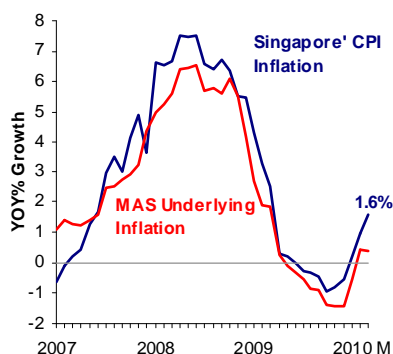




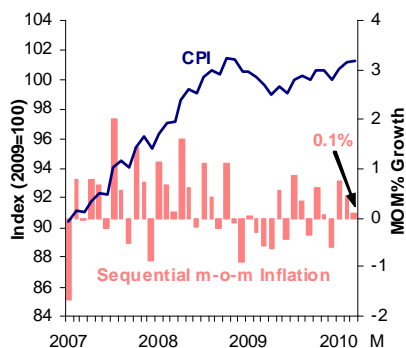
Global inflation picked up as economic recovery gathered momentum.

Inflation rose faster in Asia than in the G3, reflecting a stronger economic recovery in the region. Higher crude oil prices were the main contributor to inflation worldwide.



Singapore's headline CPI inflation rose to 1.6% y-o-y in March 2010.

The increase from 1.0% in February largely reflected the higher costs of private road transport, with COE premium for cars up by nearly ten-fold since hitting an unprecedented low in early 2009. Excluding the costs of private road transport and accommodation, the MAS underlying inflation rate remained unchanged at 0.4% y-o-y in March.



On a month-on-month basis, the CPI was marginally higher by 0.1% in March.

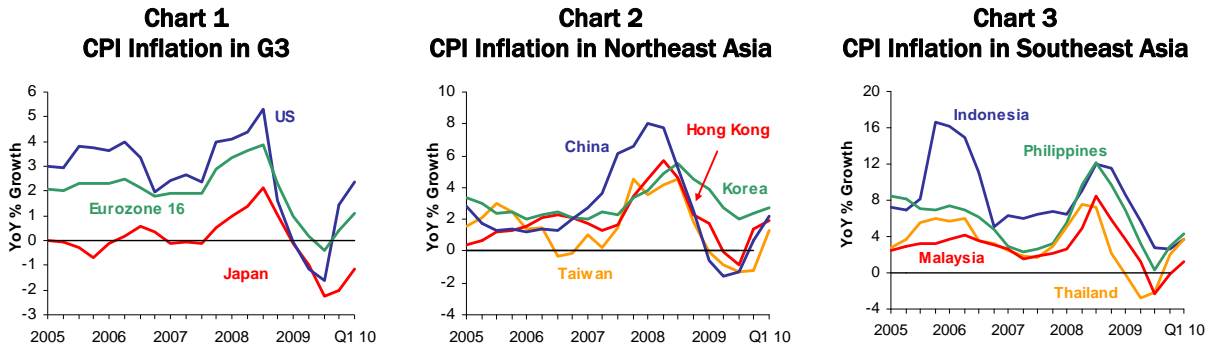
Higher car prices caused by a 30% jump in the average COE premium for passenger cars were mostly offset by the “seasonal” decline in accommodation costs and food prices.

In 2010, CPI inflation is expected to average between 2.5% and 3.5%, while the MAS underlying inflation rate will average around 2%.

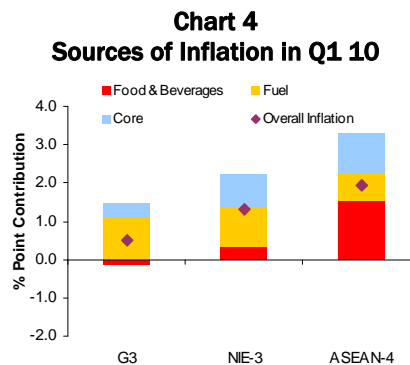
Headline CPI inflation turned to positive 0.9% y-o-y in Q1 2010, from -0.3% and -0.8% in the last two quarters of 2009 respectively. On a sequential basis, the CPI has trended higher since Q3 last year, largely due to increases in global oil and food commodity prices, as well as higher car prices. These two factors will continue to push headline inflation rates up for the rest of 2010. Other domestic sources of inflationary pressure, though presently subdued, could also emerge in the coming quarters as business costs increase in line with the expansion of the economy and tightening of the factor markets.

Inflation rose across all major economies.

