



Consumer Price Developments in December 2014

CPI-All Items inflation came in at -0.2% y-o-y in December

CPI-All Items inflation edged up slightly to -0.2% in December from -0.3% in November, mainly on account of base effects associated with fluctuations in car Certificate of Entitlement (COE) premiums.

Private road transport cost fell by a more moderate 5.7%, compared to the 7.0% decrease in November, owing to the relatively low base in the same period last year when COE premiums corrected.¹ This base effect more than offset the significant 11.2% drop in petrol pump prices, following the 4.3% decline a month ago.

Accommodation cost was 1.4% lower, extending the 1.2% fall in November, as a result of the soft housing rental market.

Services inflation came in at 1.4%, unchanged from the preceding month, as a steeper increase in telecommunication services fees was offset by a larger decline in holiday travel cost.

Food inflation was stable at 2.9% in December. While the rise in non-cooked food prices moderated, prices of prepared meals picked up at a slightly faster pace.

For the whole year, CPI-All Items inflation eased to 1.0% in 2014 from 2.4% in the preceding year.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) edged up by 0.2% in December

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) rose to 0.2% in December from -0.1% in November, largely reflecting the smaller decline in private road transport cost.

For the whole year, CPI less imputed rentals on OOA inflation was 1.2% in 2014, lower than the 1.9% in 2013.

MAS Core Inflation was stable at 1.5% in December

MAS Core Inflation, which excludes the costs of accommodation and private road transport, was 1.5% in December, similar to the preceding month, given stable services and food inflation.

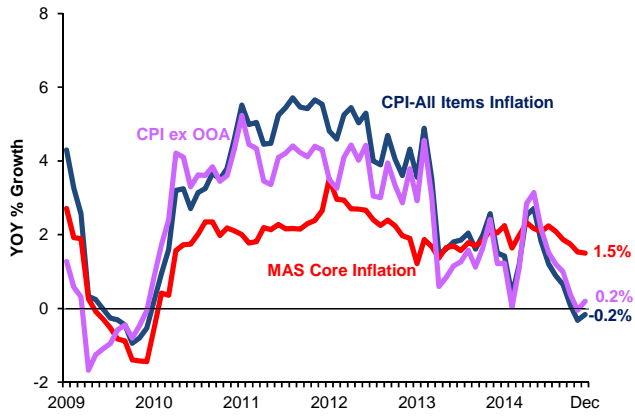
For the whole of 2014, MAS Core Inflation edged up to 1.9% from 1.7% in 2013.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for December 2014".²]

¹ Average car COE premiums for Category A and Category B fell sharply by 9.3% m-o-m in November 2013, compared to the 5.8% increase the month before. Given that COE premiums in a particular month are reflected in the CPI for private road transport in the subsequent month, this led to a substantial fall in the CPI for private road transport in December 2013.

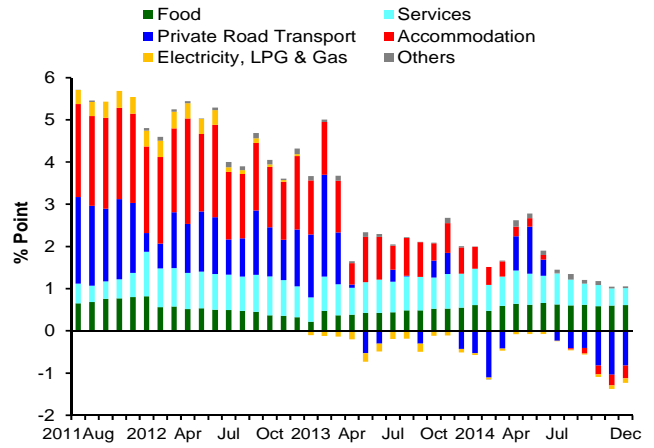
² http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpidec2014.pdf

