

Inflation Monthly

November 2007

Singapore's Consumer Price Index

	2007	
	October	November
y-o-y (%)	3.6	4.2
m-o-m (%)	1.3	0.6
Index	105.5	106.1

- Singapore's headline CPI inflation rose to 4.2% y-o-y in November from 3.6% in October**

The MAS underlying inflation measure, which excludes accommodation and private road transport costs, increased to 3.5% in November from 3.2% in the preceding month.

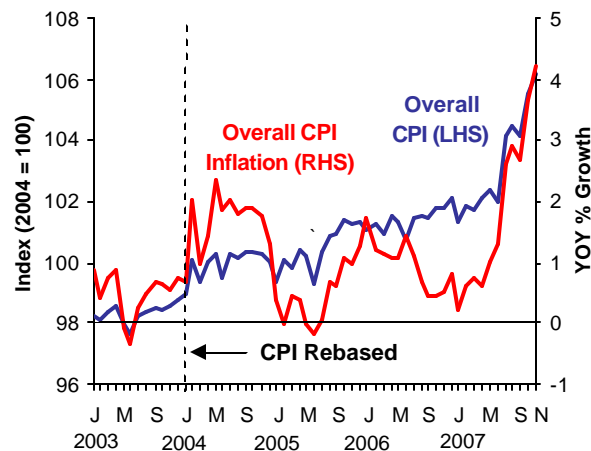
- On a m-o-m basis, Singapore's headline CPI went up by 0.6%**

Almost all major categories of the CPI posted price increases during the month. The main contributor to the increase was food prices, which rose by a significant 1.1%. Housing costs also increased due to higher costs of rented and owner-occupied accommodation, as well as liquefied petroleum gas (LPG).

- Outlook: Commodity prices could stay high**

At the start of 2008, global prices of oil and some food commodities soared to record highs. At this juncture, tight demand and supply conditions would likely provide support for global commodity prices. Domestically, we expect the pass-through of recent increases in imported food and energy prices to continue into 2008.

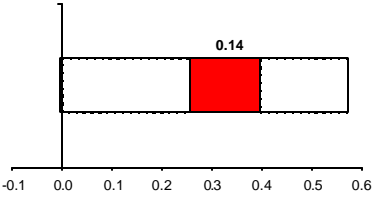
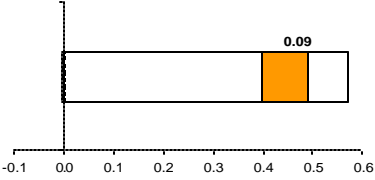
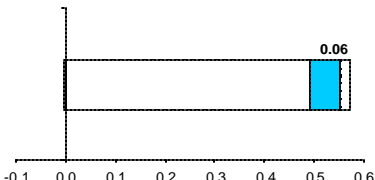
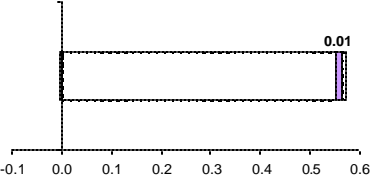
Singapore: CPI and CPI Inflation



Recent Developments in Domestic CPI Inflation

Domestic headline CPI inflation rose to 4.2% year-on-year (y-o-y) in November from 3.6% in the previous month, bringing average inflation to 1.9% for the first eleven months of 2007. The MAS underlying inflation measure – which excludes accommodation and private road transport costs – increased to 3.5% in November from 3.2% in the preceding month. Over the period Jan-Nov 2007, it averaged 2.1%.

% Point Contribution (m-o-m), November 2007	Group	
<p>Legend:</p> <ul style="list-style-type: none"> Food Recreation & Others Transport & Comm Education & Stationery Housing Clothing & Footwear Health Care 	Overall (m-o-m)	<p>The CPI rose by 0.6% on a month-on-month (m-o-m) basis, with almost all major categories of the CPI registering price increases during the month. The main contributors to the increase were costs of food, housing and recreation & others.</p>
	Food	<p>Food prices rose by a significant 1.1% in November, compared to an average m-o-m increase of 0.3% in the last 12 months.</p> <p>Rice & other cereals posted a substantial price increase of 2.4%. This compares with a milder average monthly increase of 0.4% in the past year. Following the recent upsurge in global wheat prices, domestic bakeries raised the prices of bread, cakes and pastries.</p> <p>Similarly, prices of meat & poultry jumped 1.7% in November, which could be attributed to two factors. First, animal feed has become more expensive in the past year due to the sharp increase in global grain prices. Second, higher freight charges, due to rising oil prices, have raised the cost of imported meat and poultry.</p> <p>Significant price increases were also observed for various other non-cooked food such as eggs & dairy products, cooking oils & fats and non-alcoholic beverages.</p> <p>Cooked food at hawker centres (including food courts) and restaurants were costlier in November, with prices rising by 1.2% and 0.1% respectively. Rising imported non-cooked food prices, wages and rentals could have</p>

