

Consumer Price Developments in May 2012

Singapore's CPI-All Items inflation eased to 5.0% y-o-y in May 2012 from 5.4% in April

The lower CPI-All Items inflation in May was due to a more moderate rise in the prices of oil-related items and accommodation cost. The overall price increase for domestic oil-related items eased from 8.9% in April to 7.8% in May, reflecting the recent weakness in global oil markets. Accommodation cost inflation fell from 12.7% in April to 9.0% in May, largely due to the timing of the disbursements of rebates for service & conservancy charges (S&CC) for HDB households.¹ Imputed rentals on owner-occupied accommodation (OOA) also rose at a slightly slower pace of 10.4% in May.

In comparison, the increase in private road transport cost picked up from 8.2% in April to 10.3% in May on account of a sharper spike in COE premiums and, hence, car prices. Together, accommodation and private road transport costs accounted for close to two-thirds of CPI-All Items inflation in May.

Services and food inflation rose marginally, by 0.1% point to 2.9% and 2.5% respectively in May.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation slowed to 4.0% in May from 4.4% in the preceding month

The owner-occupied accommodation sub-group continued to contribute a considerable 1.7% points to CPI-All Items inflation, although this was slightly lower than that in the previous month. This reflected its large weight of 15.6% in the CPI basket and the elevated market residential rentals compared to a year ago. Accordingly, inflation as measured by CPI-ex OOA was lower than CPI-All Items inflation.

MAS Core Inflation remained at 2.7% in May 2012

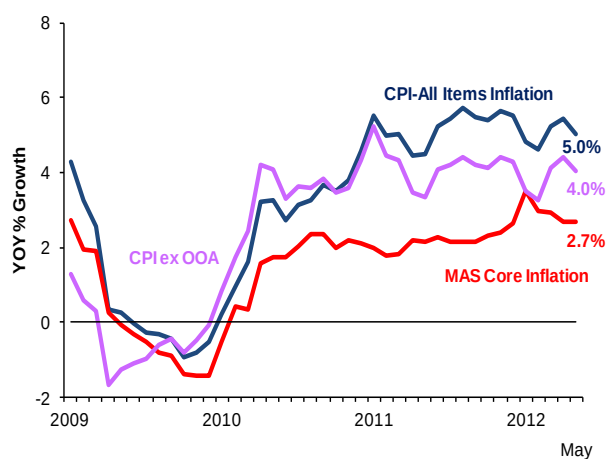
Excluding the costs of accommodation and private road transport, MAS Core Inflation was stable at 2.7%, as the lower contribution from prices of oil-related items was offset by slightly stronger services and food inflation.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for May 2012".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". In April 2012, the increase in "minor repairs & maintenance" was particularly sharp as there were no S&CC rebates, compared to the large quantum of disbursements a year ago. However, this base effect was not present in May 2012.

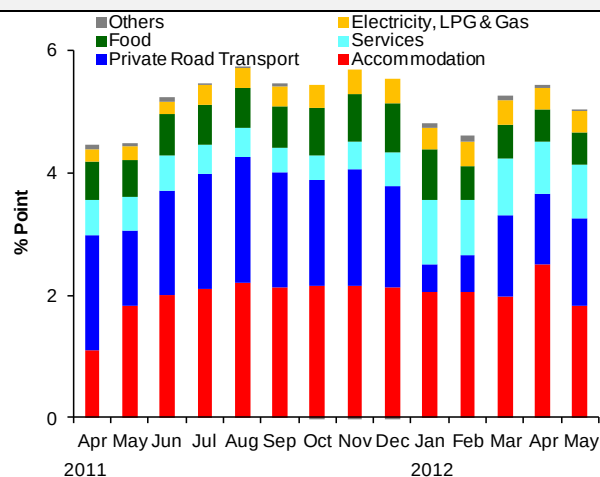
² <http://www.singstat.gov.sg/news/news/cpimay2012.pdf>

