Singapore

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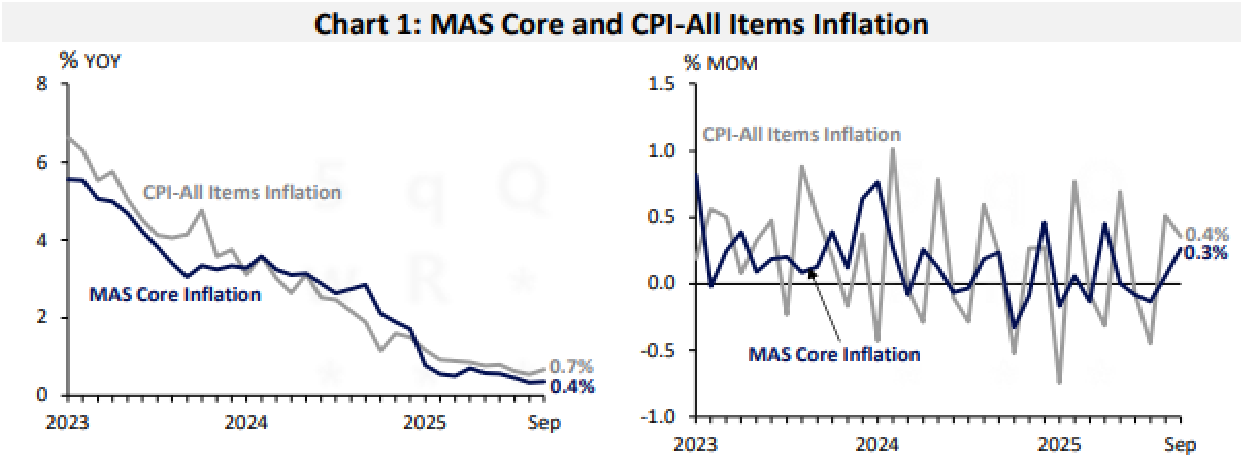
- Headline and core inflation ticked up to 0.7% and 0.4% in September.
- MAS retained its 2025 headline and core CPI forecast at between 0.5-1.0% and ~0.5%
- We tip headline and core CPI to creep higher to 0.6% and 0.5% respectively in 4Q25 to bring full year headline and core CPI to 0.7% and 0.5%.

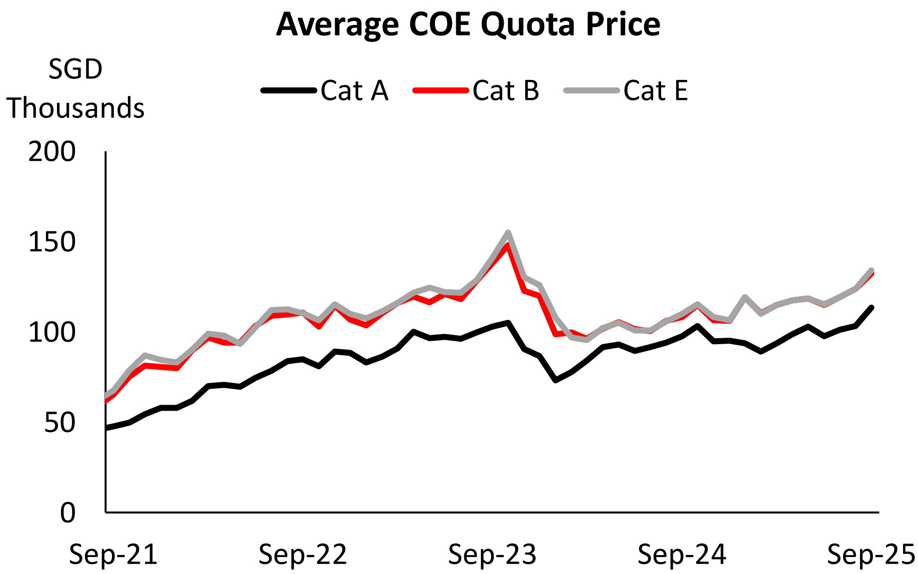
Singapore's September headline and core inflation ticked up to 0.7% and 0.4% respectively, above Bloomberg consensus forecast of 0.6% and 0.2% YoY and also our forecast of 0.6% and 0.3% YoY. Compared to August 2025, headline and core inflation both increased by 0.4% and 0.3% MoM respectively. The key drivers for headline inflation in September were private transportation (3.7% YoY versus 2.4% in August), while accommodation prices remained unchanged (0.4% YoY). For core inflation, higher prices were recorded in retail and other goods (0.3% YoY versus -0.2% in August), driven by a rise in the prices of furniture and appliances for personal care. Food (1.1% YoY) prices remained unchanged while lower prices were registered in electricity & gas (-5.8% YoY versus -5.7% in August) and services (0.3% YoY versus 0.4%).

MAS maintained its core inflation forecast to come in at ~0.5% while headline inflation at between 0.5-1.0% for 2025. MAS noted that imported inflation should continue to decline moderately and expects global crude prices to fall more gradually in 2026. Domestically, unit labour costs for services are likely to rise as productivity growth normalises, while private consumption is likely to remain steady amid a broadly resilient labour market. Looking ahead, the outlook to inflation remains uncertain. MAS noted supply shocks stemming from geopolitical developments could potentially lift imported and shipping costs abruptly. On the other hand, a sharper than-expected weakening in global demand could keep core inflation lower for longer, while a significant decline in global oil prices could also temporarily slow down the pace of price increases. Looking ahead, MAS expects headline and core inflation to average 0.5-1.5% in 2026.

We are looking for headline and core inflation to tick higher into 4Q25 to 0.6% and 0.5% respectively (i.e., likely bottomed). This would bring full year 2025 headline and core CPI to 0.7% and 0.5%, respectively. Base effects did play a part. But prices also rose for transport, healthcare, food, and education, owed mainly to domestic price adjustments. On private transportation, COE prices have rebounded in recent bidding exercises, partially owed to the growing demand for EVs which have driven some of the demand for COEs. In addition, cheaper goods from China may also have a shorter shelf life if China's anti-involution policies are successful. Notably, MAS did flag that core inflation would likely bottom and rise gradually going ahead. Hence, we believe that the MAS is unlikely to shift monetary policy stance for the January 2025 MPC per se.



Source: MAS



Source: LTA, OCBC.

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