

Inflation Monthly

November 2009

Singapore's Consumer Price Index

	2009	
	Oct	Nov
y-o-y (%)	-0.8	-0.2
m-o-m (%)	0.6	0.4
Index	111.4	111.8

- **Singapore's headline CPI inflation (y-o-y) rose to -0.2% in November**

The increase in inflation from a trough of -0.8% in October was due largely to higher costs of petrol and holiday travel. Excluding the cost of private road transport and accommodation, the MAS underlying inflation measure also increased to -1.0% in November. The headline and MAS underlying inflation measures averaged 0.3% and 0.1% respectively over the first eleven months of 2009.

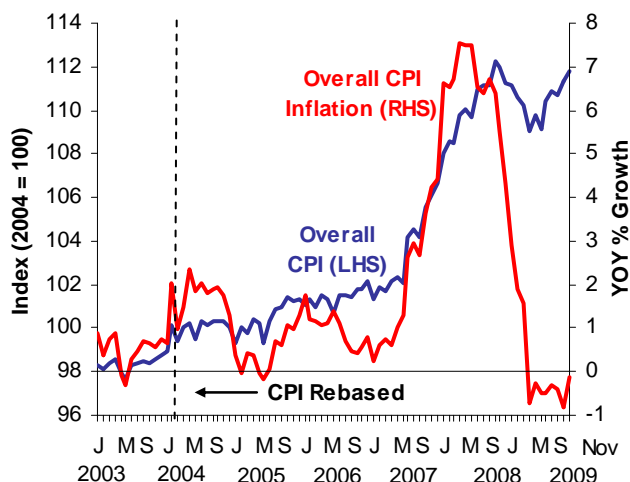
- **On a month-on-month basis, the domestic CPI was higher by 0.4% in November**

The rise was attributed mostly to a spike in the cost of holiday travel. Other major components in the CPI recorded only relatively small increases.

- **Headline CPI inflation will remain negative in Q4 2009 and turn positive from Q1 2010**

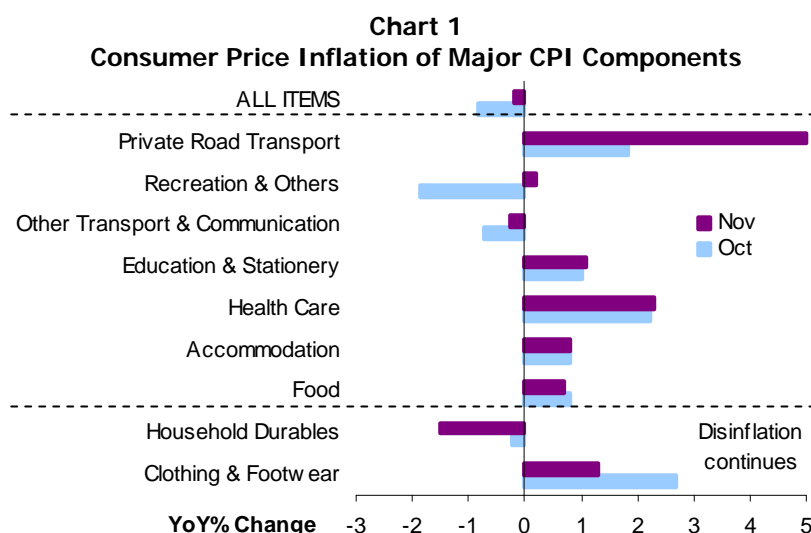
Headline inflation measured on a year-ago basis will remain negative in Q4 owing to the high base last year, before turning positive from Q1 2010 onwards. On a sequential basis, the CPI will continue to rise in Q4 and into 2010, largely due to higher expected prices of oil-related items, food and cars.

