

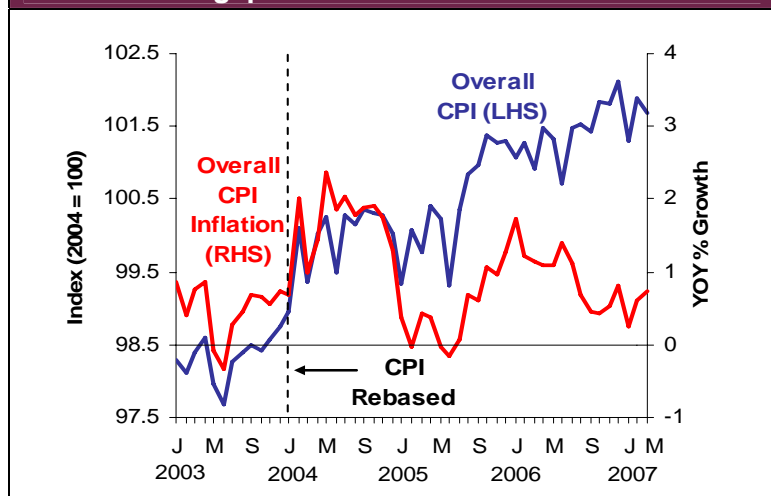
Inflation Monthly

March 2007

CPI	2007	
	Feb	Mar
y-o-y (%)	0.6	0.7
m-o-m (%)	0.6	-0.2
Index	101.9	101.7

- Inflation in the US and Eurozone rose in Q1, but Japan slipped back into mild deflation**
 Across Asia, CPI inflation moderated in 1Q07, except in China, Taiwan and Indonesia.
- Singapore's headline CPI inflation edged up from 0.6% in February to 0.7% in March**
 In comparison, the MAS underlying inflation eased from 1.3% to 1.2% over the same period.
- On a m-o-m basis, Singapore's CPI fell by 0.2%**
 Food prices fell in March as the strong festive demand in the previous month waned. Weaker demand before the Chinese New Year also led to a plunge in COE premiums in February, dragging down car prices in March.
- Outlook: Impact of Australia's drought on domestic food prices could be muted by the diversification of Singapore's food sources**
 There remain some upside risks to food prices arising from the extended drought in Australia. Nevertheless, the impact could be partially mitigated by increased imports from other countries.

Singapore: CPI and CPI Inflation



Recent Developments in External Inflation

In Q1 2007, global inflation developments were mixed. Headline CPI inflation crept up in the US and EU as well as several Northeast Asian economies, but moderated in Japan and most of the Southeast Asian economies.

US consumer prices rose at a faster pace of 2.4% y-o-y in Q1 2007 compared to 1.9% in the last quarter of 2006. Motor gasoline prices were 1.1% higher in the first quarter, reversing the 6.4% decline in 4Q06. The cost of fuel and utilities for households also stopped declining, as demand for heating picked up in line with a delayed and more prolonged winter. In addition, the higher cost of key agricultural products, such as corn and soya, pushed up food prices. However, core inflation, which excludes food and energy, remained unchanged at 2.6% in Q1.

In the eurozone, headline inflation rose marginally to 1.9% y-o-y in Q1 2007 from 1.8% in 4Q 2006. Nonetheless, inflation remained generally contained -- the Q1 reading was only one of the few occasions in the past six years that inflation dipped below 2%. Weaker energy and food price inflation helped to dampen the overall inflation during the quarter.

Japan slipped into a mild deflation in Q1 2007, the first time in a year that prices had not risen. This was due to easing pressure on the costs of food, electricity, gas, other fuels, amongst others. There was also a significant drop in airfares in March and declining mobile phone charges.

In Northeast Asia, inflation edged up due largely to upward pressure on the prices of food and clothing. China's headline CPI inflation accelerated to 2.7% in Q1, the highest in eight quarters. The higher inflation largely reflected the sharp increase in food prices. CPI inflation in Taiwan picked up, to 1% in Q1 following two quarters of mild deflation, as prices of food and clothing ceased to decline. Inflationary pressures eased in Hong Kong due almost entirely to the sharp drop in public housing rentals, which offset the higher cost of food and clothing. CPI inflation moderated slightly in Korea as a result of the smaller rise in electricity and gas prices.

