

Singapore's Consumer Price Index

	2008	
	Sep	Oct
y-o-y (%)	6.7	6.4
m-o-m (%)	0.0	1.0
Index	111.2	111.3

- **Singapore's headline CPI inflation moderated from 6.7% y-o-y in September to 6.4% in October**

However, the MAS underlying inflation measure, which excludes the cost of accommodation and private road transport, rose from 5.6% in September to 6.1% in October.

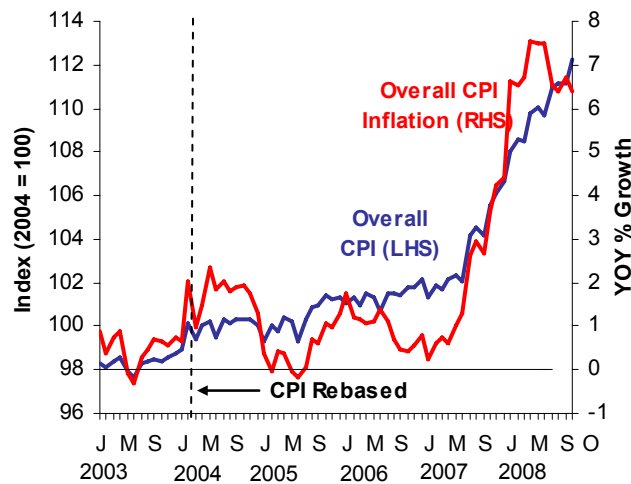
- **On a m-o-m basis, the CPI rose by 1%**

The increase in the CPI was led by higher housing costs, which climbed by 4.3%, reflecting a steep hike in electricity tariff and the absence of rebates for service and conservancy charges in October. Newspapers, holiday travel and dental treatment were also more expensive. Some of the increases were partially mitigated by cheaper petrol, clothing and footwear.

- **Leading indicators suggest a moderation in price pressures into 2009**

Nearly all leading price and cost indicators weakened recently. Domestically, COE prices, private residential property prices, commercial rentals and nominal wage growth, amongst others, have declined. Externally, the outlook for commodity prices remained weak.

Singapore: CPI and CPI Inflation



Recent Developments in Domestic CPI Inflation

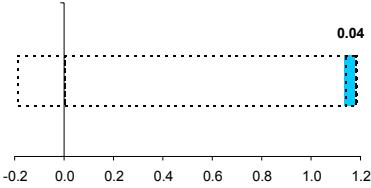
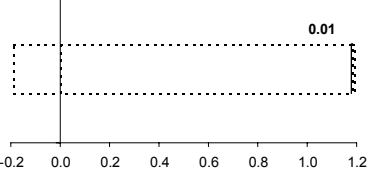
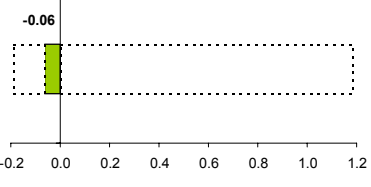
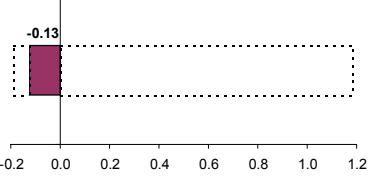
Headline CPI inflation moderated from 6.7% y-o-y in September to 6.4% in October. However, the MAS underlying inflation, which excludes accommodation and private road transport costs, rose from 5.6% in September to 6.1% in October. The increase was largely due to a steep hike in electricity tariff that was not mitigated by cheaper cars and petrol. For the first ten months of 2008, the headline and underlying inflation measures averaged 6.8% and 5.8% respectively.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
Per Cent Point Contribution	Category	
<p>■ Housing ■ Education & Stationery ■ Recreation & Others ■ Food ■ Health Care ■ Clothing & Footwear ■ Transport & Comm</p>	Overall	The CPI was higher by 1% in October compared to the preceding month. Aside from clothing & footwear and transport & communication, the other categories in the CPI, particularly housing, recorded cost increases in October.
<p>0.98</p>	Housing	The cost of housing climbed by 4.3%. This was largely due to the 21% hike in electricity tariff. ¹ Accommodation cost also rose by 2.2%, reflecting the absence of S&CC rebates in October. ²
<p>0.08</p>	Education & Stationery	The increase in the price of newspapers ³ , school textbooks and tuition fees at commercial institutions raised the education & stationery index by 1%.
<p>0.076</p>	Recreation & Others	The cost of recreation & others was higher by 0.5%, led by a 1.1% increase in the cost of holiday travel. This was the third consecutive month that holiday expenses had risen.

