



Inflation Monthly

April 2007

CPI	2007	
	Mar	Apr
y-o-y (%)	0.7	0.6
m-o-m (%)	-0.2	0.4
Index	101.7	102.1

- Singapore's headline CPI inflation edged down to 0.6% y-o-y in April from 0.7% in March**

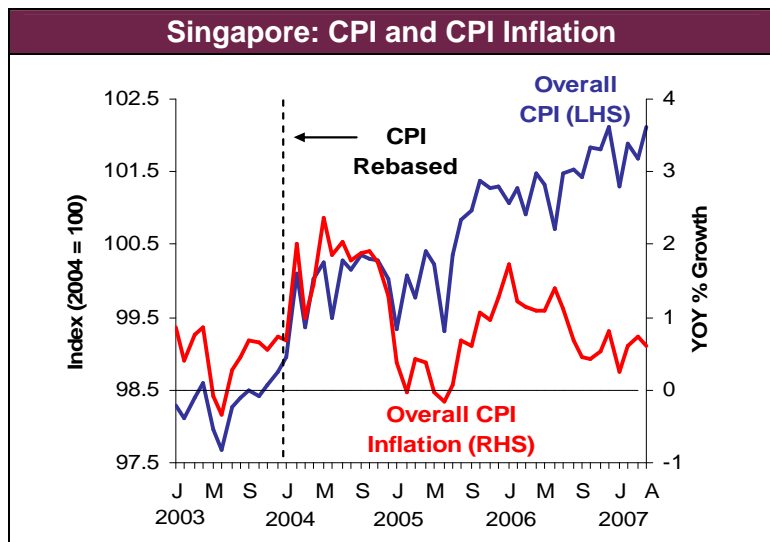
The MAS underlying inflation, which excludes accommodation and private road transport costs, remained unchanged at 1.2% over the same period.

- On a m-o-m basis, Singapore's CPI rose by 0.4%**

Costs of transport & communications increased during the month, as COE premiums for cars rebounded in March after the plunge in February. Petrol pump were also raised in line with the recent increase in global oil prices. Meanwhile, costs of recreation & other goods and services were pushed up by higher holiday expenses.

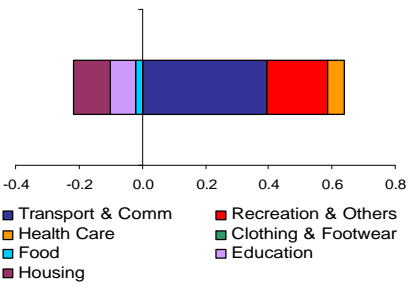
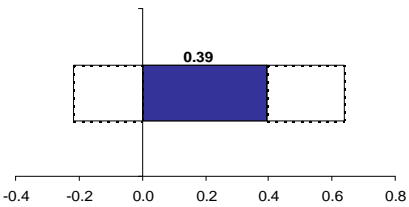
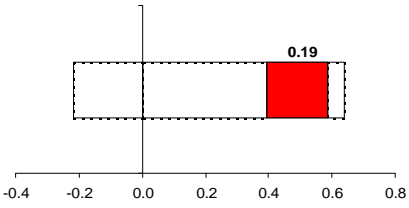
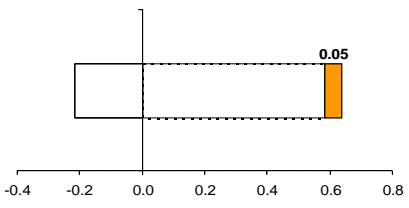
- Outlook: Inflationary impact of disruption to poultry imports is expected to be contained**

Domestic food prices continue to face some upside risks after Malaysia cut its duck exports to Singapore. In addition, a ban on poultry imports from Selangor has been imposed, following poultry deaths traced to the avian flu virus. Nevertheless, the overall impact of these disruptions is expected to be much lower compared to that in 2004, when poultry imports throughout Malaysia were banned.



Recent Developments in Domestic CPI Inflation

Domestic headline CPI inflation dipped to 0.6% y-o-y in April from 0.7% in the previous month. This brought average inflation to 0.6% for the first four months of 2007. The MAS underlying inflation measure – which excludes accommodation and private road transport costs – remained unchanged at 1.2% in April. Over the period Jan-Apr 2007, it averaged 1.1%.

% Point Contribution, Apr 2007	Group	
 <p>Legend:</p> <ul style="list-style-type: none"> Transport & Comm Recreation & Others Health Care Clothing & Footwear Food Education Housing 	Overall (m-o-m)	On a m-o-m basis, the CPI rose by 0.4% in April, due mainly to higher costs of transport and holiday travel (subsumed under recreation & others).
	Transport & Communications	<p>Costs of transport & communications went up by 2.0%, led by the increase in car and petrol prices.</p> <p>COE premiums for cars rebounded in March¹, after having plunged to a 17-year low in February due in part to weak car demand ahead of the Chinese New Year.</p> <p>Meanwhile, domestic petrol companies raised pump prices of various petrol grades by 10 cents in April (4% increase in CPI petrol prices). This was induced by a nearly 20% jump in global oil prices since pump prices were reduced in January this year.</p>
	Re-Creation & Others	Strong increase in global travel continued to drive up the costs of accommodation in various destinations for Singaporeans. Along with an uptick in air fares during the month, prices of packaged tours came in higher.
	Health Care	Health care costs rose by 1.0% in April, largely reflecting higher hospitalisation charges at both government restructured and private hospitals.

