



Consumer Price Developments in June 2012

Singapore's CPI-All Items inflation came in higher at 5.3% y-o-y in June

CPI-All Items inflation rose to 5.3% in June from 5.0% in May 2012. The increase primarily reflected higher accommodation cost, which contributed 2.2% points to CPI-All items inflation, compared to 1.8% points in May.¹ The cost of minor repairs & maintenance rose more steeply, largely on account of base effects due to the timing of the disbursement of government rebates for HDB households.² Imputed rentals on owner-occupied accommodation (OOA) continued to contribute a considerable 1.6% points to overall inflation.

Car prices rose strongly from a year ago. However, with petrol pump prices falling by 0.8%, private road transport cost increased at a slower pace of 9.7% y-o-y in June from 10.3% in May.

Together, accommodation and private road transport costs accounted for around two-thirds of CPI-All Items inflation in June.

Price increases of other major CPI categories slowed. Services inflation edged down from 2.9% in May to 2.8% in June, while food inflation moderated from 2.5% to 2.3% over the same period.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a faster pace of 4.4%

Reflecting the effects of government rebates, inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) edged up to 4.4% in June from 4.0% in the preceding month.

MAS Core Inflation remained at 2.7% in June

Excluding the costs of accommodation and private road transport, MAS Core Inflation was stable at 2.7% for the third consecutive month, as the lower contribution from prices of food, services and oil-related items was offset by stronger y-o-y increases in prices of retail products such as clothing & footwear.

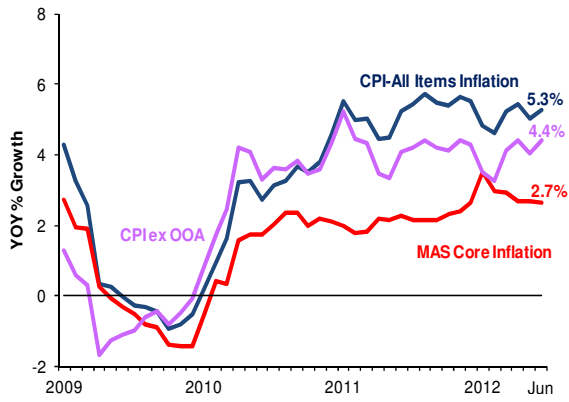
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for June 2012".³]

¹ The accommodation sub-group in the CPI comprises "rented accommodation", "imputed rentals on owner-occupied accommodation", "housing insurance premiums" and "minor repairs & maintenance".

² In June 2011, tenants and owners of HDB units received a 0.5-month service & conservancy charges (S&CC) rebate. No S&CC rebates were disbursed in June 2012.

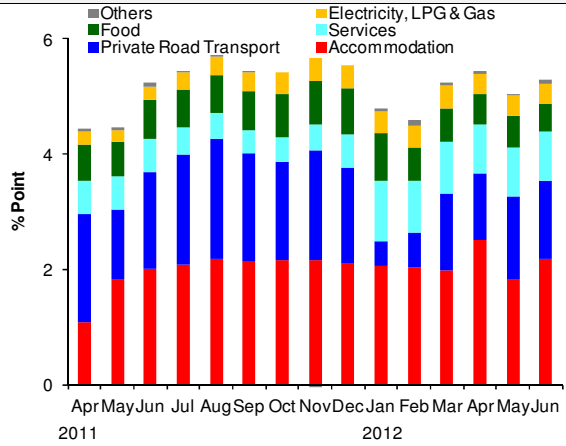
³ <http://www.singstat.gov.sg/news/news/cpijun2012.pdf>

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, overall CPI was flat in June 2012 after edging up by 0.2% in the preceding month

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p>% Point Contribution to Month-on-month CPI Inflation</p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p>Services</p> <p>Overall services fees rose by 0.1% m-o-m due to a slight increase in medical treatment fees and holiday travel expenses.</p>	
	<p>Food</p> <p>Prices of non-cooked food and prepared meals both rose marginally by 0.1%. Within prepared meals, hawker food prices were higher by 0.2%, while restaurant food prices edged down slightly by 0.1%.</p>	
	<p>Electricity, LPG & Gas</p> <p>The price of liquefied petroleum gas fell by 5.4%, the third consecutive month of decline, in line with the earlier weakness in global oil prices.</p>	
	<p>Others</p> <p>Prices of retail items declined by 0.5% as more retailers rolled out discounts on clothing & footwear and personal effects⁴ during the Great Singapore Sale.</p>	
	<p>Accommodation</p> <p>Leasing contracts for residential properties continued to be reset at higher rental values, which led to further increases in both actual rental accommodation cost and imputed rentals on owner-occupied accommodation. As a result, overall accommodation cost rose by 0.5%.</p>	
	<p>Private Road Transport</p> <p>Higher car prices were more than offset by the decline in car usage costs, including petrol pump prices and ERP charges. As a result, private road transport cost fell by 0.6%.</p>	

Price Movements (m-o-m) for Selected CPI Sub-categories

Top Price Increases				Top Price Decreases			
	Sub-Group	Weight (%)	M-o-M % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Other Travel & Transport [^]	0.2	1.3	↓	Clothing & Footwear	3.4	-2.3
↑	Seafood	1.3	1.1	↓	Personal Effects	0.8	-1.0
↑	Proprietary Medicines & Supplies	1.1	1.0	↓	Vegetables & Vegetable Products	1.1	-0.8
↑	Fruits	0.9	0.5	↓	Private Road Transport	11.7	-0.6
↑	Accommodation	20.0	0.5	↓	Fuel & Utilities	3.6	-0.3
↑	Other Food*	0.3	0.4	↓	Dairy Products & Eggs	1.0	-0.2
↑	Medical Treatment	3.5	0.3	↓	Non-Alcoholic Beverages	0.4	-0.1
↑	Household Durables	1.9	0.3	↓	Personal Care	2.2	-0.1
↑	Meat & Poultry	1.4	0.2	↓	Rice & Other Cereals	1.7	-0.1
↑	Hobbies & Other Miscellaneous Expenditure	4.8	0.2	↓	Restaurant Food	3.5	-0.1

[^] 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.

Outlook

CPI-All Items inflation and MAS Core Inflation will be lower on average in H2 2012

The pass-through of wages and other business costs to consumer prices will continue, but at a more moderate pace than that seen earlier this year. At the same time, the earlier weakness in global commodity prices will dampen pressures on domestic prices of oil and food items in the near term. MAS Core Inflation will ease further in H2 2012 and average between 2.5-3.0% for the whole year.

Accommodation cost inflation, while moderating, has been stronger than expected, as leasing contracts continue to be renewed at rentals that are considerably higher, especially in the HDB segment. COE premiums have risen sharply recently and will remain at elevated levels, given the further reduction in COE supply from August 2012. CPI-All Items inflation is still expected to be lower on average in H2 2012 compared to H1, but will remain above its historical average. For the whole year, CPI-All Items inflation is likely to come in at the upper half of the 3.5-4.5% forecast range.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 JULY 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.⁵

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.

⁵

See DOS’ “Singapore Consumer Price Index for June 2012” (<http://www.singstat.gov.sg/news/news/cpijun2012.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 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
Jun	5.3	2.3	1.2	9.7	8.7	0.2	3.6	4.6	1.3	113.1

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					
2011 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	0.3	-14.6	-1.7
Jun	5.3	2.7	4.4	N.A.	-14.7	-13.8

Source: Singapore Department of Statistics, IMF and Bloomberg
N.A.: Not available