CPI-All Items, CPI-ex OOA and MAS Core Inflation



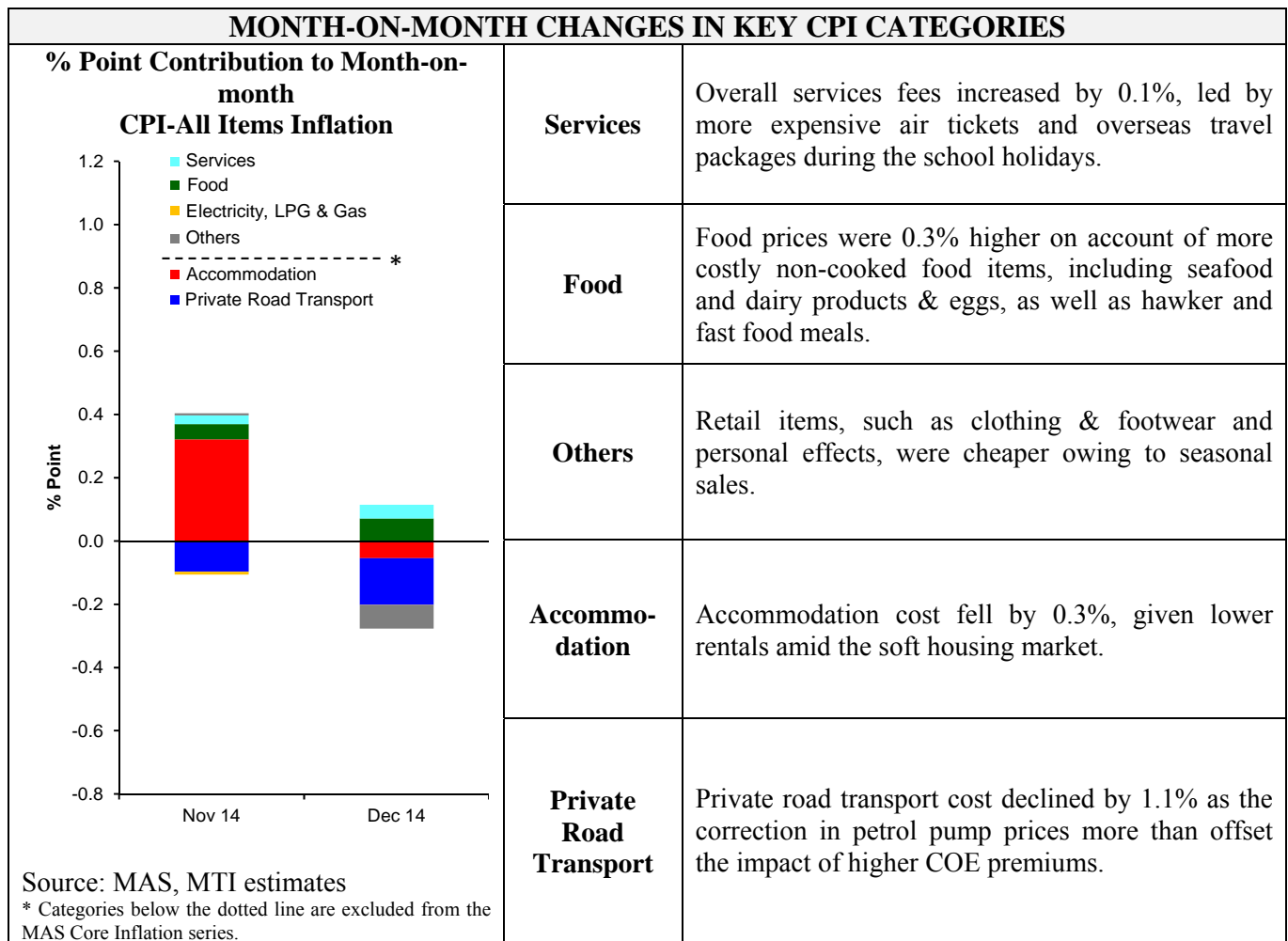
Source: Department of Statistics

% Point Contribution to Year-on-year CPI-All Items Inflation



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items was 0.2% lower in December, following the 0.3% increase in November. MAS Core Inflation was stable at 0.1%.



