Inflation Monthly

February 2008

Singapore's Consumer Price Index

	2008	
	January	February
y-o-y (%)	6.6	6.5
m-o-m (%)	1.3	0.5
Index	108.0	108.6

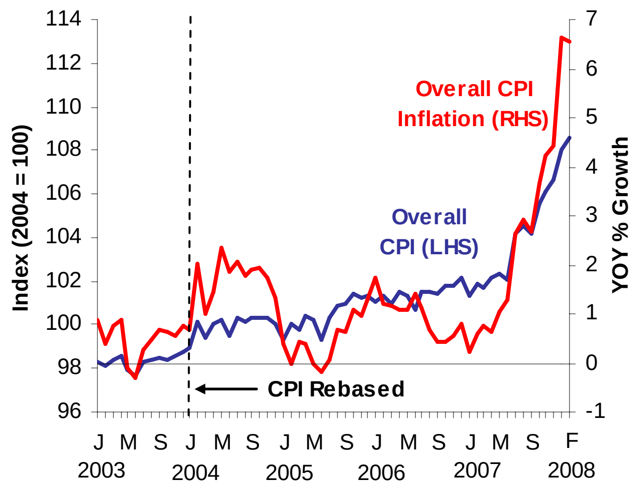
- **Singapore's February headline CPI inflation was slightly lower at 6.5% compared to January's 6.6%**

  However, the MAS underlying inflation measure, which excludes accommodation and private road transport costs, rose to 5.3% in February from 5.0% in January.

- **On a m-o-m basis, the growth in headline CPI slowed significantly from 1.3% in January to 0.5% in February**

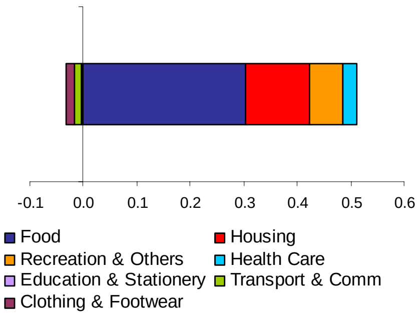
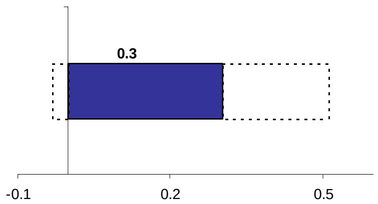
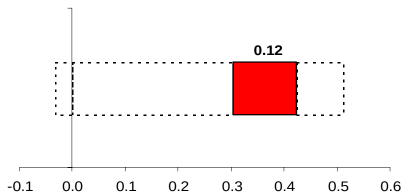
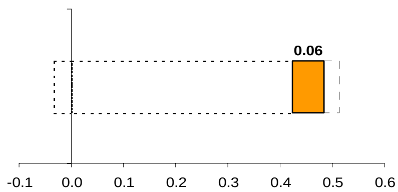
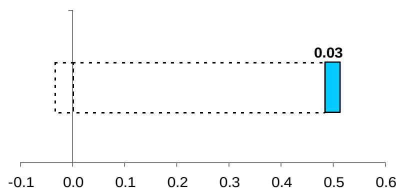
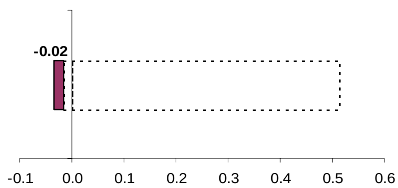
  The significant fall in m-o-m inflation was largely due to a much slower pace of increase in accommodation cost. This helped to offset the impact of a sustained increase in food prices and a jump in holiday expenses.

Singapore: CPI and CPI Inflation



Recent Developments in Domestic CPI Inflation

Domestic headline CPI inflation edged slightly lower to 6.5% year-on-year (y-o-y) in February 2008 from 6.6% in the previous month, bringing average inflation to 6.6% in Jan-Feb 2008. However, the MAS underlying inflation measure – which excludes accommodation and private road transport costs – increased to 5.3% in February 2008 from 5.0% in the preceding month. For Jan-Feb 2008, it averaged 5.1%.

% Point Contribution (m-o-m), February 2008	Group	
	**Overall (m-o-m)**	The CPI in February rose by 0.5% over January. In addition to food prices, the costs of housing, recreation and health care were also higher.
	**Food**	Food prices increased by 1.3% in February. Higher prices could be largely attributed to seasonal effects from the Chinese New Year holiday.
	**Housing**	Housing costs rose by 0.5% in February as a result of higher accommodation cost and gas prices. Cost of accommodation increased by 0.7%, while gas prices were revised up by 7.6%, the largest adjustment since September 2000.
	**Re-creation & Others**	The index for recreation expenses moved up by 0.4% owing to the higher cost of holiday travel.
	**Health-care**	Health care costs were higher in February as a result of increased hospitalisation fees as well as more expensive vitamins, health food and Chinese herbs.
	**Clothing & Foot-wear**	Prices of clothing and footwear edged lower by 0.5% in February due to seasonal discounts.

Outlook

VOLATILITY IN GLOBAL OIL AND FOOD PRICES PRESENTS UNCERTAINTY TO THE DOMESTIC FORECAST

Inflation will stay high in H1 2008 due to a confluence of domestic and external factors.

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.

Externally, tight market conditions will continue to support global oil prices. At the same time, global food prices are expected to remain high in the medium term, but with the pace of price increase possibly moderating in the latter part of the year when additional supplies from the autumn harvest becomes available.

Reflecting these factors as well as the low base in H1 2007, CPI inflation could peak in Q2 in y-o-y terms before moderating in the second half, partly due to the dissipation of the GST hike effect. However, the extent in which inflationary pressures eases in the second half remains uncertain at this juncture, depending largely on developments in global commodity prices.

Table A.1
Consumer Price Index

	All Items	Food	Clothing & Footwear	Housing	Tpt & Comm	Educat-ion & Stationery	Health Care	Recreation & Others
Weights	10000	2338	357	2126	2176	819	525	1659
	INDEX (2004 = 100)							
2007 Mar	101.7	103.8	102.8	103.2	94.4	104.9	102.7	104.1
Apr	102.1	103.7	102.8	102.7	96.3	103.9	103.7	105.3
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

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				
Mar	0.7	1.2	-3.5	21.7	1.5
Apr	0.6	1.2	-4.0	19.8	-1.9
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	0.6	11.5	43.6
Nov	4.2	3.5	3.4	9.5	60.6
Dec	4.4	3.7	3.6	7.9	50.4
2008 Jan	6.6	5.0	4.7	14.8	74.8
Feb	6.5	5.3	3.7	20.0	66.6

Source: Singapore Department of Statistics, IMF and Bloomberg