¹ The tariff for household electricity is reviewed by the Energy Market Authority on a quarterly basis. The tariff for the quarter is pegged to the three-month ICE forward price of high sulphur fuel oil (HSFO-180 cst) quoted in the first month of the preceding quarter.

² As S&CC rebates are administered only in certain months of the year, they induce variation in the monthly accommodation cost component of the CPI. For 2008, the rebates are given out in March, June, September and December.

³ Singapore Press Holdings raised the prices of some of its newspapers by 5-20 cents on October 1.

 <p>A bar chart with a horizontal axis ranging from -0.2 to 1.2. A single blue bar extends to the right from the 0.0 mark, reaching 0.04. A dashed horizontal line is drawn at the 0.04 level.</p>	<p>Food</p>	<p>Food price inflation slowed further to 0.2%. The price of non-cooked food rose by 0.1%, the slowest rate in more than a year after taking into account seasonal factors.⁴ Cooked food price inflation held steady for the third consecutive month at 0.2%, which was comparable with the historical monthly rate of increase.</p>
 <p>A bar chart with a horizontal axis ranging from -0.2 to 1.2. A single purple bar extends to the right from the 0.0 mark, reaching 0.01. A dashed horizontal line is drawn at the 0.01 level.</p>	<p>Health Care</p>	<p>More expensive dental treatment raised health care costs slightly by 0.1%. Hospitalisation, outpatient and other medical fees were largely unchanged for the second month in a row.</p>
 <p>A bar chart with a horizontal axis ranging from -0.2 to 1.2. A single green bar extends to the left from the 0.0 mark, reaching -0.06. A dashed horizontal line is drawn at the -0.06 level.</p>	<p>Clothing & Footwear</p>	<p>Prices of clothing & footwear tumbled by 1.8%. While a price decline is typical in the month of October, the last time prices fell by such a large extent in a month unaffected by the mid- and end-of-year sales was in October 1997. Weak consumer sentiment could have caused retailers to give large discounts to stimulate buying.</p>
 <p>A bar chart with a horizontal axis ranging from -0.2 to 1.2. A single purple bar extends to the left from the 0.0 mark, reaching -0.13. A dashed horizontal line is drawn at the -0.13 level.</p>	<p>Transport & Communication</p>	<p>In its fifth consecutive month of decline, the cost of transport & communication slipped further by 0.6%. Sharply lower petrol pump prices, airfares and internet subscription fees offset increases in public bus and MRT fares.⁵</p>

Outlook

LEADING INDICATORS SUGGEST AN EASING IN INFLATIONARY PRESSURES

Domestic indicators of inflation have weakened in recent weeks. COE prices across the board tumbled in November, and remained low in the first bidding session in December due to slowing demand amidst weak consumer sentiment. Private residential property prices also eased by 2.4% q-o-q in Q3, the first decline since Q1 2004. Shop and office rentals followed a similar profile, and were lower by 0.8% and 0.6% respectively in Q3 from their peaks in Q2. Excluding the community, social & personal sector (CSP), nominal wage growth in the rest of the economy slowed from 6.4% y-o-y in Q2 to 5.7% in Q3.⁶ Nominal wages should moderate further in the quarters ahead given the weakening labour market. Indeed, job gains fell by 22% q-o-q to 55,700 in Q3, the lowest since Q1 2007, even as various employment surveys indicate a sharply

