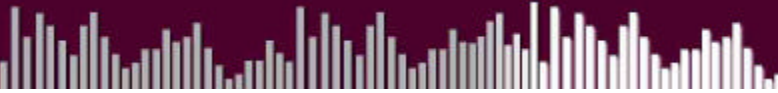


Inflation Monthly

November 2006



Highlights:

- CPI inflation picked up in G3 and Northeast Asian economies in November**

Rebound in energy prices was the key factor driving up CPI inflation in the G3 economies, while higher food prices lifted inflation in Northeast Asia.

- Singapore's headline CPI inflation edged up slightly to 0.5%, from 0.4% in October**

The MAS underlying inflation also rose slightly from 1.3% in October to 1.4% in November.

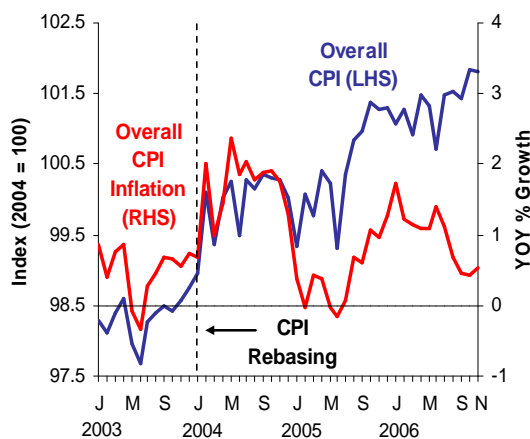
- On a m-o-m basis, the CPI remained unchanged**

Lower costs of transport & communications and education offset the increase in prices of other consumer items.

- Outlook: Some upside risks to food prices**

The recent issue of the *Food Outlook* by the FAO noted events in 2007 that could lead to tighter demand-supply conditions and higher prices for corn and rice, among other food products. This would in turn raise the prices of animal feeds, thereby translating into firmer prices for meat & meat products. The recent flood in Malaysia has also damaged crops and reduced vegetable supplies to Singapore, leading to a jump in prices.

Singapore's CPI (2004 = 100)		
% Growth/ Level	Oct 06	Nov 06
y-o-y	0.4	0.5
m-o-m	0.4	0.0
Index	101.8	101.8



Recent Developments in External Inflation

In November, headline CPI inflation picked up in the US, EU, Thailand and Northeast Asian economies, but moderated in the rest of the region.

Energy prices was the key contributing factor to higher CPI inflation in the US and EU. (Chart 1a) In the US, headline inflation picked up in November to 2% y-o-y, while core CPI inflation remained elevated at 2.6% y-o-y, driven by rising rentals and home owners' equivalent rents (OER). With both the cost of renting a home and OER inflation rising above 4%, shelter-related factors outweighed modest disinflation in items like apparel and medical care. In the EU, headline inflation accelerated from 1.6% y-o-y in October to 1.9% in November as energy prices rose sharply. Energy price inflation was also evident in Japan, but this was more than offset by slower food price inflation and continuing fall in the prices of consumer electronic durables. Consequently, headline inflation moderated slightly in Japan.

The Northeast Asian economies saw higher inflation in November, mainly due to higher food prices. (Chart 1b) In China, CPI inflation rose to a 20-month high of 1.9% y-o-y in November, underpinned by the biggest increase in grain prices since February 2005 as low inventory levels caused wholesalers to hoard supplies. After three month of deflation, consumer prices rose in Taiwan in November, helped by easing deflation in food and clothing prices. In Hong Kong, the composite CPI rose slightly from 2.0% y-o-y in October to 2.2% y-o-y in November, driven by the sharp jump in the price of rice.

In Southeast Asia, headline CPI inflation moderated in all the economies in November, except in Thailand. (Chart 1c) Indonesia's headline CPI inflation eased further to 5.3% y-o-y in November, mainly due to a drop in food price inflation. In Malaysia, headline CPI Inflation eased slightly to 3.0% y-o-y, the slowest pace in 16 months, on account of slower inflation in the costs of healthcare. In the Philippines, both headline and core inflation continued to decline due mainly to lower fuel price inflation and a stronger peso. In Thailand, CPI inflation picked up, reflecting the low base effect and the impact of recent floods on food supply and prices.

