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Flash Notes

Singapore: CPI Fell in June

The CPI dropped in June over May, as well as on a yearly basis, mainly due to lower housing and transport costs. The CPI fell 0.5% m/m, but rose 0.2% on a m/m seasonally adjusted basis. Year on year, the CPI contracted 0.5%, in line with our forecast and median market estimates of +0.2% m/m, -0.5% y/y. On a monthly basis, housing costs were down 3.1% on lower service & conservancy charges, with rebates given in June but not in May. Prices of clothing and footwear were also cheaper compared to a month ago, by 2.2% during the Great Singapore Sale period.

On a yearly basis, the main driver for the decrease in CPI was lower transport, housing and recreation expenses. Cheaper petrol, car prices, and road tax translated to costs of transport falling 4.7%, while accommodation costs dipped 0.7% on lower electricity tariff. Recreation was less expensive as holiday travel fell, but food and health care were dearer compared to a year ago.

With economic indicators gradually improving, crude oil price and accommodation costs are also rising in tandem, and Singapore could see a return to inflation towards the end of the year. The Monetary Authority of Singapore now expects CPI inflation to come in between -0.5% and +0.5% for the whole year, compared to the previous -1% to 0%. MAS said the "revision takes into account the recent developments in global commodity prices."

Impact on Monetary Policy

Although inflation looks likely to make a comeback later this year, this should not pose too much of a problem for the MAS' monetary policy. We don't forsee inflation rising very strongly, beyond MAS' estimation. As such the current exchange rate policy seems sufficient for now.