



## Consumer Price Developments in January 2015

### ***CPI-All Items inflation came in at -0.4% y-o-y in January***

CPI-All Items inflation eased to -0.4 % in January from -0.1% in December 2014, mainly on account of sharper price declines in direct oil-related items as well as lower food and services inflation.<sup>1</sup>

Prices of direct oil-related items<sup>2</sup> were 13.6% lower in January, after falling by 7.4% in the preceding month, as petrol pump prices and electricity tariffs were cut further following the correction in global oil prices.

Food inflation moderated to 2.2% from 2.7% in December 2014, as a result of the high base in January 2014 when food prices rose significantly during the Chinese New Year festive period.

Overall services inflation slowed to 1.2% from 1.7% in December, reflecting the impact of enhanced subsidies for medication in polyclinics and Specialist Outpatient Clinics.<sup>3</sup> Meanwhile, domestic services and refuse collection services saw a pick-up in price increases.

Accommodation cost was 1.9% lower, extending the 1.7% decline in the previous month, given the soft housing rental market.

Private road transport cost fell by 5.0%, compared to the 5.3% drop in December 2014, owing to a smaller correction in car prices.

### ***CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 0.1% in January***

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) eased to 0.1% in January from 0.4% in December, on account of the sharper price declines in direct oil-related items and more moderate price increases of food and services.

### ***MAS Core Inflation slowed to 1.0% in January***

MAS Core Inflation, which excludes the costs of accommodation and private road transport, came in at 1.0% in January compared to 1.5% in December, due to the cut in electricity tariffs as well as the fall in food and services inflation.

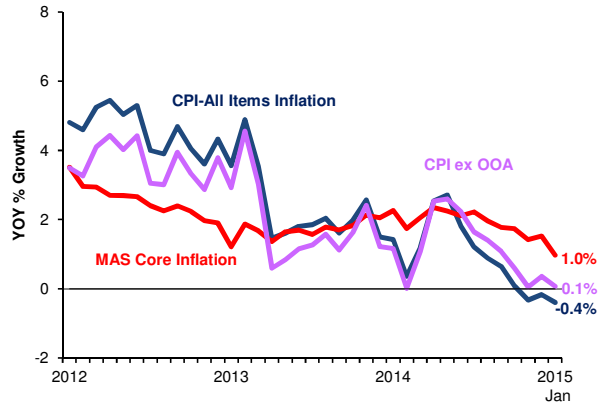
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<sup>1</sup> The monthly CPI data for 2014 have been revised following the rebasing of the CPI to the year 2014. A detailed discussion of the key changes due to rebasing can be found in the Department of Statistics' (DOS) Information Paper on "Rebasing of the Consumer Price Index (Base Year 2014 = 100)". The paper can be downloaded from DOS' website ([www.singstat.gov.sg](http://www.singstat.gov.sg)).

<sup>2</sup> Direct oil-related items include electricity, liquefied petroleum gas & gas (for domestic use), as well as fuels & lubricants (including petrol).

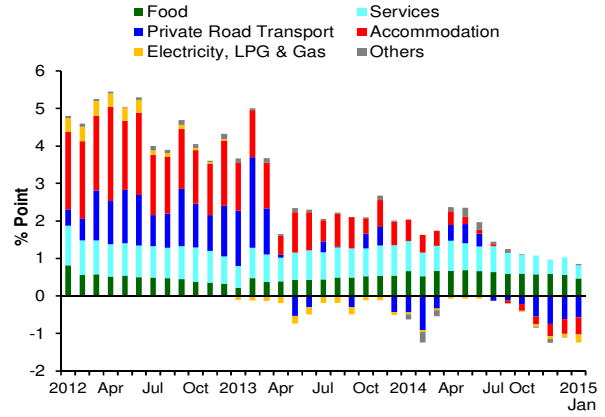
<sup>3</sup> Since 1 January 2015, lower- to middle-income Singaporeans can receive enhanced medication subsidies at subsidised Specialist Outpatient Clinics (SOC) and polyclinics. Singaporeans who qualify for the Pioneer Generation Package (PGP) are entitled to an additional 50% off the remaining cost for subsidised medications.

