# Inflation Monthly

July 2009

**Singapore's Consumer Price Index**

| | 2009 | |
|---|---|---|
| | June | July |
| y-o-y (%) | -0.5 | -0.5 |
| m-o-m (%) | -0.5 | 1.1 |
| Index | 109.1 | 110.4 |

- **July's headline CPI inflation rate was unchanged from June at -0.5% y-o-y**

  A larger increase in the cost of clothing & footwear and a smaller decline in private road transport cost offset the disinflation effects from other components in the CPI, notably food and housing. The MAS underlying inflation measure, which excludes the cost of accommodation and private road transport, continued to moderate from -0.4% in June to -0.7% in July.

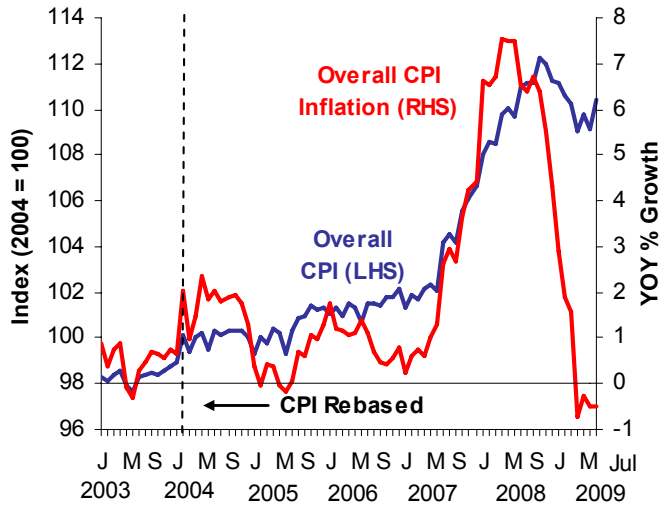
- **On a month-on-month basis, the CPI rose by 1.1% in July**

  Aside from the rebound in the housing and clothing price indices, the increase in the CPI also reflected more expensive cars, oil-related items and overseas university tuition.

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

  In the first seven months of this year, headline CPI inflation stood at 0.6%. It is expected to average between -0.5% and 0.5% for the whole of 2009.

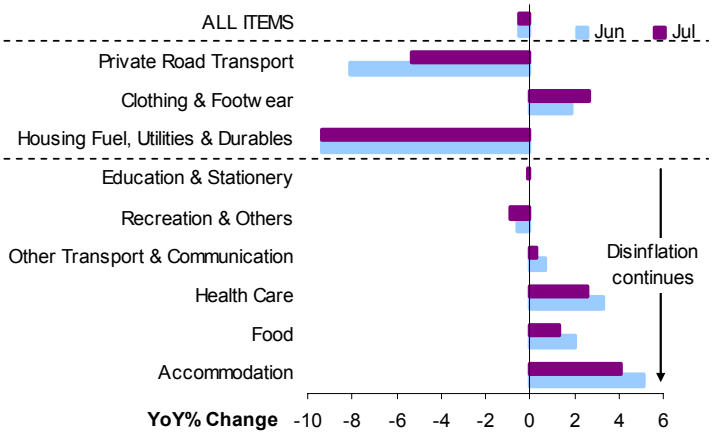
**Singapore: CPI and CPI Inflation**

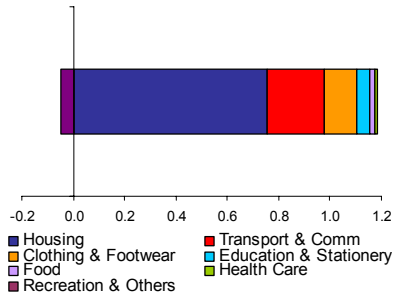
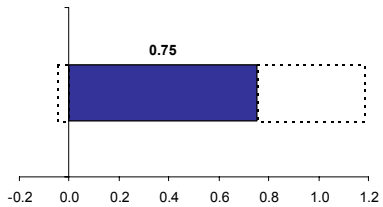
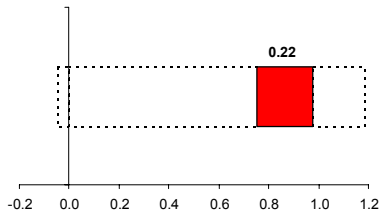


# Recent Developments in Domestic CPI Inflation

Inflation rates (on a y-o-y basis) for most CPI categories, notably food and accommodation, continued to moderate in July. (Chart 1) However, this was mitigated by a larger increase in the cost of clothing & footwear as well as a smaller decline in private road transport cost. Consequently, July's CPI inflation rate was unchanged from June, at -0.5%. Excluding both accommodation and private road transport, the MAS underlying inflation measure came in lower at -0.7% in July, compared to -0.4% in June.

**Chart 1**
**Consumer Price Inflation of Various Goods and Services**




| MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES | | |
|---|---|---|
| **Per Cent Point Contribution** | **Category** | |
|   | **Overall** | The CPI rose by 1.1% m-o-m in July, returning nearly to February's level. The increase was due, in part, to "seasonal" factors in the housing and clothing & footwear components. In addition, costs of private road transport and education also picked up. In comparison, recreation goods and services were cheaper, while prices of all other items were stable. |
|   | **Housing** | The sharp increase in housing costs reflected (i) higher maintenance cost as S&CC rebates were not administered in July [1]; and (ii) a 7% hike in electricity tariffs. |
|   | **Transport & Communi-cation** | In addition to more expensive cars and petrol, communication cost rose in July on the back of higher Internet subscriptions fees. |

[1] S&CC rebates are given out only in certain months and hence cause variations in the monthly accommodation cost index. For 2009, the rebates are scheduled to be administered in March, April, June, September and December.

