



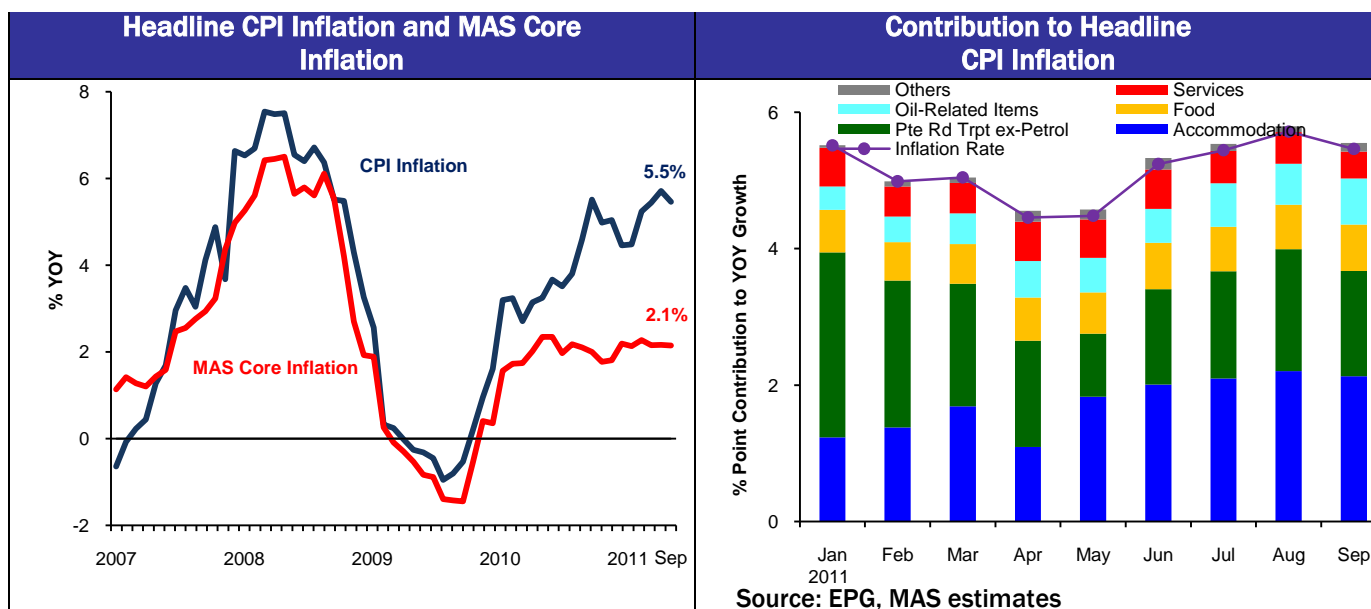
September 2011

Recent Developments in Domestic CPI Inflation

Singapore's headline CPI inflation edged down from 5.7% in August to 5.5% in September.

Compared to August, car prices and accommodation costs contributed less to CPI inflation in September. The increase in car prices moderated due to the correction in COE premiums in August, while accommodation cost inflation was slightly weaker as leasing activity slowed. Nevertheless, these two items still accounted for two-thirds of CPI inflation although they do not affect the day-to-day cash outlays of most households in Singapore.¹

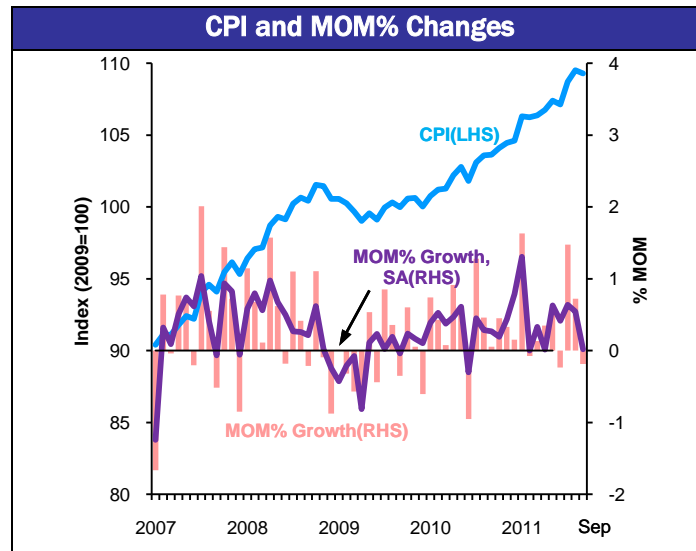
Meanwhile, services cost increases were more modest. Hence, MAS Core Inflation, which excludes the costs of accommodation and private road transport, was slightly lower at 2.1% in September compared to 2.2% in August.



¹ The majority of resident households in Singapore own their homes and do not need to incur rental expenditure. Furthermore, the supply side-induced spike in COE premiums is estimated to affect only around 30,000 new car buyers this year, less than 5% of the entire population of car owners.

On a month-on-month basis, the CPI fell by 0.2% after rising by 0.7% in August.

Lower car prices, services costs and prices of retail-related items led to the sequential decline in the overall CPI. On a seasonally-adjusted basis, the CPI remained unchanged in September after rising by 0.5% in August.



