



Consumer Price Developments in Aug 2013

CPI-All Items inflation came in slightly higher at 2.0% y-o-y in August

CPI-All Items inflation edged up to 2.0% in August from 1.9% in July, on account of stronger increases in the costs of accommodation, services and food which was partly offset by the smaller gain in private road transport cost.

Accommodation cost rose by 4.2% in August compared to 2.6% in July, when there was a disbursement of Service & Conservancy Charges (S&CC) rebates for HDB households.¹ Meanwhile, imputed rentals on owner-occupied accommodation (OOA) contributed 0.7% point to overall inflation, down slightly from 0.8% point in July, reflecting softer conditions in the housing rental market.

Private road transport cost edged up by 0.1% in August after increasing by 2.0% in the previous month. Car prices fell, reversing the rise in July, while petrol pump prices rose at a more moderate pace in line with the recent trend in global oil prices.

Services inflation picked up slightly to 2.7% in August from 2.5% a month earlier, led by a stronger rise in cable TV charges and tertiary education fees.

Food prices increased by 2.4% in August, up from 2.1% in July, mainly on account of costlier hawker and restaurant meals.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a faster pace of 1.6%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was higher at 1.6% in August compared to 1.3% in the previous month, largely as a result of the dissipation of the impact of the S&CC rebates given out in July.

MAS Core Inflation was higher at 1.8% in August

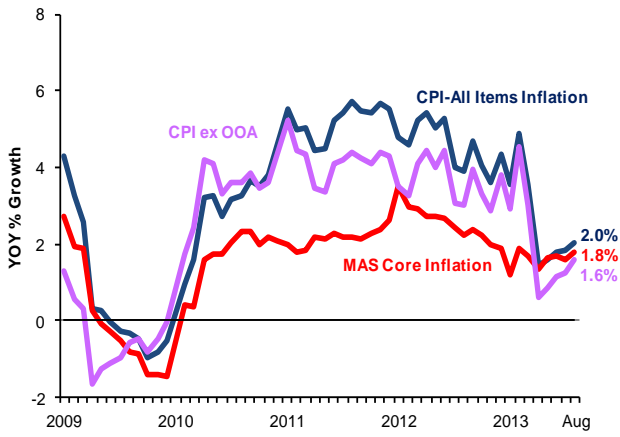
MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 1.8% in August from 1.6% in July due to slightly higher contributions from food and services.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for August 2013".²]

¹ The accommodation sub-group in the CPI comprises "rented accommodation", "imputed rentals on owner-occupied accommodation", "housing insurance premiums" and "minor repairs & maintenance". The government announced the disbursement of S&CC rebates for HDB households in Budget 2013. In July 2013, 1- and 2-room HDB households received a 1-month rebate while 3-, 4-, 5-room and Executive/Multi-generation HDB households received a 0.5-month rebate. No rebates were disbursed in August 2013.

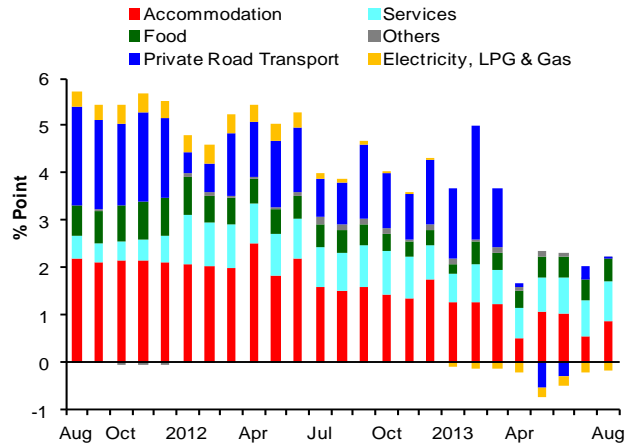
² http://www.singstat.gov.sg/news/press_releases/cpiaug2013.pdf

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 increased by 0.8% in August, following a 0.3% rise in July. MAS Core Inflation was 0.5% in August compared to 0.1% in the previous 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	Cost of services rose by 0.5% as a result of more expensive cable TV packages and tertiary school fees in both local and overseas institutions. ³
	Food	Overall food prices were up by 0.3% on account of higher prices of prepared meals at hawker centres and restaurants.
	Electricity, LPG and Gas	LPG prices rose by 3.2%, more than offsetting the decline in piped gas tariffs.
	Others	With the end of the Great Singapore Sale, retailers rolled back the discounts on items such as personal effects and clothing & footwear.
	Accommodation	Accommodation cost rose by 2.0% compared to July when S&CC rebates were disbursed for households living in HDB flats. At the same time, leasing contracts continued to be reset at higher rental values, further pushing up actual rental cost and imputed rentals on OOA.
	Private Road Transport	Car prices were higher, reflecting the increase in COE premiums in July.

