

Consumer Price Developments in May 2013

Singapore's CPI-All Items inflation inched up to 1.6% y-o-y in May

CPI-All Items inflation rose slightly to 1.6% in May from 1.5% in April. While car prices declined, it was more than offset by higher contributions from all other major categories.

Services inflation picked up to 2.5% in May from 2.2% in April, on account of costlier medical treatment and medical insurance as well as a smaller fall in holiday travel cost.

Food prices were up by 2.0% in May, slightly stronger than the 1.8% rise in the preceding month, reflecting steeper price increases for both non-cooked food and prepared meals.

Prices of oil-related items fell by a more modest 4.4% in May compared with the 5.2% decline in April, led by a smaller reduction in petrol pump prices.

Accommodation costs climbed by 5.1% in May, up from 2.4% in April, as the impact of the disbursement of HDB Service & Conservancy Charges (S&CC) rebates in April dissipated.¹ Imputed rentals on owner-occupied accommodation continued to increase, contributing 0.9% point to overall inflation in May.

Private road transport cost fell by 3.7% in May, the first decline since 2009, reversing the 0.5% rise in April. The fall was due to lower COE premiums in April and price adjustments by car dealers following the implementation of the motor vehicle-related policy measures.²

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slightly faster pace of 0.8%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) edged up to 0.8% in May from 0.6% a month earlier, given the dissipation of the impact of S&CC rebates and higher contributions from costs of services, food and oil-related items.

The lower CPI-ex OOA inflation, compared to the CPI-All Items series, 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.

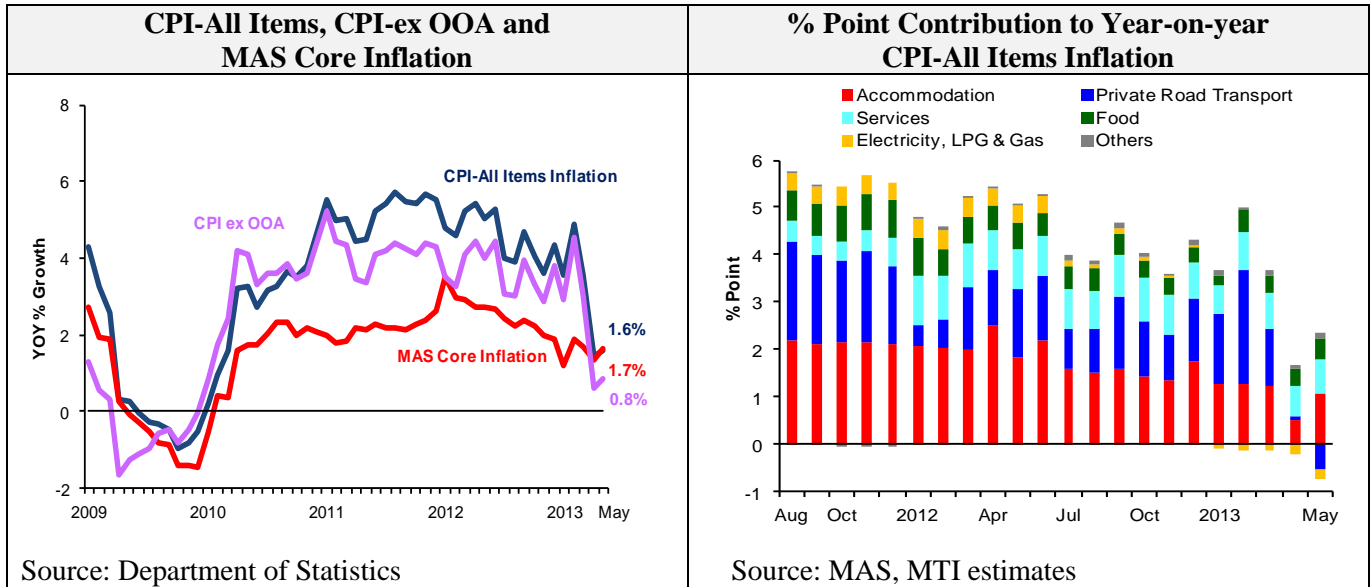
MAS Core Inflation was higher at 1.7% in May

MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 1.7% in May from 1.4% in April, mainly due to steeper increases in services fees and food prices.

