

## FOOD INFLATION IN SINGAPORE GENERALLY LOWER COMPARED TO OTHER COUNTRIES

A quick survey of food prices (cooked and uncooked food) worldwide found that Singapore's food inflation has remained low by international standards. While Singapore is not spared from the general increase in global food prices, the survey of 14 countries from 2005 to 2007 shows that Singapore had one of the lowest rates of food inflation for all three years. More details can be found in [Table 1](#).

Table 1: % Change in Food CPI for Selected Countries

Country	2005	2006	2007
Japan	-0.9	0.5	0.3
Australia	2.4	7.7	2.4
South Korea	3.1	0.4	2.4
<b>Singapore</b>	<b>1.3</b>	<b>1.6</b>	<b>2.9</b>
Taiwan	7.5	-0.7	2.9
Malaysia	3.6	3.4	3.1
EU	1.1	2.4	3.5
US	2.4	2.3	4.0
Thailand	4.9	4.6	4.1
Hong Kong	2.1	1.8	4.5
Brazil	3.1	0.0	6.8
Vietnam	11.0	8.6	11.2
Indonesia	10.0	14.7	11.4
China	2.9	2.3	12.3

Despite being a price taker as we import most of our food, Singapore's open and competitive environment has kept food price increases less pronounced than most countries. By creating a conducive business environment for enterprises to thrive, we ensure that consumers can choose from a wide range of options. This allows them to switch to cheaper alternatives should some businesses charge unreasonable prices.

One key initiative by the Government that has contributed to this outcome is the effort by the Agri-Food & Veterinary Authority of Singapore (AVA) in diversifying our food sources so that we are less vulnerable to disruptions in any single source. For example, while we have traditionally sourced our vegetables from Malaysia and China, we are now getting them from Vietnam and Indonesia as well.

Businesses have also played a responsible role in moderating the pace of increases by not passing on the full extent of price increases in their inputs immediately. Imported food prices increased by 12.1% between December 2006 and 2007, outstripping the 7.1% increase in the non-cooked food component of the Consumer Price Index (CPI) over the same 12 month period.

Most hawkers, in particular, have also shown restraint. According to the Department of Statistics (DOS), about 75% of hawkers surveyed have held prices constant since June 2007.

The food component of the CPI has increased in recent months (see [Table 2](#)). However, the cooked food price increases have been smaller than non-cooked food price increases, an indication that hawkers and restaurants have not passed on all the increases in raw food prices to consumers.

Table 2: % Change in Food CPI (Month-on-Month)

Period	Food CPI		
	Cooked food	Non-cooked food	Overall
January 2007	0.0	1.8	0.8
February	0.1	0.7	0.4
March	-0.1	-2.1	-1.0
April	0.1	-0.3	-0.1
May	0.1	0.8	0.4
June	0.2	0.7	0.4
July	1.4	1.3	1.4
August	0.3	0.4	0.4
September	0.3	0.6	0.4
October	0.4	0.7	0.5
November	0.9	1.3	1.1
December	0.4	1.0	0.6

This rising trend for food inflation is mainly driven by external factors. The surge in oil prices has increased the cost of producing and transporting food, and encouraged farmers to switch from producing food to biofuels. Adverse weather in supplier countries, such as snow storms in China, has also reduced crop yield. These supply disruptions have been amplified by the rising demand for meat and other higher-end products by consumers from countries such as China and India, which in turn increases the demand for feedstock. Singapore, which imports most of its food supply, is inevitably affected by these factors.

However, increased food diversification efforts and responsible businesses, such as the main supermarket chains and hawkers, ensure that affordable food sources and options remain available in Singapore. With the continued uptrend in the global food prices, our best strategy against food inflation lies in our ability to sustain the growth of our economy over the medium term and create quality jobs for Singaporeans.