Inflation in July eases to 4% but outlook stays grim

Govt warns that inflation for the year could still surpass expectations if car prices pick up pace

Inflation in July eased to 4 per cent from 4.5 per cent in June, boosted by a slowdown in core prices, the Ministry of Trade and Industry (MTI) said.

Core inflation—a measure that excludes food, private transport, and oil-related items—dipped to 0.4 per cent in July, down from 0.8 per cent in June, statistics from the Ministry of Trade and Industry (MTI) showed.

In July, core inflation contributed 1.0 percentage point to headline inflation, compared to 1.3 percentage points in June.

"In July, accommodation costs contributed 1.6 percentage points to headline inflation, due to the higher rental charges (S&CC) were disbursed to HDB households in June 2013 but not this year," MTI said.

In the wake of slower inflation in June due to the previous COE quota for the period from August 1 to December 31, 2012, COE premiums decreased by 0.7 per cent to $66,889, offering some relief as it fell 9 per cent from a record $73,501 the last bidding round in Aug 8.

Meanwhile, the COE for motorcycles fell 1 per cent to $2,513.

With small car COEs hitting record highs, consumers may be holding back in the market for cars, said DBS head of consumer research & strategy at UniSIM's School of Business, Lena Ling.

"This is likely to compel some to switch to used cars," she said.

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Mr Chua reckons that an- other drastic drop in the COE quota for the period from August 1 to December 31, 2012 headline inflation could be surpassed if car prices stay on an upward trajectory.

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