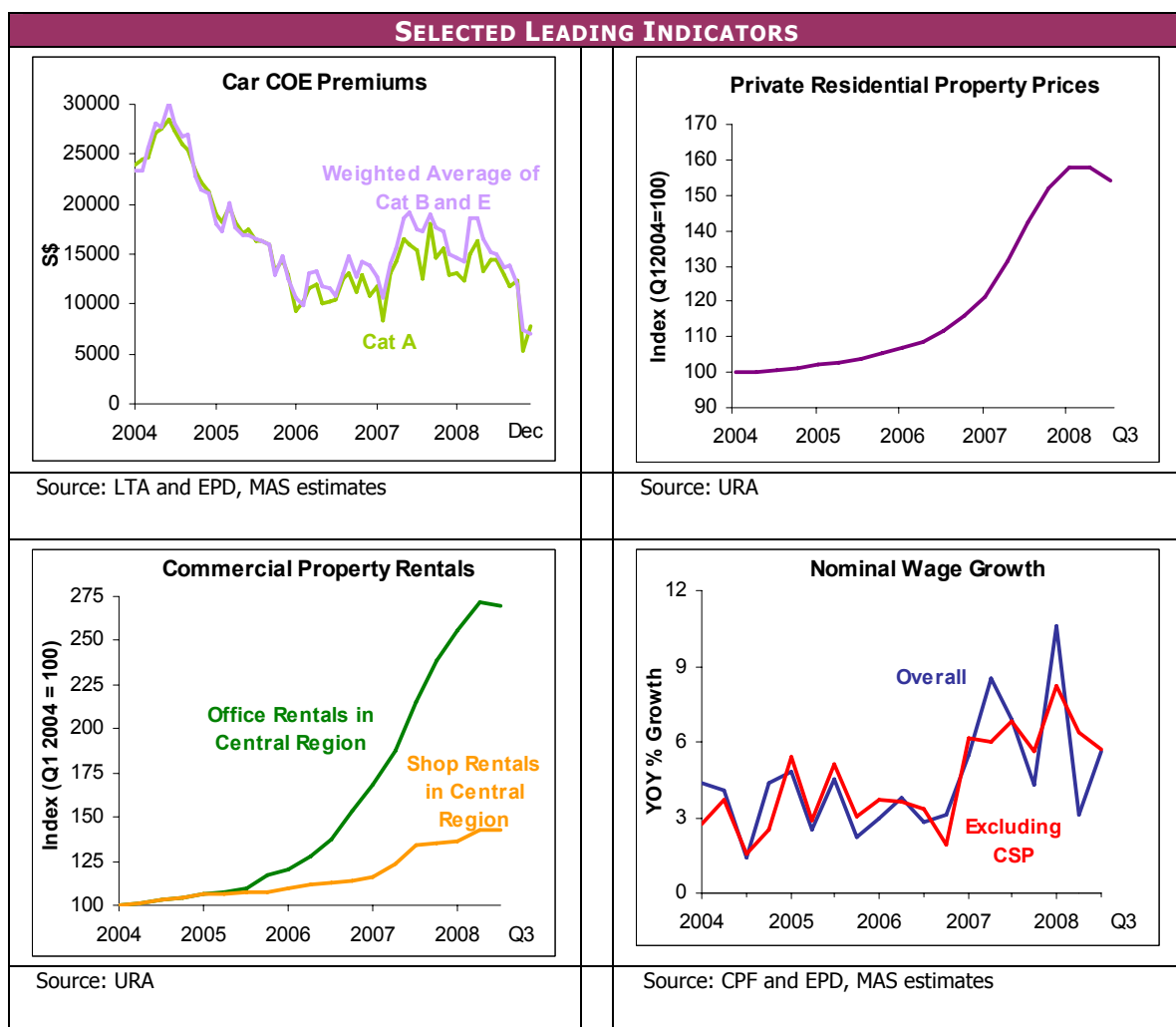
⁴ Non-cooked food prices corrected by 0.6% m-o-m in March this year, a seasonal adjustment following the Chinese New Year holiday period in February.

