

## Consumer Price Developments in March 2012

### *Singapore's CPI-All Items inflation rose to 5.2% y-o-y in March 2012*

CPI-All Items inflation rose from 4.6% in February 2012, on account of a sharper increase in COE premiums which led to higher car prices. Private road transport cost added 1.3% points to CPI-All Items inflation in March, slightly more than twice its contribution in February.

Meanwhile, compared to the increase in February, prices of retail items, such as clothing & footwear, rose more moderately. Services and food inflation remained broadly stable at 3.0% and 2.7% respectively.

### *Similarly, the increase in CPI less imputed rentals on owner-occupied accommodation (OOA) climbed to 4.1%*

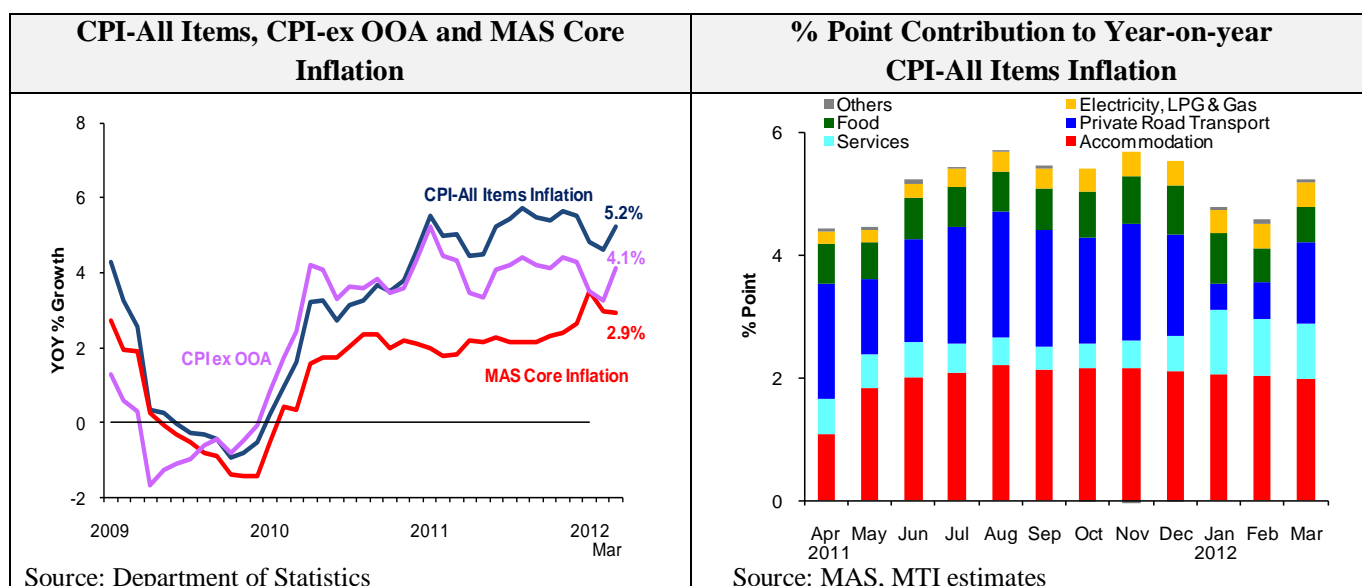
Accommodation cost rose by 9.8% y-o-y in March, easing slightly from the 10.2% increase in the preceding month. It has remained the single largest contributor to CPI-All Items inflation. The owner-occupied accommodation (OOA) sub-group, which has a 15.6% weight in the CPI basket, contributed 1.8% points to CPI-All Items inflation in March. 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 higher at 4.1% in March compared to 3.3% in February, reflecting the stronger rise in car prices.

### *MAS Core Inflation eased to 2.9% in March*

Excluding the costs of accommodation and private road transport, MAS Core Inflation edged down slightly from 3.0% in February to 2.9% in March.