¹ COE premiums in a particular month tend to be reflected in overall car prices in the following month, given that car dealers need to secure the certificates before the cars are delivered.

	<p>Education & Stationery</p>	<p>Lower tuition fees at commercial institutions and cheaper personal computers dragged down overall costs of education & stationery.</p>
	<p>Housing</p>	<p>Housing costs fell largely on account of the 5.7% cut in electricity tariffs for Q2 2007. Prices of household durables also declined during the month.</p>

Outlook

INFLATIONARY IMPACT OF DISRUPTION TO POULTRY IMPORT IS EXPECTED TO BE CONTAINED

Domestic food prices continue to face some upside risks following unfavourable developments in the regional source countries. First, traces of the avian flu virus were found on dead chickens in the Malaysian state of Selangor recently, which led to a ban on poultry and egg imports by Singapore. In addition, Malaysia has reduced its duck exports to Singapore, reflecting a decline in the supply of ducklings from Britain².

Nevertheless, the impact on domestic inflation arising from these measures is expected to be contained. In August 2004, when Singapore banned all poultry imports from Malaysia after an avian flu outbreak was confirmed in Kelantan, the average impact on domestic CPI inflation was about 0.3% point for the period Aug-Dec 2004³. Comparatively, the current import ban is restricted to the Selangor state, which accounts for only 6% of all poultry and 1% of eggs imported from Malaysia. The cutback in duck imports from Malaysia is also expected to have minimal impact based on anecdotal feedback from duck and duck rice retailers.

HEADLINE CPI INFLATION TO COME IN AT 0.5-1.5% IN 2007

Despite somewhat higher food prices and the GST hike, overall inflationary pressures are expected to be well-contained in 2007. The full impact of the impending 2% GST hike, which is expected to add 0.5% point to inflation in 2007 and 2008, will be tempered by other offsetting fiscal measures.

Overall, domestic headline CPI inflation is projected to come in at 0.5-1.5% in 2007, similar to the 1% registered in 2006. The MAS underlying inflation, which excludes accommodation and private road transport costs, is expected to be slightly higher at 1-2% in 2007.

² The United Kingdom is a major supplier of ducklings to farms in Malaysia. Malaysia has imposed a ban on duckling imports from UK since February this year following an avian flu outbreak in a British farm.

³ This is calculated as the sum of the average inflation contribution for Aug-Dec 2004 from the CPI sub-categories "Meat & Poultry" and "Dairy Products & Eggs".

Statistical Appendix

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)							
2006 May	101.3	102.7	100.9	103.7	96.7	103.6	101.3	101.4
Jun	100.7	102.8	97.4	102.0	95.8	103.6	101.3	101.7
Jul	101.5	103.1	99.9	104.1	96.7	104.0	101.4	101.3
Aug	101.5	103.0	101.8	104.0	96.6	104.1	101.3	101.5
Sep	101.4	103	100.6	103.5	96.5	104.3	101.5	101.7
Oct	101.8	103.1	101.2	104.2	96.8	104.5	101.6	102.5
Nov	101.8	103.2	101.5	104.3	95.7	104.3	101.7	103.6
Dec	102.1	103.6	100.3	104.3	96.2	104.4	101.7	104.5
2007 Jan	101.3	104.4	99.2	100.6	95.6	104.9	102.0	103.9
Feb	101.9	104.8	100.7	103.2	94.9	105	102.5	103.7
Mar	101.7	103.8	102.8	103.2	94.4	104.9	102.7	104.1
Apr	102.1	103.7	102.8	102.7	96.3	103.9	103.7	105.3

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				
2006 May	1.1	1.7	6.1	36.7	39.9
Jun	1.4	1.8	4.4	30.5	25.3
Jul	1.1	1.7	4.1	34.5	29.8
Aug	0.7	1.6	3.1	33.1	19.3
Sep	0.4	1.5	-1.2	31.7	2.8
Oct	0.4	1.3	-2.6	34.1	0.9
Nov	0.5	1.4	-2.3	34.7	8.5
Dec	0.8	1.6	-2.0	31.2	10.1
2007 Jan	0.2	0.9	-5.4	23.0	-13.4
Feb	0.6	1.3	-4.5	21.9	-3.7
Mar	0.7	1.2	-3.5	24.6	1.5
Apr	0.6	1.2	-4.0	23.4	-1.9

Source: Singapore Department of Statistics, IMF and Bloomberg