

Singapore

Singapore's headline and core CPI rose less than expected in May

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- May headline and core inflation printed softer-than-expected at 1.8% and 1.4% YoY respectively, holding steady for the 3rd and 2nd consecutive month. They came in below our forecast of 1.9% and 1.5% YoY, and also below the Bloomberg market consensus forecasts of 2.0% and 1.6% YoY respectively.
- Core inflation appeared to have peaked at 1.7% YoY (unchanged MoM) in March 2026 after climbing for most of 2025 and 1Q26. Higher food and retail & other goods inflation was mostly offset by lower services inflation. MAS noted that despite the recent easing in global energy prices, as US-Iran MOU and ongoing negotiations prompted a pullback in crude oil price, they remain elevated relative to 2025 levels. As higher energy costs pass through global supply chains with a time lag, production and transport costs for a wider range of Singapore's imported goods and services will still see higher prices over time.
- MAS-MTI kept their 2026 headline and core CPI forecasts unchanged at 1.5-2.5% YoY, citing that the inflation outlook risks remain tilted to the upside at this juncture. While there is no urgency for MAS to tighten monetary policy at the upcoming July MPS per se if the core inflation trajectory eases into 1H27, it is also premature to fully discount a tightening move in 2H26 at this juncture. S\$NEER is now trading ~1.6% on the stronger side of its parity band, likely reflecting easing core inflation concerns.

Highlights:

- **May headline and core inflation printed softer-than-expected at 1.8% and 1.4% YoY respectively**, holding steady for the 3rd and 2nd consecutive month. They came in below our forecast of 1.9% and 1.5% YoY, and also below the Bloomberg market consensus forecasts of 2.0% and 1.6% YoY respectively. Higher private transport (8.6% YoY) and accommodation (0.5% YoY) inflation, coupled with food and retail & other goods inflation (1.6% YoY), was mostly offset by lower services inflation (1.3% YoY versus 1.5% in April). Appliances for personal care and information & communication equipment rose at a faster pace in May, while housing rent also rose faster. Both non-cooked food and food services also picked up pace, pushing food inflation from 1.6% in April to 1.8% YoY in May.
- **With the headline CPI at 1.8% YoY, this is still the highest since September 2024** (1.9% YoY), reflecting that elevated global energy prices due to the US-Iran war is still contributing to transport costs (7.4% from 7.0% YoY previously). Meanwhile, food inflation accelerated to 1.8% YoY in May, up from 1.6% YoY for the February – April period. Healthcare costs also held at 3.1% YoY for the second straight month even though this is below the 4+% YoY handle for 1Q26. Conversely, communication costs continued to contract for the second consecutive month by 2.9% YoY, attributable to a steeper drop in telecommunication services prices. Electricity & gas inflation were unchanged at -3.0% YoY in May, similar to April, mainly due to the regulated quarterly electricity tariff being pegged to the average natural gas prices in the first 2.5 month of the preceding quarter, but necessitates that the higher global energy prices from April to mid-June will hit the regulated electricity tariff from July onwards. EMA had already warned that most households can expect a significant jump in electricity tariffs from 3Q26 from the current 29.72 cents per kilowatt-hour (kWh) after factoring in GST, as well as further and potentially sharper hike in town gas tariffs later this year. Conversely, the second disbursement of U-Save rebates in 2026 will see eligible households receiving up to \$190 in rebates in July to defray utility bills. Compared to April, headline inflation rose 0.7% MoM in May, reversing the 0.3% decline MoM seen in April. The items seeing the biggest sequential uptick were housing & utilities (2.4% MoM), followed by healthcare (0.5% MoM) and transport (0.3% MoM), whereas communications costs fell 1.5% MoM for two straight months.
- **Core inflation appeared to have peaked at 1.7% YoY (unchanged MoM) in March 2026 after climbing for most of 2025 and 1Q26.** Higher food and retail & other goods inflation was mostly offset by lower services inflation. MAS noted that despite the recent easing in global energy prices, as US-Iran MOU and ongoing negotiations prompted a pullback in crude oil price, they remain elevated relative to 2025 levels. As higher energy costs pass through global supply chains with a time lag, production and transport costs for a wider range of Singapore's imported goods and services will still see higher prices over time. The silver lining is that domestic cost pressures are tapering off – services unit labour costs are likely to rise at a slower pace this year as the nominal manpower wage growth moderates from last year with the cooling labour market conditions, whilst domestic consumer spending could also turn more cautious amid the economic uncertainty and higher price environment. As such, MAS-MTI kept their 2026 headline and core CPI forecasts unchanged at 1.5-2.5% YoY, citing that the inflation outlook risks remain tilted to the upside at this juncture. However, the nuancing is also important – while upside inflation risks lie in a slower-than-expected resumption in global energy supplies or continued shortages in key intermediate inputs to