Singapore: CPI and CPI Inflation

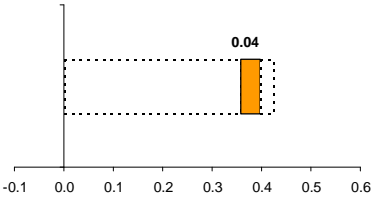
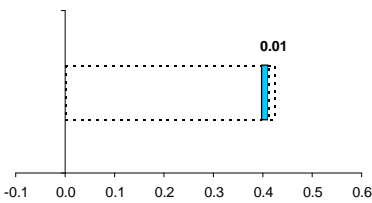


Recent Developments in Domestic CPI Inflation

On a year ago basis, the inflation rate for nearly all the CPI components rose in November, compared to the preceding month. (Chart 1) In particular, the inflation rate for private road transport nearly tripled to 5% in November due largely to the sharp spike in oil prices and, consequently, local pump prices. Recreation costs also picked up following seven straight months of decline, led by a recovery in holiday travel expenses. Consequently, headline CPI inflation recovered from a trough of -0.8% in October to -0.2% in November, the highest in eight months. Excluding the cost of private road transport and accommodation, the MAS underlying inflation measure was also higher at -1.0%, compared to -1.5% in October.



MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
Per Cent Point Contribution	Category	
<p>0.4</p> <p>Legend: Recreation & Others (dark blue), Housing (red), Food (orange), Transport & Comm (light blue), Clothing & Footwear (purple), Education & Stationery (green), Health Care (yellow)</p>	Overall	The CPI rose by 0.4% m-o-m in November, with all major categories registering price increases. In particular, there was a sharp rise in the cost of recreation & others.
<p>0.31</p>	Recreation & Others	The cost of holiday travel packages spiked up by an unusually large 7%, due largely to an increase in hotel room rates overseas and more expensive coach fares to Malaysia.
<p>0.05</p>	Housing	The small increase in the housing index reflected a 14% hike in gas tariffs. Accommodation costs were unchanged in November.

	<p>Food</p>	<p>Non-cooked food prices continued to rise for the third consecutive month, although the magnitude of increase remained fairly benign at 0.3%. Significant increases in the cost of vegetables, fruits and sugar & confectionary – due to weather-related supply disruptions in the region, India and Brazil – were largely offset by cheaper meat & poultry.</p>
	<p>Transport & Communication</p>	<p>COE premiums, the key driver of car prices, were relatively stable in October-November, averaging around S\$18K. The uncertainty of year-end bonuses could have stymied the steep uptrend in premiums over the preceding six months. Meanwhile, global oil prices picked up slightly to US\$78 per barrel in November, prompting a small increase in domestic petrol pump prices.</p>

Inflation Outlook

HEADLINE CPI INFLATION WILL TURN POSITIVE FROM Q1 2010

For Q4 2009 and into 2010, the key source of price pressures in the domestic economy will likely come through the import channel, driven by structural demand-supply imbalances in the global oil and food commodity markets. In comparison, domestic sources of inflation, other than accommodation-related costs and car prices, will be restrained by subdued factor costs until at least the first half of 2010, reflecting the temporary slack in the labour market and upcoming supply of commercial space. With the expiration of the government measures contained in the Resilience Package by the first half of 2010, firms could face some increase in costs subsequently, especially if the economic recovery is stronger than currently expected.

On a sequential basis, the CPI, which rebounded in Q3 following two consecutive quarters of steep decline, is forecast to continue rising in Q4 and into 2010. However, headline inflation as measured on a year-ago basis will remain negative in Q4 owing to the high base last year, before turning positive from Q1 2010 onwards.

Table A.1
Consumer Price Index

	All Items	Food	Clothing & Footwear	Housing	Tpt & Comm	Educ- ion & Stationery	Health Care	Recreation & Others
Weights	10000	2338	357	2126	2176	819	525	1659
	INDEX (2004 = 100)							
2008 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
Sep	110.7	116.6	104.3	116.1	101.3	109.8	115.0	108.3
Oct	111.4	116.8	105.1	118.2	101.4	109.8	115.3	108.7
Nov	111.8	117.0	105.4	118.5	101.5	109.8	115.4	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				
2008 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	-26.3	-50.8
Aug	-0.3	-1.1	-11.0	-18.0	-36.5
Sep	-0.4	-1.1	-10.2	-14.6	-30.7
Oct	-0.8	-1.5	-5.3	2.6	5.1
Nov	-0.2	-1.0	1.5	15.3	53.3

Source: Singapore Department of Statistics, IMF and Bloomberg