Chart 1a
CPI Inflation (G3 economies)

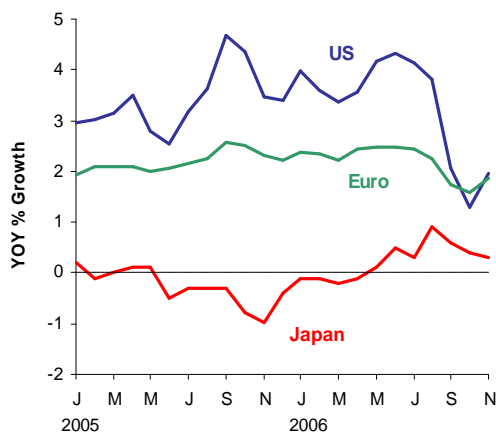
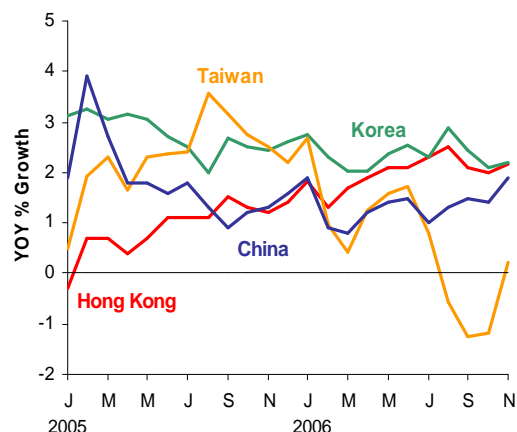
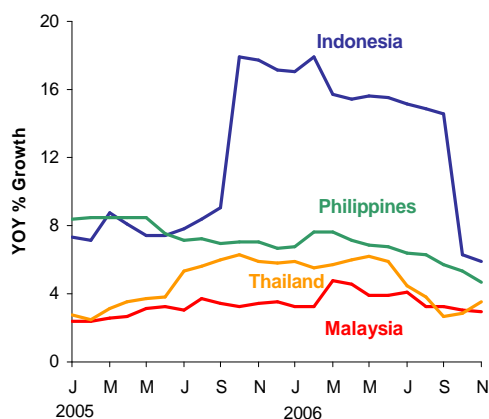


Chart 1b
CPI Inflation (Northeast Asia)



**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	Green	Green	Red	Yellow	Green	Red	Red	Green
EU	Red	Red	Green	Red	Yellow	Yellow	Green	Red	Red
Japan	Green	Green	Green	Red	Yellow	Yellow	Green	Yellow	Red
China	Red	Red	Red	Red	Green	Yellow	Green	Green	White
Hong Kong	Red	Red	Red	Red	Green	Red	Red	Yellow	Red
Taiwan	Red	Red	Red	Red	Green	Red	Red	Yellow	Red
Korea	Red	Red	Red	Red	Green	Green	Green	Yellow	Red
Malaysia	Green	Yellow	Red	Yellow	Yellow	Green	Yellow	Red	Red
Thailand	Red	Red	Yellow	Red	Yellow	Green	Yellow	Yellow	Green
Indonesia	Green	Green	Red	Green	Green	Green	Green	Green	White
Philippines	Green	Green	Green	Green	Green	Green	Green	Yellow	Green
Singapore	Red	Red	Green	Red	Green	Red	Green	Green	Red