As the global economic recovery gathered momentum, global inflation continued to pick up in Q1 2010, albeit at different pace across regions. In Asia, which is leading the recovery, inflation rose faster than in the G3. Inflation in the Asian NIE-3 and ASEAN-4 economies increased to 2.2% y-o-y and 3.3% respectively, while that in the G3 economies rose to 1.3%.¹ (Charts 1-3) The latter reflected higher inflation in the US and Eurozone, though this was offset somewhat by the continued decline in prices in Japan.



The continued rise in global crude oil prices was the main contributor to inflation worldwide. (Chart 4) The average petroleum spot price climbed to US\$77 in Q1 2010, compared to a low of US\$44 in Q1 last year.² The impact of higher oil prices in Asia ex-Japan was less than that in the G3, given the smaller share of fuel in the former's CPI basket as well as price controls in some Asian economies. However, rising food prices had a pronounced impact on ASEAN-4's inflation, given the larger weight of food in these countries' CPI baskets. Global food prices rose by 11.3% y-o-y in Q1 2010, compared with 9.8% in the previous quarter.³ This was largely due to supply disruptions that followed the natural disasters and harsh weather conditions in recent months.



Going forward, fuel and food prices would likely continue to be the main source of inflation globally. Core inflation is likely to remain muted in the G3 economies, as high unemployment and low capacity utilisation continue to exert downward pressure on core prices. In comparison, core prices amongst the Asian countries are likely to pick up faster in the light of firm economic growth.

¹ Asian NIE-3 refers to Hong Kong, Korea and Taiwan, while ASEAN-4 refers to Indonesia, Malaysia, Philippines and Thailand. Figures for all country groupings are weighted averages based on the 2008 GDP levels.

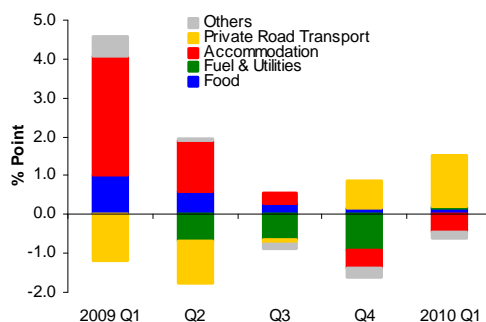
² Average petroleum spot price of UK Brent, Dubai Fateh and West Texas Intermediate (US\$ per barrel).

³ IMF Commodity Price Index, April 10. The food index contains cereals, vegetables, oils, protein meals, meats, seafood, sugar, bananas and oranges.

Singapore's inflation turned positive in Q1 2010.

Headline inflation averaged 0.9% y-o-y in Q1 2010, after two consecutive negative quarters. Strong sequential price increases in oil-related items such as petrol and fuel & utilities, as well as sharply higher car prices contributed significantly to the turnaround in the domestic inflation rate. The rise in car prices followed a surge in COE premiums due to the stronger-than-expected economic recovery and two consecutive cuts in the COE supply over the past twelve months. Meanwhile, food price inflation eased to a six-year low of 0.7% y-o-y in Q1. Notwithstanding the pick-up in global food prices, Singapore's diversified sources of food supply helped to keep domestic food price inflation relatively low compared to those in the region. Other domestic sources of inflation were restrained by generally subdued factor costs, while accommodation costs remained a drag on headline inflation as residential property rents have yet to recover. The MAS underlying inflation measure, which excludes the costs of private road transport and accommodation, was flat in Q1.