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



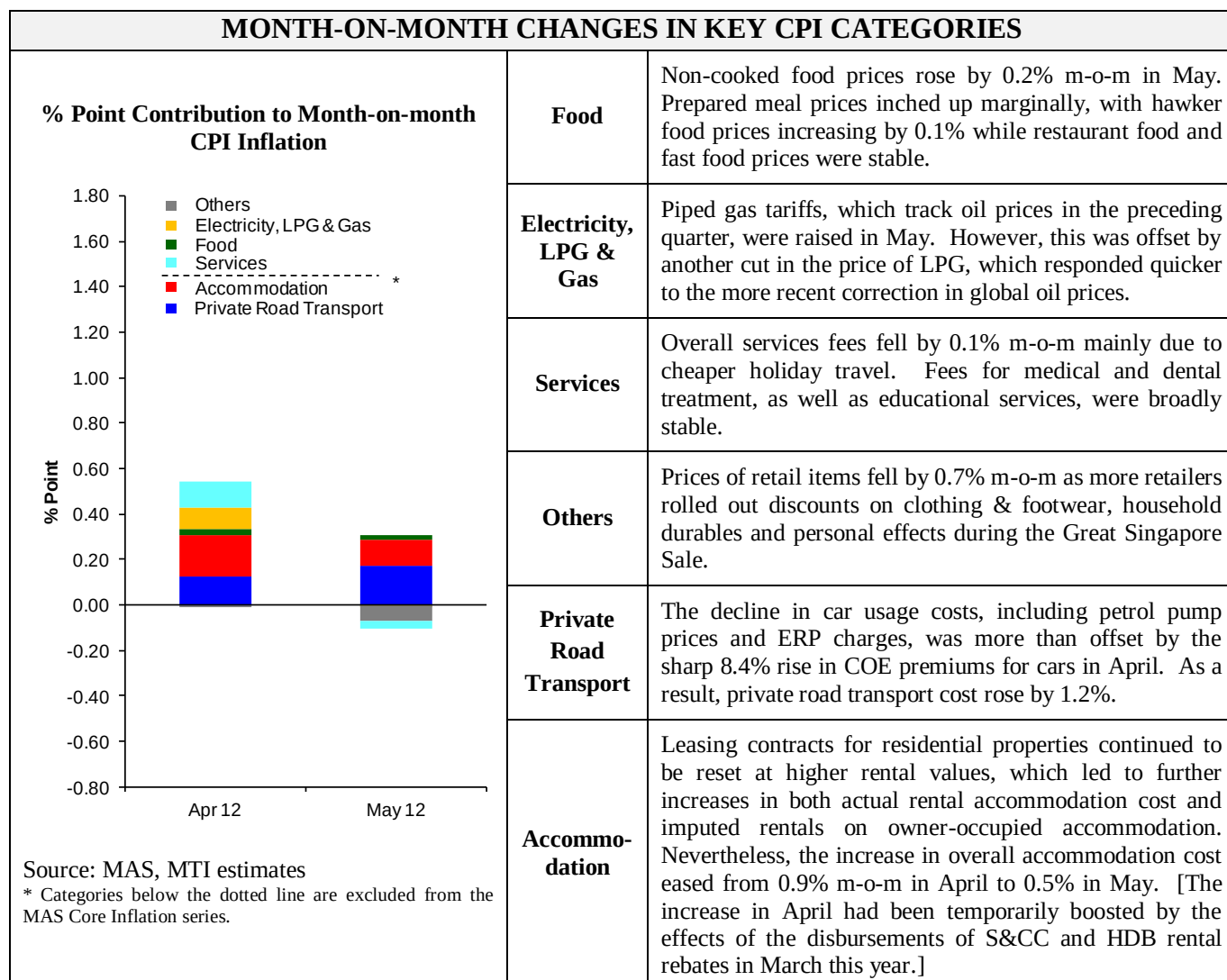
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items edged up by 0.2% in May 2012, after rising by 0.5% in the preceding 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
↑	Private road transport	11.7	1.2	↓	Clothing & footwear	3.4	-1.5
↑	Vegetables & vegetable products	1.1	1.1	↓	Proprietary medicine & supplies	1.1	-1.3
↑	Dairy products & eggs	1.0	0.6	↓	Cooking oils & fats	0.2	-1.3
↑	Recreation & entertainment	3.2	0.6	↓	Personal effects	0.8	-1.1
↑	Accommodation	20.0	0.5	↓	Hobbies & other miscellaneous expenditure	4.8	-1.0
↑	Other food*	0.3	0.4	↓	Fruits	0.9	-0.7
↑	Sugar, preserves & confectionery	0.3	0.3	↓	Seafood	1.3	-0.3
↑	Rice & other cereals	1.7	0.3	↓	Newspapers, magazines & other books	0.7	-0.1
↑	Other travel & transport^	0.2	0.2	↓	Non-durable households goods	0.7	-0.1
↑	Non-alcoholic beverages	0.4	0.2	↓	Communication	4.8	-0.1

* The "other food" sub-group includes food items such as sauces, spices and other condiments.

