

Inflation Monthly

July 2008

Singapore's Consumer Price Index

	2008	
	June	July
y-o-y (%)	7.5	6.5
m-o-m (%)	-0.3	1.2
Index	109.7	110.0

- Singapore's headline CPI inflation fell to 6.5% y-o-y in July, as the effect of GST hike wore off

Similarly, the MAS underlying inflation measure, which excludes accommodation and private road transport costs, was lower at 5.6% in July compared to 6.5% in June.

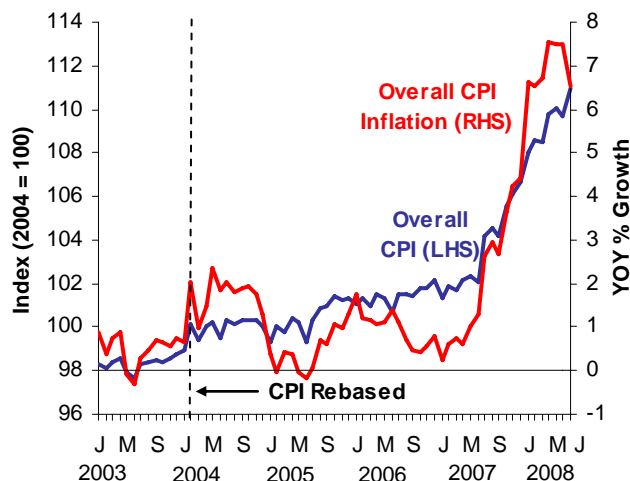
- On a m-o-m basis, the CPI was higher by 1.2%

The CPI rose sequentially due largely to the absence of Service & Conservancy Charges (S&CC) rebates in July. In addition, the end of the Great Singapore Sale in mid-July caused a rebound in the retail prices of clothing and footwear.

- Outlook: Public transport fares to rise by around 0.7% m-o-m in October 2008

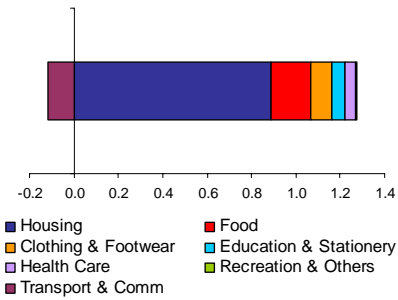
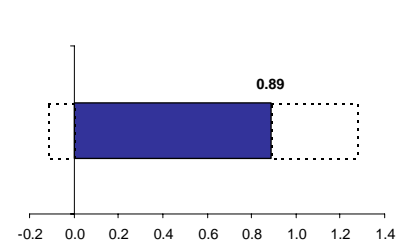
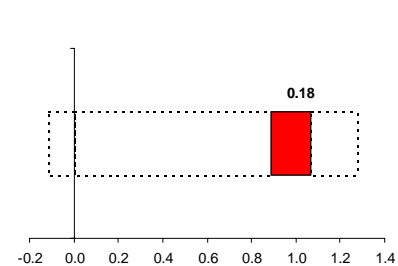
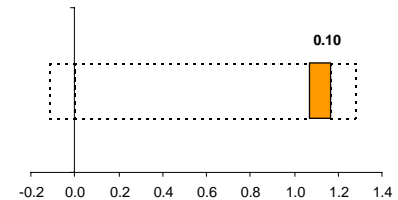
From 1 Oct, train and bus rides will cost four cents more. However, for commuters who make transfers on their journeys, the fare hike will be offset by a 15-cent increase in the transfer rebate.

Singapore: CPI and CPI Inflation



Recent Developments in Domestic CPI Inflation

Domestic CPI inflation came in at 6.5% y-o-y in July 2008, a step down from 7.5% in June. For the first seven months of 2008, it averaged 7.0%. Similarly, the MAS underlying inflation measure, which excludes accommodation and private road transport costs, fell to 5.6% y-o-y in July from 6.5% in June. It averaged 5.8% for the first seven months of 2008.

% Point Contribution (m-o-m), July 2008	Group	
	Overall (m-o-m)	The CPI was higher by 1.2% on a month-on-month (m-o-m) basis in July, after a 0.3% decline in June. The increase was broad-based across most major CPI categories. Only costs of private road transport, communication and holiday expenses registered a m-o-m decline. On a m-o-m three-month moving average basis, CPI inflation moderated slightly to 0.35% in July from 0.37% in June.
	Housing	Housing costs edged up by 4.0%, largely due to the absence of rebates for HDB S&CC and rentals in July. In addition, the cost of LPG in the CPI rose by 0.8% while electricity tariffs were adjusted up by 5.0%. Household durables were also more expensive in July as compared to June, following the end of the Great Singapore Sale.
	Food	Prices of food continued to rise by 0.7% in July over June, a similar rate to the preceding three months. The deceleration in cooked food price inflation from 0.7% m-o-m to 0.3% was offset by a larger increase in the retail prices of non-cooked food. Within the non-cooked food segment, the pace of increase in the prices of rice and cooking oil moderated significantly, while that of vegetables, fruits, meat, poultry and seafood escalated in July. More expensive diesel fuel in Malaysia could have raised the cost of transporting these raw food items to Singapore.
	Clothing & Footwear	Retail prices of clothing and footwear rebounded by 3.0% as the Great Singapore Sale ended in mid-July.

