

Consumer Price Developments in February 2013

Singapore's CPI-All Items inflation came in higher at 4.9% y-o-y in February

CPI-All Items inflation rose to 4.9% in February from 3.6% in January 2013. This temporary pickup had been anticipated in the January Inflation Report and was largely attributed to the more significant increase in private road transport cost. Food and services inflation were also stronger during the month.

Private road transport cost climbed by 17.4% in February, up from 10.5% a month earlier. This was due to the spike in COE premiums in January, which was exacerbated by the low base a year ago when premiums declined. The step-up in private road transport cost alone accounted for more than two thirds of the 1.3% points rise in overall inflation in February.

Accommodation cost inflation eased to 5.9% in February from 6.1% in the preceding month, reflecting a slightly smaller increase in market rentals.¹ Nevertheless, imputed rentals on owner-occupied accommodation (OOA) continued to contribute a significant 1.1% points to overall inflation.

Together, the costs of private road transport and accommodation accounted for more than three quarters of CPI-All Items inflation in February.

Food inflation was higher at 2.3% in February, compared with 1.0% in January, mainly on account of the seasonal uptick in food prices and a reversal of the base effects associated with the Chinese New Year.²

Services fees rose by 2.7% in February, up from 1.9% in January, largely led by the increase in the cost of household services following the new regulation for foreign domestic workers.³

Prices of oil-related items declined at a more moderate pace of -0.2% in February compared to -1.4% in January. While electricity tariff was lower, petrol pump prices increased in tandem with higher global oil prices at the beginning of this year.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a faster pace of 4.6%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was 4.6% in February, up from 2.9% a month earlier. This reflected mainly the jump in private road transport cost.

MAS Core Inflation picked up to 1.9% in February

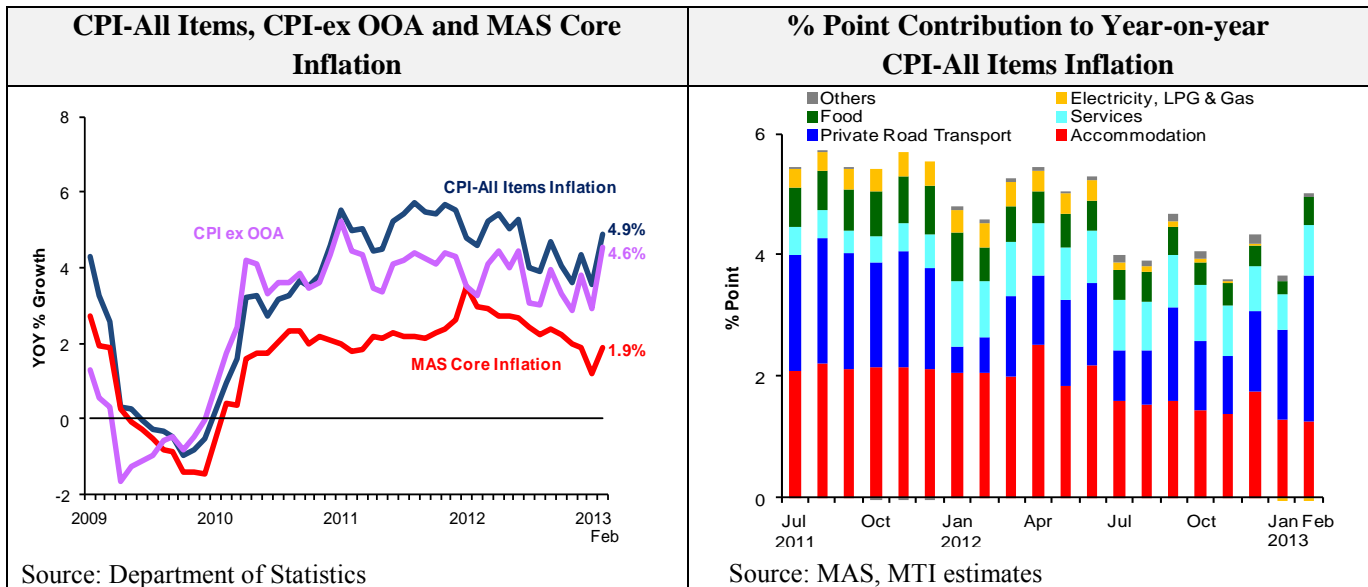
MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 1.9% in February from 1.2% in January. This was largely due to the seasonal uptick in food inflation and the impact of the new regulation on foreign domestic workers.³

¹ The accommodation sub-group in the CPI comprises "rented accommodation", "imputed rentals on owner-occupied accommodation", "housing insurance premiums" and "minor repairs & maintenance".

² As the Chinese New Year fell in January last year but February this year, base effects dragged down food inflation in January 2013 but added to food inflation in February this year.

