

Singapore's Consumer Price Index

	2008	
	March	April
y-o-y (%)	6.7	7.5
m-o-m (%)	-0.1	1.2
Index	108.5	109.8

- **Singapore's headline CPI inflation rose to 7.5% y-o-y in April from 6.7% in March**

The MAS underlying inflation measure, which excludes accommodation and private road transport costs, increased to 6.4% in April from 5.6% in the preceding month.

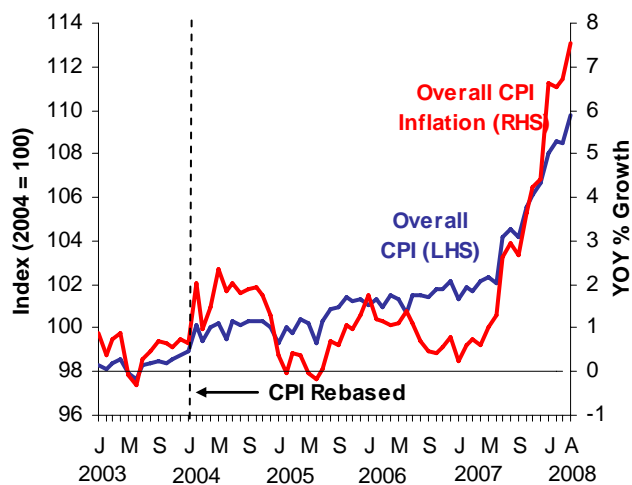
- **On a m-o-m basis, Singapore's headline CPI went up by 1.2%**

Housing costs contributed half of the overall increase in prices in April over March, due mainly to the absence of S&CC rebates. Costs of transport and communication were higher, arising from more expensive cars and petrol. Cooked food prices and cost of holiday travel also spiked up in April.

- **Outlook: Deeper price discounts expected in GSS 2008**

In an effort to draw in consumers who had turned cautious on spending, retailers are slashing prices in the Great Singapore Sale (GSS) this year. However, this could be temporary as retailers continue to face mounting business costs.

Singapore: CPI and CPI Inflation



Recent Developments in Domestic CPI Inflation

Domestic headline CPI inflation came in at 7.5% year-on-year (y-o-y) in April, up from 6.7% in March. This brought average inflation to 6.9% in the first four months of 2008. The MAS underlying inflation measure – which excludes accommodation and private road transport costs – also increased to 6.4% in April from 5.6% in March, and averaged 5.6% in first four months of 2008.

% Point Contribution (m-o-m), April 2008	Group	
<p>0.63</p> <p>0.22</p> <p>0.15</p> <p>0.10</p> <p>0.05</p> <p>0.05</p> <p>Legend: Housing (Blue), Transport & Comm (Red), Food (Orange), Recreation & Others (Light Blue), Health Care (Purple), Education & Stationery (Green)</p>	Overall (m-o-m)	The CPI rose by 1.2% on a month-on-month (m-o-m) basis in April, reversing the slight fall in March. The jump was due primarily to higher costs of housing, private transport, food and holiday travel.
<p>0.63</p>	Housing	Housing costs increased by 2.9% m-o-m, contributing half of the overall m-o-m increase in the CPI in April. This largely reflected the absence of S&CC rebates in April ¹ . The electricity tariff for Q2 was also raised by 5.6% from Q1, due to higher fuel oil prices. At the same time, the upward revision of the AVs of residential properties by IRAS continued to have a sizeable impact on housing cost in the CPI.
<p>0.22</p>	Transport & Communication	Costs of transport and communication rose by 1.1% in April over March arising from more expensive cars and petrol. COE prices spiked up 20-30% during the bidding exercises conducted in March and fed through to higher prices of cars in April. (Chart 1a) Expectations of higher premiums due to a lower COE quota for Quota Year 2008 (Apr 2008-Mar 2009) and the 10% points reduction in the Additional Registration Fee (ARF) have led to stronger COE demand in recent months. Meanwhile, the impact of higher global oil prices continued to be felt most keenly in costlier petrol. (Chart 1b)

¹ As rebates for Service and Conservancy Charges (S&CC) are given out only in certain months of the year, they introduce significant variation to the monthly accommodation cost component of the CPI and can cause wide swings in overall m-o-m inflation. For 2008, S&CC rebates will be given out in the months of March, June, September and December. For more details on the schedule of rebates, please refer to: http://www.mof.gov.sg/budget_2007/budget_speech/downloads/FY2007_Schedule_of_Rebates.pdf