Price Movements (m-o-m) for Selected CPI Sub-categories

Sub-categories With Largest Price Increases				Sub-categories With Largest Price Declines			
	Sub-Group	Weight (%)	M-o-M % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Other travel & transport [^]	0.2	4.9	↓	Clothing & Footwear	3.4	-2.1
↑	Seafood	1.3	0.7	↓	Private road transport	11.7	-1.1
↑	Dairy Products & Eggs	1.0	0.6	↓	Personal effects [#]	0.8	-1.0
↑	Hawker food (incl. food courts)	9.2	0.6	↓	Non-durable household goods	0.7	-0.7
↑	Hobbies & other miscellaneous expenditure [*]	4.8	0.6	↓	Sugar, preserves & confectionery	0.3	-0.6
↑	Fast food	0.8	0.6	↓	Proprietary medicine & supplies	1.1	-0.4
↑	Household durables	1.9	0.5	↓	Rice & other cereals	1.7	-0.3
↑	Cooking Oils & Fats	0.2	0.5	↓	Accommodation	20.0	-0.3
↑	Vegetables & vegetable products	1.1	0.3	↓	Alcoholic drinks & tobacco	1.4	-0.2
↑	Fruits	0.9	0.3	↓	Meat & Poultry	1.4	-0.2

[^] The "other travel & transport" sub-group includes air transport, sea transport, travel insurance, etc.

^{*} Holiday travel is subsumed under the "hobbies & other miscellaneous expenditure" sub-group.

[#] The "personal effects" sub-group includes leather & travel goods and "accessories" such as watches and cosmetic jewellery.

Outlook

CPI-All Items inflation is expected to remain subdued amid anticipated increases in the supply of car COEs and newly-completed housing units. The tight labour market conditions should persist, but cost pass-through to consumer prices will be uneven, influenced by demand conditions in the different consumer segments. Domestic food inflation could continue to be elevated in the near term, owing to higher prices of regional food supplies. On the whole, however, external price developments are expected to stay generally benign, given ample supply buffers in the major commodity markets.

For the whole of 2015, the current forecast for CPI-All Items inflation is 0.5–1.5% and that for MAS Core Inflation is 2–3%. However, there remains significant uncertainty over global oil prices following the recent plunge. Should global oil prices be sustained at current low levels, CPI-All Items inflation and MAS Core Inflation would come in below the current forecast ranges in 2015.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 January 2015

Annex: Price Indicators

CPI – All Items

The CPI is commonly used as a measure of consumer price changes in the economy. It tracks the change in prices of a fixed basket of consumption goods and services commonly purchased by the general resident households over time.

The CPI covers only consumption expenditure incurred by resident households. It excludes non-consumption expenditures such as purchases of houses, shares and other financial assets, income and property taxes etc.

The CPI – All Items provides a comprehensive overview of the prices of consumer goods and services. Nevertheless, useful information can also be revealed by complementary CPI series derived by excluding specific items in the All Items basket. For example, two other CPI series reported on a monthly basis are the CPI less imputed rentals on owner-occupied accommodation and the MAS Core Inflation.³

CPI less imputed rentals on owner-occupied accommodation

Accommodation, one of the sub-groups in the Housing category of the CPI, comprises “rented and owner-occupied accommodation”, as well as “minor repairs & maintenance”. A significant share of the Accommodation subgroup is “owner-occupied accommodation (OOA)” cost, which is meant to reflect the costs to homeowners of utilising the flow of services provided by their homes over an extended period of time. As the cost of using housing services is not directly observed for homeowners, it is proxied by market rentals.

Changes in the CPI imputed rentals on OOA, however, have no direct impact on the monthly cash expenditure of most households in Singapore as they already own their homes. Hence, the CPI less imputed rentals on OOA is compiled as an additional indicator to track households’ actual expenditures. Actual rentals paid on rented homes are still included in this measure.

