



Consumer Price Developments in June 2013

CPI-All Items inflation came in slightly higher at 1.8% y-o-y in June

CPI-All Items inflation rose to 1.8% in June compared to 1.6% in May, mainly due to petrol pump prices which increased with the recent pick-up in global oil prices. Some services costs also registered slightly stronger gains in June.

Petrol pump prices increased after three consecutive months of price correction, although electricity tariffs remained 7.2% lower compared to a year earlier.¹ Overall, the price of oil-related items fell by 1.0% in June, compared to a larger decline of 4.4% in May.

Services inflation was higher at 2.7% in June compared with 2.5% in May, mainly on account of costlier medical insurance and holiday travel.

Food inflation was stable at 2.0%. Although the cost of prepared meals rose at a slightly stronger pace, the price increase for non-cooked food was more modest.

Private road transport cost fell by a more moderate 2.1% in June, compared with the 3.7% decline in the previous month. This reflected the smaller drop in COE premiums in May on a y-o-y basis, as the market continued to adjust to the various motor vehicle-related policy measures introduced since February.²

Accommodation cost inflation was 4.8% in June, down from 5.1% in May, as imputed rentals on owner-occupied accommodation increased more gradually. Nevertheless, imputed rentals continued to contribute a significant 0.9% point to overall inflation in June.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a faster pace of 1.1%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) picked up to 1.1% in June from 0.8% a month earlier, mainly due to the rise in pump prices and higher services inflation.

The lower CPI-ex OOA inflation, compared to CPI-All Items inflation, reflects the strong increase in imputed rentals on owner-occupied accommodation, which does not impact the actual cash expenditures of households who own their homes.

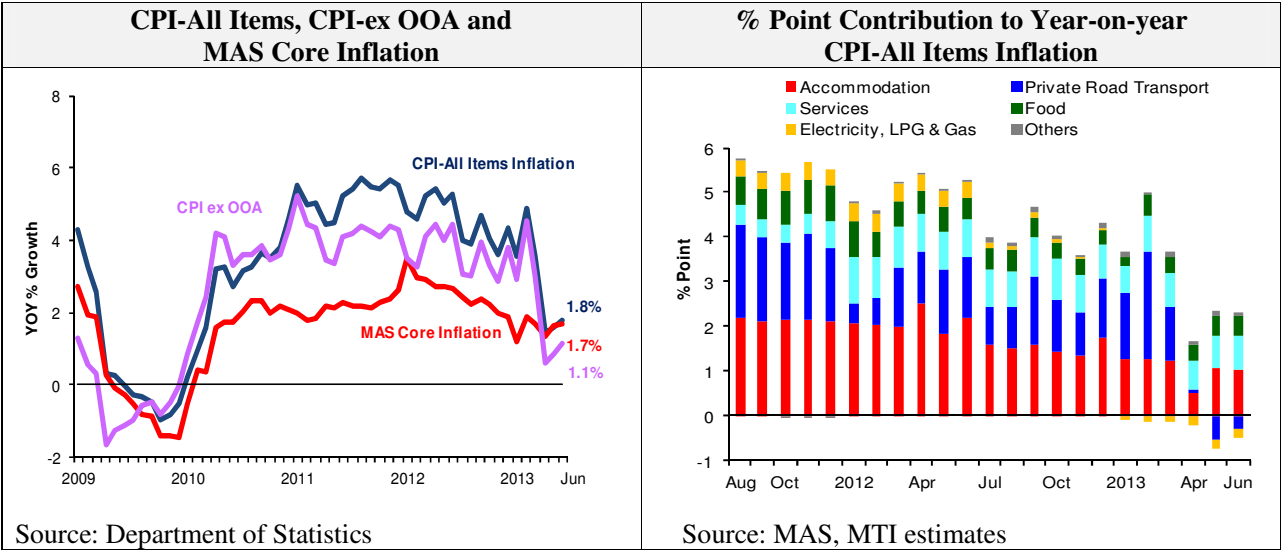
MAS Core Inflation was stable at 1.7% in June

MAS Core Inflation, which excludes the costs of accommodation and private road transport, stayed at 1.7% in June, as the pickup in services inflation was offset by lower contributions from prices of retail-related items such as clothing & footwear.