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



<sup>1</sup> <http://www.singstat.gov.sg/news/news/cpimar2012.pdf>

**On a month-on-month basis, CPI-All Items rose by 0.8% in March 2012 largely due to higher car prices**

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p><b>% Point Contribution to Month-on-month CPI Inflation</b></p> <p>Legend:</p> <ul style="list-style-type: none"> <li>Others</li> <li>Electricity, LPG &amp; Gas</li> <li>Food</li> <li>Services</li> <li>Accommodation</li> <li>Private Road Transport</li> </ul> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p><b>Electricity, LPG &amp; Gas</b></p> <p>LPG prices were raised following the increase in global fuel costs. Notably, the West Texas Intermediate benchmark price was up by 9.2% q-o-q in Q1 2012, after rising by 5.0% in Q4 2011.</p>	
	<p><b>Services</b></p> <p>Costs of holiday travel and telecommunication services fell in March. These were, however, offset by the 0.3% rise in medical treatment fees, thus keeping overall services CPI largely unchanged.</p>	
	<p><b>Food</b></p> <p>Overall food prices fell for the second consecutive month, on account of lower prices of non-cooked food items such as seafood, vegetables and fruits. This likely reflected lower imported food costs, which had declined for four consecutive months. However, prepared meal prices edged up by 0.1% due to pricier hawker fare.</p>	
	<p><b>Others</b></p> <p>Prices of retail-related items, such as clothing &amp; footwear and personal effects, rose by 0.6% m-o-m, following the end of the seasonal sale period.</p>	
	<p><b>Private Road Transport</b></p> <p>Car prices rose sharply, reflecting the 15% rise in car COE premiums in February on the back of a pickup in buying interest.</p>	
	<p><b>Accommodation</b></p> <p>Accommodation cost rose by 0.4% in March, slightly lower than in February. Leasing contracts continued to be reset at higher rental values, which led to further increase in imputed rentals on owner-occupied accommodation. Higher rentals were, however, partially offset by the government's disbursement of S&amp;CC and rental rebates to households residing in selected HDB flat types.</p>	

### 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
↑	Private road transport	11.66	4.4	↓	Sugar, preserves & confectionery	0.27	-0.8
↑	Clothing & footwear	3.41	2.1	↓	Cooking oils & fats	0.18	-0.7
↑	Personal effects	0.78	1.4	↓	Seafood	1.34	-0.7
↑	Other travel & transport*	0.21	0.9	↓	Household durables	1.89	-0.6
↑	Accommodation	20.02	0.4	↓	Fruits	0.86	-0.6
↑	Fuel & utilities	3.57	0.3	↓	Vegetables & vegetable products	1.07	-0.5
↑	Medical treatment	3.52	0.3	↓	School textbooks & stationery	0.72	-0.3
↑	Other food <sup>^</sup>	0.32	0.2	↓	Meat & poultry	1.41	-0.2
↑	Proprietary medicines & supplies	1.06	0.2	↓	Hobbies & other miscellaneous expenditure	4.80	-0.2
↑	Non-alcoholic beverages	0.42	0.2	↓	Personal care	2.22	-0.1

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

<sup>^</sup> The "other food" sub-group includes food items such as sauces, spices and other condiments.

## Outlook

*CPI-All Items inflation and MAS Core Inflation will likely remain elevated over the next few months, before easing gradually in H2 2012*

CPI-All Items inflation could average around 5% y-o-y in H1 2012 before easing gradually in H2 2012. Accommodation cost will remain the largest contributor to CPI-All Items inflation this year as leasing contracts continue to be renewed at rentals that are considerably higher than those under existing contracts, especially in the HDB segment. Car prices could also increase if COE premiums rise further in response to the tight COE supply. In addition, wages and other costs will likely continue to pass through to consumer prices, albeit at a more moderate pace. MAS Core Inflation will remain close to 3% in the next few months before easing gradually thereafter.

For the year as a whole, CPI-All Items inflation is now expected to be 3.5-4.5% while MAS Core Inflation will likely be in the range of 2.5-3.0%. Accommodation cost will add more than one-third to CPI-All Items inflation, while car prices and services fees will each account for one-fifth. Another quarter will come from prices of commodity-related items.

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## **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.<sup>2</sup>

### **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.

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<sup>2</sup> See DOS’ “Singapore Consumer Price Index for March 2012” (<http://www.singstat.gov.sg/news/news/cpimar2012.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](http://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)
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
Mar	5.2	2.7	1.2	9.1	8.6	-0.1	3.0	3.9	2.3	112.3

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					
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	5.0	-14.0	20.2
Feb	4.6	3.0	3.3	2.4	-14.8	17.2
Mar	5.2	2.9	4.1	N.A.	-12.3	11.9

Source: Singapore Department of Statistics, IMF and Bloomberg  
N.A.: Not available