

Inflation Monthly

September 2009

Singapore's Consumer Price Index

	2009	
	Aug	Sep
y-o-y (%)	-0.3	-0.4
m-o-m (%)	0.4	-0.1
Index	110.9	110.7

- **Disinflation continued across the G3 and Asian economies in Q3 2009**

However, the rate of decline in inflation has slowed, following an uptick in global prices of oil and food.

- **Singapore's headline CPI inflation (y-o-y) was -0.4% in September, slightly lower than the -0.3% in August**

The MAS underlying inflation measure, which excludes the cost of accommodation and private road transport, remained unchanged at -1.1% in September. Both the headline and MAS underlying inflation measures averaged 0.4% in the first nine months of 2009.

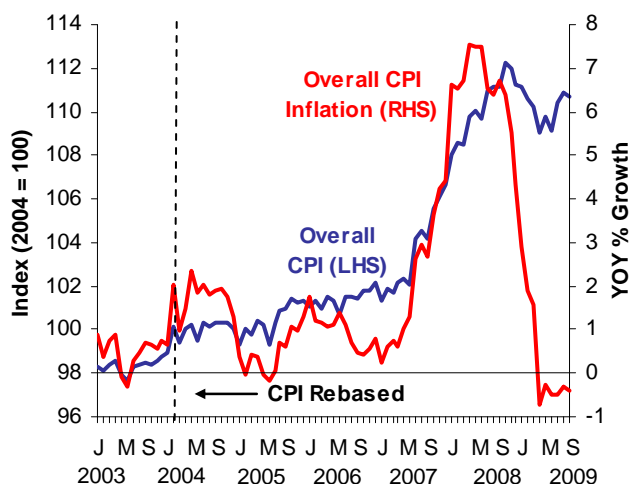
- **On a month-on-month basis, the domestic CPI was lower by 0.1% in September**

The small decline in the CPI largely reflected lower housing costs following the administration of S&CC rebates. Most of the other items in the CPI recorded only marginal changes in price.

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

The CPI will continue to rise in Q4 and into 2010 on a sequential basis, largely due to higher prices of oil-related items, food and cars. However, 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.

Singapore: CPI and CPI Inflation



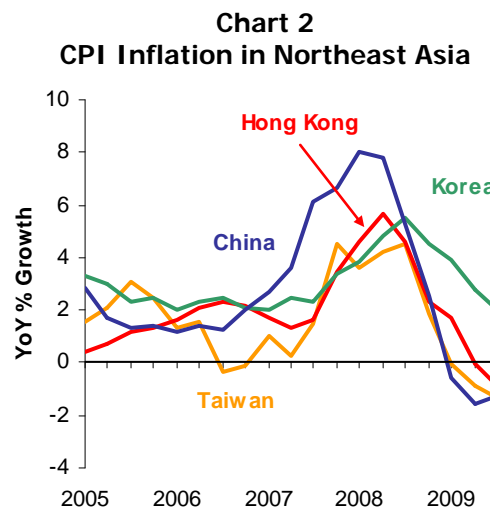
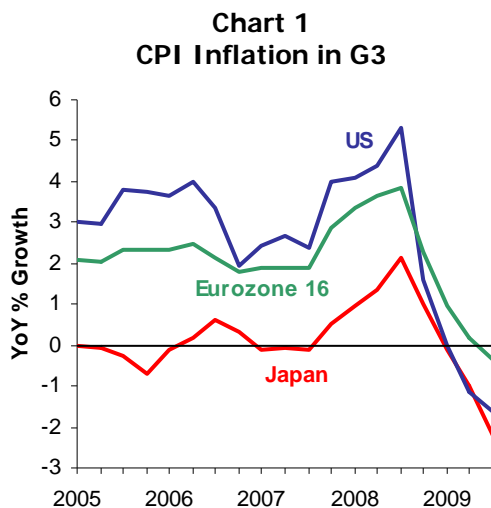
Recent Developments in Global Inflation

Global disinflation continued into Q3 2009. In the G3, headline CPI inflation fell further to -1.2% y-o-y, from -0.6% in the previous quarter. All three economies recorded negative inflation rates, with consumer prices in the Eurozone falling for the first time since 1996¹. (Chart 1) Meanwhile, inflation in the Asian NIE-3 and ASEAN-4 fell to 0.7% and 0.3% respectively, from 1.5% and 2.5% a quarter earlier. (Charts 2 and 3)

The decline in headline CPI inflation in Q3 2009 was due to sharply lower global oil prices as compared to the same period a year ago, when the average petroleum spot price² was US\$115 per barrel. (Chart 4) In comparison, core inflation and food prices (in Asia) were the major contributors to headline CPI inflation globally. Food prices alone accounted for more than 1% point to CPI inflation in ASEAN during the quarter.

