

# Core inflation reaches four-year high, headline inflation steady

SINGAPORE'S core inflation in July was the highest in about four years at 1.9 per cent, due to a larger increase in the cost of electricity and gas, according to a Department of Statistics report on Thursday. This was up from June's 1.7 per cent rise and the fastest pace since August 2014, when it was 2 per cent.

Despite the rise in core inflation, which strips out the cost of accommodation and private road transport, headline inflation was steady due to a decline in private road transport costs. The consumer price index (CPI) was up 0.6 per cent year-on-year, in line with economists' expectations and the same rate of increase as in June.

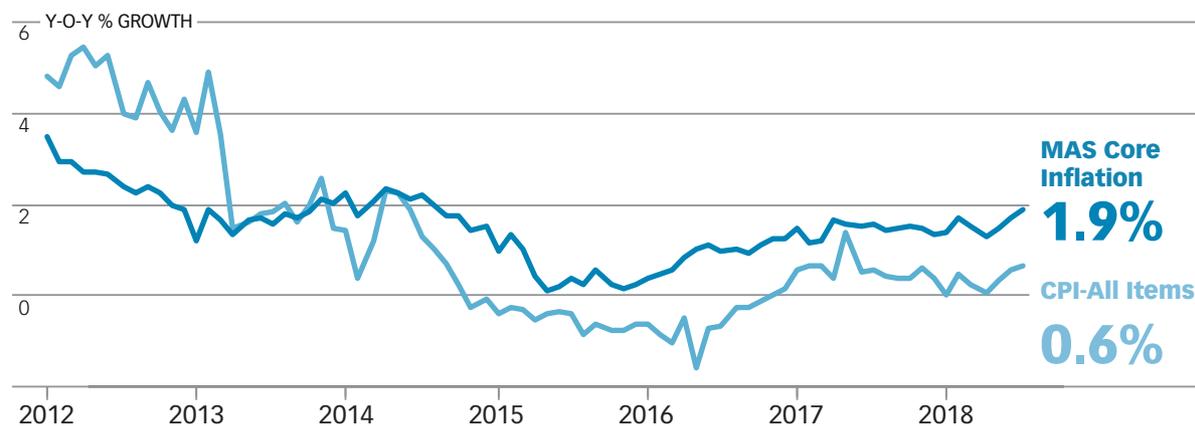
The cost of electricity and gas rose 12.7 per cent in July, steeper than the 3.7 per cent rise in June. Food inflation came in at 1.5 per cent in July, unchanged from June. Services inflation was lower at 1.5 per cent, compared to 1.7 per cent the month before.

Both accommodation and private road transport saw costs fall. Accommodation cost slid 3 per cent in July, the same rate of decline as in June. Private road transport costs fell 0.2 per cent in July, reversing June's 0.4 per cent increase.

Imported inflation is likely to rise mildly on the back of rises in global oil prices and food commodity prices, said the Monetary Authority of Singapore and the Ministry of Trade and Industry. Domestic sources of inflation are also expected to rise alongside faster wage growth and a pick-up in domestic demand.

Core inflation is expected to rise gradually over the course of 2018, averaging in the upper half of the 1 to 2 per cent forecast range. Headline inflation is similarly projected to come in within the upper half of its zero to 1 per cent full-year forecast range. **BY JANICE HENG**

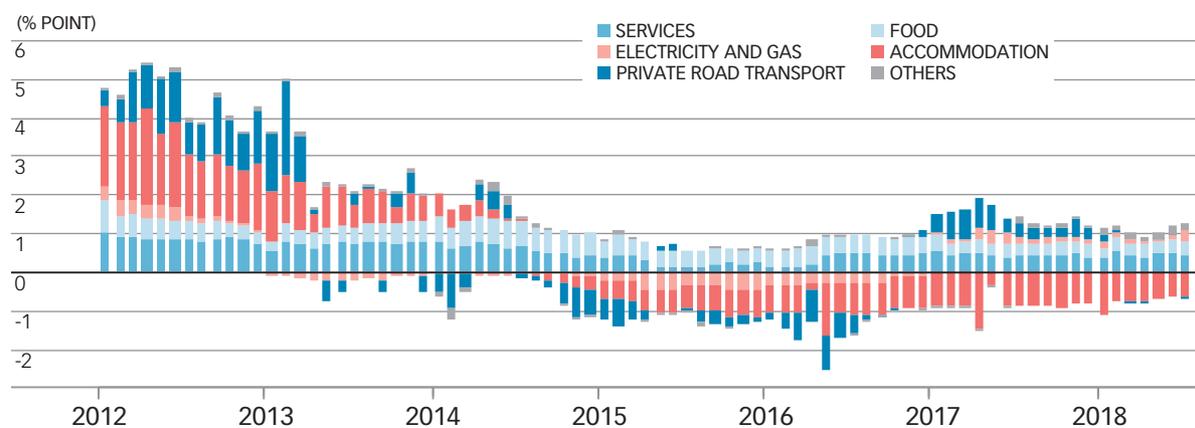
## CPI-All Items and MAS Core Inflation\*



\*Core inflation excludes the cost of accommodation and private road transport

Source: Department of Statistics

## Percentage point contribution to year-on-year CPI-All Items inflation



"We estimate that core inflation will rise to 2.0% in August and edge higher into year-end. Therefore, a further slight tightening in monetary policy by the MAS at their October meeting remains our base case."

Sources: MAS, MTI estimates

**Khoon Goh, Head of Asia Research, ANZ Research**