

Consumer Price Developments in February 2012

Singapore's CPI-All Items inflation eased to 4.6% y-o-y in February 2012

CPI-All Items inflation edged down from 4.8% in January 2012, largely on account of lower contributions from food prices and services fees. Food inflation moderated from 3.8% y-o-y in January 2012 to 2.6% in February. This was due to the seasonal decline in non-cooked food prices following the Chinese New Year. Services inflation also eased slightly to 3.0%, partly reflecting the fall in the cost of holiday travel. In addition, domestic helpers' salaries, which had risen sharply in H1 2011, registered a more moderate increase on a y-o-y basis.

However, a slightly sharper gain in car prices compared to a year ago provided a partial offset to the lower contributions from food prices and services fees.

Similarly, the increase in CPI less imputed rentals on owner-occupied accommodation (OOA) slowed to 3.3%

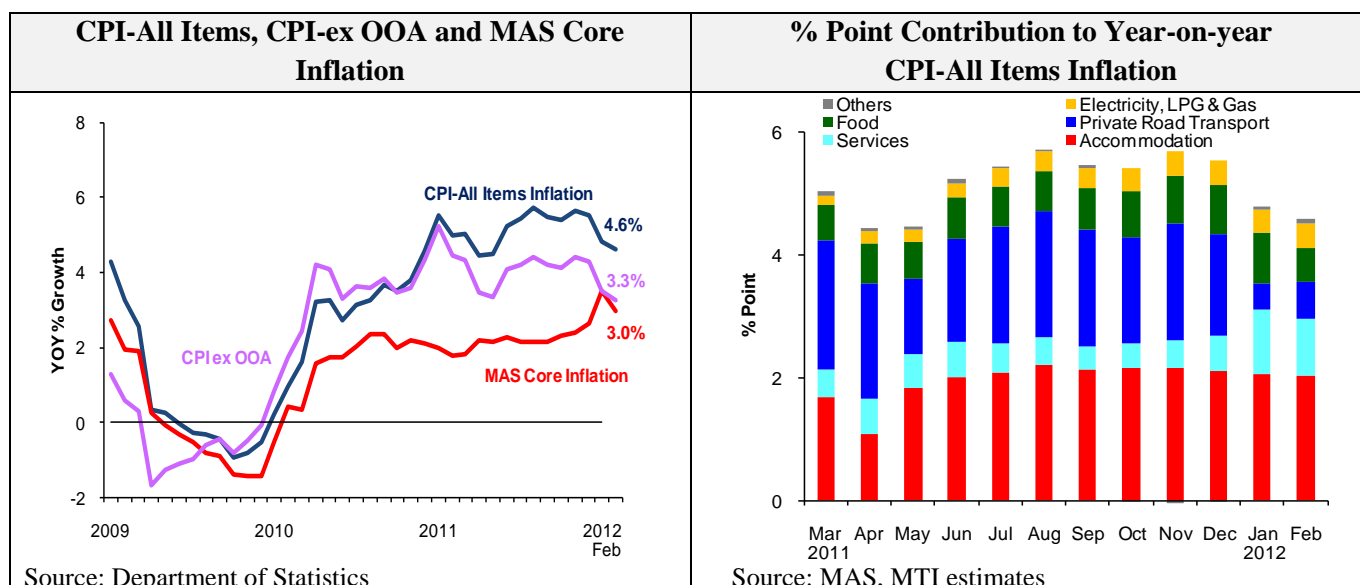
Accommodation cost rose by 10% y-o-y and remained the single largest contributor to CPI-All Items inflation. The owner-occupied accommodation (OOA) sub-group, which has a 15.6% weight in the CPI basket, contributed 1.8% points to CPI-All Items inflation in February. This reflected the higher rentals in new and renewed leasing contracts.

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was lower at 3.3% in February compared to 3.5% in January.