MOM Changes in Key CPI Categories(Non Seasonally-Adjusted)		
<p>% Point Contribution to Month-on-month CPI Inflation</p> <p>The stacked bar chart shows the contribution of various categories to the month-on-month change in CPI. For August 2011, the total contribution was approximately 0.75 percentage points, with the largest contributors being Accommodation (red), Services (cyan), and Pte Rd Trpt ex-Petrol (blue). For September 2011, the total contribution was approximately -0.25 percentage points, with the largest contributors being Pte Rd Trpt ex-Petrol (blue) and Services (cyan).</p>	Food	Non-cooked food prices rose by 0.4% due to more expensive vegetables and seafood. Hawker food prices also increased by 0.2%, while prices in other food establishments stabilised.
	Accommodation	Accommodation costs edged up by a more moderate 0.2%, compared to 0.9% in the preceding month, on the back of less buoyant leasing activity and a slight decline in new contract values for private residential property. The disbursement of S&CC and rental rebates also helped to cap the rise in accommodation costs.
	Oil-Related Items	Petrol pump prices were higher as global oil prices, measured by the OPEC reference basket and Brent benchmark, rose slightly.
	Private Road Transport- ex Petrol	COE premiums fell by 7% in August, reflecting more cautious consumer sentiment amid mounting uncertainties in the global economic outlook. This led motor vehicle dealers to cut car prices.
	Services	The prices of sentiment sensitive items, such as recreation & entertainment and holiday expenses, fell. This was partially offset by the 0.1% increase in healthcare cost owing to higher hospitalisation fee.
	Others	Prices of retail items, such as clothing & footwear and personal effects, were lower due to seasonal sales.

Inflation Outlook

In 2012, CPI inflation is expected to average between 2.5-3.5% while MAS Core Inflation is forecast to be 1.5-2.0%.

The ongoing slowdown in domestic economic activity will reduce tightness in the labour market and alleviate price pressures. Inflationary pressures emanating from abroad should also subside. As a result, the sequential increases in both the CPI and the MAS Core Inflation measure will slow to below their historical averages from Q2 2012 and Q4 2011 respectively.

However, year-on-year CPI inflation will remain elevated for the rest of this year before easing, especially in the second half of 2012. The continued increase in rentals, due to a temporary shortage of completed dwellings, will cause the imputed rental cost of owner-occupied housing to rise further at a fairly strong pace. Private road transport costs will also remain firm in response to the tight COE supply. Hence, CPI inflation will average above 5% in H2 2011 and close to 4% in H1 2012, before easing to around 2% in H2. MAS Core Inflation will be broadly stable for the next two quarters before edging down to below 2% from Q2 2012.

For the whole of 2011, CPI inflation is expected to be around 5% while MAS Core Inflation will be around 2%. Costs of accommodation and private road transport, excluding petrol, will together contribute around two-thirds to CPI inflation, while commodity-related items will account for another one fifth.

In 2012, CPI inflation and MAS Core Inflation are forecast to be 2.5-3.5% and 1.5-2.0% respectively. Accommodation costs will account for around half of CPI inflation, while the prices of food and services will each account for around one-fifth.

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)									
2010 Jul	103.11	101.43	100.05	102.50	111.48	97.62	102.85	102.47	100.86
Aug	103.59	101.57	102.54	102.83	112.30	98.55	103.56	102.55	101.16
Sep	103.64	101.68	100.71	103.28	112.04	98.74	103.56	102.46	101.27
Oct	104.11	101.87	102.25	103.83	112.92	97.88	103.77	102.85	101.90
Nov	104.47	101.99	102.79	104.33	113.42	98.01	103.94	102.85	102.39
Dec	104.61	102.21	99.64	103.22	116.33	98.07	103.91	102.89	102.69
2011 Jan	106.32	103.15	99.20	106.03	123.11	96.71	105.05	103.75	100.60
Feb	106.24	103.60	99.48	106.59	120.28	96.59	105.23	103.80	101.24
Mar	106.38	103.49	101.96	107.25	119.61	96.21	105.22	103.70	101.50
Apr	106.76	103.90	101.51	106.43	121.72	96.16	105.36	104.04	102.48
May	107.40	103.89	100.85	109.71	121.05	96.16	105.33	103.91	102.10
Jun	107.14	104.20	97.85	108.71	121.02	96.05	105.36	103.98	102.35
Jul	108.72	104.46	99.42	112.21	124.32	96.16	105.63	104.35	102.49
Aug	109.51	104.64	102.14	113.04	126.30	96.12	106.26	104.44	103.02
Sep	109.30	104.88	100.84	113.19	124.85	96.03	106.27	104.52	102.85

Source: Singapore Department of Statistics

Table A.2
Selected Inflation Indicators

	CPI	MAS Core Inflation	Import Price Index	Non-fuel Primary Commodities	OPEC Oil Price
YOY% GROWTH					
2010 Jul	3.1	2.0	-0.5	16.6	12.3
Aug	3.3	2.3	-2.4	17.4	3.9
Sep	3.7	2.3	-1.4	24.1	11.1
Oct	3.5	2.0	-1.0	28.4	9.9
Nov	3.8	2.2	-1.4	25.9	8.6
Dec	4.6	2.1	0.9	28.3	19.6
2011 Jan	5.5	2.0	1.6	30.9	22.0
Feb	5.0	1.8	4.1	38.0	37.4
Mar	5.0	1.8	5.2	30.8	42.3
Apr	4.5	2.2	4.9	26.2	43.8
May	4.5	2.1	4.4	28.1	47.7
Jun	5.2	2.3	4.1	30.5	49.4
Jul	5.4	2.2	4.3	29.2	54.0
Aug	5.7	2.2	3.4	19.1	43.4
Sep	5.5	2.1	-	13.0	44.2

Source: Singapore Department of Statistics, IMF and Bloomberg