

## Singapore

23 July 2024

---

### Progress on the inflation front in June allows for a softer full-year 2024 headline and core CPI forecast

#### Highlights:

- **Singapore's headline and core CPI fell more than expected to 2.4% and 2.9% YoY respectively in June**, down from 3.1% each in May. This is softer than the Bloomberg consensus forecast of 2.7% and 3.0% YoY, and OCBC forecast of 2.9% and 3.1% YoY. The June headline CPI YoY print is the lowest since August 2021, which is a testament to how far the disinflation journey has progressed. For the core CPI, it is also the lowest since March 2022. Compared to May, headline CPI actually slipped 0.2% MoM whilst core inflation was unchanged on-month.
- **The key contributors to the softer June inflation prints were a decline in private transport costs** (-0.7% YoY due to cheaper cars and motorcycles as well as smaller hikes in petrol prices, versus 2.8% previously), as well as lower pace of inflation for retail & other goods (+0.5% YoY versus 1.5% previously as clothing & footwear prices fell whilst medicines & health products and personal effects saw more modest price increases), as well as services (3.4% YoY versus 3.6% previously as cost of hospital services and holiday expenses moderated). Big ticket items like housing inflation also eased marginally from 3.4% YoY to 3.3% as housing rents grew at a more modest pace. Meanwhile, food inflation was unchanged at 2.8% YoY as food services prices remain stable, and the picture was similar for electricity & gas inflation (+6.9% YoY).
- **The MAS-MTI assessment of inflation risks ahead remain largely static**, suggesting that MAS is comfortable to stay on hold on 26 July MPS. External price risks like global energy and food commodities have been stable, whilst imported intermediate and final manufactured goods are also on a downtrend. The holiday services component is also tipped to ease as the year progresses as air transport and hospitality sectors ramp up supply. Aiding the containment of imported inflation is the gradually strengthening S\$NEER. On the domestic front, the gradual easing in labour market conditions should taper the pace of pass-through by businesses into end-consumer prices. Both accommodation and private transport inflation are expected to continue to ease as supply conditions improve. The inflation risks remain two-sided, with fresh geopolitical shocks, adverse weather events and renewed transportation disruptions putting upward pressure on commodity and shipping costs, while on the other hand, any unexpected weakening in the global economy will result in the opposite scenario. Domestically,

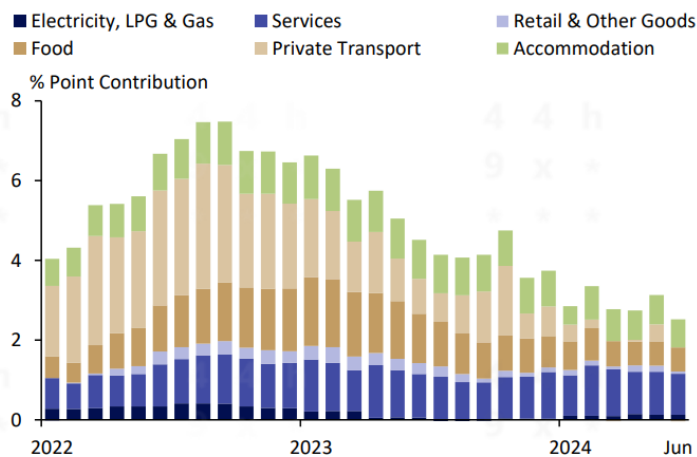
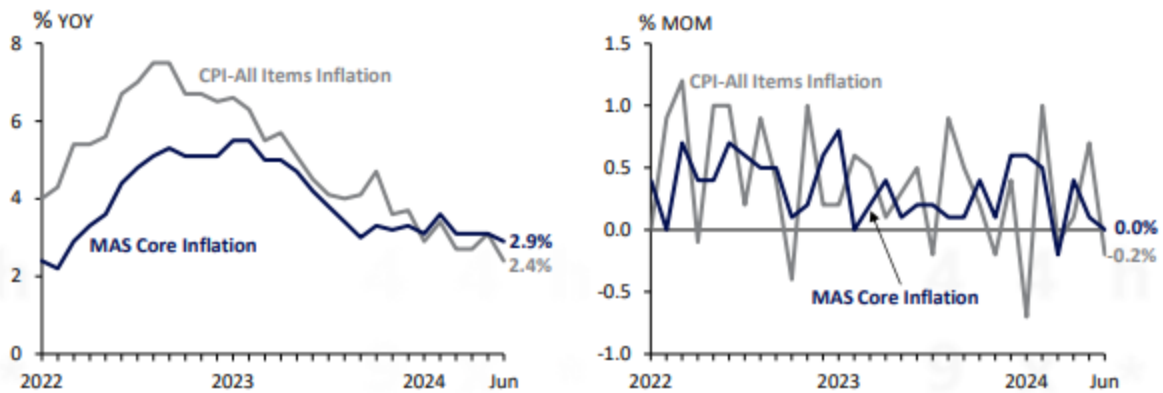
Selena Ling

Head of Research and Strategy

[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

there is also a need to be cautious of a stronger-than-expected labour market which could cause wage growth to re-accelerate.

- There is no concrete shift in the core inflation outlook which is still tipped to step down more discernibly in 4Q24.** The current official headline and core inflation forecast ranges are 2.5-3.5% respectively, but MAS will refresh these forecasts at the next scheduled MPS on Friday. Given the more rapid than expected dip in the headline inflation in June, we adjust our full-year 2024 headline inflation forecast from 2.8% previously to 2.6% YoY, assuming that 2H24 will average around 2.4% and that COE premiums are likely to remain stable to slightly softer for the coming months. This also assumes that the current bout of port congestion and shipping rerouting will not significantly deteriorate, as well as the US presidential elections in November 2024 will not results in further surprises, whether on the trade tariff or other economic policy fronts. For core inflation, we also shade down our full-year 2024 forecast slightly from 3.0% to 2.9% YoY, assuming that 2H24 will average around 2.7%.



\* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

## Macro Research

### Selena Ling

Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

### Tommy Xie Dongming

Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

### Keung Ching (Cindy)

Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

### Herbert Wong

Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

### Lavanya Venkateswaran

Senior ASEAN Economist  
[lavanyavenkateswaran@ocbc.com](mailto:lavanyavenkateswaran@ocbc.com)

### Ahmad A Enver

ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

### Jonathan Ng

ASEAN Economist  
[jonathanng4@ocbc.com](mailto:jonathanng4@ocbc.com)

### Ong Shu Yi

ESG Analyst  
[shuyiong1@ocbc.com](mailto:shuyiong1@ocbc.com)

## FX/Rates Strategy

### Frances Cheung, CFA

Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

### Christopher Wong

FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## Credit Research

### Andrew Wong

Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

### Ezien Hoo

Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

### Wong Hong Wei

Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

### Chin Meng Tee

Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W