Chart 1a
COE Premiums for Category A, B and E²

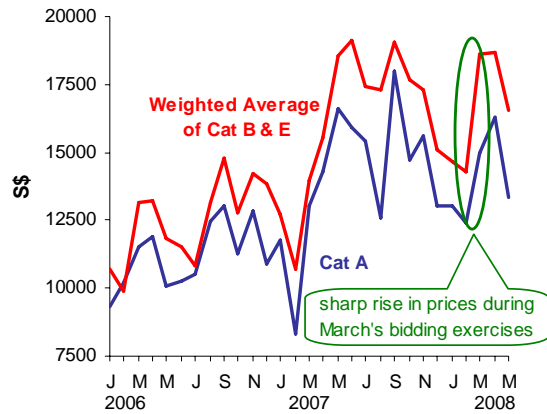
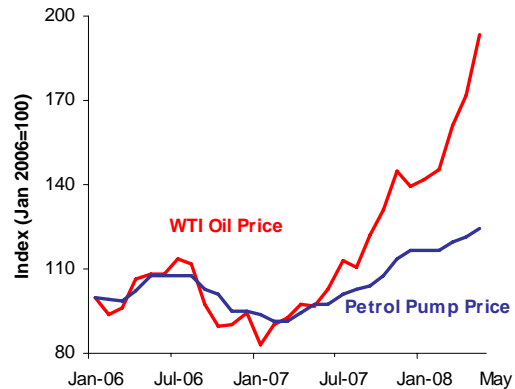


Chart 1b
WTI Oil Price and Petrol Pump Price in Singapore



% Point Contribution (m-o-m), April 2008	Group	
	Food	<p>Food prices were up by 0.8% m-o-m in April, reversing the fall of 0.2% in the preceding month. <i>Cooked</i> food prices registered a sharp spike of 0.9% in April over March, higher than the average m-o-m increase of 0.6% between Jul 2007 and Mar 2008. However, this was partly mitigated by the prices of most <i>non-cooked</i> food items (except rice, cooking oil and dairy products), which either remained flat or declined slightly from levels recorded in March.</p>
	Re-creation & Others	<p>More expensive holiday travel from costlier overseas hotel room rates boosted the recreation cost component of the CPI by 1.0% m-o-m.</p>
	Health	<p>Both medical and dental treatment costs went up in April, by 0.4% and 3.4% respectively.</p>
	Clothing and Footwear	<p>Of all the major categories in the CPI, only prices of clothing and footwear fell in April, albeit marginally by 0.2%.</p>

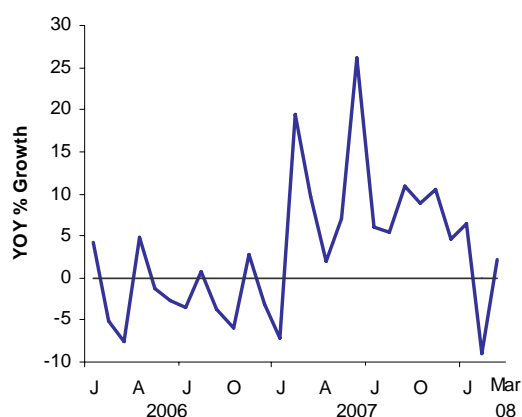
² COEs for Category E are open to all vehicles, but primarily used for cars above 1,600cc.

Outlook

DEEPER PRICE DISCOUNTS EXPECTED IN GSS THIS YEAR

Anecdotal news reports indicated that rising cost of living and global economic slowdown have caused consumers to be more cautious on spending. Indeed, EPD's estimate of retail sales volume for personal articles – a weighted composite index comprising the retail sales indices at constant prices for wearing apparel & footwear and watches & jewellery - grew anaemically by 0.1% y-o-y in Q1 2008 as compared to an average growth rate of 8.1% in 2007. (Chart 2a) In an effort to generate more sales, retailers are reportedly giving deeper discounts during this year's Great Singapore Sale (GSS) compared to the one in 2007, when the impending GST hike in July provided a boost to overall sales.

Chart 2a
Personal Articles Retail Sales Index at Constant Prices



However, following the GSS, prices of personal articles could rise again as retailers face mounting cost pressures. From Chart 2b, the composite CPI for clothing & footwear and personal effects (leather goods, watches and jewellery) has risen at a faster pace in recent months. This coincided with the intensification of cost pressures in the wholesale and retail trade sector. Retailers not only face higher rentals for retail and warehouse space, but also have to grapple with higher wage and utilities bills, as well as rising international freight and domestic road transport costs. These costs are captured in EPD's Unit Service Cost Index (USCI) for the Wholesale and Retail Trade sector, which posted a strong growth of 8.9% y-o-y in H2 2007. (Chart 2c)

