

Inflation Monthly

May 2009

Singapore's Consumer Price Index

	2009	
	Apr	May
y-o-y (%)	-0.7	-0.3
m-o-m (%)	-1.1	0.6
Index	109.0	109.7

- **Singapore's headline CPI inflation came in at -0.3% in May**

The MAS underlying inflation measure, which excludes the cost of accommodation and private road transport, also dipped into the negative territory at -0.2%.

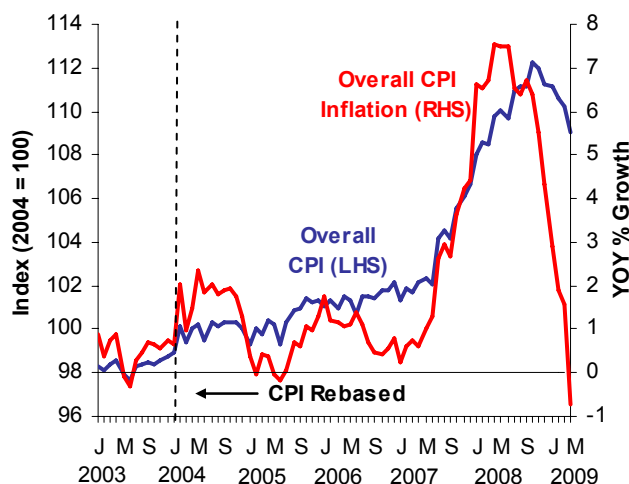
- **Compared to April, the CPI was higher by 0.6% in May**

The jump was mostly attributed to a rebound in the housing maintenance cost index. Cars and petrol were also more expensive.

- **Headline CPI inflation forecast for 2009 has been revised to between -0.5% and 0.5%, from -1% and 0% previously**

Inflation is still expected to remain negative on a y-o-y basis for the rest of the year. However, with the surge in oil prices in Q2, the drag from oil-related items (namely electricity tariffs and petrol pump prices) on CPI inflation in H2 is likely to be smaller than previously expected.

Singapore: CPI and CPI Inflation

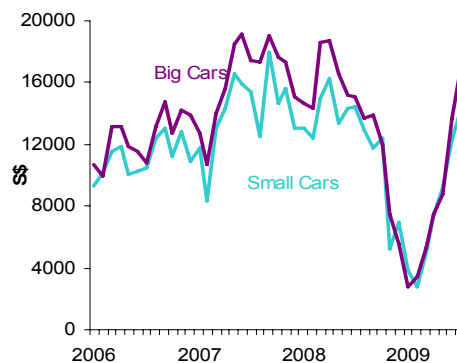


Recent Developments in Domestic CPI Inflation

Headline CPI inflation picked up from -0.7% y-o-y in April to -0.3% in May. However, April's inflation rate was dragged down by the administration of additional rebates for HDB Service & Conservancy Charges (S&CC).¹ Indeed, the MAS underlying inflation measure, which excludes both accommodation and private road transport, eased from 0.1% y-o-y in April to -0.2% in May. For the first five months of 2009, headline CPI inflation and MAS underlying inflation averaged 1.1% and 1.4% respectively.

