

Inflation Monthly

August 2009

Singapore's Consumer Price Index

	2009	
	July	Aug
y-o-y (%)	-0.5	-0.3
m-o-m (%)	1.1	0.4
Index	110.4	110.9

- **The headline CPI inflation rate picked up slightly from -0.5% y-o-y in July to -0.3% in August**

The inflation rate for private road transport turned positive in August and offset the disinflationary effects from other components in the CPI. The MAS underlying inflation measure, which excludes the cost of accommodation and private road transport, continued to moderate from -0.7% in July to -1.1% in August

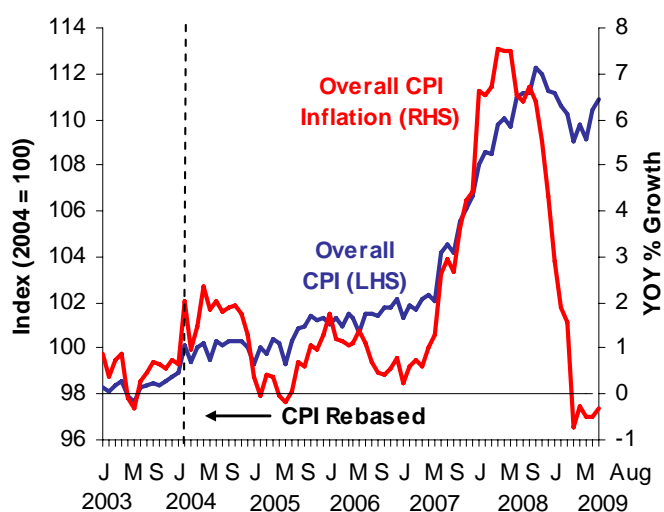
- **On a month-on-month basis, the CPI rose by 0.4% in August**

The increase in the CPI was due to more expensive cars and oil-related items such as petrol and gas tariffs.

- **Headline CPI inflation (y-o-y) is expected to remain negative for the rest of the year**

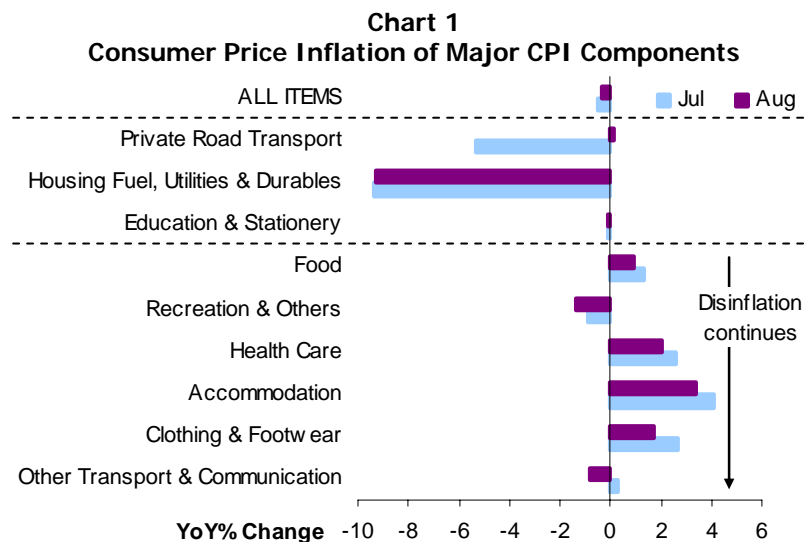
In the first eight months of this year, headline CPI inflation stood at 0.5%. It is expected to average around 0% for the whole of 2009.

Singapore: CPI and CPI Inflation



Recent Developments in Domestic CPI Inflation

Inflation rates (on a y-o-y basis) for most CPI categories continued to moderate in August. (Chart 1) However, this was mitigated by a 5.4% point increase in the inflation rate for private road transport. Consequently, headline CPI inflation picked up from July to a less negative rate of -0.3% in August. Excluding both private road transport and accommodation, the MAS underlying inflation measure was lower at -1.1%, compared to -0.7% in July.



MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
Per Cent Point Contribution	Category	
<p>Legend: ■ Transport & Comm (Dark Blue) ■ Education & Stationery (Red) ■ Clothing & Footwear (Orange) ■ Housing (Light Blue) ■ Health Care (Purple) ■ Recreation & Others (Green) ■ Food (Dark Purple)</p>	Overall	The CPI rose by 0.4% m-o-m in August, largely reflecting more expensive cars and oil-related items such as petrol and gas tariffs. Costs of education and clothing & footwear also picked up. In comparison, prices of food and holiday travel packages continued to slide.
	Transport & Communication	Transport & communication costs have been rising since May due to the steep increases in COE premiums following the quota cut in April, as well as the hikes in petrol pump prices in tandem with rising global crude oil prices.
	Education & Stationery	More expensive overseas university tuition fees as well as course fees at local tertiary institutions raised the cost of education.

	<p>Clothing & Footwear</p>	<p>Prices of clothing and footwear surged past their pre-Great Singapore Sale (GSS) levels to a fresh high.</p>
	<p>Housing</p>	<p>The slight increase in housing costs was due to a 7.5% hike in gas tariffs.</p>
	<p>Food</p>	<p>Nearly all non-cooked food items, notably fruits and vegetables, registered price declines. In comparison, the cost of prepared meals remained stable.</p>
	<p>Recreation & Others</p>	<p>Prices of overseas holiday travel packages fell in August owing to cheaper airfares and discounts offered by travel agents in the NATAS fair. This was partially offset by the rebound in the prices of personal effects (jewellery, watches, leather goods etc) following the end of the GSS.</p>

Inflation Outlook

HEADLINE CPI INFLATION IS EXPECTED TO BE AROUND 0% IN 2009

For the rest of the year, CPI inflation is expected to remain negative on a year-ago basis. Although global oil prices have nearly doubled since February to around US\$80 recently, they should on average remain lower in 2009 compared to a year ago due to still weak demand and high inventories. Consequently, while electricity and gas tariffs for Q3 have each been hiked by around 7%, and petrol pump prices are now some 15% higher compared to April, oil-related items will still be the main drag on inflation in 2009.

Meanwhile, other key sources of price pressures last year, such as food and accommodation costs, had abated in H1 and will only add marginally to inflation in H2. The prices of some recreation goods and services, such as holiday travel packages, should continue to decline in the coming months, amidst weak consumer demand.

For the whole of 2009, CPI inflation is expected to average around 0%.

Appendix Tables

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)							
2008 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
Nov	112.0	116.2	104.0	124.2	99.1	108.6	112.8	110.5
Dec	111.3	116.5	103.1	122.8	96.5	108.6	112.8	111.2
2009 Jan	111.2	117.4	102.2	120.3	97.1	109.1	114.0	111.1
Feb	110.6	116.7	103.4	119.7	97.0	108.4	114.0	109.7
Mar	110.2	116.8	104.7	117.7	96.4	108.4	114.0	110.3
Apr	109.0	116.6	104.2	112.8	96.5	108.4	114.6	109.6
May	109.7	116.5	102.9	116.1	97.6	108.4	114.6	108.6
Jun	109.1	116.5	100.6	112.5	98.6	108.7	114.6	108.5
Jul	110.4	116.6	104.5	116.4	99.7	109.4	114.9	108.2
Aug	110.9	116.4	106.0	116.6	101.5	110.0	114.8	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				
2008 Sep	6.7	5.6	4.6	5.5	30.6
Oct	6.4	6.1	-0.2	-11.8	-12.4
Nov	5.5	5.5	-7.3	-18.3	-44.1
Dec	4.3	5.2	-10.7	-24.0	-56.3
2009 Jan	2.9	3.2	-9.5	-26.4	-53.3
Feb	1.9	2.1	-8.7	-32.9	-54.4
Mar	1.6	2.0	-8.7	-35.4	-53.7
Apr	-0.7	0.1	-9.3	-31.7	-52.2
May	-0.3	-0.2	-11.6	-27.0	-52.2
Jun	-0.5	-0.4	-11.6	-25.8	-46.7
Jul	-0.5	-0.7	-13.5	-26.5	-50.8
Aug	-0.3	-1.1	-10.9	-17.0	-36.5

Source: Singapore Department of Statistics, IMF and Bloomberg