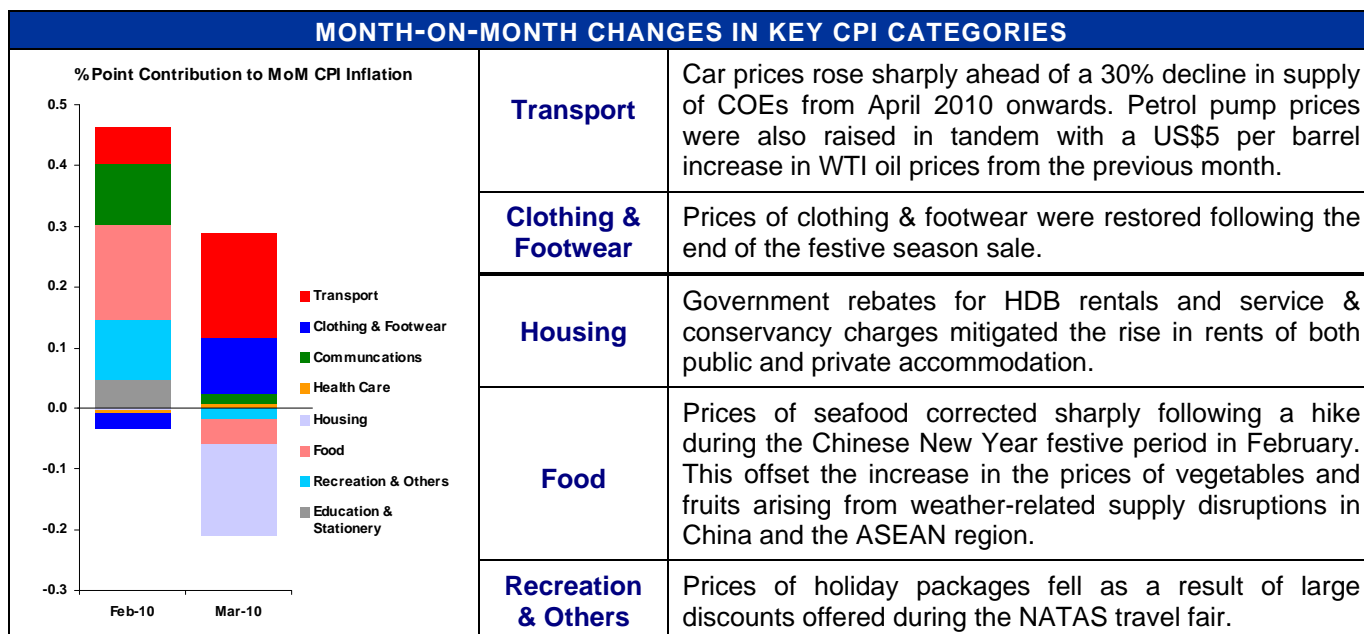
Chart 5
Contribution to Domestic Headline CPI Inflation



Source: EPG, MAS estimates

Note: "Petrol" is subsumed under "Private Road Transport".

The domestic CPI rose modestly in March.



Appendix Tables

Table A.1
Consumer Price Index

	All Items	Food	Clothing & Footwear	Housing	Transport	Comms	Educa-tion & Stationery	Health Care	Recreation & Others
Weights	10000	2205	341	2548	1553	475	735	586	1557
	INDEX (2009 = 100)								
2009 Mar	99.67	99.92	100.51	100.87	95.84	100.60	99.71	99.85	100.64
Apr	99.03	99.81	100.37	98.42	96.13	100.66	99.86	99.74	100.39
May	99.56	99.78	99.18	99.94	97.94	100.56	99.91	99.71	99.81
Jun	99.12	99.83	96.84	97.71	99.40	100.54	99.87	99.78	99.62
Jul	99.97	99.89	100.34	99.85	100.74	100.40	99.96	100.16	99.21
Aug	100.33	99.85	101.62	99.70	103.06	100.30	100.42	99.92	99.13
Sep	99.98	99.99	100.20	98.66	102.66	100.32	100.08	100.18	99.15
Oct	100.58	100.14	101.09	100.32	103.14	99.97	100.14	100.25	99.47
Nov	100.63	100.16	100.95	100.34	103.66	97.55	100.19	100.29	99.97
Dec	100.02	100.11	99.56	98.20	103.08	97.39	100.18	100.20	100.61
2010 Jan	100.77	100.30	98.96	100.72	104.01	96.17	101.21	100.73	99.85
Feb	101.20	101.02	98.22	100.72	104.39	98.29	101.88	100.63	100.48
Mar	101.28	100.83	101.01	100.12	105.50	98.62	101.87	100.76	100.38

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				
2009 Mar	2.6	1.9	-8.7	-35.4	-53.7
Apr	0.3	0.3	-9.3	-31.7	-52.2
May	0.2	-0.1	-11.6	-27.0	-52.2
Jun	0.0	-0.3	-11.6	-25.8	-46.7
Jul	-0.3	-0.5	-13.5	-26.3	-50.8
Aug	-0.3	-0.8	-11.0	-18.0	-36.5
Sep	-0.5	-0.9	-10.2	-14.6	-30.7
Oct	-0.9	-1.4	-5.3	2.3	5.1
Nov	-0.8	-1.4	1.4	14.7	53.3
Dec	-0.5	-1.4	4.5	27.0	94.1
2010 Jan	0.2	-0.5	4.2	25.9	84.4
Feb	1.0	0.4	3.3	26.6	76.4
Mar	1.6	0.4	2.6	29.8	68.6

Source: Singapore Department of Statistics, IMF and Bloomberg