¹ The electricity tariff rate is computed quarterly based on the average fuel oil price in the previous three months. In comparison, petrol pump prices adjust to global oil price movements more frequently.

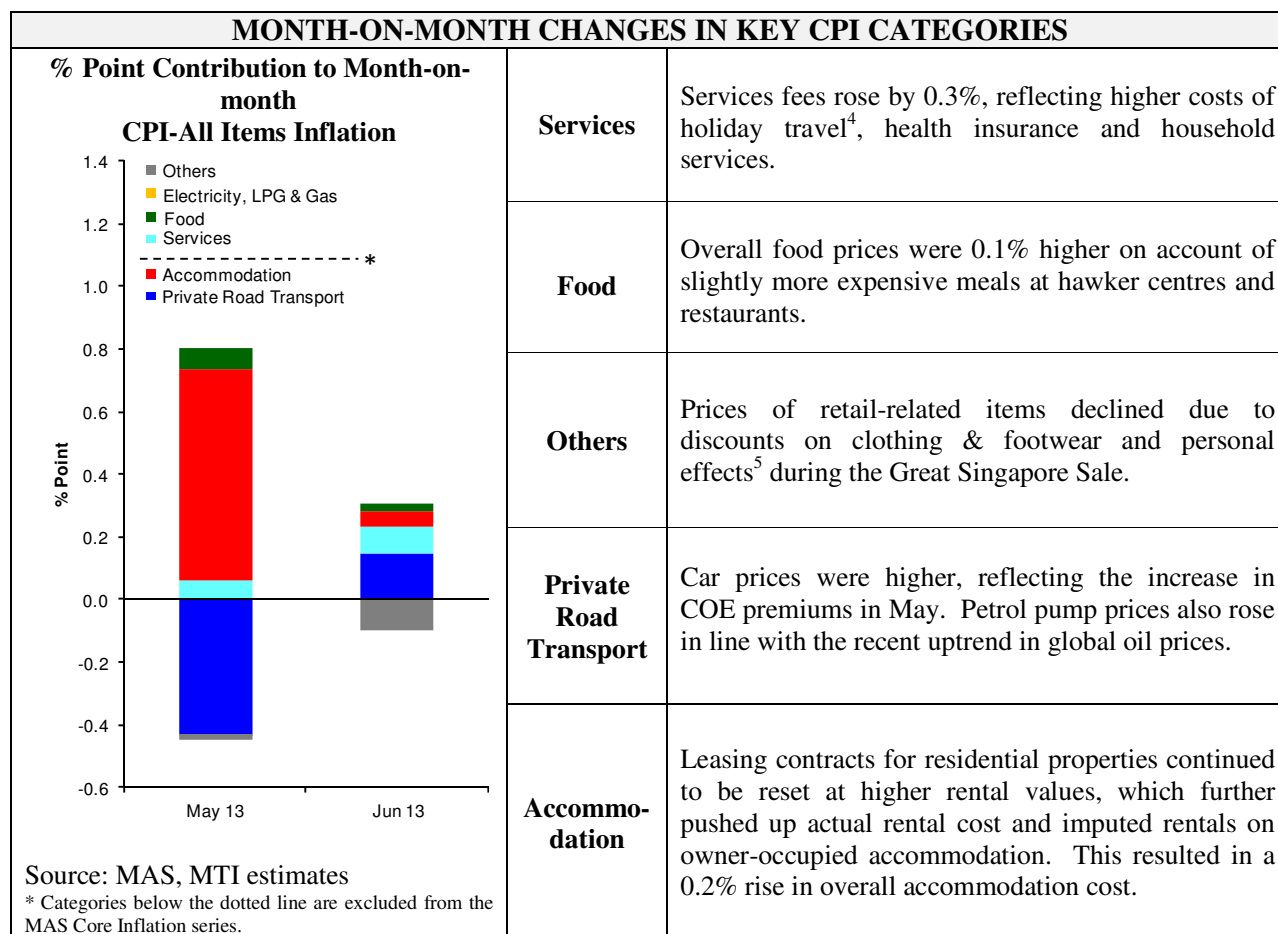
² Car loans are limited to no more than 60% of the vehicle's purchase price, while the repayment period is capped at five years. In March, a tiered Additional Registration Fee (ARF) structure was also applied to cars, taxis and goods-cum-passenger vehicles, replacing the previous flat rate of 100% of the Open Market Value of the vehicle. While this adds to overall car prices directly, it also likely dampens the demand for cars and hence prices.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for June 2013".³]