³ For Foreign Domestic Worker permits issued or renewed after 1 January 2013, it is mandatory for employers to give foreign domestic workers a weekly rest day or compensation in lieu.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for February 2013".⁴]



⁴ http://www.singstat.gov.sg/news/press_releases/cpifeb2013.pdf

On a month-on-month basis, CPI-All Items rose by 1.0% in February following an increase of 0.2% in the preceding month

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p>% Point Contribution to Month-on-month CPI-All Items Inflation</p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	Services	Services fees were 0.7% higher, primarily due to the 5.6% increase in the cost of household services following the new regulation on foreign domestic helpers.
	Food	Overall food prices edged up by 0.5%. Non-cooked food prices climbed by 1.1%, led by more expensive seafood and meat & poultry, as demand picked up during the Chinese New Year period. Prices of prepared meals were up marginally by 0.1%, reflecting more costly hawker food.
	Others	Retail-related items, including proprietary medicines & supplies, clothing & footwear, personal effects and household durables, were cheaper in February.
	Private Road Transport	Private road transport cost increased by 4.3% in February following the surge in car COE premiums in the preceding month. Petrol pump prices also rose in line with higher global oil prices at the turn of the year.
	Accommodation	Leasing contracts for residential properties continued to be reset at higher rental values, which further pushed up actual rental cost and imputed rentals on owner-occupied accommodation. This resulted in a 0.4% rise in overall accommodation cost.

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

Top Price Increases				Top Price Decreases			
	Sub-Group	Weight (%)	M-o-M % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Household services	2.5	5.6	↓	Proprietary medicine & supplies	1.1	-0.7
↑	Private road transport	11.7	4.3	↓	Personal effects	0.8	-0.4
↑	Other Travel & Transport ^	0.2	3.3	↓	Household durables	1.9	-0.3
↑	Seafood	1.3	3.3	↓	Non-durable household goods	0.7	-0.3
↑	Meat & Poultry	1.4	1.2	↓	Alcoholic drinks & tobacco	1.4	-0.3
↑	Vegetables & vegetable products	1.1	1.2	↓	Clothing & Footwear	3.4	-0.2
↑	Sugar, preserves & confectionery	0.3	0.8	↓	Fuel & utilities	3.6	-0.1
↑	Recreation & entertainment	3.2	0.7	↓	Communication	4.8	0.0
↑	Medical treatment	3.5	0.6	↓	Cooking Oils & Fats	0.2	0.0
↑	Fruits	0.9	0.6	↓	School textbooks & stationery	0.7	0.0

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

Outlook

Given subdued conditions in the global economy, imported inflation will be benign. However, the persistent tightness in the domestic labour market will support wage increases in 2013, some of which will continue to pass through to consumer prices. Taking these factors into account, MAS Core Inflation is expected to average 2-3% this year.

Meanwhile, the rise in imputed rentals on owner-occupied accommodation will continue to add significantly to CPI-All Items inflation. Car prices could be volatile, as COE premiums adjust to the motor vehicle-related policy measures in February.⁵ At this stage, the 2013 forecast for CPI-All Items inflation remains at 3.5-4.5%. The forecast will be reviewed in the upcoming MAS' Monetary Policy Statement in April.

MONETARY AUTHORITY OF SINGAPORE

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⁵ A tiered Additional Registration Fee (ARF) structure will be applied for cars, taxis and goods-cum-passenger vehicles, replacing the previous flat rate of 100% of the Open Market Value of the vehicle. In addition, financing restrictions on motor vehicle loans granted by financial institutions were introduced from end February. Car loans are now limited to no more than 60% of the vehicle's purchase price and the repayment period to no more than five years.

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.⁶

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.

⁶ See DOS’ “Singapore Consumer Price Index for February 2013” (http://www.singstat.gov.sg/news/press_releases/cpifeb2013.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)
2012 Jan	4.8	3.8	1.2	9.5	3.5	-0.5	3.0	3.2	3.5	111.4
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	112.2
Apr	5.4	2.4	1.3	11.1	7.5	0.1	3.6	4.3	1.5	112.5
May	5.0	2.5	0.4	8.2	9.2	0.0	3.6	4.3	1.6	112.8
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	113.0
Aug	3.9	2.3	1.2	6.1	6.0	0.3	3.3	5.1	1.2	113.5
Sep	4.7	2.1	2.4	6.4	9.6	0.4	3.4	4.9	1.6	114.4
Oct	4.0	1.7	2.0	5.6	7.5	0.0	3.6	5.2	1.8	114.1
Nov	3.6	1.7	-0.2	5.2	6.2	-0.1	3.5	5.0	1.6	114.3
Dec	4.3	1.5	2.6	6.7	8.2	-1.3	3.5	4.6	1.5	115.2
2013 Jan	3.6	1.0	1.3	4.4	8.5	-1.3	3.5	3.5	1.6	115.4
Feb	4.9	2.3	0.5	4.2	13.9	-1.2	3.5	3.3	3.1	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					
2012 Jan	4.8	3.5	3.5	5.7	-14.1	20.2
Feb	4.6	3.0	3.3	3.1	-14.8	17.2
Mar	5.2	2.9	4.1	2.9	-12.4	11.9
Apr	5.4	2.7	4.4	1.4	-14.6	0.2
May	5.0	2.7	4.0	0.5	-14.5	-1.7
Jun	5.3	2.7	4.4	-1.9	-14.7	-13.8
Jul	4.0	2.4	3.0	-1.3	-11.6	-10.8
Aug	3.9	2.2	3.0	1.5	-11.4	3.0
Sep	4.7	2.4	3.9	-0.1	-8.0	2.8
Oct	4.0	2.2	3.3	-3.5	-1.2	1.9
Nov	3.6	2.0	2.9	-5.8	0.4	-2.9
Dec	4.3	1.9	3.8	-5.7	4.6	-0.8
2013 Jan	3.6	1.2	2.9	-5.9	4.0	-2.1
Feb	4.9	1.9	4.6	N.A.	1.5	-4.0

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