

Inflation Monthly

May 2007

CPI	2007	
	Apr	May
y-o-y (%)	0.6	1.0
m-o-m (%)	0.4	0.3
Index	102.1	102.4

- Singapore's headline CPI inflation rose to 1.0% y-o-y in May from 0.6% in April**

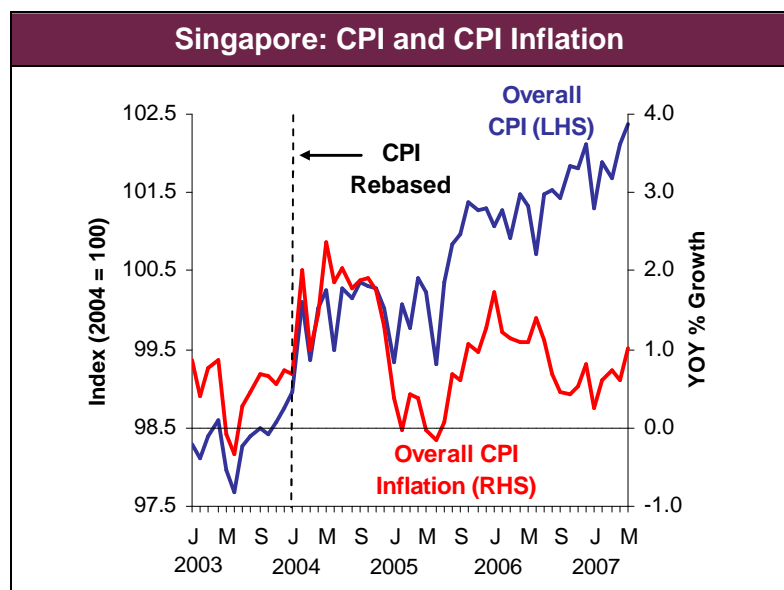
The MAS underlying inflation, which excludes accommodation and private road transport costs, edged up to 1.3% in May from 1.2% in April.

- On a m-o-m basis, Singapore's CPI rose by 0.3%**

Costs of transport & communications increased due to higher prices for cars and petrol. Price increases were also observed for various food items such as dairy products, seafood, fruits and vegetables. In particular, higher domestic prices of dairy products and eggs possibly reflected the impact of Australia's severe drought on its crops and livestock output.

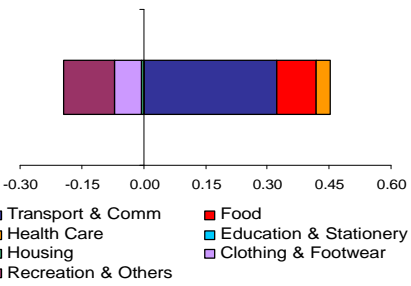
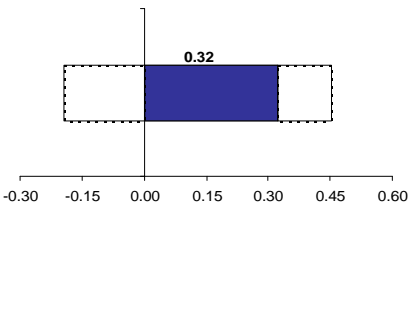
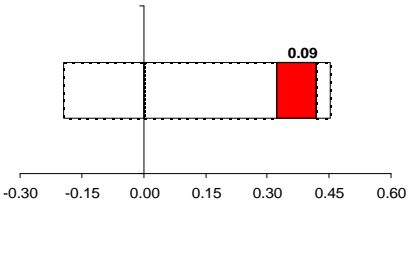
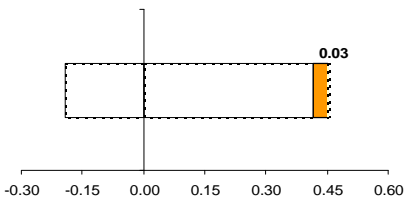
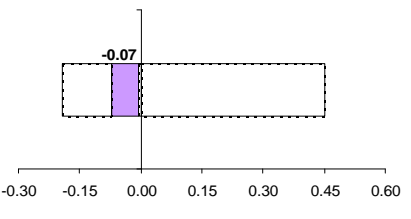
- Outlook: CPI inflation is expected to be higher in H2 2007**

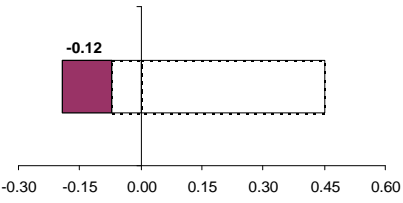
Domestic CPI inflation averaged a mild 0.6% for the first five months of 2007. However, inflation could climb higher in H2 2007 due to the 2% GST hike, higher car prices and upside risks to oil prices. For the whole of 2007, CPI inflation is expected to come in at 0.5-1.5%.



