



## Consumer Price Developments in October 2014

### *CPI-All Items inflation came in lower at 0.1% y-o-y in October*

CPI-All Items inflation slowed to 0.1% in October from 0.6% in September, mainly on account of base effects associated with fluctuations in car Certificate of Entitlement (COE) premiums, as well as sharper declines in the costs of accommodation and oil-related items.

Private road transport cost decreased by 5.6%, following the 2.8% fall in September, largely due to the high base a year ago.<sup>1</sup>

Accommodation cost declined by 1.0%, extending the 0.6% correction in the previous month, as a result of the soft housing rental market.

Prices of oil-related items, including electricity tariffs and petrol pump prices, fell by 2.1% in October after edging down by 0.6% in the preceding month, given the recent weakness in global oil prices.

Food inflation moderated to 2.8% from 3.0% in September, as prices of both non-cooked food items and prepared meals rose at a slower pace.

Services inflation came in at 1.7%, unchanged from the preceding month, as the higher costs of recreation & entertainment and holiday travel were offset by smaller increases in school tuition fees and household services cost.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 0.4% in October*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) eased to 0.4% in October from 1.0% in September, largely reflecting the sharper declines in the costs of private road transport and oil-related items.

### *MAS Core Inflation moderated to 1.7% in October*

MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased to 1.7% in October from 1.9% a month ago. This was largely due to the steeper decline in electricity tariffs as well as lower food inflation.

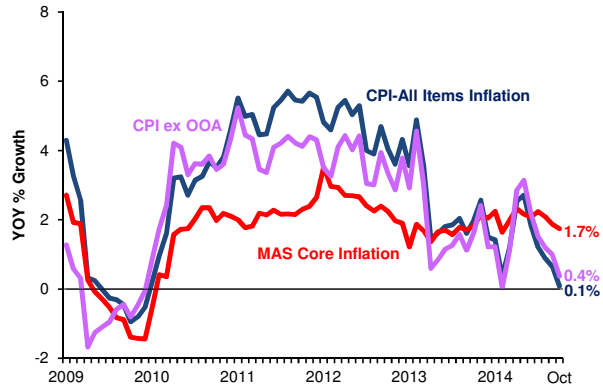
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for October 2014".<sup>2</sup> ]

---

<sup>1</sup> Car COE premiums rose sharply in September 2013. Given that COE premiums in a particular month are reflected in the CPI for private road transport in the subsequent month, this led to a substantial increase in the CPI for private road transport in October 2013. The impact of this base effect on the CPI for private road transport in October 2014 had been anticipated in the September 2014 inflation report.

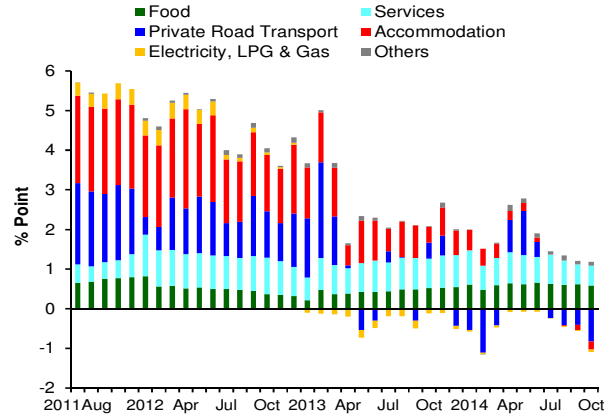
<sup>2</sup> [http://www.singstat.gov.sg/news/press\\_releases/cpioc2014.pdf](http://www.singstat.gov.sg/news/press_releases/cpioc2014.pdf)

