



## Consumer Price Developments in April 2014

### *CPI-All Items inflation rose to 2.5% y-o-y in April*

CPI-All Items inflation came in at 2.5% in April, compared to 1.2% in March. This increase had been anticipated in the February and March inflation reports and largely reflected a rise in car prices due to the low base a year ago. All other major categories, except accommodation, also experienced slightly stronger price increases during the month.

Private road transport cost climbed by 5.7% in April, reversing four consecutive months of decline. This reflected the rise in COE premiums which was exacerbated by the low base in April 2013.<sup>1</sup> Petrol pump prices also edged up at a faster pace compared to the previous month.

The rise in accommodation cost moderated further to 1.1% from 1.7% in March, mainly due to a smaller increase in imputed rentals on owner-occupied accommodation (OOA).

Services inflation was higher at 2.7% compared to 2.4% in March, led by a pickup in the cost of holiday travel and public road transport.

Food inflation rose to 3.1% from 2.9% a month ago, reflecting steeper price increases of both non-cooked food and prepared meals.

Retail-related items added more to overall inflation in April. Notably, clothing & footwear prices rose after four consecutive months of decline.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) increased at a faster pace of 2.9% in April*

Inflation as measured by CPI less imputed rentals on OOA was higher at 2.9% in April compared to 1.1% in March, mainly reflecting the rise in private road transport cost.

### *MAS Core Inflation was higher at 2.3% in April*

MAS Core Inflation, which excludes the cost of accommodation and private road transport, rose to 2.3% from 2.0% a month ago, on account of the pickup in the cost of services, food and retail-related items.

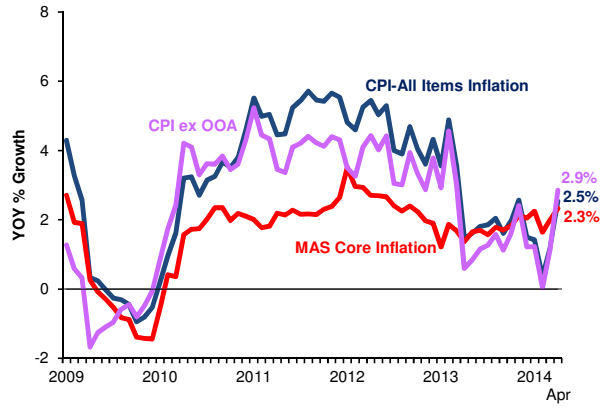
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for April 2014".<sup>2</sup> ]

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<sup>1</sup> COE premiums fell sharply in March 2013 following the implementation of the financing restrictions on motor vehicle loans, which resulted in a decline in the CPI for private road transport in April 2013.

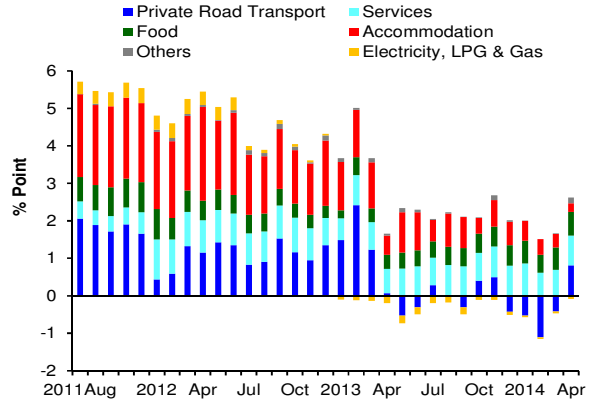
<sup>2</sup> [http://www.singstat.gov.sg/news/press\\_releases/cpiapr2014.pdf](http://www.singstat.gov.sg/news/press_releases/cpiapr2014.pdf)