CPI inflation moderated in all the Southeast Asian economies in Q1 2007, except Indonesia. In Malaysia, the lower inflation in Q1 was largely due to the high base in March 2006 arising from the fuel price hikes, which resulted in a tapering off in the headline inflation rate in March this year. Inflation moderated across all the components of the consumer basket in the Philippines, while weakening domestic demand and lower energy prices in Thailand caused inflation to recede to 2.5% in Q1 from 3.3% in 4Q 2006. In contrast, CPI inflation picked up in Indonesia due mainly to higher food prices.

Chart 1a
CPI Inflation (G3 economies)

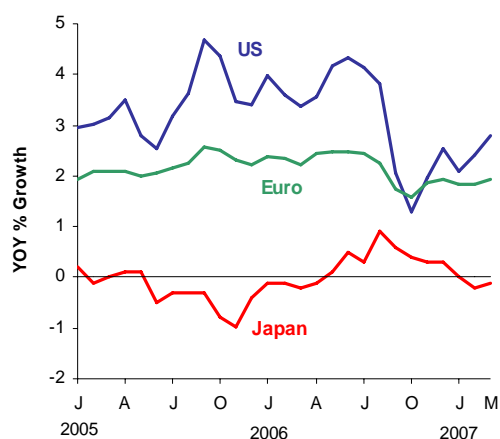


Chart 1b
CPI Inflation (Northeast Asia)

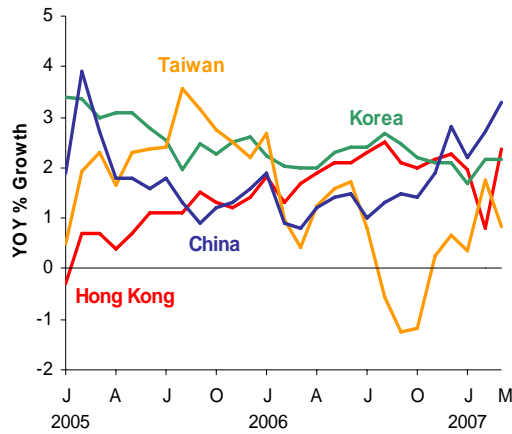


Chart 1c
CPI Inflation (Southeast Asia)

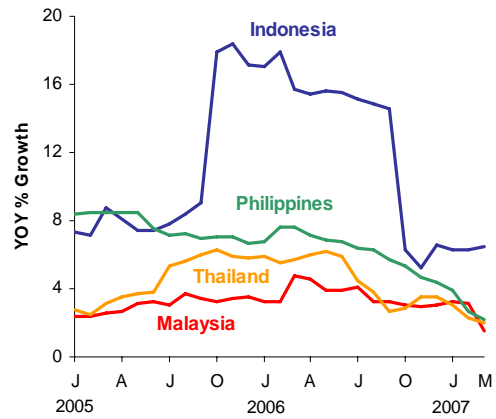


Table 1
External Inflation Indicator

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

* China component data is not available this month.

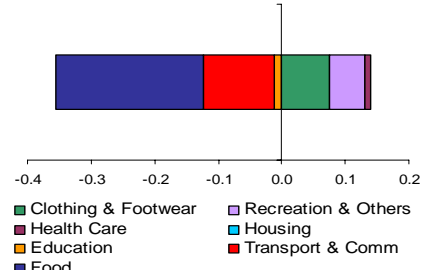
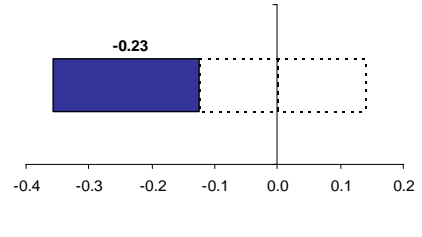
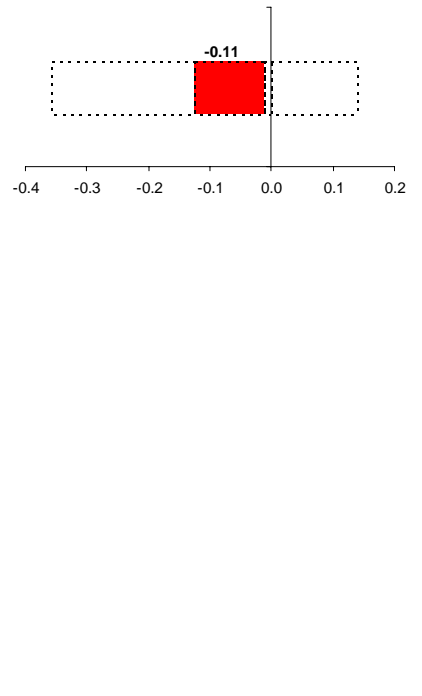
Interpretation of Colour Codes:

The indicator is based on the change in inflation over the past quarter of individual components in y-o-y terms.

