

## Consumer Price Developments in August 2012

### Singapore's CPI-All Items inflation eased to 3.9% y-o-y in August

CPI-All Items inflation edged down slightly to 3.9% in August from 4.0% in July 2012, mainly reflecting more moderate increases in accommodation cost and services fees.

Accommodation cost inflation slowed to 7.4% y-o-y in August from 7.8% in July as residential property rentals rose at a more moderate pace. Nevertheless, imputed rentals on owner-occupied accommodation (OOA) continued to contribute a considerable 1.4% points to overall inflation.

Private road transport cost rose by 6.3% y-o-y in August, slightly higher than the 5.9% in the preceding month. Petrol pump prices increased in August after two consecutive months of decline, but car prices climbed more moderately compared to that in July. Together, accommodation and private road transport costs accounted for around 60% of CPI-All Items inflation in August.

Food price inflation was stable at 2.3%, while the increase in services fees eased from 2.8% in July to 2.7% in August.

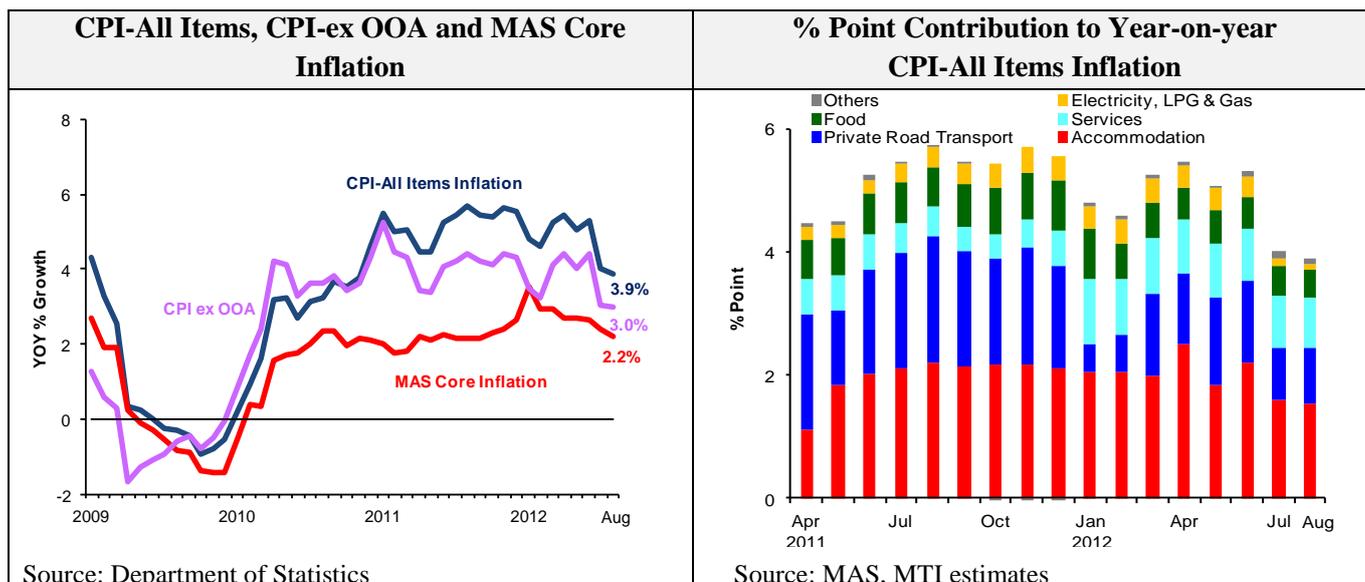
### CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) remained at 3.0%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was unchanged at 3.0% in August. Lower contributions from cars and services were offset by the increase in petrol pump prices.

