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Singapore's consumer price index (CPI) rose 1.4 per cent in January from a year ago, slowing from December's 1.5 per cent increase as the lower cost of transportation offset a rise in food prices.

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A shopper picks up necessities at a market stall in Singapore. (File image/AFP/ROSLAN RAHMAN)

SINGAPORE: Consumer prices in Singapore rose 1.4 per cent in January, compared to a year ago.

It is the slowest pace of growth since February 2010, when inflation rose 1.0 per cent.

However, core inflation -- which does not include housing and private transport costs -- edged up, rising by 2.2 per cent.

Economists said they expect inflation to rise this year on the back of higher business costs.

The slow pace of inflation is largely due to a bigger drop in private road transport costs, which economists said is possibly due to slower car sales with the recent implementation of the COE reclassification.

Food prices, on the other hand, increased more significantly, by 3 per cent due to a seasonal pick-up in the festive period.

However, economists said that overall inflation came in particularly low due to a higher base of comparison last year.

Irvin Seah, senior economist at DBS Bank, said: "Headline number doesn't reflect underlying inflation conditions in Singapore. It has been distorted by relatively high COE premiums in same period last year.

“By April this year, the base effect on headline inflation number would lapse, in other words, inflation would spike up sharply. Our estimation shows inflation could possibly reach 3-4 per cent by April this year."

Economists highlighted that while overall inflation eased, core inflation -- which excludes accommodation and private transport costs -- climbed.

Assistant Professor Aurobindo Ghosh from Singapore Management University's Lee Kong Chian School of Business, said: “The CPI-all inflation is 1.4 per cent, but at the same time, core inflation, stripping out accommodation and private transportation costs, has inched up to 2.2 per cent.

“Moving forward, internal forces including pass-through costs, rental increases, might actually show up more in prices."

Mr Seah said: "Rising labour and rental costs will continue to be the driver of inflation in Singapore. And for that, I think we can continue to expect core inflation to stay above 2.0 per cent, probably inching towards 2.5, 2.6 per cent towards the middle of the year.

“For the full year, we expect inflation to average 3 per cent, which is higher than the last year's average of 2.4 per cent.”

The Monetary Authority of Singapore and the Ministry of Trade and Industry are forecasting all-items inflation and core inflation of between 2 and 3 per cent for 2014.

While domestic inflation is projected to pick up, some economists do not expect the Monetary Authority of Singapore to alter its policy stance of a gradually appreciating the Singapore dollar in the near term.

- CNA/nd/xq