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

Outlook

CPI-All Items inflation and MAS Core Inflation will likely ease gradually in H2 2012

CPI-All Items inflation will likely ease gradually in H2 2012 after averaging an estimated 5% y-o-y in H1, though it could fluctuate from month to month.³ Accommodation cost will remain the largest contributor to CPI-All Items inflation this year as leasing contracts continue to be renewed at rentals that are considerably higher than those under existing contracts, especially in the HDB segment. Taking into account the recent announcement of a smaller cutback in vehicle population growth rate in August, car prices are still expected to remain elevated on a year ago basis given the relatively tight COE supply.

Meanwhile, wages and other business costs will continue to pass through to consumer prices, albeit at a more moderate pace than that seen early this year. There could also be downward pressure on the prices of domestic commodity-related items given the recent weakness in global commodity markets. MAS Core Inflation could therefore ease gradually in H2 2012.

For the year as a whole, CPI-All Items inflation is expected to be 3.5-4.5% while MAS Core Inflation will likely be in the range of 2.5-3.0%. Accommodation and cars will together account for more than half of CPI-All Items inflation, while services and commodity-related items will each contribute around one-fifth.

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³

For example, accommodation cost will be a significant source of volatility due to the timing of the disbursements of S&CC and HDB rental rebates. These rebates were given out in June, September and December last year, but have been discontinued since March 2012, which could result in higher temporary contributions from accommodation cost in the corresponding months in 2012.

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.

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 2012” (<http://www.singstat.gov.sg/news/news/cpimay2012.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)
2011 Mar	5.0	2.6	0.9	7.1	13.4	-2.4	3.3	2.9	1.1	106.7
Apr	4.5	2.9	0.6	5.1	11.7	-0.4	3.3	2.8	1.3	106.8
May	4.5	2.8	0.6	8.1	7.5	-0.3	3.2	2.6	1.2	107.4
Jun	5.2	3.1	0.9	8.8	10.4	-1.6	3.3	2.3	1.9	107.8
Jul	5.4	3.0	-0.6	9.5	11.5	-1.5	2.7	1.8	1.6	108.5
Aug	5.7	3.0	-0.4	9.9	12.5	-2.5	2.6	1.8	1.8	109.1
Sep	5.5	3.1	0.1	9.6	11.4	-2.7	2.6	2.0	1.6	109.2
Oct	5.4	3.5	-0.8	9.9	10.5	-1.7	2.3	1.8	1.3	109.4
Nov	5.7	3.6	-0.6	10.0	11.6	-1.8	2.2	2.2	1.3	110.1
Dec	5.5	3.7	0.1	9.9	10.0	-1.9	2.2	2.7	1.7	110.8
2012 Jan	4.8	3.8	1.2	9.5	3.5	-0.5	3.0	3.2	3.5	111.5
Feb	4.6	2.6	1.6	9.5	4.4	-0.4	2.9	3.6	2.6	111.2
Mar	5.2	2.7	1.2	9.1	8.6	-0.1	3.0	3.9	2.3	112.3
Apr	5.4	2.4	1.3	11.1	7.5	0.1	3.6	4.3	1.5	112.7
May	5.0	2.5	0.4	8.2	9.2	0.0	3.6	4.3	1.6	112.9

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					
2011 Mar	5.0	1.8	4.3	5.2	30.8	42.3
Apr	4.5	2.2	3.5	4.9	26.2	43.8
May	4.5	2.1	3.4	4.4	28.1	47.7
Jun	5.2	2.3	4.1	4.1	30.5	49.4
Jul	5.4	2.2	4.2	4.3	29.2	54.0
Aug	5.7	2.2	4.4	3.4	19.4	43.4
Sep	5.5	2.1	4.2	5.9	12.9	44.2
Oct	5.4	2.3	4.1	7.2	-0.8	33.1
Nov	5.7	2.4	4.4	7.5	-5.7	32.9
Dec	5.5	2.6	4.3	5.2	-12.2	21.2
2012 Jan	4.8	3.5	3.5	5.0	-14.0	20.2
Feb	4.6	3.0	3.3	2.4	-14.8	17.2
Mar	5.2	2.9	4.1	2.3	-12.4	11.9
Apr	5.4	2.7	4.4	0.6	-14.8	0.2
May	5.0	2.7	4.0	N.A.	-14.7	-1.7

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available