¹ The accommodation sub-group in the CPI comprises “rented accommodation”, “imputed rentals on owner-occupied accommodation”, “housing insurance premiums” and “minor repairs & maintenance”. In April 2013, tenants and owners of HDB flats received 0.5-1 month of S&CC rebates which led to a temporary decline in the cost of “minor repairs & maintenance”.

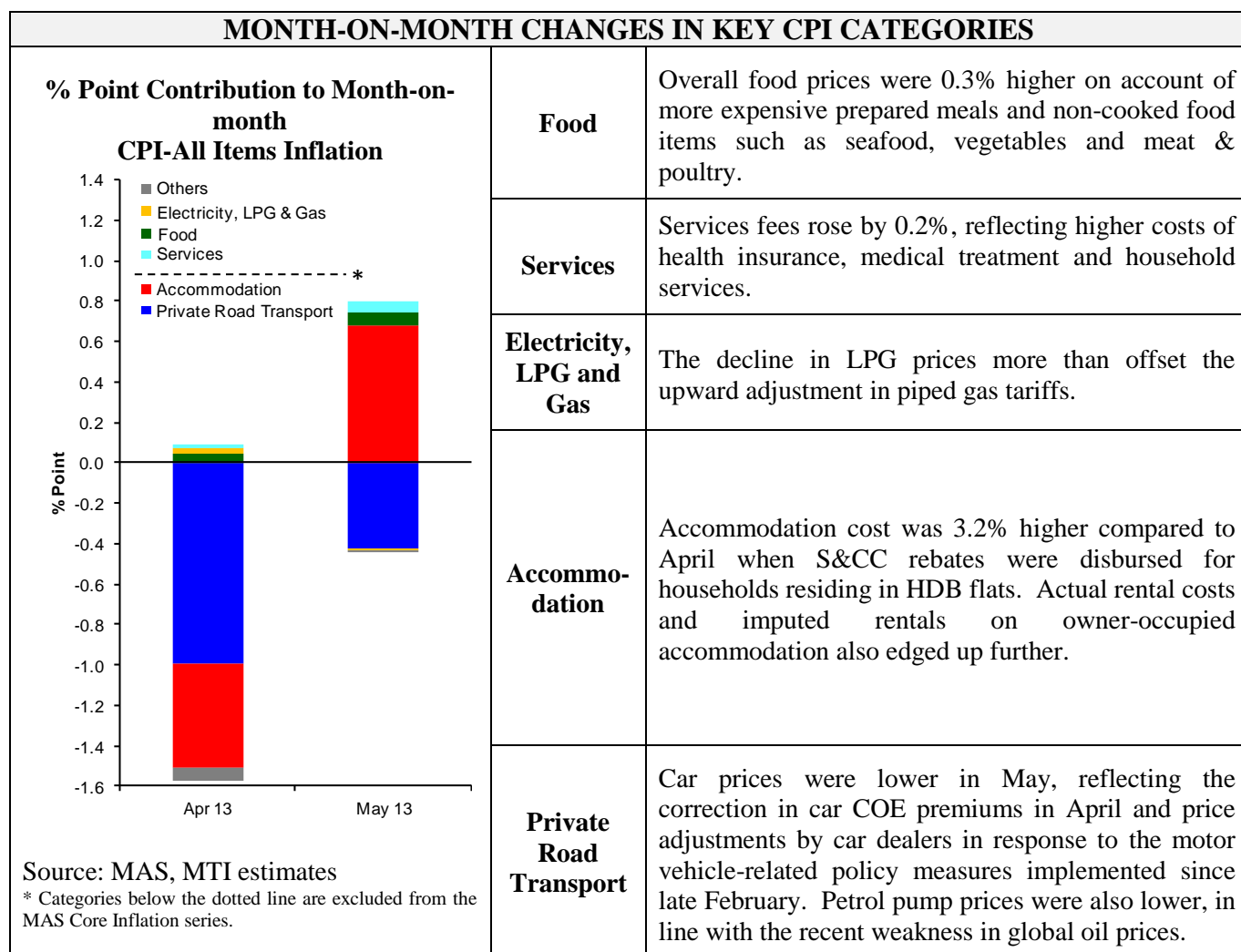
² Car loans are limited to no more than 60% of the vehicle’s purchase price, while the repayment period is capped at five years. In March, a tiered Additional Registration Fee (ARF) structure was also applied to cars, taxis and goods-cum-passenger vehicles, replacing the previous flat rate of 100% of 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. In early April this year, MAS lifted loan curbs on used cars for 60 days which could have temporarily shifted demand away from the new car market.

