

## Consumer Price Developments in July 2012

### *Singapore's CPI-All Items inflation fell to 4.0% y-o-y in July*

CPI-All Items inflation eased to 4.0% in July from 5.3% in June 2012. This reflected more moderate increases in the cost of accommodation, private road transport and oil-related items.

On a y-o-y basis, accommodation cost inflation slowed from 10.8% in June to 7.8% in July. This was largely due to the timing of the disbursements of rebates for service & conservancy charges (S&CC) to HDB households.<sup>1</sup> The increase in imputed rentals on owner-occupied accommodation (OOA) also slowed from 9.8% in June to 9.0% in July, although it continued to contribute a considerable 1.5% points to overall inflation.

Private road transport cost added 0.8% point to CPI-All Items inflation, lower than the 1.3% points in June. The increase in car prices moderated slightly as the y-o-y rise in COE premiums eased in June.<sup>2</sup> At the same time, petrol pump prices fell by 1.9% y-o-y in July.

Despite the moderation in the pace of increase, accommodation and private road transport costs continued to account for around 60% of CPI-All Items inflation in July.

Meanwhile, the y-o-y increase in electricity tariffs slowed from 12.5% in June to 2.9% in July, while food and services inflation remained stable at 2.3% and 2.8% respectively.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 3.0%*

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) declined to 3.0% in July from 4.4% in June, reflecting the effects of the S&CC rebates and more moderate increases in the cost of private road transport and oil-related items.

### *MAS Core Inflation came in lower at 2.4%*

Excluding the costs of accommodation and private road transport, MAS Core Inflation fell from 2.7% in June to 2.4% in July on account of lower contribution from oil-related items.

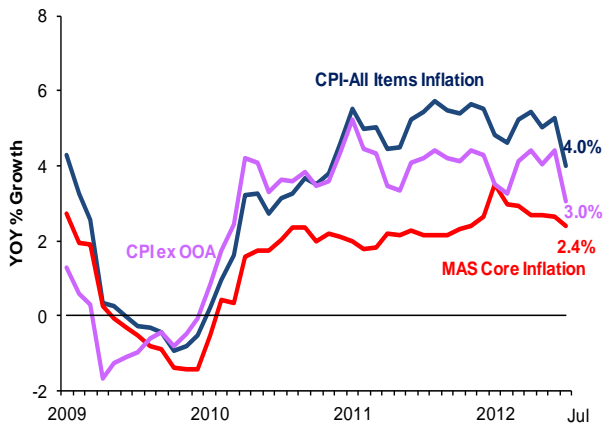
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for July 2012".<sup>3</sup> ]

<sup>1</sup> The accommodation sub-group in the CPI comprises "rented accommodation", "imputed rentals on owner-occupied accommodation", "housing insurance premiums" and "minor repairs & maintenance". The increase in "minor repairs & maintenance" was particularly sharp in June 2012 as there were no S&CC rebates, compared to the significant quantum of disbursements a year ago. However, this base effect was not present in July 2012.

<sup>2</sup> Average COE premiums for cars fell by 3.8% in June compared to May but have since risen sharply by 17%.

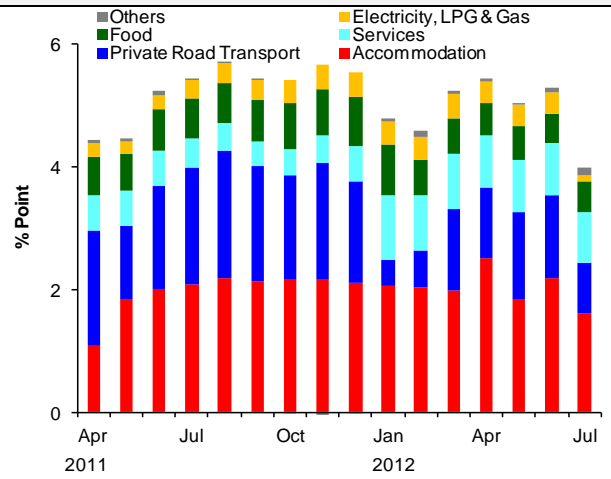
<sup>3</sup> <http://www.singstat.gov.sg/news/news/cpijul2012.pdf>

