

Singapore

Singapore's inflation picked up speed in March, but more upside risk ahead

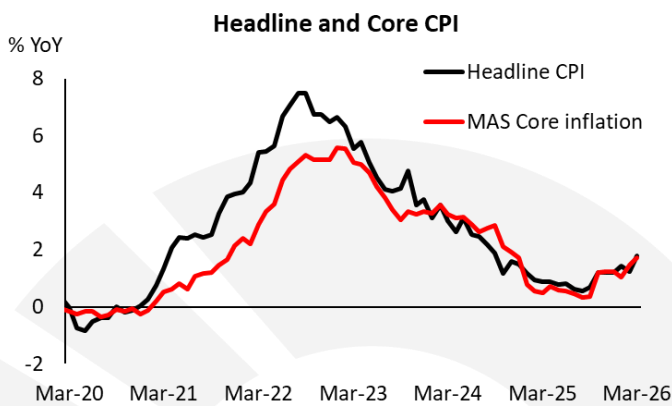
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- Singapore's headline and core inflation accelerated to 1.8% YoY (0.5% MoM) and 1.7% YoY (0.1% MoM) in March, faster than February's readings of 1.2% YoY and 1.4% YoY respectively. These marked the highest headline and core inflation prints since September and November 2024 respectively.
- The key drivers of March inflation were private transport, retail & other goods and services inflation. Notably, private transport inflation which accelerated from 2.4% YoY in February to 6.6% YoY (highest since October 2023 when Brent hit US\$89 per barrel) in March 2026 was attributable to higher petrol prices.
- Looking ahead, we see the prolonged US-Iran war and the continued closure of the Strait of Hormuz to trigger energy and petrochemical-related costs for businesses which could add to the inflationary pass-through into 2Q26 and potentially beyond. We see 2Q26 headline and core inflation accelerating further to the 2% handle, with private transport costs, utilities, air travel and likely also food costs amongst others to feel the spillover effects from the Middle East conflict and the ensuing supply chain disruptions.

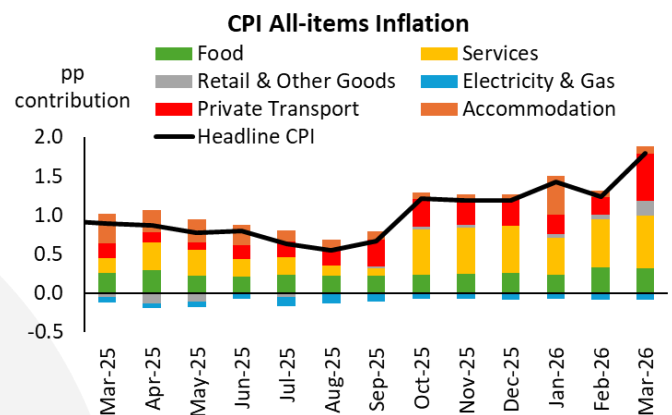
Highlights:

- Singapore's headline and core inflation accelerated to 1.8% YoY (0.5% MoM) and 1.7% YoY (0.1% MoM) in March, faster than February's readings of 1.2% YoY and 1.4% YoY respectively. These marked the highest headline and core inflation prints since September and November 2024 respectively. The March readings were mostly close to our forecast of 1.8% YoY each and the Bloomberg consensus forecast of 1.8% and 1.7% YoY respectively. This brought the 1Q26 headline and core inflation prints to 1.5% and 1.4% YoY accordingly, which is a significant step up from the same period a year ago at 1.0% and 0.6% YoY respectively. This reaffirmed that the recent MAS policy decision to embark on tightening the S\$NEER policy slope in anticipation of inflationary pressures.
- The key drivers of March inflation were private transport, retail & other goods and services inflation. Notably, private transport inflation which accelerated from 2.4% YoY in February to 6.6% YoY (highest since October 2023 when Brent hit US\$89 per barrel) in March 2026 was attributable to higher petrol prices. Retail & other goods inflation was due to an increase of alcohol & tobacco, clothing & footwear prices – while not directly impacted by the Iran war per se, this could have been due to supply chain rerouting (avoiding the Middle East due to higher freight and insurance costs), excise duty adjustments (from recent tobacco and alcohol duties transmission) and even potential pre-emptive front-loading by retailers (who have been forewarned by their suppliers that significant cost hikes are in the pipeline due to the uncertainties and supply chain disruptions). Services inflation was also linked to higher point-to-point transport services as well as more costly telecommunication services. In contrast, accommodation costs rose 0.3% YoY in March, unchanged from February. Electricity & gas prices fell 4.3% YoY in both February and March, mainly because the regulated electricity tariff is set on the average natural gas prices in the first 2.5 months of the preceding quarter, and hence the recent surge in global energy prices will only be reflected in the regulated electricity tariff in 2Q26 starting from April. Food inflation was also static at 1.6% YoY for both February and March.
- Looking ahead, we see the prolonged US-Iran war and the continued closure of the Strait of Hormuz to trigger energy and petrochemical-related costs for businesses which could add to the inflationary pass-through into 2Q26 and potentially beyond. We see 2Q26 headline and core inflation accelerating further to the 2% handle, with private transport costs, utilities, air travel and likely also food costs amongst others to feel the spillover effects from the Middle East conflict and the ensuing supply chain disruptions. MAS warned that imported cost pressures are tipped to pick up and broaden in the months ahead, as higher energy and other input costs arising from the Middle East conflict pass through global supply chains. In addition, production and transport costs for a wide range of imported goods and services will likely be elevated. The silver lining is that services unit labour costs could rise at a slower pace this year given the softening in labour demand, whilst domestic consumer spending could subsequently also moderate amid the rising economic uncertainty. The latter reference is likely to mitigate the earlier hawkishness of the MAS inflation report which had pointed to both the energy-driven cost coupled with some domestic labour market tightness.

- We had earlier raised our 2026 headline and core inflation forecasts to 2-3% YoY, as we assume upside risks to the inflation outlook remain front and center. This is slightly higher than MAS' headline and core inflation forecasts of 1.5-2.5% YoY in 2026. Food inflation is likely to escalate with a lag. Singapore imports the bulk of its food and higher transit times, logistics and freight costs, as well as higher fertilizer costs, will likely weigh in coming months, albeit our diversified sourcing strategy from Australia, China, and even Latam such as Peru (for processed poultry and pork imports) helps. Cooking oil and processed food may be relatively more vulnerable as palm oil shipments may be directed from food use towards fuel use if crude oil stay elevated above US\$100 per barrel when biodiesel becomes economical. This is in addition to any impact by higher freight rates, war-risk insurance premiums and higher logistics costs across the board. In addition, electricity and gas tariffs are likely to rise in the next review, whereas public transport fares will adjust with a time lag due to scheduled reviews. From the policy perspective, there has been a two-pronged response – first the monetary policy tightening by MAS and also fiscal support for households and businesses. For households, the \$500 CDC Vouchers have been brought forward from January 2027 to June 2026, coupled with an additional \$200 Cost-of-Living Special Payment and up to \$570 U-Save rebates for HDB households to offset higher utility bills. For businesses, they are also getting an increased 50% Corporate Income Tax rebate with a cap of \$40k, an expanded Energy Efficiency Grant to all sectors and a minimum cash grant of \$2k for firms with local employees. Given that MTI is reviewing its current 2026 growth forecast of 2-4% YoY in May, while the Economic Strategy Review (ESR) final recommendations due by mid-2026, there may be more fiscal support measures forthcoming.



Source: Singstat, MAS, CEIC, OCBC Group Research.



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