By AARON LOW
ECONOMICS CORRESPONDENT
HIGHER car prices and accommodation costs drove inflation to a four-month high of 5.4 per cent last month with warnings that any relief from soaring prices is a few months away at least.

The high number caught out economists who had expected the Consumer Price Index (CPI) to come in at 5.2 per cent. Inflation was at 5.2 per cent in March.

All segments of the CPI recorded increases but the biggest contributors were privatetransport and accommodation costs. They formed more than two-thirds of inflation last month, said a statement by the central bank and the Ministry of Trade and Industry (MTI) yesterday.

Housing prices rose 11.1 per cent last month while transport costs were up 7.5 per cent. If private car and accommodation costs were stripped out, core inflation stood at 2.7 per cent compared with 2.9 per cent in March. The pace of food price rises also slowed, falling from 3.8 per cent in January to 2.4 per cent last month.

The Monetary Authority of Singapore and the MTI said inflation could stay at the 5 per cent level for the next few months but should ease in the second half of this year.

But OCBC economist Selena Ling said yesterday that, barring a disaster in the euro zone, inflation is unlikely to fall in a big way.

"Our full-year 2012 headline CPI forecast stands at 4.3 per cent, which is near the top end of the official 3.5 per cent to 4.5 per cent range," she said.

Bank of America Merrill Lynch economist Chua Hak Bin noted that car prices could ease after the Government said it would manage the severe shortage of certificates of entitlement.

But he noted that other components of inflation, including the cost of gas and utilities, might continue to rise at a faster pace due to higher oil prices. Likewise, health-care costs continued to rise, increasing by 4.3 per cent last month, while education expenses rose 3.6 per cent.

"With the increase in salaries of allied health-care workers, this component of cost pressure may continue to rise and become a burden to households," he warned.

One big factor for the rise in consumer and services costs, such as health care, is the passing through of higher wages from a tight labour market and tough foreign worker policies.

The unemployment rate stood at 2.1 per cent in March, while the citizen unemployment rate was 3 per cent. These numbers mean that the economy is in a full employment situation.

Barclays Capital economist Leong Wai Ho said that moves to tighten policies over foreign workers are not yet over, with another round of levy increases in July.

"The key drivers will be the upward adjustment to foreign worker levies by a larger quantum than before and the tightening of foreign worker quotas from July, which could push up business costs," he said.

Inflation hits 4-month high of 5.4% in April

Higher-than-expected figure mainly due to high transport, housing costs

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Govt to spend more in public service reform

Govt to look into another round of levy increase

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