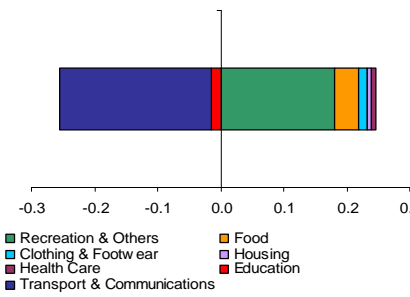
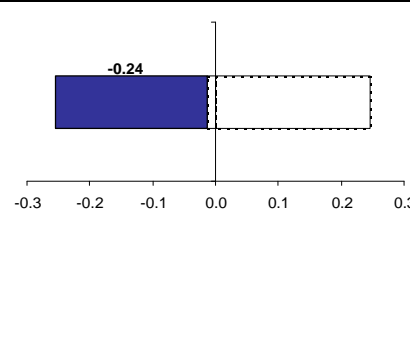
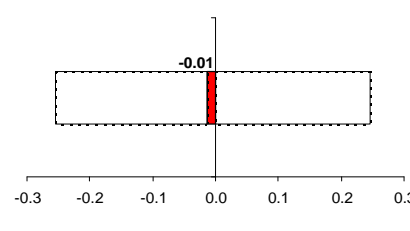
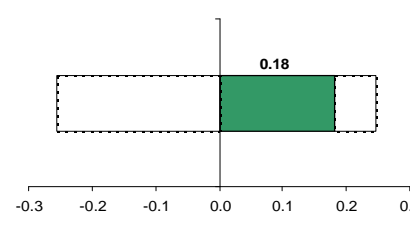
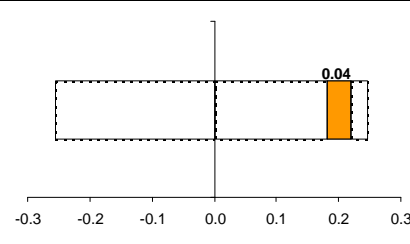
Interpretation of Colour Codes:

The indicator is based on the change in inflation over the past month 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 0.5% y-o-y in November from 0.4% in the previous month. This brought average inflation to 1.0% for the first eleven months of 2006. The MAS underlying inflation measure – which excludes accommodation and private road transport costs – also edged up to 1.4% from 1.3% in October. Over the period January-November 2006, it averaged 1.7%.

% Point Contribution, Nov 2006	Group	
 <p>Legend:</p> <ul style="list-style-type: none"> Recreation & Others (Green) Clothing & Footwear (Light Blue) Health Care (Red) Transport & Communications (Dark Blue) Food (Orange) Housing (Light Green) Education (Dark Red) 	Overall (m-o-m)	On a m-o-m basis, the CPI remained unchanged as lower costs of transport & communications and education offset the increase in the prices of other consumer items.
	Transport & Communications	Costs of transport & communications fell by 1.2% during the month, largely on account of lower private road transport costs. Petrol companies cut pump prices by another six cents in November, after having reduced prices by 17 cents in Sep-Oct. Automobiles were also cheaper with COE premiums having fallen significantly in the previous month ¹ .
	Education	Despite dearer books and magazines, the overall costs of education were dragged down by the continuous slide in the prices of personal computers and other IT products.
	Recreation & Others	Costs of recreation & others rose by a strong 1.1% in November. Holiday expenses were sharply higher on the back of a jump in the costs of overseas accommodation. Prices of packaged tours also edged up.
	Food	Overall food prices rose for the eighth month, as vegetables, meat & poultry and fruits became more expensive.

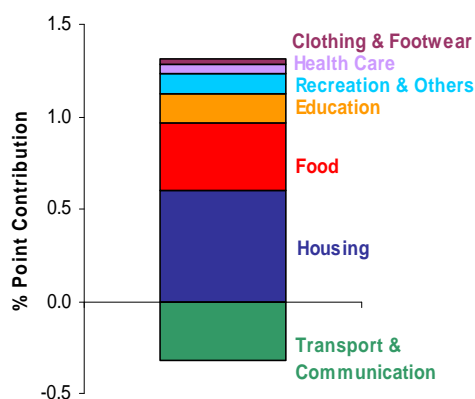
¹ COE premiums in a particular month tend to be reflected in overall car prices in the following month, given that car dealers need to secure the certificates before the cars are delivered.

Outlook

NON-COOKED FOOD PRICE INFLATION HAS BEEN PROMINENT IN 2006...

In the first eleven months of 2006, non-cooked food items contributed about 0.2% point to the overall inflation of 1.0%. Along with another 0.2% point contribution from cooked food items, food prices were the second largest contributor to overall CPI inflation after housing costs. The latter was pushed up by higher electricity and gas tariffs on the back of soaring global oil prices. (Chart 2)

Chart 2
Contribution to CPI Inflation, Jan-Nov 2006



Taking a closer look at the various non-cooked food items in the CPI basket, the steady increase in the prices of seafood, vegetables & fruits and sugar, preserves & confectionery since 2004 was a reflection of higher import prices. (Charts 3a-c) In addition, consumer prices of items such as dairy products & eggs have increased while those of meat & poultry have stayed high in 2006 even though import prices have been falling. (Charts 3d-e) Rice & other cereals have also displayed some downward price rigidity.