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



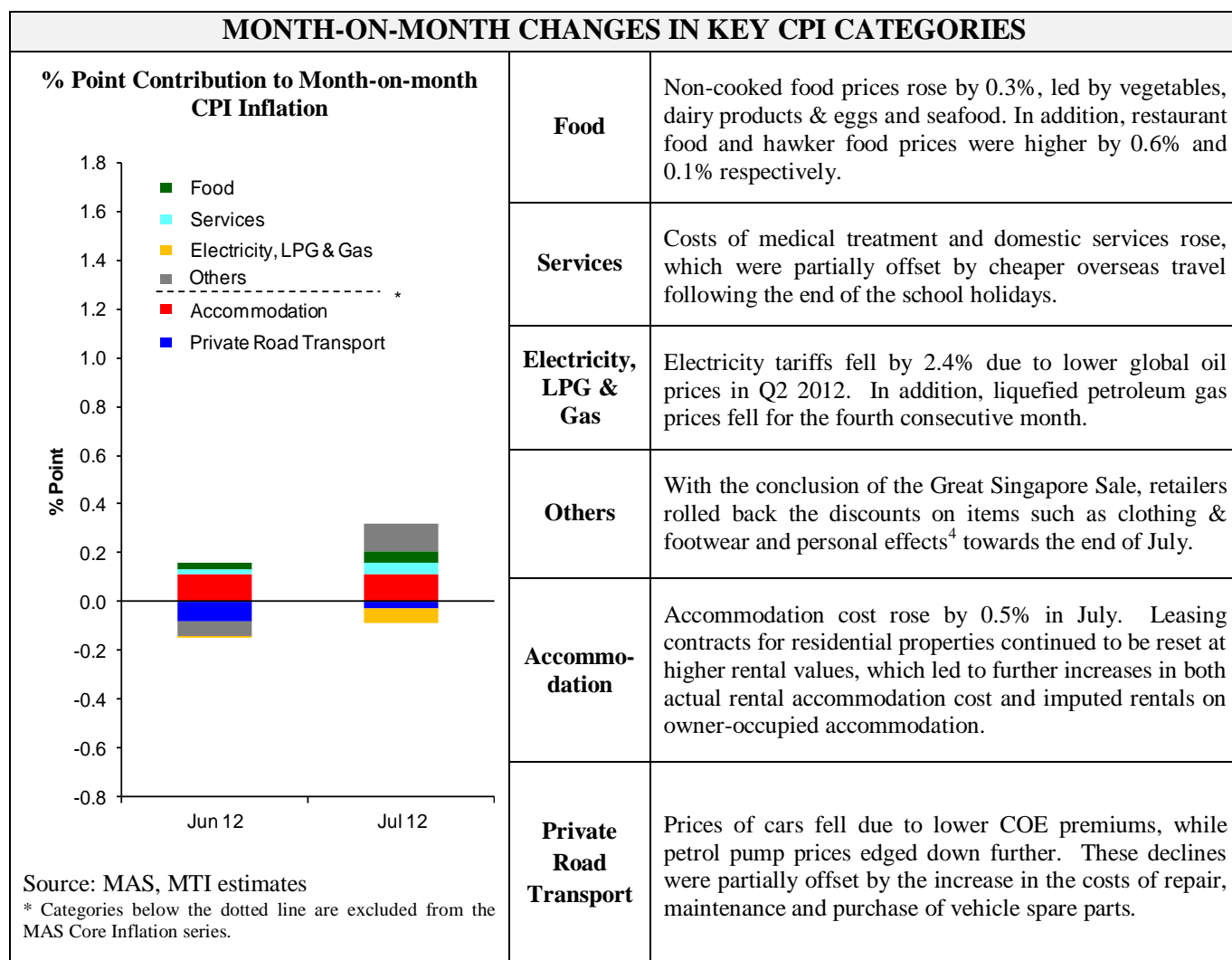
Source: Department of Statistics

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



Source: MAS, MTI estimates

*On a month-on-month basis, overall CPI edged up by 0.2% after stabilising in the preceding month*



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

Sub-categories With Largest Price increases				Sub-categories With Price declines or No Price Changes			
	Sub-Group	Weight (%)	M-o-M % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Clothing & Footwear	3.4	2.9	↓	Fuel & utilities	3.6	-1.5
↑	Personal Effects	0.8	1.5	↓	Hobbies & other miscellaneous expenditure	4.8	-0.9
↑	Vegetables & Vegetable Products	1.1	1.2	↓	Fruits	0.9	-0.9
↑	Proprietary medicine & supplies	1.1	1.1	↓	Other travel & transport <sup>^</sup>	0.2	-0.9
↑	Dairy Products & Eggs	1.0	1.0	↓	Sugar, preserves & confectionery	0.3	-0.7
↑	Seafood	1.3	1.0	↓	Alcoholic drinks & tobacco	1.4	-0.4
↑	Household services	2.5	1.0	↓	Other food <sup>*</sup>	0.3	-0.2
↑	Medical treatment	3.5	1.0	↓	Private road transport	11.7	-0.2
↑	Cooking Oils & Fats	0.2	0.7	↓	Rice & other cereals	1.7	-0.1
↑	Dental treatment	0.5	0.6	↓	Household durables	1.9	-0.1

<sup>^</sup> 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

Given the generally sluggish economic environment, the pass-through of wages and other business costs to consumer prices will continue at a more moderate pace than that seen earlier this year. At the same time, despite the recent uptick, overall global commodity prices remain below year-ago levels.<sup>5</sup> This will keep domestic oil and food inflation contained in the near term. Thus, MAS Core Inflation will be slightly lower over the next few months and average between 2.5-3.0% for the whole year.

Meanwhile, CPI-All Items inflation will remain elevated and average 4.0-4.5% for the whole year. First, accommodation cost will continue to add significantly to overall CPI inflation, as leasing contracts are renewed at rentals that are considerably higher, especially in the HDB segment. Second, COE premiums will remain sharply higher than a year ago given the current low COE supply. Should the recent surge in COE premiums continue, car prices could present an upside risk to the CPI-All Items inflation forecast.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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<sup>5</sup> The IMF Primary Commodity Price Index was 12% lower in July 2012, compared to the same period last year.

## **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>6</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. 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.

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<sup>6</sup> See DOS’ “Singapore Consumer Price Index for July 2012” (<http://www.singstat.gov.sg/news/news/cpijul2012.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 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
Apr	5.4	2.4	1.3	11.1	7.5	0.1	3.6	4.3	1.5	112.7
May	5.0	2.5	0.4	8.2	9.2	0.0	3.6	4.3	1.6	112.9
Jun	5.3	2.3	1.2	9.7	8.7	0.2	3.6	4.6	1.3	113.1
Jul	4.0	2.3	2.5	6.4	5.7	0.2	3.4	5.1	1.3	112.9

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 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	-14.1	20.2
Feb	4.6	3.0	3.3	2.4	-14.8	17.2
Mar	5.2	2.9	4.1	2.3	-12.4	11.9
Apr	5.4	2.7	4.4	0.6	-14.6	0.2
May	5.0	2.7	4.0	0.3	-14.5	-1.7
Jun	5.3	2.7	4.4	-1.5	-14.6	-13.8
Jul	4.0	2.4	3.0	N.A.	-11.5	-10.8

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