Chart 2b
Composite CPI of Clothing & Footwear and Personal Effects

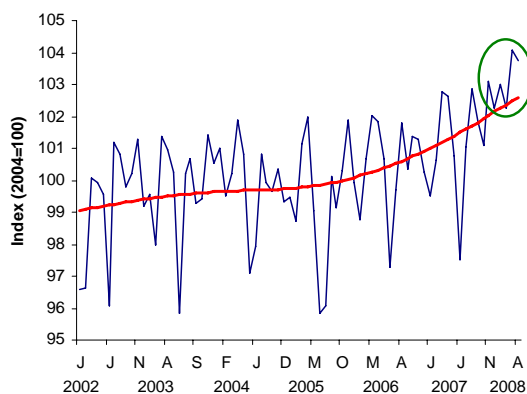
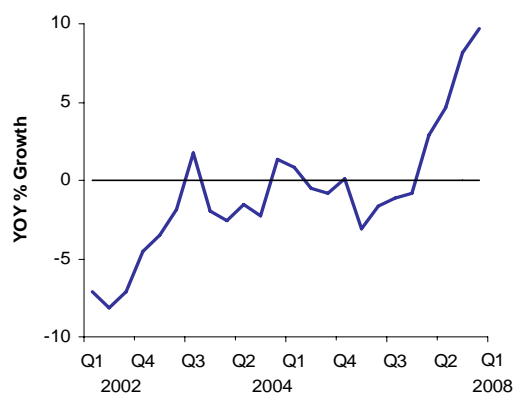


Chart 2c
USCI for Wholesale & Retail Trade



HEADLINE CPI INFLATION EXPECTED TO COME IN AT 5-6% IN 2008

The inflation outlook for the rest of the year will depend largely on global food and oil price developments. Although global food prices are expected to remain high in 2008, the pace of increase could moderate in the latter part of the year if the rise in global supply, as expected by the FAO, materialises. Meanwhile, even though global oil prices have risen more sharply in the last two months as compared to the start of the year, uncertainty surrounding future prices has also heightened considerably.

On the domestic front, the GST hike will continue to have an impact on CPI inflation in the first half of the year, while housing costs are expected to rise significantly in 2008 due to the AV revision for owner-occupied accommodation by IRAS. Business cost increases, notably wages and rentals, will also continue to put some upward pressure on consumer prices.

Reflecting these factors, CPI inflation is forecast to come in at 5-6% in 2008. Due to the low base in H1 2007, CPI inflation could average around 7% y-o-y in H1 2008, but is expected to taper off in H2 2008 due partly to the dissipation of the GST hike effect.

Table A.1
Consumer Price Index

	All Items	Food	Clothing & Footwear	Housing	Tpt & Comm	Educational & Stationery	Health Care	Recreation & Others
Weights	10000	2338	357	2126	2176	819	525	1659
	INDEX (2004 = 100)							
2007 May	102.4	104.1	100.9	102.6	97.8	103.9	104.4	104.5
Jun	102.0	104.6	97.3	99.9	98.5	103.8	104.9	105.0
Jul	104.1	106.0	101.1	104.8	99.4	106.0	107.2	105.6
Aug	104.5	106.4	102.5	105.1	99.9	105.9	107.4	105.9
Sep	104.2	106.9	101.6	103.9	98.7	106.3	107.4	106.3
Oct	105.5	107.5	101.1	106.6	101.0	106.3	107.8	107.2
Nov	106.1	108.6	102.9	107.3	101.1	106.3	108.0	107.8
Dec	106.6	109.3	102.3	107.3	102.3	106.2	108.1	108.3
2008 Jan	108.0	110.5	103.0	111.7	102.2	108.9	109.5	107.7
Feb	108.6	111.9	102.5	112.3	102.2	108.9	110.1	108.1
Mar	108.5	111.7	104.0	111.6	101.9	108.8	110.1	108.9
Apr	109.8	112.6	103.7	114.8	103.0	109.0	110.7	109.9

Source: Singapore Department of Statistics

Table A.2
Selected Inflation Indicators

	CPI	MAS Underlying Index	Import Price Index	Non-fuel Primary Commodities	OPEC Oil Price
	YOY% GROWTH				
2007 May	1.0	1.3	-3.2	11.7	-1.1
Jun	1.3	1.5	-3.4	14.5	3.1
Jul	2.6	2.7	-3.5	12.3	4.0
Aug	2.9	2.8	-3.1	8.5	-0.6
Sep	2.7	3.0	-0.2	12.8	24.3
Oct	3.6	3.2	1.0	11.5	43.6
Nov	4.2	3.5	3.8	9.5	60.6
Dec	4.4	3.7	4.0	7.9	50.4
2008 Jan	6.6	5.0	5.1	15.4	74.8
Feb	6.5	5.3	4.1	20.4	66.6
Mar	6.7	5.6	3.9	22.9	69.4
Apr	7.5	6.4	3.9	17.9	65.8

Source: Singapore Department of Statistics, IMF and Bloomberg