regional supply chains which could impact imported costs, on the downside, a stronger-than-expected tightening of global financial conditions could trigger a slowdown in economic activity and moderate inflation as well. The two-sided inflation risks, albeit the official line is that risks is still tilted to the upside, suggests that recent events, namely the more hawkish hold for the US Federal Reserve and the recent decline in global oil prices (with Brent and WTI now hovering around below the US\$80 per barrel handle) matter. While there is no urgency for MAS to tighten monetary policy at the upcoming July MPS per se if the core inflation trajectory eases into 1H27, it is also premature to fully discount a tightening move in 2H26 at this juncture. S\$NEER is now trading ~1.6% on the stronger side of its parity band, likely reflecting easing core inflation concerns.

- Policy efforts to diversify energy sourcing is also underway.** EMA had earlier announced it is looking to US LNG to replace some lost supply from Qatar, in addition to usual sources like Australia and Africa, even as Singapore GasCo Ptd Ltd has secured sufficient LNG to last through the year-end. EMA and the ADB have also renewed a MOU for a further three years to support cross-border energy infrastructure projects across Southeast Asia including electricity exports to Singapore, and will focus on renewable energy generation and regional grid interconnector projects linked to the ASEAN Power Grid initiative.

Chart 1: MAS Core and CPI-All Items Inflation

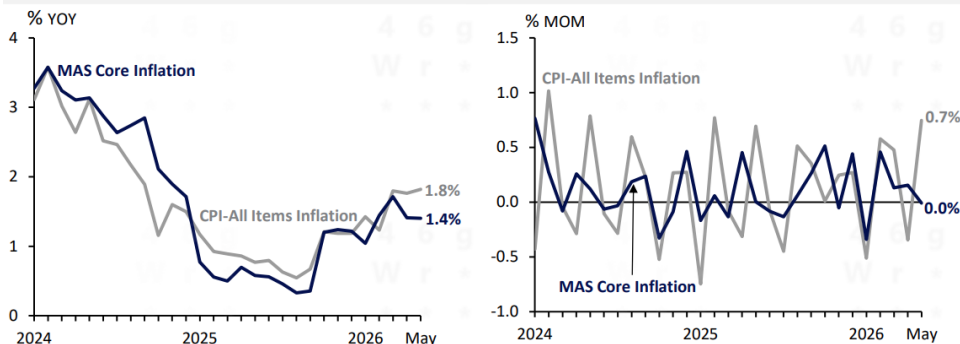
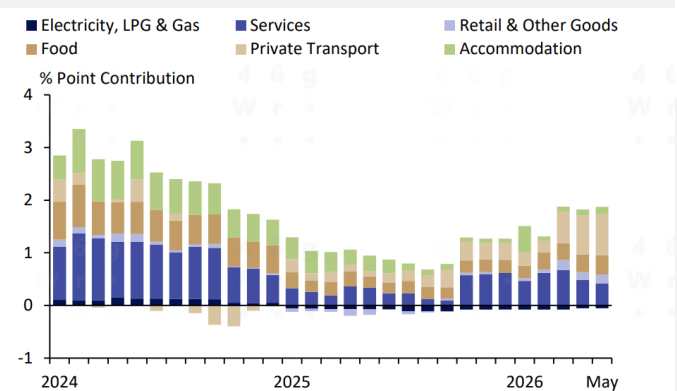


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation



* Private transport and accommodation are excluded from the MAS Core Inflation measure.
Source: MAS, MTI estimates

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