³ http://www.singstat.gov.sg/news/press_releases/cpijune2013.pdf

On a month-on-month basis, CPI-All Items increased by 0.2% in June, following a 0.4% rise in May. MAS Core Inflation was 0% compared to 0.2% in the previous month.



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

Top Price Increases				Top Price Decreases or No Price Changes			
	Sub-Group	Weight (%)	M-o-M % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Sugar, preserves & confectionery	0.3	1.8	↓	Personal effects	0.8	-3.4
↑	Medical health insurance	0.8	1.6	↓	Clothing & Footwear	3.4	-2.7
↑	Cooking oils & fats	0.2	1.2	↓	Seafood	1.3	-0.9
↑	Non-alcoholic beverages	0.4	1.2	↓	Vegetables & vegetable products	1.1	-0.6
↑	Other travel & transport ^	0.2	1.1	↓	Non-durable household goods	0.7	-0.4
↑	Private road transport	11.7	1.1	-	Fuel & utilities	3.6	0.0
↑	Hobbies & other miscellaneous expenditure	4.8	0.9	-	Fast food	0.8	0.0
↑	Proprietary medicines & supplies	1.1	0.6	-	School textbooks & stationery	0.7	0.0
↑	Household services	2.5	0.4	-	Newspapers, magazines & books	0.7	0.0
↑	Recreation & entertainment	3.2	0.3	-	Dental treatment	0.5	0.0

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

⁴ Holiday expenses fall under the category of “Hobbies & other miscellaneous expenditure”.

⁵ Personal effects include leather & travel goods and “accessories” such as watches and costume jewellery.

Outlook

Imported inflation will likely remain generally subdued for the year as a whole, given ample supply buffers in the commodity markets and excess capacity in the global economy. However, domestic cost pressures are expected to persist amid continuing tightness in the labour market, and cost pass-through to prices of consumer services could pick up slightly. Taking these factors into account, MAS Core Inflation is expected to rise moderately in the second half of the year and average 1.5-2.5% in 2013.

Imputed rentals on owner-occupied accommodation will continue to add considerably to CPI-All Items inflation this year, although the pace of increase will likely be slower in the second half as more housing units come on-stream. However, car prices are significantly lower following the introduction of the various motor vehicle-related policy measures, although they have picked up more recently. As a result of the sharper-than-expected decline in car prices, the CPI-All Items inflation forecast for 2013 is revised down to 2-3% from 3-4% previously. Imputed rentals on owner-occupied accommodation will account for one-third of CPI-All Items inflation, while services and food will add about a quarter and a fifth respectively.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 July 2013

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.

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See DOS’ “Singapore Consumer Price Index for June 2013” (http://www.singstat.gov.sg/news/press_releases/cpijune2013.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 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
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

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 May	5.0	2.7	4.0	0.6	-14.7	-1.7
Jun	5.3	2.7	4.4	-1.8	-14.9	-13.8
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	-4.9	0.2	-6.9
Jun	1.8	1.7	1.1	N.A.	1.7	7.5

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