

## CHAPTER 4

## PRICES

## OVERVIEW

The consumer price index (CPI) increased by 5.4 per cent in the fourth quarter of 2008. For the whole of 2008, CPI increased by 6.5 per cent.

Producer, export and import prices declined in the final quarter of 2008, reflecting falling global commodity prices.

## CONSUMER PRICE INDEX

Singapore's CPI increased by 5.4 per cent in the final quarter of 2008, compared to a 6.6 per cent increase in the third quarter ([Exhibit 4.1](#)). On a quarter-on-quarter basis, the seasonally adjusted CPI rose at a slower pace of 0.5 per cent, compared to an increase of 0.9 per cent in the preceding quarter.

For the whole of 2008, the CPI rose by 6.5 per cent, compared to 2.1 per cent in 2007. The housing, food and transport and communications categories contributed to most of the increase in CPI in 2008 ([Exhibit 4.2](#)).

Owing to higher accommodation costs and electricity tariffs, housing costs increased by 13 per cent. Higher cooked food and rice prices contributed to the 7.8 per cent increase in the cost of food. More expensive petrol and higher taxi fares offset lower road taxes and car prices, leading to a 3.3 per cent increase in the cost of transport and communications. Higher cost of holiday travel also contributed to the increase in the CPI.

Exhibit 4.1: Changes in CPI

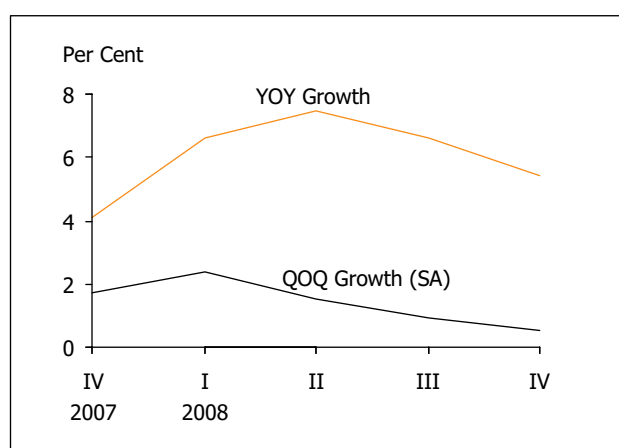
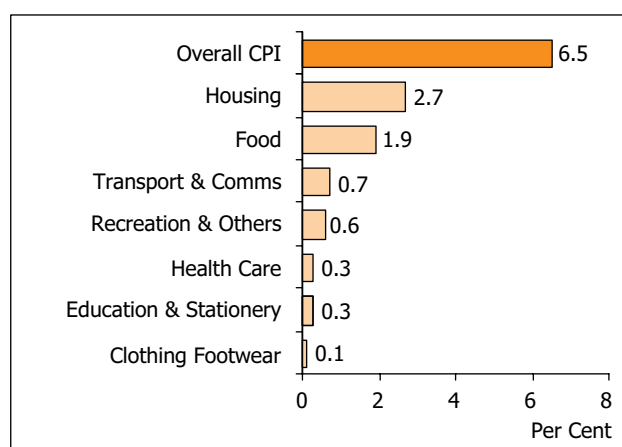


Exhibit 4.2: Percentage Point Contribution to Change in Overall CPI in 2008



## PRODUCER PRICE INFLATION

Producer, export and import prices declined in the final quarter of 2008, after rising for the previous four quarters. Falling global commodity prices in the last months of the year contributed to the declines.

