



Consumer Price Developments in November 2013

CPI-All Items inflation rose to 2.6% y-o-y in November

CPI-All Items inflation rose to 2.6% in November from 2.0% in the preceding month. This increase had been anticipated in the October inflation report and largely reflected higher accommodation cost, which accounted for around half of the 0.6% pickup in overall inflation. Price increases in all the other major CPI categories also inched up slightly in part due to the low base last year.

Accommodation cost rose by 3.3%, higher than the 1.9% increase in October when the disbursement of Service & Conservancy Charges (S&CC) rebates to HDB households had helped to lower the cost of “minor repairs and maintenance”.¹ Meanwhile, the increase in imputed rentals on owner-occupied accommodation (OOA) moderated slightly in November.

Private road transport costs were up by 3.4% following an increase of 2.7% in October, mainly as a result of the rise in COE premiums. Petrol pump prices were also higher compared to a year ago.

Services inflation increased to 2.8% in November from the 2.5% recorded in October, led by pricier holiday travel and household services.

Food inflation inched up to 2.6% in November from 2.5% a month ago, primarily due to price increases for non-cooked food items.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) increased at a faster pace of 2.4%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) rose to 2.4% in November from 1.6% in the previous month, mainly due to the dissipation of the impact of the S&CC rebates given out in October.

MAS Core Inflation inched up to 2.1% in November

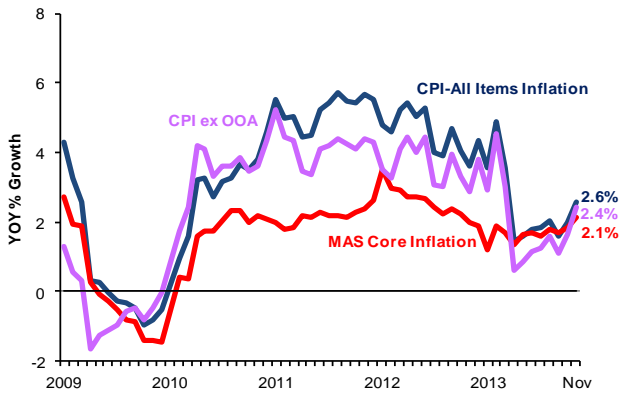
MAS Core Inflation, which excludes the costs of accommodation and private road transport, picked up to 2.1% in November compared to 1.8% a month ago. This was due to stronger contributions from services and food items, in part driven by low base effects.

[Detailed CPI statistics can be found in the Department of Statistics’ release on “Singapore Consumer Price Index for November 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 October 2013, 1- and 2-room HDB households received a 1-month S&CC rebate, while 3-, 4- and 5-room HDB households received a 0.5-month rebate. No rebates were disbursed in November 2013.

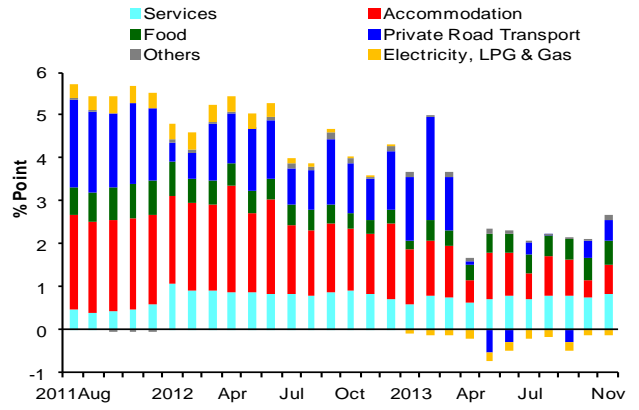
² http://www.singstat.gov.sg/news/press_releases/cpinov2013.pdf