MAS Core Inflation

The Monetary Authority of Singapore (MAS) monitors a core inflation measure that excludes the components of “Accommodation” and “Private Road Transport”. These items are excluded as they tend to be significantly influenced by supply-side administrative policies and are volatile. Core inflation is meant to capture the generalised and persistent price changes that are driven by underlying demand conditions. It thus provides useful information for monetary policy which has the objective of ensuring price stability in the medium term.

³ See DOS’ “Singapore Consumer Price Index for December 2014” (http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpidec2014.pdf) for further information on the various price indicators published. For a detailed review of MAS Core Inflation, refer to “A Review of the Core Inflation Measure for Singapore” (http://www.mas.gov.sg/~media/resource/publications/staff_papers/StaffPaperNo51.pdf).

Table A.1
Consumer Price Index

	All Items	Food	Clothing & Footwear	Housing	Transport	Comms	Educa-tion & Stationery	Health Care	Recreation & Others	All-Items, S.A.
Weights	10000	2205	341	2548	1553	475	735	586	1557	10000
	YOY % Growth									Index (2009=100)
2013 Nov	2.6	2.6	2.1	2.3	2.9	-1.5	3.5	3.6	3.1	117.1
Dec	1.5	2.7	-0.1	2.0	-2.1	-0.9	3.5	3.8	2.7	116.8
2014 Jan	1.4	3.0	-0.1	1.8	-2.7	-0.5	2.9	3.9	2.9	116.9
Feb	0.4	2.3	-1.7	1.5	-5.6	-0.5	2.9	4.0	1.5	117.0
Mar	1.2	2.9	-1.9	1.2	-2.1	-0.9	2.9	3.4	2.5	117.4
Apr	2.5	3.1	0.6	0.7	5.0	-0.5	2.9	3.5	2.9	117.1
May	2.7	3.0	-0.2	0.5	6.9	-0.3	2.9	3.2	2.4	117.7
Jun	1.8	3.2	-0.5	0.2	2.7	-0.8	2.8	3.2	2.1	116.9
Jul	1.2	3.0	-1.7	0.1	-0.8	-0.7	3.3	3.3	2.4	116.6
Aug	0.9	2.9	0.5	-0.1	-1.8	-0.6	2.8	3.4	1.7	117.1
Sep	0.6	3.0	-0.4	-0.5	-1.8	0.4	3.0	1.8	1.1	117.0
Oct	0.1	2.8	-0.8	-1.0	-4.0	0.5	2.7	1.9	1.3	116.5
Nov	-0.3	2.9	-2.1	-1.2	-5.3	0.5	2.7	1.8	0.8	116.9
Dec	-0.2	2.9	-2.4	-1.4	-4.1	1.2	2.8	1.6	0.6	116.7

Source: Singapore Department of Statistics

S.A.: Seasonally Adjusted

Table A.2
Selected Inflation Indicators

	CPI	MAS Core Inflation	CPI Less Imputed Rental on OOA	Import Price Index	Non-fuel Primary Commodities	OPEC Oil Price
	YOY % GROWTH					
2013 Nov	2.6	2.1	2.4	0.3	-2.6	-1.8
Dec	1.5	2.0	1.2	1.8	-3.0	1.2
2014 Jan	1.4	2.2	1.2	0.3	-6.2	-4.0
Feb	0.4	1.6	-	-1.1	-5.7	-6.5
Mar	1.2	2.0	1.1	-0.5	-1.2	-2.2
Apr	2.5	2.3	2.9	0.7	1.2	3.2
May	2.7	2.2	3.1	0.8	-1.2	4.8
Jun	1.8	2.1	2.2	-0.2	-2.9	6.8
Jul	1.2	2.2	1.5	-1.2	-2.2	1.1
Aug	0.9	2.1	1.2	-3.0	-2.9	-6.3
Sep	0.6	1.9	1.0	-3.5	-4.3	-11.7
Oct	0.1	1.7	0.4	-5.4	-6.4	-20.3
Nov	-0.3	1.5	-0.1	-7.8	-6.0	-28.0
Dec	-0.2	1.5	0.2	N.A.	-9.9	-44.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available