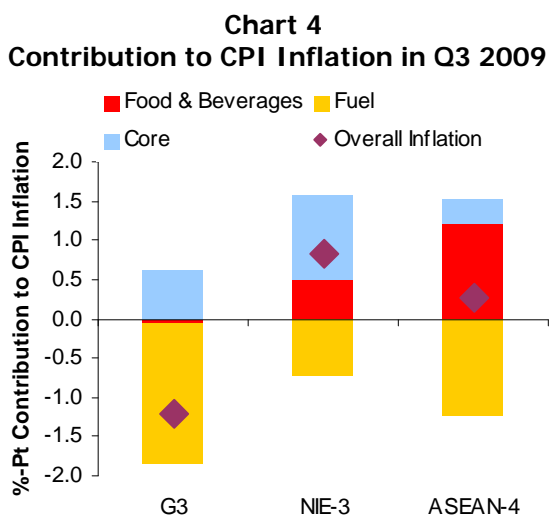
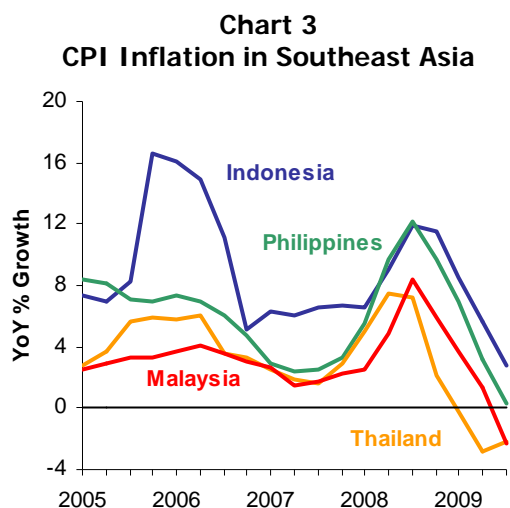
Indeed, there are some signs that the rate of decline in inflation has slowed, reflecting the pick-up in global oil and food prices. (Table 1) The average petroleum spot price rose by around 54% in Q3 2009 from its trough in Q1 2009, albeit still below its peak in Q2 last year.

Looking ahead, fuel and food prices are expected to rise further and will likely be the main source of inflation globally. However, the pace of increase in energy and food prices is unlikely to match those in 2007 and H1 2008 due to higher levels of inventory and spare capacity as well as the moderate pace of economic growth expected for 2010.



¹ Data on Eurozone inflation is only available from 1996.

² Average petroleum spot price of Brent, Dubai Fateh and West Texas Intermediate.



**Table 1
Inflation Tracker**

Change in inflation between Q2 and Q3 2009

	Overall Inflation	Food & Beverages	Clothing	Transport & Communication	Housing	Medical Care	Recreation	Education	Miscellaneous
USA	Green	Green	Green	Green	Green	Green	Green	Green	Green
EU	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow
Japan	Green	Green	Green	Green	Green	Green	Green	Yellow	Green
China	Red	Red	Red	Green	Green	Green	Green	Green	Red
Hong Kong	Green	Green	Red	Green	Green	Green	Red	Red	Green
Taiwan	Green	Green	Red	Green	Green	Red	Red	Green	Green
Korea	Green	Green	Red	Red	Green	Red	Green	Green	Green
Malaysia	Green	Green	Green	Green	Green	Green	Green	Green	Green
Thailand	Red	Green	Green	Red	Red	Green	Green	Green	Green
Indonesia	Green	Green	Green	Green	Green	Green	Green	Green	Green
Philippines	Green	Green	Green	Green	Green	Green	Green	Green	Green

Interpretation of Colour Codes:

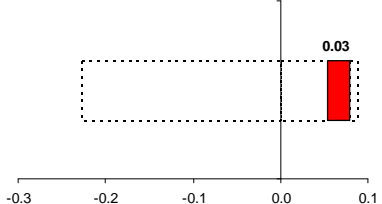
The indicator is based on the change in inflation compared to the preceding quarter in y-o-y terms.

Inflation accelerating	No change in inflation	Inflation decelerating
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Recent Developments in Domestic CPI Inflation

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
Per Cent Point Contribution	Category	
<p>Waterfall chart showing the overall month-on-month change in CPI. The total change is -0.1% (0.1% decrease). The components are: Housing (-0.11%), Clothing & Footwear (-0.05%), Transport & Comm (-0.04%), Education & Stationery (-0.02%), and Food (0.05%).</p>	Overall	The CPI fell slightly by 0.1% m-o-m in September. The decline in the cost of housing, clothing & footwear and private road transport was partially offset by more expensive non-cooked food.
<p>Waterfall chart showing the contribution of Housing to the overall CPI change. The change is -0.11%.</p>	Housing	The decline in the housing index largely reflected lower maintenance cost arising from the S&CC rebates. ³
<p>Waterfall chart showing the contribution of Clothing & Footwear to the overall CPI change. The change is -0.05%.</p>	Clothing & Footwear	Retail prices of clothing & footwear corrected from the peak reached in August.
<p>Waterfall chart showing the contribution of Transport & Communication to the overall CPI change. The change is -0.04%.</p>	Transport & Communication	Prices of cars and petrol fell slightly in September, after five consecutive months of sharp increases.
<p>Waterfall chart showing the contribution of Education and Stationery to the overall CPI change. The change is -0.02%.</p>	Education and Stationery	Lower overseas university tuition fees led to a fall in the cost of education.
<p>Waterfall chart showing the contribution of Food to the overall CPI change. The change is 0.05%.</p>	Food	Non-cooked food prices picked up by 0.5%, a turnaround from the five consecutive months of decline. In comparison, cooked food prices remained stable.

³ 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.

 <p>A bar chart showing a slight increase in the cost of recreation. The x-axis ranges from -0.3 to 0.1. A red bar is shown at 0.03, with a dashed box around it.</p>	<p>Recreation & Others</p>	<p>The slight increase in the cost of recreation was largely due to more expensive holiday travel packages.</p>
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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, reflecting the temporary slack in the labour market and upcoming supply of commercial space, at least until the first half of 2010. 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.

Appendix Tables

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 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
Sep	110.7	116.6	104.3	116.1	101.3	109.8	115.0	108.3

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 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	-26.3	-50.8
Aug	-0.3	-1.1	-11.0	-18.0	-36.5
Sep	-0.4	-1.1	-10.2	-14.7	-30.7

Source: Singapore Department of Statistics, IMF and Bloomberg