MAS Core Inflation moderated to 3.0% in February 2012

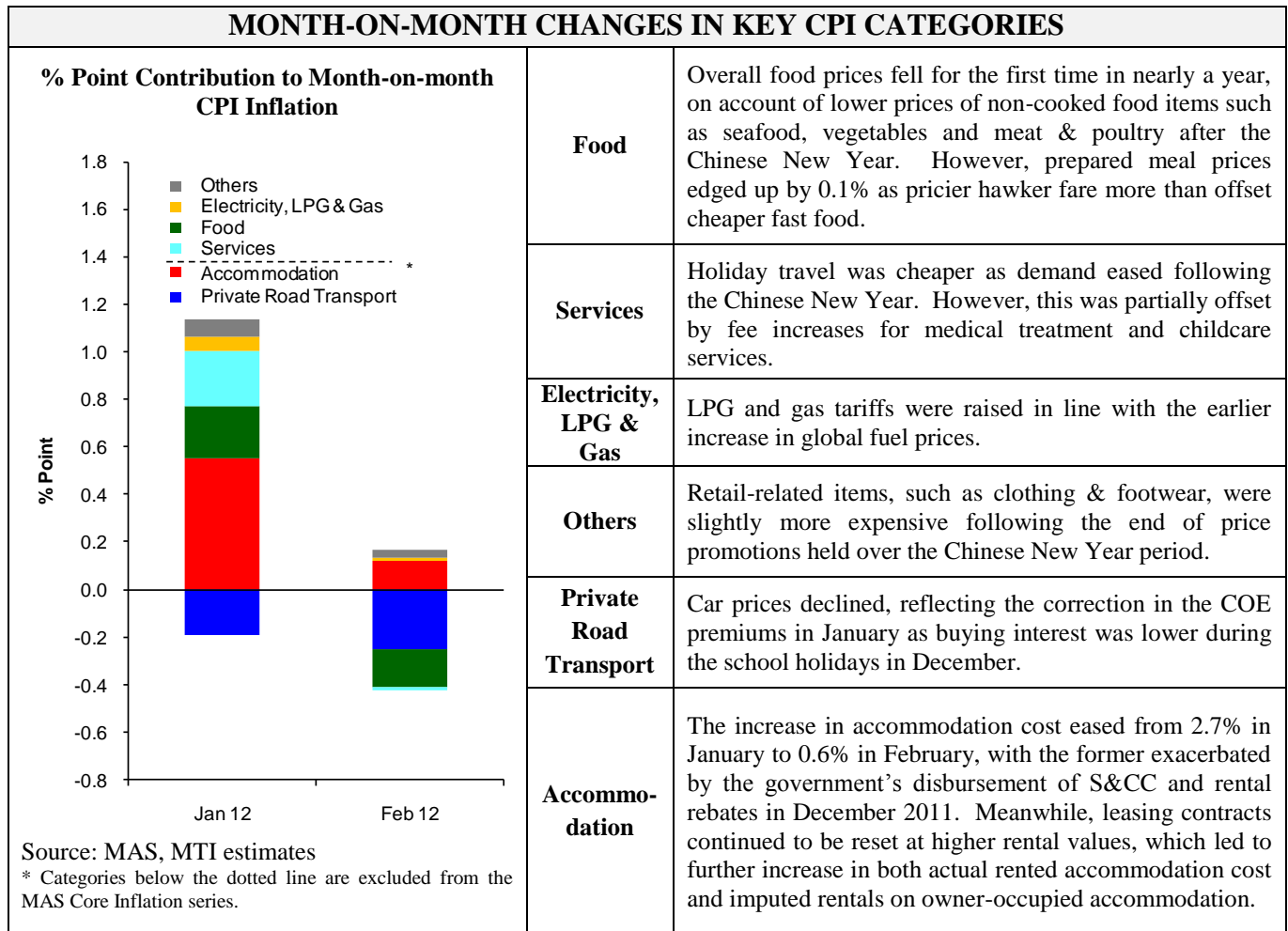
Excluding the costs of accommodation and private road transport, MAS Core Inflation slowed from 3.5% in January 2012 to 3.0% in February.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for February 2012".¹]



¹ <http://www.singstat.gov.sg/news/news/cpifeb2012.pdf>

On a month-on-month basis, CPI-All Items fell by 0.3% in February 2012, after rising by 0.9% in the preceding month



Top Price Movements (m-o-m) for Selected CPI Sub-Groups

Top Price Increases			Top Price Decreases		
Sub-Group	Weight (%)	M-o-m % Growth	Sub-Group	Weight (%)	M-o-m % Growth
↑ Cooking Oil & Fats	0.18	2.0	↓ Seafood	1.34	-9.3
↑ Sugar, Preserves & Confectionary	0.27	1.1	↓ Vegetable & Vegetable Products	1.07	-2.8
↑ Medical Treatment	3.52	0.7	↓ Other Travel & Transport	0.21	-2.7
↑ Clothing & Footwear	3.41	0.7	↓ Private Road Transport	11.66	-1.8
↑ Accommodation	20.02	0.6	↓ Fast Food	0.76	-1.4
↑ Non-durable Household Goods	0.71	0.4	↓ Hobbies & Other Miscellaneous Expenditure	4.80	-1.0
↑ Fuel & Utilities	3.57	0.4	↓ Meat & Poultry	1.41	-0.8
↑ Fruits	0.86	0.4	↓ Household Durables	1.89	-0.5
↑ Alcoholic Beverages & Tobacco	1.36	0.3	↓ Personal Effects	0.78	-0.4
↑ Hawker Food (incl. food courts)	9.15	0.3	↓ Communication	4.75	-0.1

* The "other travel & transport" sub-group includes sea transport, air transport, etc.