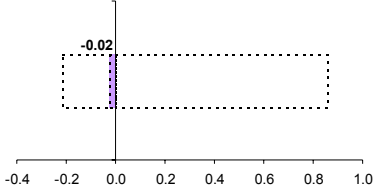
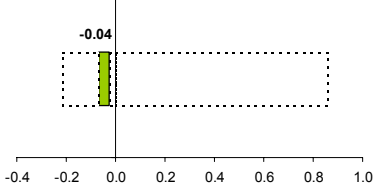
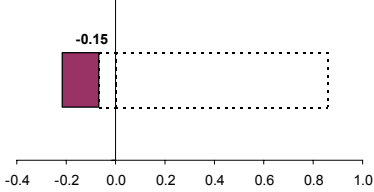
MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
Per Cent Point Contribution	Category	
<p>Waterfall chart showing month-on-month changes in key CPI categories for Overall. The total change is 0.6%. Housing contributed 0.65%, Transport & Communication 0.21%, and other categories (Health Care, Education & Stationery, Food, Clothing & Footwear, Recreation & Others) contributed -0.26%.</p>	Overall	After six consecutive months of decline, the CPI increased by 0.6% m-o-m in May. This was mainly due to the rebound in the housing maintenance cost index. Private road transport costs also rose. Prices of all other goods and services either registered small changes or remained stable.
<p>Waterfall chart showing month-on-month changes in key CPI categories for Housing. The total change is 0.65%.</p>	Housing	Housing maintenance costs rebounded to the February level after two consecutive months of decline in March and April when the S&CC rebates were administered. (See footnote 1)
<p>Waterfall chart showing month-on-month changes in key CPI categories for Transport & Communication. The total change is 0.21%.</p>	Transport & Communication	A strong recovery in COE premiums ² raised the cost of cars (Chart 1), while petrol pump prices were hiked in tandem with the recent surge in global oil prices.

Chart 1
Car COE Premiums



¹ S&CC rebates are scheduled to be administered in the last month of every quarter and incorporated into the CPI through the accommodation index. In 2009, additional rebates were administered in April, as part of the Resilience Package to help Singaporeans cope with the downturn. As these rebates were given out during off-cycle, they depressed CPI inflation both on a m-o-m and y-o-y basis in April.

² COE premiums rebounded sharply following a 25% cut in COE supply for the period April 2009-March 2010.

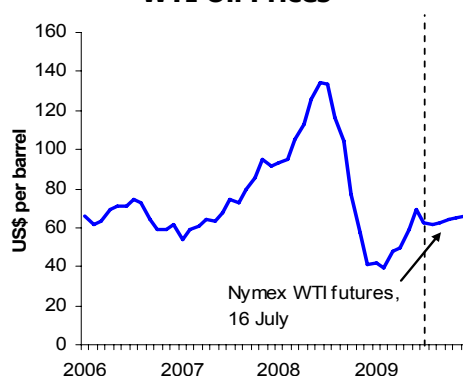
	<p>Food</p>	<p>Non-cooked food prices moderated slightly due to cheaper vegetables and fruits, while cooked food prices remained unchanged. Overall, food prices had fallen back to the December 2008 level.</p>
	<p>Clothing & Footwear</p>	<p>Retail prices of clothing & footwear were lower due to the Great Singapore Sale.</p>
	<p>Recreation & Others</p>	<p>The steep decline in the cost of holiday travel reflected plummeting airfares and hotel room rates globally.</p>

Outlook

HEADLINE CPI INFLATION FORECAST FOR 2009 HAS BEEN REVISED TO BETWEEN -0.5% AND 0.5%, FROM -1% AND 0% PREVIOUSLY

Into H2 2009, CPI inflation is expected to continue turning in small negative rates on a year-ago basis. Although global oil prices had risen by some 40% in Q2, they should remain significantly lower, on average, in 2009 compared to most of last year due to weak demand and high inventories. (Chart 2) However, following the recent surge, the drag of oil-related items on inflation in H2 is now smaller than earlier expected. Already, electricity tariffs for Q3 have been hiked by 7%, and petrol pump prices are now some 10% higher compared to April.

**Chart 2
WTI Oil Prices**



Meanwhile, other 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 retail goods and overseas travel packages should continue to decline in the coming months, reflecting weak consumer demand. Consumers will also continue to benefit from cost savings passed on by businesses, as wages and rentals moderate further.

For the whole of 2009, CPI inflation is now 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	Educational & Stationery	Health Care	Recreation & Others
Weights	10000	2338	357	2126	2176	819	525	1659
	INDEX (2004 = 100)							
2008 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
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

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 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	14.2	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	-24.9	-53.3
Feb	1.9	2.1	-8.7	-31.5	-54.4
Mar	1.6	2.0	-8.7	-34.1	-53.7
Apr	-0.7	0.1	-9.3	-30.0	-52.2
May	-0.3	-0.2	-11.7	-25.9	-52.2

Source: Singapore Department of Statistics, IMF and Bloomberg