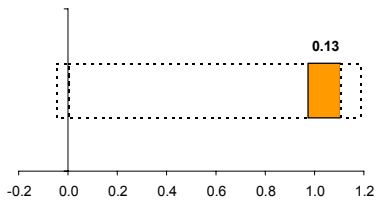
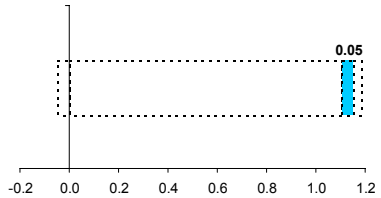
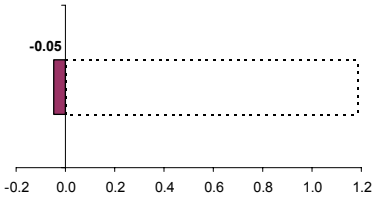
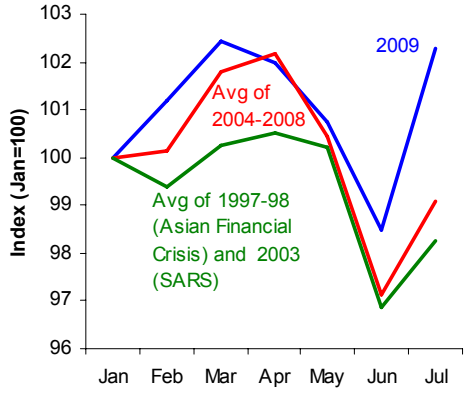
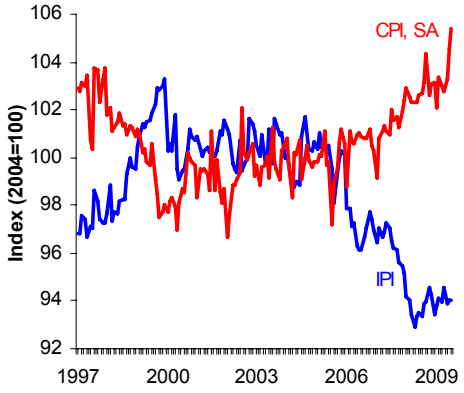
| | | |
|---|---|---|
|  | **Clothing & Footwear** | Prices of clothing and footwear jumped back to March levels following the end of the Great Singapore Sale. Not only were the discounts offered smaller this year than in previous years, the rebound in prices was also swifter and steeper. The jump in retail prices, despite low import costs and weak demand, could reflect still elevated shop space rentals. (Chart 2) |
|  | **Education & Stationery** | More expensive overseas university tuition raised the cost of education. |
|  | **Recreation & Others** | Prices of overseas holiday travel packages fell sharply in July due to cheaper airfares and discounts offered by travel agents in the lead-up to August's NATAS fair. |

**Chart 2**

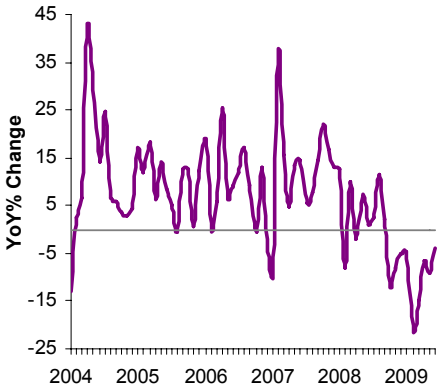
**(a) Clothing & Footwear CPI, NSA**



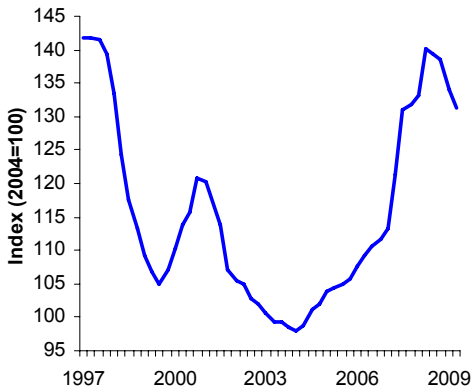

**(b) Clothing & Footwear CPI and IPI, SA**




**(c) Clothing & Footwear Retail Sales Volume**




**(d) Shop Space Rentals**



# Inflation Outlook

### HEADLINE CPI INFLATION EXPECTED TO AVERAGE BETWEEN -0.5% AND 0.5% IN 2009

For the rest of the year, CPI inflation is expected to remain slightly negative on a year-ago basis. Although global oil prices have nearly doubled since February to around US$70 recently, they should on average remain lower 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 between -0.5% and 0.5%.

# Appendix Tables

**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) | | | | | | | |
| 2008 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 |
| 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 |

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 Aug | 6.4 | 5.8 | 8.1 | 14.2 | 63.7 |
| 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 | -25.2 | -46.7 |
| Jul | -0.5 | -0.7 | -13.5 | -26.0 | -50.8 |

Source: Singapore Department of Statistics, IMF and Bloomberg