Recent Developments in Domestic CPI Inflation

Domestic headline CPI inflation rose to 1.0% y-o-y in May from 0.6% in the previous month. This brought average inflation to 0.6% for the first five months of 2007. The MAS underlying inflation measure – which excludes accommodation and private road transport costs – edged up to 1.3% in May from 1.2% in April. Over the period Jan-May 2007, it averaged 1.2%.

% Point Contribution, May 2007	Group	
	Overall (m-o-m)	On a m-o-m basis, the CPI rose by 0.3% in May largely due to higher transport costs. The overall increase was, however, dampened by lower costs of clothing & footwear and recreation & others.
	Transport & Communications	Costs of transport & communications rose by 1.6% in May due to higher prices of cars and petrol. Car prices increased following the rise in COE premiums in April. Meanwhile, the petrol CPI registered a gain of 7.5% in May, reflecting the pump price hike in mid-April and possibly some roll-back in discounts in May.
	Food	Overall food prices in the CPI basket went up by 0.4% in May, with price increases observed for dairy products, seafood, fruits and vegetables. Prices of dairy products and eggs rose by 2.8% during the month, reflecting the impact of Australia's severe drought on its crops and livestock output.
	Health Care	Health care costs were pushed up by more expensive ward and medical specialist charges.
	Clothing & Footwear	With the launch of the Great Singapore Sale (GSS) in end-May, prices of clothing & footwear fell by 1.8% during the month. Some retailers also introduced retail discounts prior to the start of the GSS.

	Recreation & Others	<p>Despite an increase in prices of cinema tickets and foreign maids' salary, costs of recreation & others declined as these were more than offset by lower cost of holiday travel during the month.</p>
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Outlook

CPI INFLATION IS EXPECTED TO BE HIGHER IN H2 2007...

Domestic CPI inflation averaged a mild 0.6% for the first five months of 2007. Into H2 2007, however, CPI inflation is expected to be higher for various reasons.

First, the 2% GST hike which kicked in on 1 July 2007 will lift CPI inflation in H2 2007. Overall, the GST hike is expected to add about 0.5% point to inflation in 2007 and 2008. Second, after touching a 17-year low level in February, COE premiums for cars recently rose to levels exceeding those in H2 2006. As such, car prices, which contributed negatively to CPI inflation for the past four years, would likely add to overall inflation in H2 2007. Third, the risk of global oil prices climbing higher in H2 remains. The International Energy Agency (IEA) foresees a tight oil market in H2 due to continued strong demand amidst constraints in supply. This could possibly lead to a reacceleration of oil prices. Moreover, base effects for domestic CPI's energy-related items, which helped to drag down inflation since H2 2006, would also diminish towards the end of 2007.

...AND COME IN AT 0.5-1.5% FOR THE WHOLE OF 2007

With domestic CPI inflation muted in the first five months, though expected to rise in H2 2007, overall inflation in 2007 is projected to come in at 0.5-1.5% in 2007. 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	Educational & Stationery	Health Care	Recreation & Others
Weights	10000	2338	357	2126	2176	819	525	1659
	INDEX (2004 = 100)							
2006 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
May	102.4	104.1	100.9	102.6	97.8	103.9	104.4	104.5

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 Jun	1.4	1.8	4.3	30.5	25.3
Jul	1.1	1.7	3.4	34.5	29.8
Aug	0.7	1.6	2.7	33.1	19.3
Sep	0.4	1.5	-1.0	31.7	2.8
Oct	0.4	1.3	-2.4	34.1	0.9
Nov	0.5	1.4	-2.4	34.7	8.5
Dec	0.8	1.6	-2.0	31.2	10.1
2007 Jan	0.2	0.9	-5.4	23.7	-13.4
Feb	0.6	1.3	-4.5	22.6	-3.7
Mar	0.7	1.2	-3.5	25.3	1.5
Apr	0.6	1.2	-4.0	24.0	-1.9
May	1.0	1.3	-3.2	15.2	-1.1

Source: Singapore Department of Statistics, IMF and Bloomberg