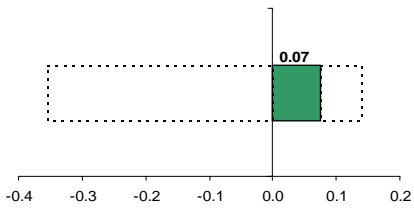
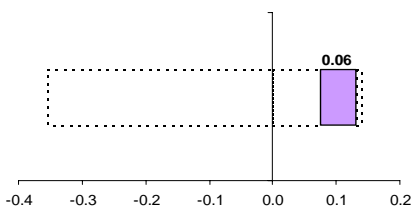
Red	Inflation accelerating
Yellow	No change in inflation
Green	Inflation decelerating

Recent Developments in Domestic CPI Inflation

Domestic headline CPI inflation rose to 0.7% y-o-y in March from 0.6% in the previous month. This brought average inflation to 0.5% for the first three months of 2007. The MAS underlying inflation measure – which excludes accommodation and private road transport costs – fell to 1.2% from 1.3% in February. Over the period Jan-Mar 2007, it averaged 1.1%.

% Point Contribution, Mar 2007	Group	
 <p>Legend:</p> <ul style="list-style-type: none"> ■ Clothing & Footwear ■ Health Care ■ Education ■ Food ■ Recreation & Others ■ Housing ■ Transport & Comm 	Overall (m-o-m)	On a m-o-m basis, the CPI fell by 0.2% in February. Lower food and car prices more than offset the higher costs of clothing & footwear and recreation & other goods & services.
	Food	Following the end of the Chinese New Year season in February, non-cooked food prices dropped by 2.1% in March. In particular, seafood, meat & poultry and vegetables posted significant price declines, after spiking in February due to strong seasonal demand.
	Transport & Communications	<p>Costs of transport & communications fell by 0.6%, as the decline in car prices more than offset the increase in petrol prices and parking fees.</p> <p>Notably, COE premiums for cars dived to 17-year lows in February¹ because of significantly weaker car demand just ahead of the Chinese New Year. Additionally, there was a shorter time interval between successive tenders in February due to the festive season.</p> <p>Petrol prices, which had fallen by 8.3% in February, rebounded by 8.2% in March. This possibly reflected the reductions in loyalty or credit-card discounts at petrol stations.</p> <p>Meanwhile, parking fees rose for the third consecutive month, driven by the upswing in commercial rentals.</p>

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.

	Clothing & Footwear	Prices of clothing & footwear went up by 2.1% in March after the seasonal sales ended.
	Recreation & Others	Costs of recreation & others rose by 0.3% in March, led by the higher costs of overseas accommodation and packaged tours.

Outlook

IMPACT OF AUSTRALIA'S DROUGHT ON DOMESTIC FOOD PRICES IS LIKELY TO BE MUTED DUE TO THE DIVERSIFICATION OF SINGAPORE'S FOOD SOURCES

Recent anecdotal feedback from domestic food suppliers and retailers continued to suggest some upside risks to food prices arising from the extended drought in Australia. Nevertheless, domestic food suppliers also noted that the impact on domestic import and consumer prices could be mitigated by their contingency plans to increase imports from other countries, should supply from Australia falter.

Over the years, domestic food importers have not only established trade links with key external suppliers, but have also widened their network across countries for contingency purposes and to source for more cost-competitive products. Such developments have been facilitated by increased globalisation, strengthened international trade ties and more efficient transport and communications networks. In addition, the Agri-food & Veterinary Authority of Singapore (AVA), in collaboration with the private sector, actively seeks out new supply sources to ensure continued food supply in the event of disruption from any particular source.

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

Overall, while domestic food prices could remain susceptible to upside risks arising from climatic developments in Australia, the inflationary impact could be dampened by domestic food suppliers' initiatives to import from alternative sources. 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 also tempered by other offsetting fiscal measures. As such, overall inflationary pressures in Singapore are expected to be well-contained in 2007.

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.

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 Apr	101.5	102.5	102.0	103.8	96.8	103.7	101.2	102.2
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

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 Apr	1.1	1.8	5.6	24.5	30.5
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	-1.4	31.2	10.1
2007 Jan	0.2	0.9	-3.1	23.0	-13.4
Feb	0.6	1.3	-1.3	21.9	-3.7
Mar	0.7	1.2	-0.9	24.6	1.5

Source: Singapore Department of Statistics, IMF and Bloomberg