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
↑ Recreation & entertainment	3.2	2.2	↓ Vegetables & vegetable products	1.1	-1.0
↑ Personal effects [#]	0.8	2.1	↓ Sugar, preserves & confectionery	0.3	-0.6
↑ Accommodation	20.0	2.0	↓ Rice & other cereals	1.7	-0.5
↑ Other travel & transport [^]	0.2	1.3	↓ Other food [*]	0.3	-0.3
↑ Clothing & Footwear	3.4	1.1	↓ Personal care	2.2	-0.2
↑ Tuition & other fees	6.0	1.1	↓ Communication	4.8	-0.1
↑ Seafood	1.3	1.0	↓ Alcoholic drinks & tobacco	1.4	-0.1
↑ Hobbies & other miscellaneous expenditure	4.8	0.9	↓ Non-alcoholic beverages	0.4	-0.03
↑ Hawker food (incl. food courts)	9.2	0.6	- Medical Health Insurance	0.8	0.0
↑ Cooking Oils & Fats	0.2	0.5	- Newspapers, magazines & books	0.7	0.0

[#] The “personal effects” sub-group include leather & travel goods and “accessories” such as watches and costume jewellery.

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

^{*} The “other food” sub-group includes food items such as sauces, spices and other condiments.

Outlook

Overall imported inflation will remain generally subdued for the year. However, domestic cost pressures are expected to persist amid continuing tightness in the labour market, and pass-through from accumulated cost increases to prices of consumer services could pick up slightly. Taking these factors into account, MAS Core Inflation is expected to rise moderately for the rest of the year and average 1.5-2.5% in 2013.

Imputed rentals on OOA will likely continue to increase at a slower pace over the rest of the year as more housing units come on-stream. However, COE premiums could be volatile over the short-term in light of the recently announced motor vehicle-related policy measures.⁴ For 2013, CPI-All Items inflation is expected to be 2-3%. Imputed rentals on OOA will account for one-third of overall inflation this year, while services and food will add about a quarter and a fifth respectively.

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⁴ In early September, the LTA announced that in addition to the current criterion of engine capacity of 1,600 cc or less, the engine power of Category A cars also cannot exceed 97 kilowatts. This will come into effect from the first COE bidding exercise in February 2014.

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.⁵

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.

⁵ See DOS’ “Singapore Consumer Price Index for August 2013” (http://www.singstat.gov.sg/news/press_releases/cpiaug2013.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 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
Mar	3.5	1.8	1.4	4.1	6.9	-1.1	3.5	3.9	2.6	116.2
Apr	1.5	1.8	-0.1	1.1	0.5	-1.3	2.9	3.4	2.4	114.1
May	1.6	2.0	1.1	3.3	-2.8	-1.4	2.9	4.2	2.8	114.6
Jun	1.8	2.0	0.6	3.0	-1.6	-1.4	2.9	4.3	3.0	115.2
Jul	1.9	2.1	0.0	1.3	1.7	-1.6	2.9	4.0	2.7	115.1
Aug	2.0	2.4	-0.3	2.6	0.2	-1.7	3.3	3.9	3.1	115.8

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 Jul	4.0	2.4	3.0	-1.3	-11.8	-10.8
Aug	3.9	2.2	3.0	1.4	-11.6	3.0
Sep	4.7	2.4	3.9	-0.2	-8.1	2.8
Oct	4.0	2.2	3.3	-3.5	-1.2	1.9
Nov	3.6	2.0	2.9	-5.9	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	-6.0	4.2	-2.1
Feb	4.9	1.9	4.6	-4.3	1.7	-4.0
Mar	3.5	1.7	3.0	-6.3	-2.2	-13.4
Apr	1.5	1.4	0.6	-7.1	-3.3	-14.6
May	1.6	1.7	0.8	-4.7	0.5	-6.9
Jun	1.8	1.7	1.1	-0.9	2.0	7.5
Jul	1.9	1.6	1.3	-0.6	-2.2	4.9
Aug	2.0	1.8	1.6	N.A.	-1.8	-1.8

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