

## Singapore Watch

## Jan inflation softer than expected; Risk of MAS tightening lower

## Jan inflation readings far lower than expected

Core inflation surprisingly moderated to 3.1% yoy in Jan '24 vs. 3.3% in [Dec '23](#) (see report). This was far lower than Consensus and our forecasts (3.6%). Headline inflation was likewise lower than expected at 2.9% yoy, with the miss by Consensus (3.8%) far higher than ours (3.3%). One possibility is that the other forecasters may not have factored in an additional half month of rebate for Services & Conservancy Charges (S&CC) which was announced in Sep '23.

## Early signs of upward price pressures receding?

Sequentially, core inflation rose by 0.6% mom, below our forecasts (1.1%), with travel-related items pulling back more sharply and most non-administrative price components showing a slower pick-up than we expected. On the latter, given moving LNY effects, drivers behind the Jan print may be difficult to interpret. That said, items that are less subject to LNY effects seem to reflect receding price pressures, perhaps a reflection of businesses adjusting prices less due to reduced cost pressure and/or weaker pricing power. For instance, household durables & services [newspapers, books & stationary] rose by a smaller 0.4% [0.3%] vs 1% [0.7%] in Jan '23 (when GST was increased by the same magnitude).

## Official outlook slightly less hawkish vs. previous month

MAS/MTI acknowledged that cost pressures have eased in their latest Outlook. We highlight the subtle differences in the latest Outlook: (1) Travel-related services "should continue moderating" (vs. "are expected to moderate" previously), (2) import cost pressures should "continue" to decline ("continue" was absent previously), and (3) Unit labour costs "have slowed" (vs "are expected to rise at a slower pace") previously. Otherwise, there were no changes to the inflation forecast ranges and balance of risks to inflation (upside mentioned before downside).

## Core trajectory tracking ~10bp below MAS' Jan implicit f/c

We infer MAS probably seeing 2024 core inflation around 3.1% in Jan (1Q24: 3.6%, 2Q-24: 3%). This mechanically folds in the implied qoq momentum from MAS' Oct '23 forecasts into actual 4Q'23 prints and factors in higher flag-down taxi fares (announced only in early Dec). Even after accounting for "back-loaded" LNY effects and partial rebound in travel-related items in Feb, we see core inflation trajectory in 2024 tracking around 10bp below MAS' implicit forecast from Jan '24.

## Inflation concerns still elevated, but risk of MAS tightening now lower

To the extent that MAS adjusts policies in response to material shifts in core inflation forecasts vs. the previous meeting (easier to track since meetings are quarterly), we see a stronger case for MAS to keep policy settings unchanged through year-end. Nonetheless, MAS would still remain alert to inflation risks, also flagged in [Budget 2024](#) (see report). Assuming complete pass-through of GST (~70bp), core inflation (ex-GST) at >2.2% in 2024 is still considerably above the historical average of 1.5-2%.

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Glossary:

LNY: Lunar New Year

MAS: Monetary Authority of Singapore

GST: Goods &amp; Services Tax

yoy: year-on-year

mom: month-on-month



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