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



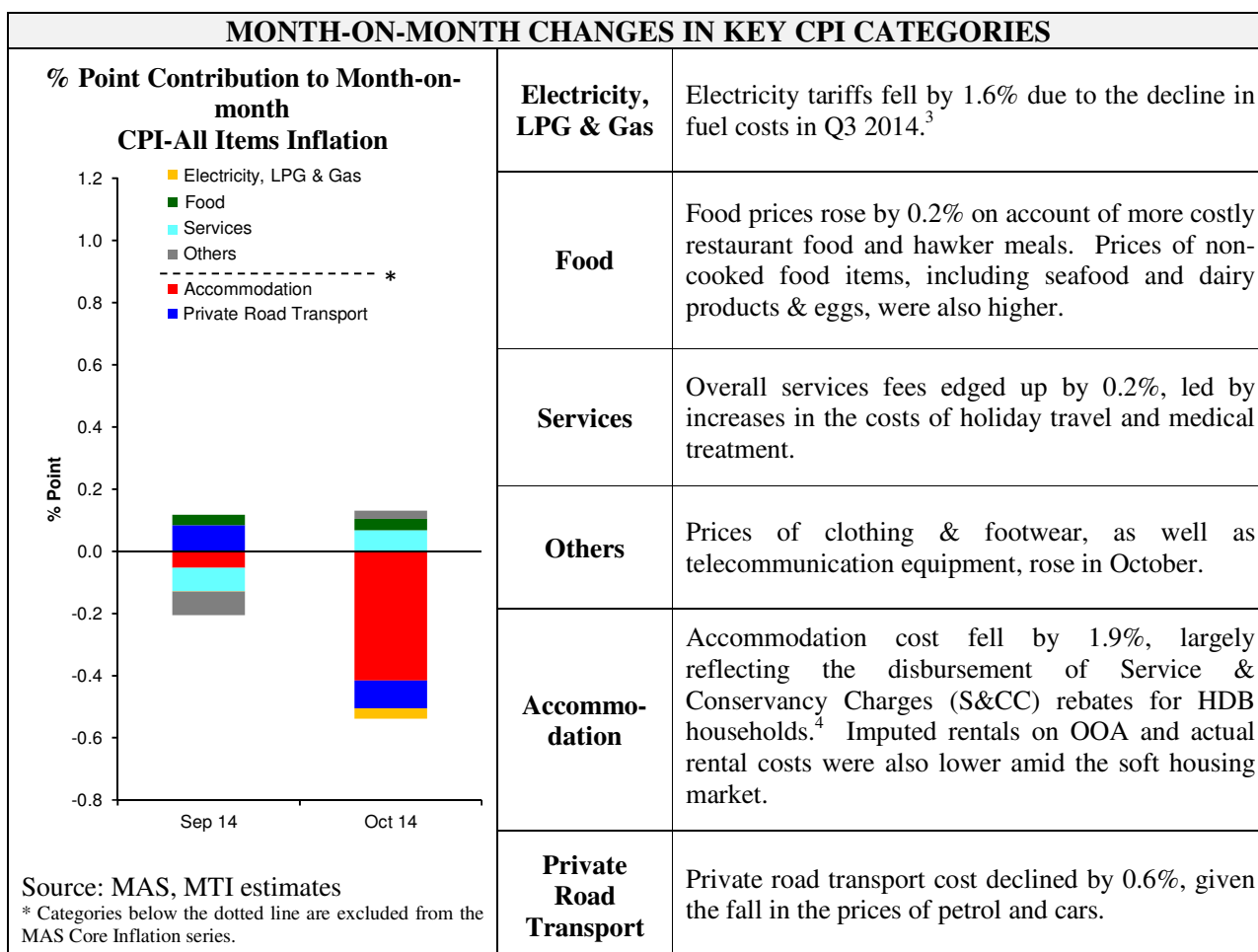
Source: Department of Statistics

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



Source: MAS, MTI estimates

**On a month-on-month basis, CPI-All Items was 0.4% lower in October, following the 0.1% fall in September. MAS Core Inflation picked up to 0.2% 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
↑	Other travel & transport <sup>^</sup>	0.2	1.9	↓	Accommodation	20.0	-1.9
↑	Hobbies & other miscellaneous expenditure *	4.8	0.9	↓	Fuel & utilities	3.6	-1.0
↑	Sugar, preserves & confectionery	0.3	0.7	↓	Personal effects <sup>#</sup>	0.8	-0.7
↑	Personal care	2.2	0.5	↓	Private road transport	11.7	-0.6
↑	Dairy Products & Eggs	1.0	0.4	↓	Fruits	0.9	-0.3
↑	Clothing & Footwear	3.4	0.4	↓	Other food <sup>~</sup>	0.3	-0.2
↑	Restaurant food	3.5	0.4	↓	Household durables	1.9	-0.1
↑	Seafood	1.3	0.4	-	Newspapers, magazines & other books	0.7	0.0
↑	Proprietary medicine & supplies	1.1	0.3	-	Cooking Oils & Fats	0.2	0.0
↑	Alcoholic drinks & tobacco	1.4	0.3	-	Recreation & entertainment	3.2	0.0

<sup>^</sup> The "other travel & transport" sub-group includes sea transport, air transport, travel insurance, etc.

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

<sup>#</sup> The "personal effects" sub-group includes leather & travel goods and "accessories" such as watches and cosmetic jewellery.

<sup>~</sup> The "other food" sub-group includes food items such as sauces, spices and other condiments.

<sup>3</sup> Fuel cost, a major component of electricity tariffs, is pegged to the price of natural gas. Electricity tariffs are revised every three months, based on the daily average natural gas price in the previous two and a half months. In Singapore and other Asian countries, the cost of natural gas is linked to oil prices.

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

