

Inflation Monthly

October 2009

Singapore's Consumer Price Index

| | 2009 | |
|-----------|-------|-------|
| | Sep | Oct |
| y-o-y (%) | -0.4 | -0.8 |
| m-o-m (%) | -0.1 | 0.6 |
| Index | 110.7 | 111.4 |

- Singapore's headline CPI inflation (y-o-y) came in at -0.8% in October, from -0.4% in September

The MAS underlying inflation measure, which excludes the cost of accommodation and private road transport, also declined to -1.5% in October. The fall in inflation was largely due to the high base in October 2008 when electricity tariffs were hiked significantly. Both the headline and MAS underlying inflation measures averaged 0.3% over the first ten months of 2009.

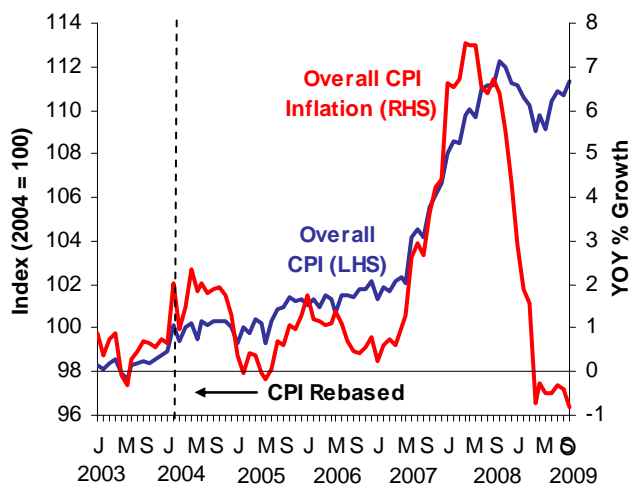
- On a month-on-month basis, the domestic CPI was higher by 0.6% in October

The increase in the CPI was broad-based, with all major categories registering higher prices compared to September. In particular, the cost of housing surged due to a hike in electricity tariffs and the absence of S&CC rebates.

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

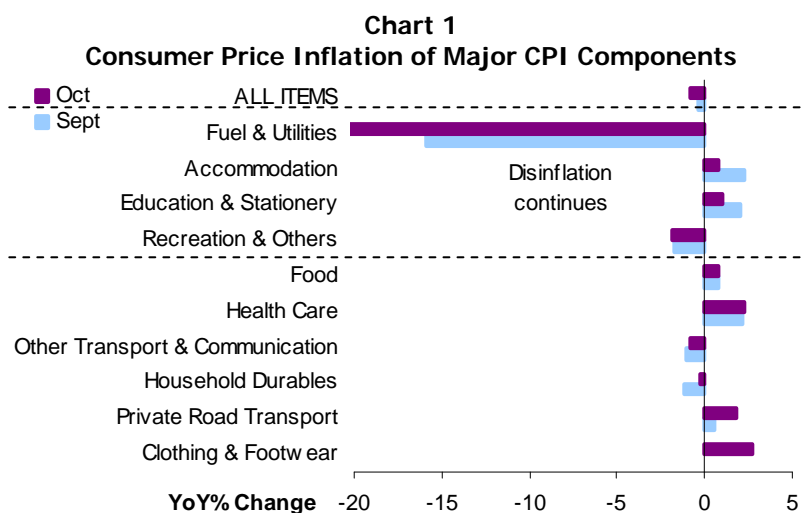
Headline inflation measured on a year-ago basis will remain negative in Q4 owing to the high base last year, before turning positive from Q1 2010 onwards. However, on a sequential basis, the CPI will continue to rise in Q4 and into 2010, largely due to higher expected prices of oil-related items, food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

Singapore: CPI and CPI Inflation



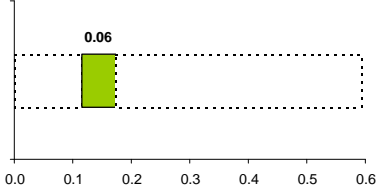
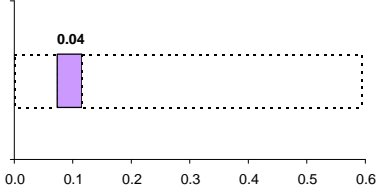
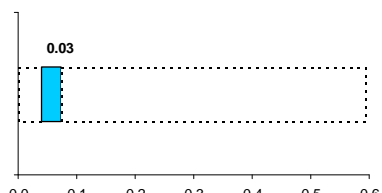

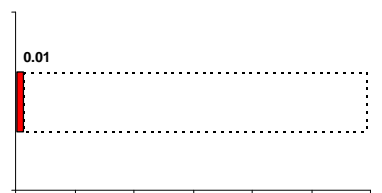
Recent Developments in Domestic CPI Inflation

On a year ago basis, inflation rates for more than half of the CPI components rose in October, compared to the preceding month. (Chart 1) However, this was mitigated by a 4.4% point decline in the inflation rate for fuel & utilities to -20%, the lowest on record. The plunge largely reflected base effects from a steep hike in electricity tariffs in October 2008. Consequently, headline CPI inflation fell from -0.4% in September to -0.8% in October. Excluding both private road transport and accommodation, the MAS underlying inflation measure was also lower at -1.5%, compared to -1.1% in September.



| MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES | | |
|--|----------------|---|
| Per Cent Point Contribution | Category | |
| <p>0.0 0.1 0.2 0.3 0.4 0.5 0.6</p> <p> Education & Stationery Health Care Clothing & Footwear Transport & Comm Food Recreation & Others Housing </p> | Overall | The CPI rose by 0.6% m-o-m in October, with all major categories registering price increases. In particular, there was a sharp rise in electricity tariffs as well as a "seasonal" rebound in housing maintenance cost. |
| <p>0.0 0.1 0.2 0.3 0.4 0.5 0.6</p> <p>0.42</p> | Housing | Electricity tariffs were hiked by 13% in October, a consequence of higher global oil prices in Q3. In addition, housing maintenance cost rose as S&CC rebates ¹ were not administered in October. |

¹ As S&CC rebates are given out only in certain months of the year, they can cause variations in the monthly accommodation cost component of the CPI. For 2009, the rebates are scheduled to be administered in March, April, June, September and December.

| | | |
|---|--------------------------------------|---|
|  | Recreation & Others | <p>The cost of holiday travel packages picked up due in part to an increase in hotel room rates overseas.</p> |
|  | Food | <p>Non-cooked food prices continued to rise for the second month in a row due to more expensive meat & poultry and vegetables & fruits. The higher prices were partly a reflection of weather-related supply disruptions in neighbouring countries.</p> |
|  | Transport & Communication | <p>Prices of cars rose due to the spike in COE premiums following the cut in COE supply for the remainder of the quota year (until March 2010). However, the increase was largely offset by a 3.8% correction in petrol pump prices.</p> |
|  | Clothing & Footwear | <p>Following a correction last month, prices of clothing and footwear rose in October to reach a fresh peak on a seasonally-adjusted basis.</p> |
|  | Health Care | <p>The cost of medical treatment was unchanged but dental treatment costs continued to rise. Since January, the latter has risen by 10%.</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 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 |
| 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 |

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 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 | -26.3 | -50.8 |
| Aug | -0.3 | -1.1 | -11.0 | -18.0 | -36.5 |
| Sep | -0.4 | -1.1 | -10.2 | -14.7 | -30.7 |
| Oct | -0.8 | -1.5 | -5.3 | 2.5 | 5.1 |

Source: Singapore Department of Statistics, IMF and Bloomberg