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Flash Notes

Singapore: CPI Eased in November

Singapore's inflation is easing in line with the slowdown in the Singapore economy. The Consumer Price Index rose 5.5% y/y in Nov, slightly higher than our estimate (5.2%), and in accordance with the average expectation on the street (5.5%). The increase from a year ago was driven by the higher costs of housing and food.

Higher accommodation costs and electricity tariffs drove up housing costs–which increased 15.7%, while more expensive cooked food, rice, cereals, seafood, vegetables, cooking oils, milk products and fresh poultry, forced food prices up 6.9%.

Compared to the previous month, the CPI fell 0.2% from Oct, due to lower costs of transport and communication, and recreation. This more than offset higher food and clothing prices.

Cheaper petrol, lower taxi fares and car prices brought down the costs of transport and communications by 1.7%. Lower holiday travel costs also pushed down costs of recreation and others by 0.2%. Housing costs – the third largest component of the CPI after food and transport- remained stable. On a m/m s/adj basis, CPI was 0.2% lower than Oct.

We expect CPI to continue easing, largely due to basis effect and falling oil price. Cheaper petrol and costs of cars will bring down transport costs, and lower property prices will also put pressure on accommodation costs.
Overall, we expect CPI for the year to likely to come in at around 6.5%y/y. For next year, inflation should ease to around 1.3%, in line with the MTI's 1-2% forecast, based on a continued weakening of commodity prices and global demand.

Still no Change to SGD Policy
On the monetary policy front, there is still no word from the MAS on plans to ease before the April meeting. Our model of the SGD nominal effective exchange rate (NEER) still remains well-within the estimated policy band of +/- 2.5%, which indicates there is still no need for a monetary easing. The SGD NEER has been trading relatively steady at around 0.2% below the mid-point. However, with inflation cooling off rapidly, this will give the MAS more room in easing monetary policy.