Outlook

CPI-All Items inflation will likely remain elevated in H1 2012, while MAS Core Inflation could stay at around 3% in the next few months

The slight decline in February's CPI was due to the seasonal fall in the costs of non-cooked food and holiday travel and temporary drop in COE premiums. However, inflationary pressures since late last year have been more persistent than expected. Both CPI-All Items inflation and MAS Core Inflation will remain elevated over the next few months, at around 5% and 3% y-o-y, respectively, before moderating gradually.

At this stage, the 2012 forecasts for CPI-All Items inflation and MAS Core Inflation remain at 2.5-3.5% and 1.5-2.0% respectively. These projections are predicated on some moderation in domestic and external cost pressures in the second half of the year given the generally sluggish economic environment. MAS and MTI are monitoring price trends closely and will review the forecasts if underlying price pressures turn out to be more persistent.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 MARCH 2012

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.²

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.

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.

² See DOS’ “Singapore Consumer Price Index for February 2012” (<http://www.singstat.gov.sg/news/news/cpifeb2012.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” (www.mas.gov.sg/publications/staff_papers/MAS_Staff_Paper_No_51_Aug_2011.html).

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)
2010 Dec	4.6	2.1	0.1	5.1	12.8	0.7	3.7	2.7	2.1	105.0
2011 Jan	5.5	2.8	0.2	5.3	18.4	0.6	3.8	3.0	0.7	106.3
Feb	5.0	2.6	1.3	5.8	15.2	-1.7	3.3	3.2	0.8	106.3
Mar	5.0	2.6	0.9	7.1	13.4	-2.4	3.3	2.9	1.1	106.7
Apr	4.5	2.9	0.6	5.1	11.7	-0.4	3.3	2.8	1.3	106.8
May	4.5	2.8	0.6	8.1	7.5	-0.3	3.2	2.6	1.2	107.4
Jun	5.2	3.1	0.9	8.8	10.4	-1.6	3.3	2.3	1.9	107.8
Jul	5.4	3.0	-0.6	9.5	11.5	-1.5	2.7	1.8	1.6	108.5
Aug	5.7	3.0	-0.4	9.9	12.5	-2.5	2.6	1.8	1.8	109.1
Sep	5.5	3.1	0.1	9.6	11.4	-2.7	2.6	2.0	1.6	109.2
Oct	5.4	3.5	-0.8	9.9	10.5	-1.7	2.3	1.8	1.3	109.4
Nov	5.7	3.6	-0.6	10.0	11.6	-1.8	2.2	2.2	1.3	110.1
Dec	5.5	3.7	0.1	9.9	10.0	-1.9	2.2	2.7	1.7	110.8
2012 Jan	4.8	3.8	1.2	9.5	3.5	-0.5	3.0	3.2	3.5	111.5
Feb	4.6	2.6	1.6	9.5	4.4	-0.4	2.9	3.6	2.6	111.2

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					
Dec	4.6	2.1	4.3	0.9	28.3	19.6
2011 Jan	5.5	2.0	5.2	1.6	30.9	22.0
Feb	5.0	1.8	4.4	4.1	38.0	37.4
Mar	5.0	1.8	4.3	5.2	30.8	42.3
Apr	4.5	2.2	3.5	4.9	26.2	43.8
May	4.5	2.1	3.4	4.4	28.1	47.7
Jun	5.2	2.3	4.1	4.1	30.5	49.4
Jul	5.4	2.2	4.2	4.3	29.2	54.0
Aug	5.7	2.2	4.4	3.4	19.4	43.4
Sep	5.5	2.1	4.2	5.9	12.9	44.2
Oct	5.4	2.3	4.1	7.2	-0.8	33.1
Nov	5.7	2.4	4.4	7.5	-5.7	32.9
Dec	5.5	2.6	4.3	5.2	-12.2	21.2
2012 Jan	4.8	3.5	3.5	5.1	-14.0	20.2
Feb	4.6	3.0	3.3	N.A.	-14.7	17.2

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available