Chart 3a
Seafood CPI & IPI*

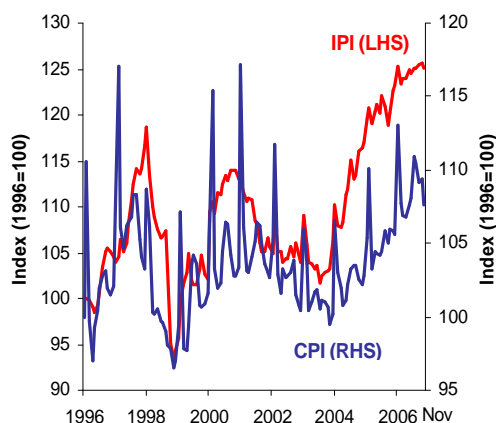
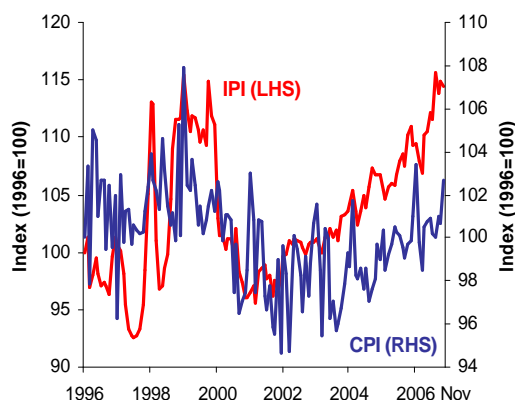


Chart 3b
Vegetables & Fruits CPI & IPI



*IPI category: Fish & Fish Preparation

Chart 3c
**Sugar, Preserves &
 Confectionery CPI & IPI ***

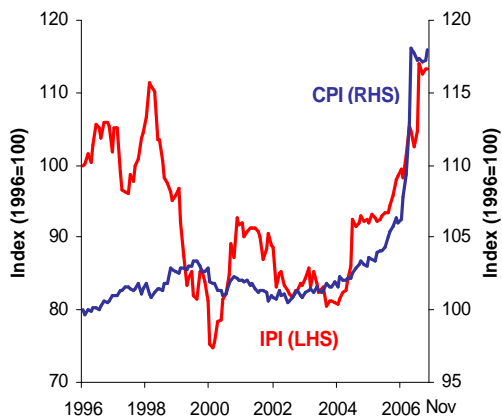
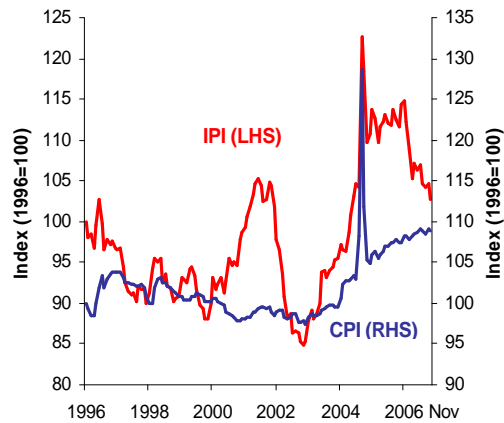
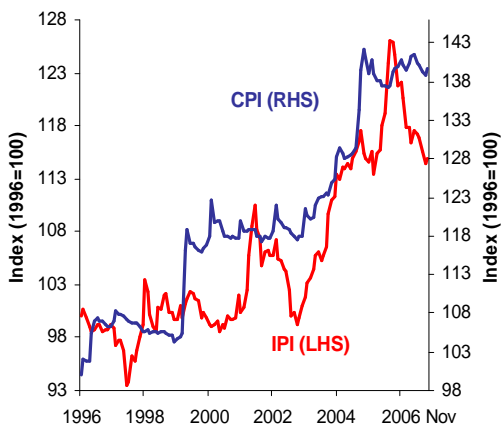


