

Singapore: March Inflation Surges to Fresh 25-Year High

Singapore's headline inflation surged to fresh 25-year high of 6.7%/y/y in March compared with 6.5% in February. However, this was lower than consensus expectation of 6.9% although a tad higher than our forecast of 6.6%. Factors include higher food and transport costs, higher car prices and housing costs. Adjusted for seasonal factors, prices rose 0.3%*m/m* in March.

Overall, prices was up 6.6%/y/y in 1Q08, having risen significantly from 4.1% in 4Q07. The headline inflation rate is expected to remain above 6.0%/y/y in 2Q08 before easing to the upper end of 3.0%-3.5% by 4Q08 as a result of basis effect brought about by the 2ppt hike in the GST rate in July 2007. Nonetheless, we would likely see the impact of the stronger SGD on inflation in the months ahead after the one-off SGD policy tightening in April. Going forward, inflationary pressure will continue to stem from food, commodity prices as well as higher education fees, medical costs and road usage costs which will not be alleviated by firmer SGD.