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



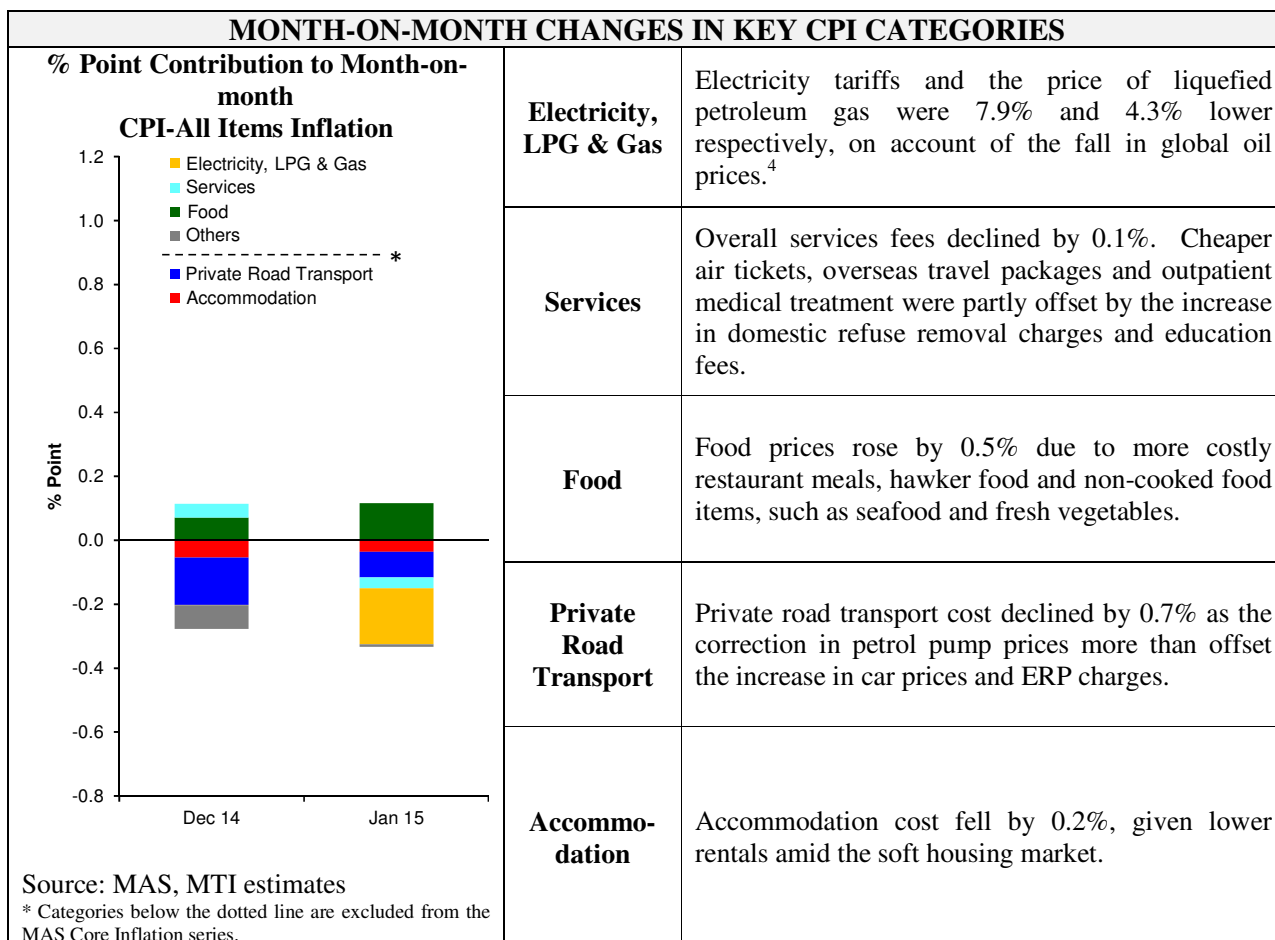
Source: Department of Statistics

**% 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 January, following the 0.1% decline in December. MAS Core Inflation was -0.2% compared to 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 Largest Price Declines			
	Group	Weight (%)	M-o-M % Growth		Group	Weight (%)	M-o-M % Growth
↑	Fish & Seafood	1.2	2.5	↓	Other travel & transport <sup>^</sup>	1.3	-7.8
↑	Vegetables	1.0	2.0	↓	Fuel & utilities	3.4	-4.3
↑	Tuition & other fees	6.1	1.8	↓	Oils & Fats	0.2	-2.8
↑	Bread & Cereals	1.4	1.1	↓	Holiday Expenses	3.5	-1.6
↑	Restaurant food	4.9	0.8	↓	Medical & dental treatment	4.8	-1.5
↑	Fast food	0.9	0.8	↓	Fruits	0.8	-0.9
↑	Medical products, appliances & equipment	1.4	0.7	↓	Milk Cheese & Eggs	0.9	-0.8
↑	Personal effects <sup>#</sup>	0.6	0.7	↓	Private road transport	11.5	-0.7
↑	Recreation & entertainment	3.9	0.6	↓	Household durables	1.8	-0.5
↑	Household services & Supplies	3.0	0.6	↓	Other food <sup>~</sup>	0.3	-0.5

<sup>#</sup> The personal effects<sup>#</sup> group includes travel goods, handbags and wallets and “accessories” such as jewellery and watches.

<sup>^</sup> The “other travel & transport” group includes air transport, sea transport, travel insurance, etc.

<sup>~</sup> The “other food” group includes food items such as sauces, spices and other condiments.

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The fuel cost component of the electricity tariff is based on the average forward fuel oil and dated Brent prices in the first two and a half months in the preceding quarter, and makes up approximately half of the electricity tariff.