### MAS Core Inflation came in lower at 2.2%

Excluding the costs of accommodation and private road transport, MAS Core Inflation fell from 2.4% in July to 2.2% in August on account of slightly lower services inflation.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for August 2012".<sup>1</sup>]



<sup>1</sup> <http://www.singstat.gov.sg/news/news/cpiaug2012.pdf>

**On a month-on-month basis, overall CPI rose by 0.6% in August, after edging up by 0.2% in the preceding month**

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES	
<p><b>% Point Contribution to Month-on-month CPI Inflation</b></p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p><b>Services</b></p> <p>Fee revisions at local universities, as well as higher costs of holiday travel, led to a 0.3% increase in overall services fees.</p>
	<p><b>Food</b></p> <p>Prices of non-cooked food rose by 0.2%, reflecting more costly seafood and fruits. In addition, hawker food and fast food prices both edged up by 0.1%.</p>
	<p><b>Electricity, LPG &amp; Gas</b></p> <p>Piped gas tariffs were cut by 2.8%, given the earlier fall in global fuel prices.</p>
	<p><b>Others</b></p> <p>With the end of the Great Singapore Sale, prices of retail items such as clothing &amp; footwear and personal effects<sup>2</sup> increased.</p>
	<p><b>Private Road Transport</b></p> <p>Private road transport costs rose by 2.4% due to higher COE premiums in July and an increase in petrol pump prices.</p>
	<p><b>Accommodation</b></p> <p>Leasing contracts for residential properties continued to be reset at higher rental values, which caused both actual rental accommodation cost and imputed rentals on owner-occupied accommodation to rise further. This resulted in a 0.5% increase in overall accommodation cost.</p>

### 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	2.4	↓	Cooking oils & fats	0.2	-1.3
↑	Clothing & footwear	3.4	1.4	↓	Vegetables & vegetable products	1.1	-0.6
↑	Fruits	0.9	1.2	↓	Dairy products & eggs	1.0	-0.3
↑	Seafood	1.3	1.1	↓	Rice & other cereals	1.7	-0.3
↑	Other travel & transport <sup>^</sup>	0.2	0.8	↓	Fuel & utilities	3.6	-0.2
↑	Hobbies & other miscellaneous	4.8	0.6	↓	Other food*	0.3	0.0
↑	Tuition & other fees	6.0	0.6	↓	Household durables	1.9	0.0
↑	Sugar, preserves & confectionery	0.3	0.5	↓	School textbooks & stationery	0.7	0.0
↑	Accommodation	20.0	0.5	↓	Medical health insurance	0.8	0.0
↑	Household services	2.5	0.5	↓	Newspapers, magazines & other books	0.7	0.0

<sup>^</sup> 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

Given the generally sluggish economic environment, the pass-through of wages and other business costs to consumer prices will continue at a more moderate pace than that seen earlier this year. At the same time, global commodity prices remain below year-ago levels<sup>3</sup> which will contain domestic oil and food inflation in the near term. MAS Core Inflation will remain close to the current rate over the next few months and average between 2.5-3.0% for the whole year.

Meanwhile, CPI-All Items inflation will stay elevated and average 4.0-4.5% in 2012. Notably, CPI-All Items inflation is expected to rise in September due to the surge in COE premiums in August, as well as the base effects associated with the disbursement of government rebates.<sup>4</sup> For the rest of 2012, COE premiums are likely to remain sharply higher than a year ago. Imputed rentals will also continue to add significantly to overall CPI inflation, as leasing contracts are renewed at higher rentals, especially in the HDB segment.

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MINISTRY OF TRADE AND INDUSTRY

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<sup>3</sup> The IMF Primary Commodity Price Index was 3% lower in August 2012 compared to the same period last year.

<sup>4</sup> S&CC and HDB rental rebates were given out in September and December last year, but have been discontinued since March 2012. This will result in higher contribution from accommodation cost to overall inflation 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.<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 August 2012” (<http://www.singstat.gov.sg/news/news/cpiaug2012.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](http://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 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
Jul	4.0	2.3	2.5	6.4	5.7	0.2	3.4	5.1	1.3	112.9
Aug	3.9	2.3	1.2	6.1	6.0	0.3	3.3	5.1	1.2	113.4

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 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	-14.1	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	-14.6	0.2
May	5.0	2.7	4.0	0.3	-14.5	-1.7
Jun	5.3	2.7	4.4	-1.5	-14.7	-13.8
Jul	4.0	2.4	3.0	-0.8	-11.6	-10.8
Aug	3.9	2.2	3.0	N.A.	-11.6	3.0

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