retains the view that core inflation is expected to resume a gradual moderating trend over the rest of the year as import cost pressures continue to decline and tightness in the domestic labour market eases. The balance of inflation risks remains two-sided – upside risks arising from fresh shocks to global energy and shipping costs due to geopolitical conflicts, higher food commodity prices from adverse weather events, as well as more persistent-than-expected tightness in the domestic labour market, whereas downside risks could come from an unexpected weakening in the global economy. While there were some central bank policy decision surprises from the BOJ, SNB and CBC last week, the catalysts were more idiosyncratic and by and large, the major central banks including the FOMC and ECB are still expected to embark on their easing cycle around summer. This would in turn open the window for other Asian central banks like BI, BSP and BOT for instance, to contemplate their own monetary policy easing.

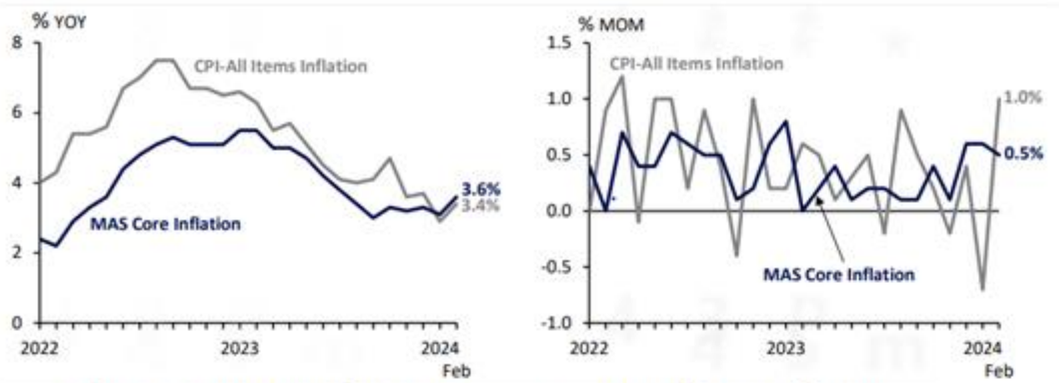
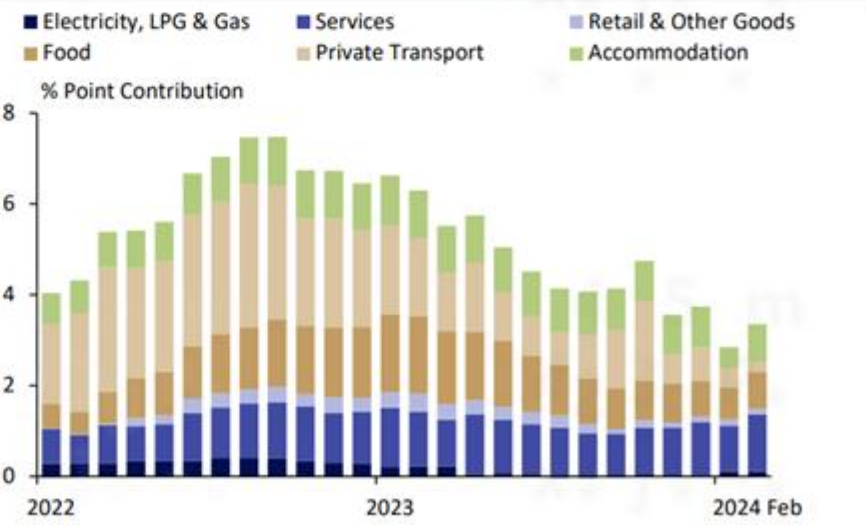


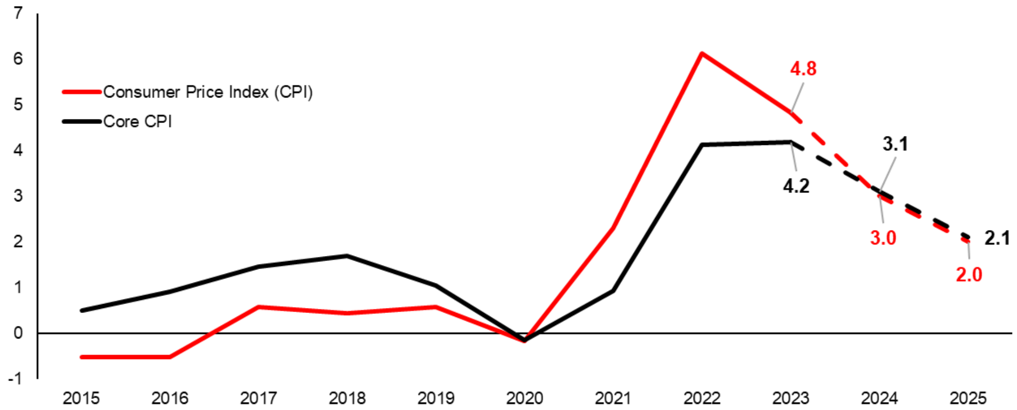

Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation




* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

Headline and MAS Core CPI: 2015 to 2025




Note: Dotted lines indicate OCBC estimates.
Source: MAS, Singstat, CEIC, OCBC

## Macro Research

**Selena Ling**
Head of Strategy & Research
**LingSSSelena@ocbc.com**

**Tommy Xie Dongming**
Head of Greater China Research
**XieD@ocbc.com**

**Keung Ching (Cindy)**
Hong Kong & Macau
**Cindyckeung@ocbcwh.com**

**Herbert Wong**
Hong Kong & Macau
**HerberthtWong@ocbc.com**

**Lavanya Venkateswaran**
Senior ASEAN Economist
**LavanyaVenkateswaran@ocbc.com**

**Ahmad A Enver**
ASEAN Economist
**Ahmad.Enver@ocbc.com**

**Jonathan Ng**
ASEAN Economist
**JonathanNg4@ocbc.com**

**Ong Shu Yi**
ESG Analyst
**ShuyiOng1@ocbc.com**

## FX/Rates Strategy

**Frances Cheung, CFA**
Rates Strategist
**FrancesCheung@ocbc.com**

**Christopher Wong**
FX Strategist
**ChristopherWong@ocbc.com**

## Credit Research

**Andrew Wong**
Credit Research Analyst
**WongVKAM@ocbc.com**

**Ezien Hoo, CFA**
Credit Research Analyst
**EzienHoo@ocbc.com**

**Wong Hong Wei, CFA**
Credit Research Analyst
**WongHongWei@ocbc.com**

**Chin Meng Tee, CFA**
Credit Research Analyst
**MengTeeChin@ocbc.com**




*Follow our podcasts by searching '**OCBC Research Insights**' on Telegram!*