**CPI-All Items, CPI-ex OOA and MAS Core Inflation**



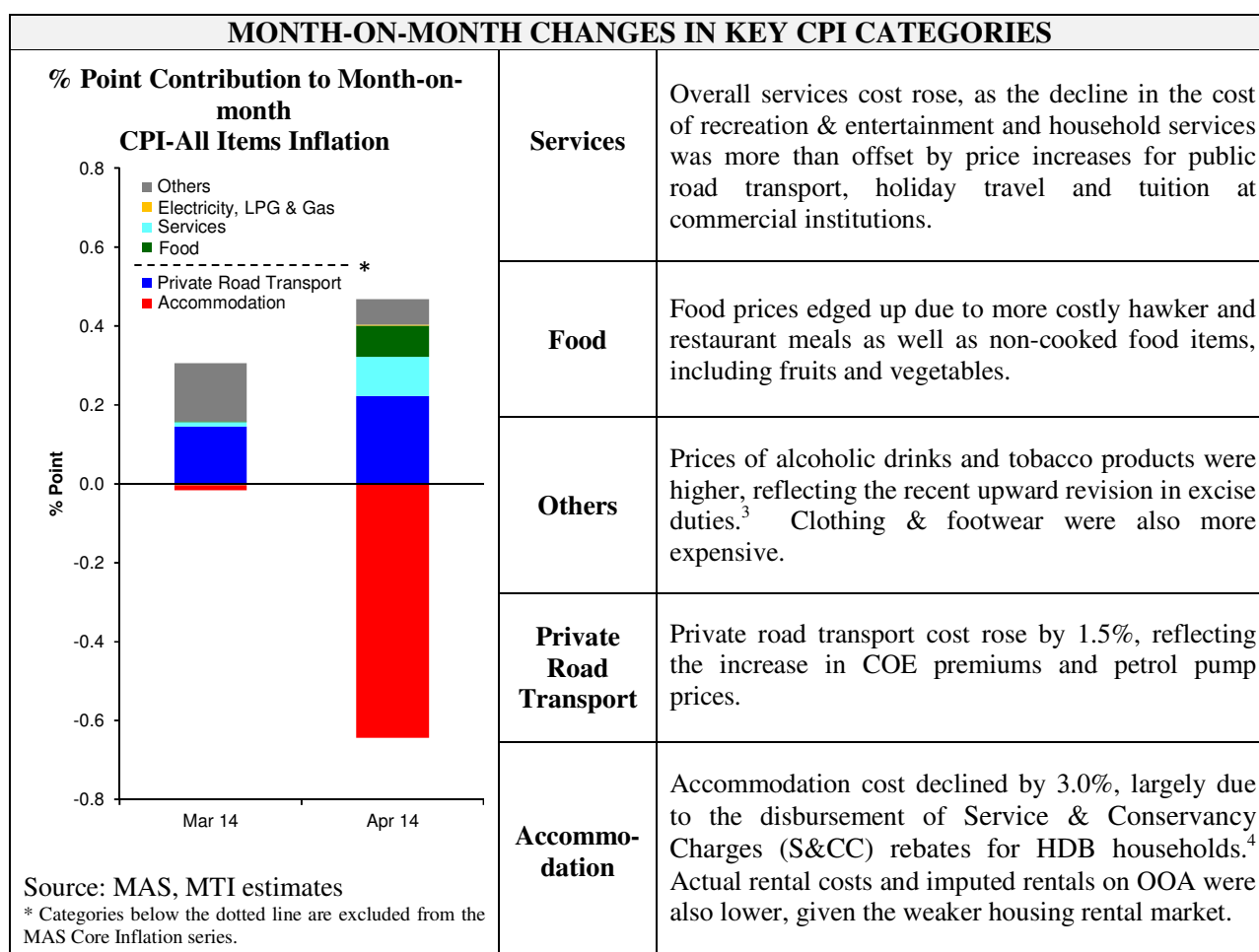
Source: Department of Statistics

**% Point Contribution to Year-on-year CPI-All Items Inflation**



Source: MAS, MTI estimates

**On a month-on-month basis, CPI-All Items fell by 0.2% in April following the 0.3% increase in March. MAS Core Inflation rose to 0.4% from 0.2% in the previous month.**



**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
↑	Alcoholic drinks & tobacco	1.4	2.4	↓	Accommodation	20.0	-3.0
↑	Fruits	0.9	1.9	↓	Recreation & entertainment	3.2	-0.3
↑	Other travel & transport ^	0.2	1.5	↓	Meat & Poultry	1.4	-0.2
↑	Private road transport	11.7	1.5	↓	Household services	2.5	-0.2
↑	Public road transport	3.7	1.3	↓	Seafood	1.3	-0.2
↑	Catered food	0.1	1.2	↓	Personal effects #	0.8	-0.1
↑	Fast food	0.8	1.1	-	Medical health insurance	0.8	0.0
↑	Dental treatment	0.5	1.0	-	Newspapers, magazines & other books	0.7	0.0
↑	Other food ~	0.3	0.8				
↑	Vegetables & vegetable products	1.1	0.8				

^ 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.