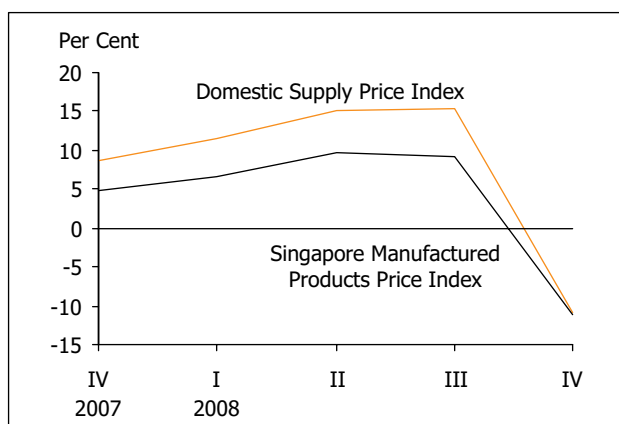
The domestic supply price index and the import price index rose by 7.5 per cent and 3.0 per cent respectively, mainly because of the significant jump in the prices of mineral fuels and animal and vegetable oils and fats over most of the year. The export price index and Singapore manufactured products price index rose by 1.3 per cent and 3.4 per cent respectively, largely due to an increase in the prices of crude materials, mineral fuels and animal and vegetable oils and fats (Exhibits 4.3 and 4.4).

## GDP DEFLATOR

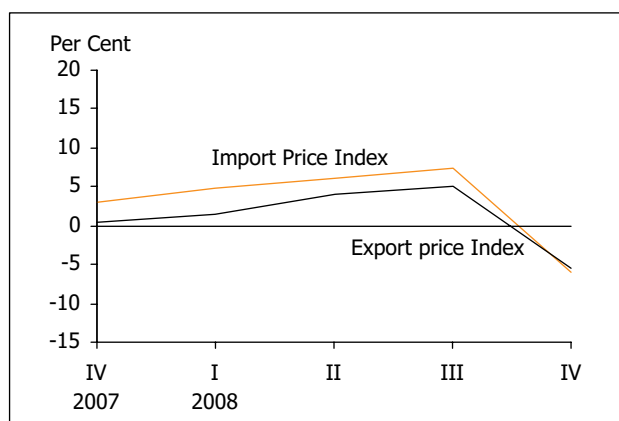
The GDP deflator, the broadest measure of price changes of output in the economy, declined by 1.5 per cent in the fourth quarter of 2008 (Exhibit 4.5). For the whole of 2008, the GDP deflator rose by 1.1 per cent, compared to the 5.6 per cent increase in 2007. Sectors which experienced declines in output prices included manufacturing, utilities, wholesale and retail trade, transport and storage, and information and communications. Meanwhile, the construction, hotels and restaurants, financial and business services sectors saw increases in their respective sectoral price deflators.

Among the expenditure deflators, the gross fixed capital formation expenditure deflator showed the largest increase, at 6.8 per cent in 2008, compared to a 3.9 per cent increase in 2007. The deflator for private consumption expenditure rose by 6.2 per cent, after a 5.7 per cent rise in 2007. Reversing the declines in the preceding year, the deflators for exports and imports of goods and services increased by 2.8 per cent and 4.6 per cent respectively in 2008.

**Exhibit 4.3: Changes in Domestic Supply Price and Singapore Manufactured Products Price Indices**



**Exhibit 4.4: Changes in Import and Export Price Indices**



**Exhibit 4.5: Changes in Gross Domestic Product Deflator**

	Per Cent	
	2007	2008
<b>OVERALL GDP DEFLATOR</b>	5.6	<b>1.1</b>
<b>Of Expenditure</b>		
Consumption	4.9	<b>5.8</b>
Private	5.7	<b>6.2</b>
Public	2.0	<b>4.1</b>
Gross Fixed Capital Formation	3.9	<b>6.8</b>
Exports of Goods and Services	-1.0	<b>2.8</b>
Imports of Goods and Services	-2.2	<b>4.6</b>
<b>Of Output</b>		
Goods Producing Industries	-1.4	<b>-5.3</b>
Manufacturing	-2.2	<b>-10.5</b>
Construction	2.9	<b>19.2</b>
Services Producing Industries	6.1	<b>2.9</b>
Wholesale & Retail Trade	2.3	<b>-0.5</b>
Transport & Storage	7.8	<b>-1.0</b>
Hotels & Restaurants	8.2	<b>9.5</b>
Information & Communications	1.0	<b>-1.7</b>
Financial Services	8.5	<b>2.9</b>
Business Services	11.4	<b>10.5</b>