Chart 3d
Dairy Products & Eggs CPI & IPI



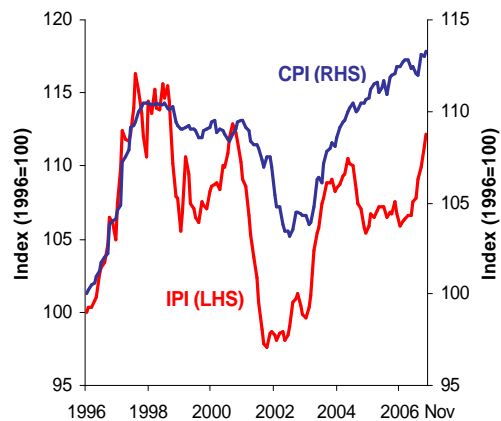
*IPI category: Sugar & Sugar Preparation

Chart 3e
Meat & Poultry CPI & IPI *



*IPI category: Meat & Meat Preparation

Chart 3f
Rice & Other Cereals CPI & IPI *



*IPI category: Cereal & Cereal Preparation

... AND COULD POSSIBLY STRENGTHEN IN 2007

Looking ahead into 2007, price inflation of non-cooked food could remain an important influence on domestic CPI. In the latest issue of the *Food Outlook*, the Food and Agriculture Organization (FAO) of the United Nations noted developments that could lead to higher prices of some imported food items in the coming year. For instance, thriving global demand for corn-based ethanol and animal feeds is likely to further tighten demand-supply conditions in the corn market. More expensive animal feeds arising from dearer corn as well as wheat could consequently push up prices of meat and dairy products. Firmer prices for rice are also expected due to lower supplies from exporting countries. In addition, the uncertainty surrounding weather conditions – particularly the development of the El Niño effect – adds further risks to food product prices.

DOMESTIC VEGETABLE PRICES TO POST STRONGER INCREASES DUE TO SEVERE FLOODING IN MALAYSIA

More recent climatic developments in the region have also been unfavourable for domestic imported food prices. During the month of December, unusually heavy monsoon rain led to severe flooding in Johor and other parts of Malaysia, resulting in the damage of vegetable farms as well as disruptions to transportation systems. Consequently, domestic importers have reported supply shortages and spikes in the price of vegetables, as Malaysia accounts for a significant 30% of Singapore's total imported vegetables.

Vegetable supplies from Malaysia could possibly take some time to normalise given that replanted crops have been destroyed by the second wave of flood. With the Chinese New Year season approaching, stronger price increases for vegetables could materialise.

SINGAPORE'S HEADLINE CPI INFLATION TO COME IN AT 0.5-1.5% IN 2006 AND 2007

Despite the anticipated price increases detailed above, overall domestic inflation is expected to be well-contained going forward. The recent correction in global oil prices will translate into lower prices of direct oil-related items in the months ahead. Wage growth is also likely to be subdued at a modest 3.5-4% in 2007. This forecast, however, has not factored in a possible CPF employer contribution rate increase. In addition, the persistent fall in the prices of technological products could alleviate some upward price pressures.

Domestic headline inflation is projected to be in the 0.5-1.5% range for both 2006 and 2007 while the MAS underlying inflation measure, which excludes accommodation and private road transport costs, is expected to come in at 1.5-2% in 2006 and 1-2% in 2007. (These forecasts have not taken into account the impending GST hike as details are not yet available.)

Statistical Appendix

Table A.1
Singapore: 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)							
2005 Dec	101.3	101.8	100.5	103.0	97.3	102.9	100.7	103.2
2006 Jan	101.1	102.8	98.9	101.3	96.8	103.9	101.0	103.0
Feb	101.3	102.1	100.7	104.0	96.0	103.7	100.9	102.6
Mar	100.9	102.1	102.3	102.4	95.8	103.6	100.9	102.5
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

Source: Singapore Department of Statistics

Table A.2
Singapore: Selected Inflation Indicators

	CPI	MAS Underlying Index	Import Price Index	Non-fuel Primary Commodities	OPEC Oil Price
	YOY% GROWTH				
2005 Dec	1.3	2.0	7.4	17.5	46.8
2006 Jan	1.7	2.3	7.4	17.5	44.1
Feb	1.2	2.0	7.0	17.9	34.1
Mar	1.2	1.8	5.2	13.9	16.3
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	35.2	8.5

Source: Singapore Department of Statistics, IMF and Bloomberg