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

<sup>3</sup> On 21 February 2014, excise duties for all types of liquor and cigarette & manufactured tobacco products were raised by 25% and 10% respectively.

<sup>4</sup> As announced in Budget 2014, 1-, 2-, 3- and 4-room HDB households received a 1-month S&CC rebate in April 2014, while 5-room and Executive/Multi-Generation HDB households received a 0.5-month rebate.

## **Outlook**

External price developments should be relatively benign for the rest of the year, given the ample supply buffers in major commodity markets and modest inflation in most of Singapore's key import source countries. Domestic cost pressures, particularly stemming from a tight labour market, are likely to remain the primary source of inflation. Taking these factors into account, MAS Core Inflation is expected to stay elevated at 2–3% in 2014.

CPI-All Items inflation is expected to rise further due to the low base a year ago when COE premiums fell, but it should ease in the second half of 2014. For the whole year, car prices are likely to add negligibly to inflation. Given the large supply of newly-completed housing units, imputed rentals on OOA are expected to stabilise this year. CPI-All Items inflation is projected to come in at 1.5–2.5% in 2014.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 May 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.<sup>5</sup>

### **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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<sup>5</sup> See DOS’ “Singapore Consumer Price Index for April 2014” ([http://www.singstat.gov.sg/news/press\\_releases/cpiapr2014.pdf](http://www.singstat.gov.sg/news/press_releases/cpiapr2014.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” ([http://www.mas.gov.sg/~media/resource/publications/staff\\_papers/StaffPaperNo51.pdf](http://www.mas.gov.sg/~media/resource/publications/staff_papers/StaffPaperNo51.pdf)).

**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)									
2013 Mar	3.5	1.8	1.4	4.1	6.9	-1.1	3.5	3.9	2.6	115.8
Apr	1.5	1.8	-0.1	1.1	0.5	-1.3	2.9	3.4	2.4	114.8
May	1.6	2.0	1.1	3.3	-2.8	-1.4	2.9	4.2	2.8	114.5
Jun	1.8	2.0	0.6	3.0	-1.6	-1.4	2.9	4.3	3.0	114.7
Jul	1.9	2.1	-	1.3	1.7	-1.6	2.9	4.0	2.7	115.5
Aug	2.0	2.4	-0.3	2.6	0.2	-1.7	3.3	3.9	3.1	116.0
Sep	1.6	2.4	-1.5	2.3	-1.5	-1.9	3.3	4.0	3.1	116.1
Oct	2.0	2.5	-1.0	1.1	2.3	-1.5	3.5	3.7	2.6	116.8
Nov	2.6	2.6	2.1	2.3	2.9	-1.5	3.5	3.6	3.1	117.1
Dec	1.5	2.7	-0.1	2.0	-2.1	-0.9	3.5	3.8	2.7	116.8
2014 Jan	1.4	3.0	-0.1	1.8	-2.7	-0.5	2.9	3.9	2.9	116.9
Feb	0.4	2.3	-1.7	1.5	-5.6	-0.5	2.9	4.0	1.5	117.0
Mar	1.2	2.9	-1.9	1.2	-2.1	-0.9	2.9	3.4	2.5	117.4
Apr	2.5	3.1	0.6	0.7	5.0	-0.5	2.9	3.5	2.9	117.1

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					
2013 Mar	3.5	1.7	3.0	-6.3	-2.2	-13.4
Apr	1.5	1.4	0.6	-7.1	-3.1	-14.6
May	1.6	1.7	0.8	-4.7	0.6	-6.9
Jun	1.8	1.7	1.1	-0.9	2.3	7.5
Jul	1.9	1.6	1.3	-0.6	-2.1	4.9
Aug	2.0	1.8	1.6	-1.5	-1.7	-1.8
Sep	1.6	1.7	1.1	-2.0	-4.5	-1.8
Oct	2.0	1.8	1.6	-1.4	-3.1	-1.5
Nov	2.6	2.1	2.4	0.3	-2.7	-1.8
Dec	1.5	2.0	1.2	1.8	-3.2	1.2
2014 Jan	1.4	2.2	1.2	0.3	-6.3	-4.0
Feb	0.4	1.6	-	-1.1	-5.8	-6.5
Mar	1.2	2.0	1.1	-0.5	-1.4	-2.2
Apr	2.5	2.3	2.9	N.A.	1.3	3.2

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available