	<p>Education & Stationary</p>	<p>Costs of education and stationary were higher by 0.7% due to adjustments in kindergarten and nursery school fees.</p>
	<p>Health Care</p>	<p>Healthcare costs rose by 1.0% in July over June. Hospitalisation fees, dental treatment, medicinal products and health food were more costly.</p>
	<p>Transport & Communication</p>	<p>Costs of transport and communication declined by 0.6% m-o-m. Cheaper cars and a 15% cut in road tax with effect from 1 July more than offset higher ERP charges as well as more expensive private bus, taxi, sea and air fares.</p>

Outlook

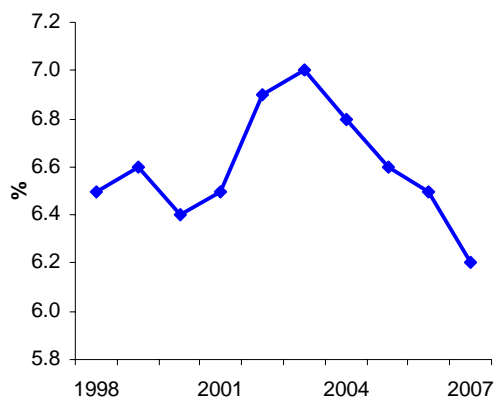
PUBLIC TRANSPORT FARES TO RISE BY AROUND 0.7% M-O-M IN OCTOBER 2008

From 1 October, train and bus rides will cost four cents more¹. However, for commuters who make transfers on their journeys, this will be offset by a 15-cent increase in the transfer rebate (from the current 25 cents to 40 cents.) There will also be a new maximum fare-band, with an additional five-cent increase for long-distance rides on trains and buses.

By the Public Transport Council's (PTC) estimates, around 43% of commuters will see either no change or a reduction in their weekly transport expenditure. Another 21% will see increases ranging between 0-3%, while the remaining 36% will see upward adjustments of more than 3%.

Overall, the average fare increase in October could be as low as 0.7% m-o-m, well below the 3.0% ceiling based on the fare adjustment formula². Despite the increase in average fares, the PTC expects the public transport affordability index to continue its downtrend since 2003.

Chart 1
Public Transport Affordability Indicator*



*Monthly transport expenditure as a percentage of household income for a characteristic family that corresponds to the second quintile income distribution

Source: Public Transport Council

CPI INFLATION EXPECTED TO MODERATE IN H2 2008

Domestic CPI inflation in y-o-y terms is expected to moderate in Q3 and further in Q4. While global food and oil prices are volatile, the pace of increase, if any, is likely to be far more moderate than that seen in the earlier part of the year. Indeed, the FAO Food price index has stabilised since March 2008 and crude oil prices have corrected from record highs recently. Further, the higher base in Q3 and Q4 last year – reflecting the GST hike and the sharp run-up in both global oil and food prices – would help to cap the y-o-y inflation rate.

¹ Child and student concession fares, as well as the prices of student and National Servicemen concession passes, will remain unchanged. However, the four-cent increase will apply to senior citizen concession fares. Furthermore, those who pay by cash instead of by EZ-link will see fares go up by a higher 10 cents across the board.

² The fare hike granted was lower than the increase that SBS Transit (1.5% for bus and train fares) and SMRT (0.8% for bus fares and 1.5% for train fares) had applied for. In addition, SMRT's proposed one-off fare adjustment to compensate for the increase in fuel prices was not granted.

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 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
May	110.0	113.5	102.0	115.3	103.6	108.9	110.7	108.9
Jun	109.7	114.2	98.8	113.3	103.5	108.7	110.9	109.2
Jul	111.0	115.1	101.8	117.9	102.9	109.5	112.0	109.2

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 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	5.4	15.4	74.8
Feb	6.5	5.3	4.5	20.4	66.6
Mar	6.7	5.6	4.3	22.8	69.4
Apr	7.5	6.4	4.1	17.4	65.8
May	7.5	6.5	6.3	15.1	85.0
Jun	7.5	6.5	8.3	17.4	92.3
Jul	6.5	5.6	9.7	17.4	83.1

Source: Singapore Department of Statistics, IMF and Bloomberg