		<p>induced service providers to raise prices.</p>
	<p>Housing</p>	<p>Housing costs went up by 0.7% in November, led by higher cost of owner-occupied accommodation.</p> <p>Meanwhile, the cost of rented accommodation remained on an uptrend amidst the property market boom, increasing by 1.5% in November after rising by 21% over Jan – Oct 2007.</p> <p>With oil prices soaring to above US\$90 per barrel in November, prices of liquefied petroleum gas (LPG) and gas tariffs were raised by 5.5% and 2.4% respectively.</p>
	<p>Re-creation & Others</p>	<p>The CPI for recreation & others was lifted by costlier holiday travel and personal effects (e.g. watches and jewelry). Cost of holiday travel increased by 1.5% in November to an all-time high, driven by more expensive overseas accommodation, packaged tours as well as air fares.</p>
	<p>Clothing & Footwear</p>	<p>Prices of clothing & footwear were up by 1.8% during the month, in line with historical seasonal trends.</p>
	<p>Transport & Comm - unications</p>	<p>Petrol companies raised pump prices by nearly 5% in November, amidst soaring global oil prices. However, this was offset by lower car prices. As a result, the transport & communication price index remained nearly unchanged.</p>

Outlook

COMMODITY PRICES COULD STAY HIGH

Amidst strong demand and tight supply, the price of benchmark West Texas Intermediate (WTI) oil crossed the US\$100 per barrel mark, doubling the price at the beginning of last year, before retreating to around US\$90 more recently. Similarly, soybean and palm oil prices have leapt to new records, while corn and wheat prices remained at multi-year high.

At this juncture, commodity prices are likely to remain elevated due to tight demand and supply conditions, although there could be some dampening effect from the global economic slowdown.

In the oil market, the International Energy Agency and the US Department of Energy (DOE) are both projecting demand to rise at a faster pace in 2008 compared to 2007. The IEA has however indicated that downside risks to US and global GDP growth have increased and that 2008 oil demand could be revised downwards should the outlook worsen. Nevertheless, increasing oil demand in China, geopolitical uncertainties in Nigeria and the Middle East, and falling oil inventories in the OECD countries would likely be "supportive factors" for prices.

Despite the economic slowdown, global demand for food commodities is expected to stay robust as food demand is less sensitive to short-run growth fluctuations. Moreover, high oil prices could provide support for biofuel demand and in turn biofuel agricultural commodities such as corn, sugar, soybeans and palm oil. Meanwhile, inventories for some food commodities are at multi-year lows and demand-supply is expected to be tightly balanced. As such, upside price risks remain, especially when speculative interests for these commodities have risen in recent months.

HEADLINE CPI INFLATION TO COME IN AT 4.5-5.5% IN 2008

Domestically, we expect businesses to respond to recent increases in imported food and energy prices by passing on more of the higher costs to consumers. Food and energy-related items would be key contributors to higher inflation in 2008.

IRAS has announced that the Annual Value (AV) for all HDB types will be increased, reflecting the significant rise in their market rental values. The cost of owner-occupied accommodation in the CPI is computed based on the rental equivalence method, which measures shelter cost in terms of the expected rental the owner would have to pay if he was the tenant of the premise. To track changes in the imputed rental over a period of time, the Department of Statistics (DOS) obtains from the Inland Revenue Authority of Singapore (IRAS) the AVs for a pre-selected sample of housing units.

Moreover, given the robust growth in recent years and the current advanced stage of the business cycle, domestic cost pressures stemming from a tight labour market and shortage of commercial space will persist, amidst external pressures from rising oil and food prices at this stage.

Taking into account these factors and the step-up in the level of domestic prices of food and oil-related items, MAS has revised the CPI inflation forecast from 3.5-4.5% to 4.5-5.5% for 2008.

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 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	105.0	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
Jun	102.0	104.6	97.3	99.9	98.5	103.8	104.9	105.0
Jul	104.1	106.0	101.1	104.8	99.4	106.0	107.2	105.6
Aug	104.5	106.4	102.5	105.1	99.9	105.9	107.4	105.9
Sep	104.2	106.9	101.6	103.9	98.7	106.3	107.4	106.3
Oct	105.5	107.5	101.1	106.6	101.0	106.3	107.8	107.2
Nov	106.1	108.6	102.9	107.3	101.1	106.3	108.0	107.8

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 Dec	0.8	1.6	-2.0	26.7	10.1
2007 Jan	0.2	0.9	-5.4	21.3	-13.4
Feb	0.6	1.3	-4.5	20.6	-3.7
Mar	0.7	1.2	-3.5	21.7	1.5
Apr	0.6	1.2	-4.0	19.8	-1.9
May	1.0	1.3	-3.2	11.7	-1.1
Jun	1.3	1.5	-3.4	14.5	3.1
Jul	2.6	2.7	-3.5	12.3	4.0
Aug	2.9	2.8	-3.1	8.5	-0.6
Sep	2.7	3.0	-0.2	12.8	24.3
Oct	3.6	3.2	0.6	11.3	43.6
Nov	4.2	3.5	3.4	9.7	60.6

Source: Singapore Department of Statistics, IMF and Bloomberg