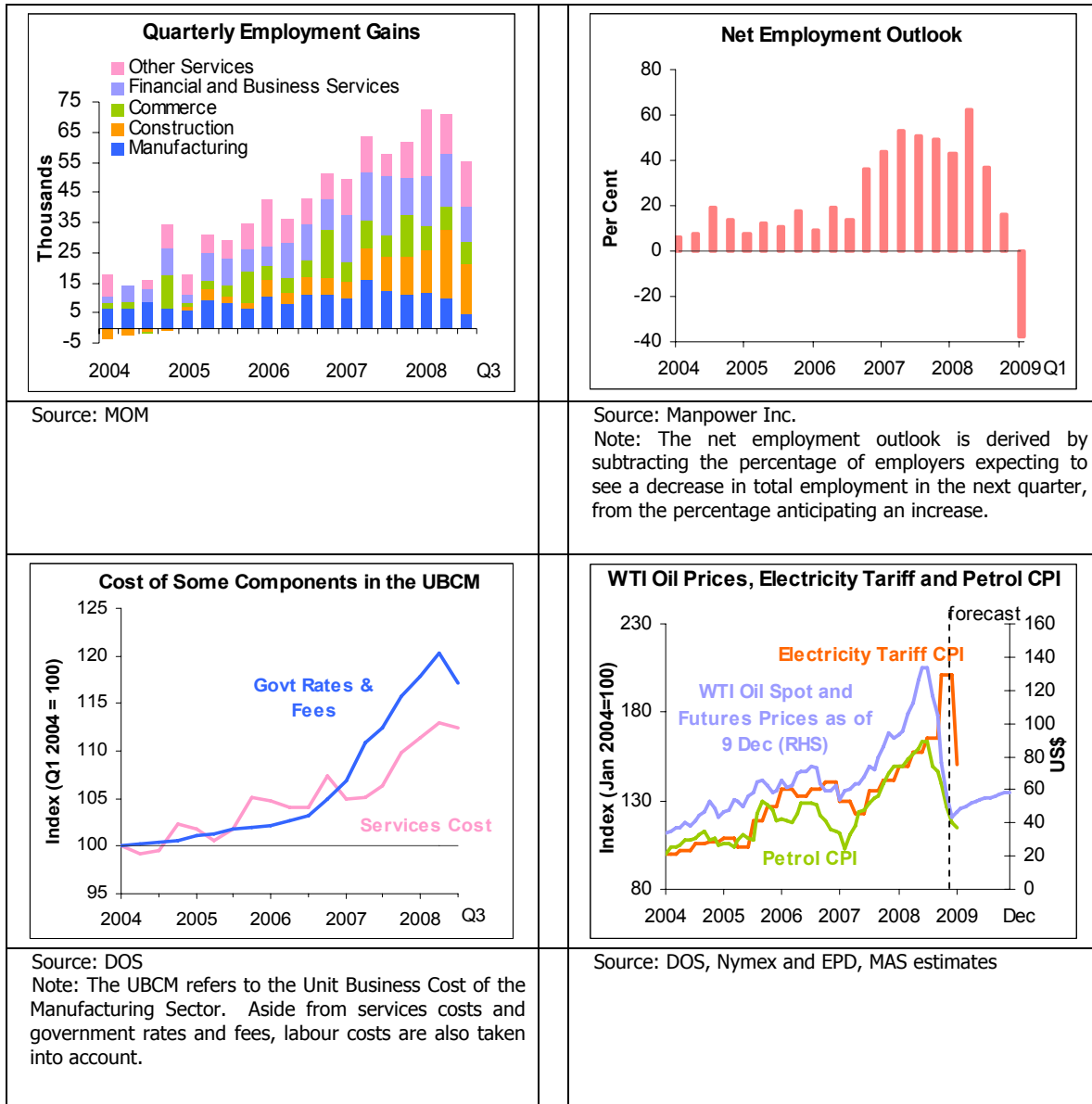
⁵ Public transport fares in Singapore are reviewed annually by the Public Transport Council. From October 1, train and bus EZ-Link fares were revised up by four cents. However, the impact was partially mitigated by a 15-cent increase in transfer rebates.

⁶ CSP, i.e. "the public sector" was excluded to strip out the base effects arising from one-off bonus payments given out to civil servants in Q2 2007.

worsening labour market outlook in Q1 2009. The cost of services and government fees & charges faced by the manufacturing sector fell slightly in Q3, after six and 18 straight months of increases respectively.

Meanwhile, the outlook for global commodity prices deteriorated further. In its December issue of Short-term Energy Outlook, the Energy Information Administration (EIA) slashed the forecasts for oil demand and prices yet again. It now projects global oil demand to decline by 50,000 barrels per day (bpd) in 2008 and a further 450,000 bpd in 2009, which would mark the first time in three decades that world consumption fall in two consecutive years. These forecasts were significantly lower than last month's expectations for a 100,000 bpd increase in 2008 and no growth in 2009. As a result, the EIA's forecast of the average WTI oil price in 2009 dropped from US\$64 to US\$51, which is similar to the average price currently indicated by Nymex futures.





DOMESTIC CPI INFLATION IS EXPECTED TO DECLINE TO 1-2% IN 2009

Domestic CPI inflation rate is projected to come down from 6-7% this year to 1-2% in 2009. Similarly, the MAS underlying inflation rate is expected to come in lower at 1-2% in 2009 from 5-6% in 2008. The decline in both of these inflation measures reflects several factors. First, the annual values of HDB properties will be kept unchanged in 2009, removing some of the pressures behind the surge in inflation this year. Second, in line with improving demand-supply dynamics in world markets and significantly lower freight rates, commodity prices are likely to ease further into 2009. Third, domestic business cost pressures, notably wages and rentals, should moderate further alongside a decline in resource utilisation. The narrowing of the output gap will also directly limit price increases for most goods and services, as businesses maintain or lower prices to counter flagging demand.

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 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
Aug	111.2	115.3	104.2	118.5	101.9	110.1	112.6	109.7
Sep	111.2	115.7	104.3	119.0	101.5	107.6	112.6	110.3
Oct	112.3	115.9	102.3	124.1	100.8	108.7	112.7	110.8

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 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	17.2	92.3
Jul	6.5	5.6	9.8	17.7	83.1
Aug	6.4	5.8	8.1	14.3	63.7
Sep	6.7	5.6	4.6	5.0	30.6
Oct	6.4	6.1	-0.2	-13.0	-12.4

Source: Singapore Department of Statistics, IMF and Bloomberg