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



³ http://www.singstat.gov.sg/news/press_releases/cpimay2013.pdf

On a month-on-month basis, CPI-All Items increased by 0.4% in May following a 1.5% decline in April. MAS Core Inflation was 0.2% compared to 0.1% in the previous month.



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
↑ Medical health insurance	0.8	3.9	↓ Private road transport	11.7	-3.0
↑ Accommodation	20.0	3.2	↓ Sugar, preserves & confectionery	0.3	-1.4
↑ Vegetables & vegetable products	1.1	2.7	↓ Proprietary medicine & supplies	1.1	-1.2
↑ Seafood	1.3	1.4	↓ Fruits	0.9	-1.0
↑ Personal effects	0.8	1.3	↓ Cooking Oils & Fats	0.2	-1.0
↑ Household durables	1.9	0.5	↓ Non-alcoholic beverages	0.4	-0.6
↑ Medical treatment	3.5	0.4	↓ Clothing & Footwear	3.4	-0.3
↑ Meat & Poultry	1.4	0.3	↓ Communication	4.8	-0.2
↑ Household services	2.5	0.3	↓ School textbooks & stationery	0.7	-0.2
↑ Dairy Products & Eggs	1.0	0.3	↓ Fuel & utilities	3.6	-0.1

Outlook

Imported inflation will likely remain subdued this year, given ample supply buffers in the commodity markets. 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 significantly to CPI-All Items inflation this year, although the pace of increase will likely be slower in the second half as more private housing units come on-stream. While COE premiums could fluctuate as the market continues to adjust to the motor vehicle-related policy measures, its contribution to CPI-All items inflation is likely to be lower compared to last year. For 2013, CPI-All Items inflation is expected to be 3-4%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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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.⁴

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.

⁴ See DOS’ “Singapore Consumer Price Index for May 2013” (http://www.singstat.gov.sg/news/press_releases/cpimay2013.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 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
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

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 Apr	5.4	2.7	4.4	1.4	-14.6	0.2
May	5.0	2.7	4.0	0.6	-14.5	-1.7
Jun	5.3	2.7	4.4	-1.8	-14.7	-13.8
Jul	4.0	2.4	3.0	-1.3	-11.6	-10.8
Aug	3.9	2.2	3.0	1.4	-11.4	3.0
Sep	4.7	2.4	3.9	-0.2	-8.0	2.8
Oct	4.0	2.2	3.3	-3.5	-1.2	1.9
Nov	3.6	2.0	2.9	-5.9	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	4.1	-2.1
Feb	4.9	1.9	4.6	-4.3	1.8	-4.0
Mar	3.5	1.7	3.0	-6.3	-2.2	-13.4
Apr	1.5	1.4	0.6	-7.0	-3.7	-14.6
May	1.6	1.7	0.8	N.A.	-0.6	-6.9

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