## Outlook

External price developments are expected to be generally benign, given ample supply buffers in the major commodity markets. Global oil prices are unlikely to show a significant rebound from current levels and should remain much lower for the whole of 2015 than the US\$93 average<sup>5</sup> recorded last year. Domestic food inflation could, however, continue to be elevated in the near term, due to higher prices of regional food supplies. At the same time, while domestic cost pressures will remain, the extent to which businesses will pass on accumulated costs to consumer prices could be constrained in the near term by the moderate economic growth environment. Car prices and imputed rentals on owner-occupied accommodation will also continue to dampen overall inflationary pressures amid the expected increase in the supply of COEs and newly-completed housing units.

MAS Core Inflation and CPI-All Items inflation could ease further, before rising in the second half of 2015 on account of some recovery in global oil prices and in view of the base effects associated with the low inflation in Q4 2014.<sup>6</sup> The rebasing of the CPI has not impacted the 2015 forecasts, which remain at -0.5–0.5% and 0.5–1.5% for CPI-All Items inflation and MAS Core Inflation respectively.

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<sup>5</sup> This refers to the West Texas Intermediate (WTI) benchmark oil price.

<sup>6</sup> MAS Core Inflation and CPI-All Items inflation are expected to pick up temporarily in February 2015 due to the seasonal increase in food prices during the Chinese New Year period.

## **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 and income 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.

### **CPI less imputed rentals on owner-occupied accommodation**

Accommodation, one of the groups in the Housing & Utilities category of the CPI, comprises “rented and owner-occupied accommodation”, as well as “housing maintenance & repairs”. A significant share of the Accommodation group 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.

#### **CPI Statistics**

*Detailed CPI statistics can be found in the Department of Statistics’ release titled “Singapore Consumer Price Index for January 2015”. This release also contains further information on the various price indicators published.*

*[http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press\\_releases/cpijan2015.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpijan2015.pdf)*

#### **MAS Core Inflation**

*A detailed review of MAS Core Inflation can be found in “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 & Utilities	Household Durables & Services	Health Care	Transport	Comms	Recreation & Culture	Education	Miscellaneous Goods & Services	All-Items, S.A.
Weights	10000	2167	273	2625	475	615	1579	385	788	615	478	10000
	YOY % Growth											Index (2014=100)
2014 Jan	1.4	3.1	0.9	2.0	4.2	3.5	-3.0	-0.7	2.5	3.7	0.4	99.8
Feb	0.4	2.5	-1.2	1.6	0.6	3.5	-5.7	-0.7	2.2	3.5	0.2	100.0
Mar	1.2	3.2	-1.1	1.3	2.9	3.3	-2.3	-1.1	2.3	3.5	0.8	100.1
Apr	2.3	3.1	0.8	1.1	1.5	3.4	3.2	-0.8	3.5	3.6	1.7	100.3
May	2.3	3.2	-0.2	0.5	2.1	3.0	4.0	-0.5	3.1	3.6	1.2	100.1
Jun	1.9	3.1	0.1	0.2	1.6	2.9	2.9	-0.9	2.5	3.5	1.1	99.9
Jul	1.3	3.0	-1.6	0.2	1.7	3.1	-0.4	-0.7	2.8	3.7	1.9	100.0
Aug	1.0	2.7	-0.2	-0.3	1.7	3.1	-0.4	-0.6	1.4	3.2	1.7	100.1
Sep	0.7	2.8	-1.3	-0.7	1.6	2.0	-1.1	0.8	0.5	3.4	1.1	99.9
Oct	0.2	2.7	-1.2	-1.0	1.3	2.0	-3.2	0.9	1.1	3.1	1.6	100.0
Nov	-0.3	2.8	-2.8	-1.5	0.9	1.9	-4.5	0.8	-0.2	3.1	1.3	99.8
Dec	-0.1	2.7	-1.7	-1.8	1.0	1.7	-3.0	1.3	-0.5	3.1	1.4	99.7
2015 Jan	-0.4	2.2	-2.3	-2.4	1.4	0.6	-3.1	1.1	-0.5	3.0	0.8	99.8

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					
2014 Jan	1.4	2.3	1.2	0.3	-6.2	-4.0
Feb	0.4	1.7	-	-1.1	-5.7	-6.5
Mar	1.2	2.1	1.1	-0.5	-1.2	-2.2
Apr	2.3	2.3	2.5	0.7	1.2	3.2
May	2.3	2.2	2.6	0.8	-1.2	4.8
Jun	1.9	2.1	2.2	-0.2	-2.9	6.8
Jul	1.3	2.2	1.6	-1.2	-2.2	1.1
Aug	1.0	2.0	1.4	-3.0	-2.9	-6.3
Sep	0.7	1.8	1.1	-3.5	-4.3	-11.7
Oct	0.2	1.7	0.6	-5.4	-6.4	-20.3
Nov	-0.3	1.4	0.1	-7.7	-6.1	-28.0
Dec	-0.1	1.5	0.4	-13.3	-10.0	-44.9
2015 Jan	-0.4	1.0	0.1	N.A.	-11.7	-57.3

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available