



November 2010

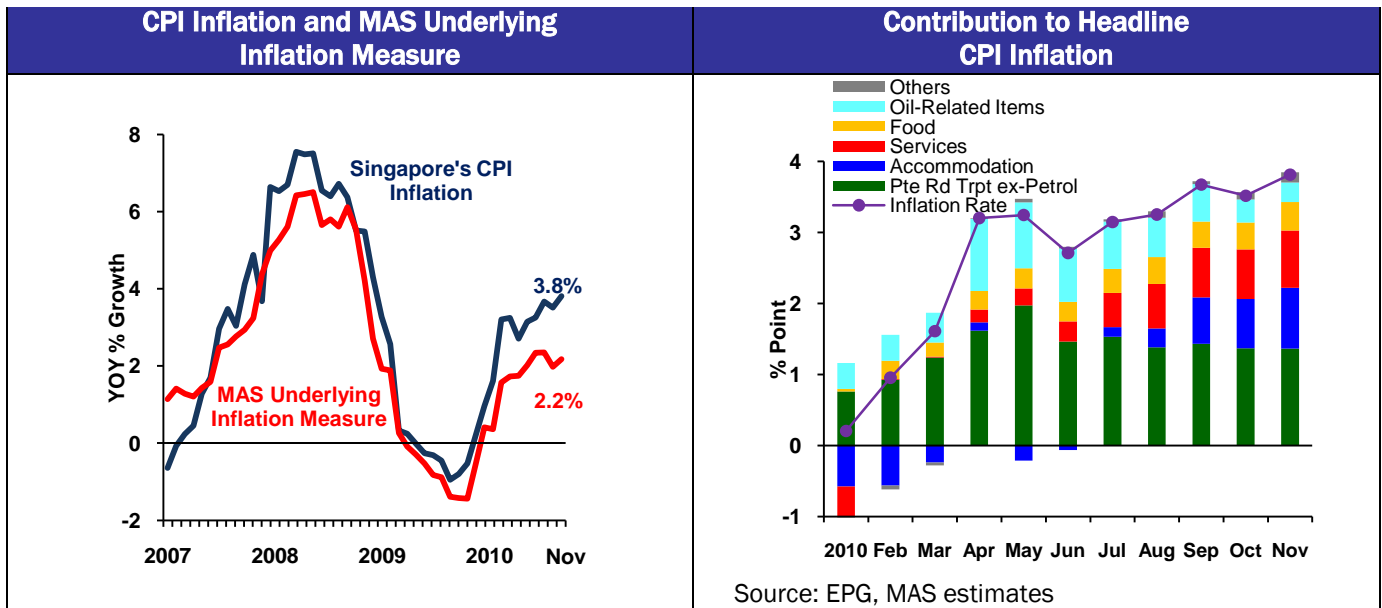
## Recent Developments in Domestic CPI Inflation

### Year-on-year (y-o-y) changes in Singapore's CPI

**Singapore's headline CPI inflation rose to 3.8% in November, from 3.5% in October.**

The pickup in CPI inflation was mainly attributed to higher costs of non-tradables, namely accommodation and services, reflecting sustained consumer demand.

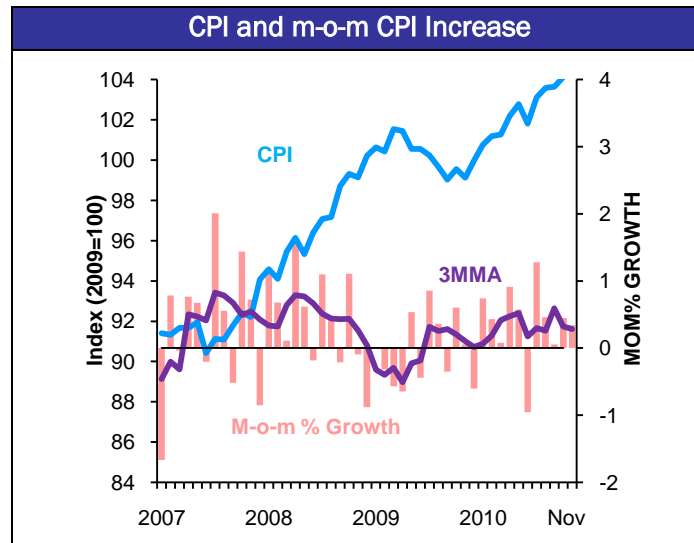
The increase in services costs also led the MAS underlying inflation measure, excluding the costs of accommodation and private road transport, to rise slightly from 2.0% in October to 2.2% in November.



## Month-on-month (m-o-m) changes in Singapore's CPI

**On a month-on-month basis, the rate of increase in the CPI slowed from 0.5% in October to 0.3% in November.**

The more modest rise in the CPI reflects largely the smaller increases in the costs of accommodation and private road transport, excluding petrol. Notably, accommodation costs rebounded strongly in October after the disbursement of the S&CC and rental rebates for HDB flats in September. Without the effect of the rebates, accommodation costs rose more moderately in November. On a three-month moving average basis, the CPI increased by 0.3%, the same pace as in October.



MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p><b>% Point Contribution to Month-on-month CPI Inflation</b></p>	<b>Accommodation</b>	Residential property rents, used to compute accommodation costs, remained on the uptrend.
	<b>Services</b>	Services costs were higher largely due to more expensive holiday travel and other forms of recreation and entertainment as demand was boosted by the commencement of school holidays.
	<b>Private Road Transport Ex- Petrol</b>	Despite the tight supply of COEs, average COE premiums for cars only edged up modestly in recent months as consumer demand remained weak.
	<b>Food</b>	The prices of prepared meals stayed flat while the non-cooked food price index was higher by 0.3% due to dearer vegetables, dairy products & eggs and non-alcoholic beverages.
	<b>Oil-Related Items</b>	Petrol pump prices rose alongside the increase in global oil prices in November. This was partially offset by gas tariffs which were cut as oil prices were lower in Q3.
	<b>Others</b>	Retail-related items became more expensive but the rate of increase was slower than October's when prices picked up more substantially following the end of seasonal sales.

## **CPI Inflation in December 2010**

### ***Higher costs of accommodation and cars drove up CPI inflation in December.***

CPI inflation rose further to 4.6% in December. The pickup in CPI inflation was mainly attributed to higher costs of accommodation and cars. As such, the MAS underlying inflation measure, which excludes the costs of accommodation and private road transport, was 2.1% in December, similar to the 2.2% in the previous month.

Accommodation costs rose by 5.8% y-o-y in December 2010 as the current uptrend in residential property rents was exacerbated by the low base in December 2009 when a higher quantum of rental rebates were disbursed. Car prices also jumped by 27% y-o-y due to the surge in COE premiums in December.

For the whole of 2010, headline CPI inflation and the MAS underlying inflation measure averaged 2.8% and 1.5% respectively, in line with expectations.

## **Inflation Outlook**

### ***Headline CPI inflation is expected to be higher over the next few months before moderating.***

CPI inflation will be higher over the next few months on account of stronger domestic and external sources of price increases. Notably, the recent surge in COE premiums and global food prices will continue to impact headline inflation. However, as anticipated, CPI inflation is expected to moderate more significantly in H2 2011.

In comparison, the MAS underlying inflation measure is likely to see only moderate increases in the next few months before also easing in the later half of the year.

**Table A.1  
Consumer Price Index**

	All Items	Food	Clothing & Footwear	Housing	Transport	Comms	Educa-tion & Stationery	Health Care	Recreation & Others
Weights	10000	2205	341	2548	1553	475	735	586	1557
	INDEX (2009 = 100)								
2009 Sep	99.98	99.99	100.20	98.66	102.66	100.32	100.08	100.18	99.15
Oct	100.58	100.14	101.09	100.32	103.14	99.97	100.14	100.25	99.47
Nov	100.63	100.16	100.95	100.34	103.66	97.55	100.19	100.29	99.97
Dec	100.02	100.11	99.56	98.20	103.08	97.39	100.18	100.20	100.61
2010 Jan	100.77	100.30	98.96	100.72	104.01	96.17	101.21	100.73	99.85
Feb	101.20	101.02	98.22	100.72	104.39	98.29	101.88	100.63	100.48
Mar	101.28	100.83	101.01	100.12	105.50	98.62	101.87	100.76	100.38
Apr	102.20	100.97	100.95	101.26	108.99	96.52	102.04	101.26	101.15
May	102.79	101.07	100.20	101.51	112.65	96.43	102.04	101.33	100.91
Jun	101.81	101.07	96.96	99.92	109.63	97.64	102.04	101.62	100.44
Jul	103.11	101.43	100.05	102.50	111.48	97.62	102.85	102.47	100.86
Aug	103.59	101.57	102.54	102.83	112.30	98.55	103.56	102.55	101.16
Sep	103.64	101.68	100.71	103.28	112.04	98.74	103.56	102.46	101.27
Oct	104.11	101.87	102.25	103.83	112.92	97.88	103.77	102.85	101.90
Nov	104.47	101.99	102.79	104.33	113.42	98.01	103.94	102.85	102.39

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				
2009 Sep	-0.5	-0.9	-10.2	-14.6	-30.7
Oct	-0.9	-1.4	-5.3	2.3	5.1
Nov	-0.8	-1.4	1.4	14.7	53.3
Dec	-0.5	-1.4	4.5	27.0	94.1
2010 Jan	0.2	-0.5	4.2	25.0	84.4
Feb	1.0	0.4	3.3	25.8	76.4
Mar	1.6	0.4	2.6	29.7	68.6
Apr	3.2	1.6	3.5	31.1	63.6
May	3.2	1.7	2.2	18.3	30.7
Jun	2.7	1.7	-0.7	11.9	6.6
Jul	3.1	2.0	-0.5	17.6	12.3
Aug	3.3	2.3	-2.4	18.3	3.9
Sep	3.7	2.3	-1.4	23.8	11.1
Oct	3.5	2.0	-1.0	27.0	9.9
Nov	3.8	2.2	-1.4	25.5	8.6

Source: Singapore Department of Statistics, IMF and Bloomberg