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 0.7% in November, following the 0.2% rise in October. However, MAS Core Inflation was stable at 0.3%.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p>% Point Contribution to Month-on-month CPI-All Items Inflation</p> <p>Legend: ■ Others ■ Electricity, LPG & Gas ■ Food ■ Services ■ Private Road Transport ■ Accommodation</p> <p>Oct 13 Nov 13</p>	Services	Overall services fees rose by 0.4%, largely due to more expensive holiday travel as demand picked up towards the year-end.
	Food	Overall food prices increased by 0.2% on account of pricier non-cooked food items, such as vegetables, dairy products & eggs, and meat & poultry, as well as prepared meals.
	Electricity, LPG and Gas	LPG prices and piped gas tariffs edged up by 0.2% and 1.4% respectively.
	Others	Retail items, including clothing & footwear, personal effects ³ and household durables, were slightly more expensive in November.
	Accommodation	Accommodation cost rose by 1.7% compared to October when S&CC rebates were disbursed for households living in HDB flats. At the same time, imputed rentals on owner-occupied accommodation picked up, albeit at a slower pace, as leasing contracts for residential properties continued to be reset at higher rental values.
	Private Road Transport	Private road transport cost increased by 0.9%, driven by the rise in COE premiums in October which more than offset the fall in petrol pump prices.

Source: MAS, MTI estimates
 * Categories below the dotted line are excluded from the MAS Core Inflation series.

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 %		Sub-Group	Weight (%)	M-o-M %
↑	Other travel & transport ^	0.2	5.1	↓	Non-durable household goods	0.7	-1.0
↑	Hobbies & other miscellaneous expenditure *	4.8	2.0	↓	Sugar, preserves & confectionery	0.3	-0.6
↑	Personal effects	0.8	1.9	↓	Proprietary medicine & supplies	1.1	-0.4
↑	Accommodation	20.0	1.7	↓	Personal care	2.2	-0.3
↑	Clothing & Footwear	3.4	1.6	↓	Fruits	0.9	-0.3
↑	Vegetables & vegetable products	1.1	1.2	↓	Alcoholic drinks & tobacco	1.4	-0.3
↑	Private road transport	11.7	0.9	↓	Non-alcoholic beverages	0.4	-0.3
↑	Household durables	1.9	0.7	↓	Recreation & entertainment	3.2	-0.1
↑	Dairy Products & Eggs	1.0	0.6	↓	Rice & other cereals	1.7	-0.1
↑	Meat & Poultry	1.4	0.6	↓	School textbooks & stationery	0.7	-0.1

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

* Holiday travel is subsumed under the "hobbies & other miscellaneous expenditure" sub-group.

³ The "personal effects" sub-group includes leather & travel goods, and "accessories" such as watches and costume jewellery.

Outlook

Overall imported inflation is expected to remain subdued because of spare production capacity in the advanced economies and ample supply buffers in the commodity markets. However, the pass-through of domestic costs to prices of consumer services could intensify as a result of the rising cost pressures that firms are facing from business rentals and labour costs. Taking these factors into account, MAS Core Inflation is expected to rise over the next few quarters and average 1.5-2% in 2013 and 2-3% in 2014.

Imputed rentals on OOA will increase at a slower pace because of the greater supply of housing coming on stream. COE premiums could continue to be volatile in the short term as the market adjusts to the upcoming re-categorisation of COEs. Overall, CPI-All Items inflation is projected to come in at 2.5-3% in 2013 and 2-3% in 2014.

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 November 2013” (http://www.singstat.gov.sg/news/press_releases/cpinov2013.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 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
Sep	1.6	2.4	-1.5	2.3	-1.5	-1.9	3.3	4.0	3.1	116.2
Oct	2.0	2.5	-1.0	1.1	2.3	-1.5	3.5	3.7	2.6	116.4
Nov	2.6	2.6	2.1	2.3	2.9	-1.5	3.5	3.6	3.1	117.2

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 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	2.6	-6.9
Jun	1.8	1.7	1.1	-0.9	4.3	7.5
Jul	1.9	1.6	1.3	-0.6	0.1	4.9
Aug	2.0	1.8	1.6	-1.5	0.4	-1.8
Sep	1.6	1.7	1.1	-2.0	-2.6	-1.8
Oct	2.0	1.8	1.6	-1.3	-1.1	1.5
Nov	2.6	2.1	2.4	N.A.	-0.6	-1.8

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available