## **Outlook**

External price developments are expected to stay generally benign, given ample supply buffers in the major commodity markets. While there remains significant uncertainty over global oil prices going forward, the sharp correction recently would dampen domestic inflation over the short-term. However, domestic food inflation could remain elevated in the near term given the higher prices of regional food supplies. At the same time, with the economy at full employment, wage pressures would continue to persist and filter through to the prices of various services items, particularly those for which demand remains firm. Taking these factors into account, MAS Core Inflation is likely to remain firm. For the whole year, it is projected to average 2–2.5% in 2014 and 2–3% in 2015.

CPI-All Items inflation is expected to stay subdued amid the anticipated increases in the supply of car COEs and newly-completed housing units, and come in at 1–1.5% in 2014 and 0.5–1.5% in 2015.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

24 November 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.

---

<sup>5</sup> See DOS’ “Singapore Consumer Price Index for October 2014” ([http://www.singstat.gov.sg/news/press\\_releases/cpioc2014.pdf](http://www.singstat.gov.sg/news/press_releases/cpioc2014.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 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
May	2.7	3.0	-0.2	0.5	6.9	-0.3	2.9	3.2	2.4	117.7
Jun	1.8	3.2	-0.5	0.2	2.7	-0.8	2.8	3.2	2.1	116.9
Jul	1.2	3.0	-1.7	0.1	-0.8	-0.7	3.3	3.3	2.4	116.6
Aug	0.9	2.9	0.5	-0.1	-1.8	-0.6	2.8	3.4	1.7	117.1
Sep	0.6	3.0	-0.4	-0.5	-1.8	0.4	3.0	1.8	1.1	117.0
Oct	0.1	2.8	-0.8	-1.0	-4.0	0.5	2.7	1.9	1.3	116.5

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 Sep	1.6	1.7	1.1	-2.0	-4.6	-1.8
Oct	2.0	1.8	1.6	-1.4	-3.1	-1.5
Nov	2.6	2.1	2.4	0.3	-2.6	-1.8
Dec	1.5	2.0	1.2	1.8	-3.0	1.2
2014 Jan	1.4	2.2	1.2	0.3	-6.2	-4.0
Feb	0.4	1.6	-	-1.1	-5.7	-6.5
Mar	1.2	2.0	1.1	-0.5	-1.2	-2.2
Apr	2.5	2.3	2.9	0.7	1.2	3.2
May	2.7	2.2	3.1	0.8	-1.2	4.8
Jun	1.8	2.1	2.2	-0.2	-2.9	6.8
Jul	1.2	2.2	1.5	-1.2	-2.2	1.1
Aug	0.9	2.1	1.2	-3.0	-2.9	-6.3
Sep	0.6	1.9	1.0	-3.4	-4.3	-11.7
Oct	0.1	1.7	0.4	N.A.	-6.5	-20.3

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available