

Consumer Price Developments in October 2012

Singapore's CPI-All Items inflation came in lower at 4.0% y-o-y in October

CPI-All Items inflation eased to 4.0% in October from 4.7% in September 2012. This was largely due to smaller increases in the costs of private road transport and accommodation.

Private road transport cost rose by a more moderate 8.3% in October from 10.8% in the preceding month, reflecting the correction in COE premiums in September. The smaller increase in private road transport cost accounted for more than half of the 0.7% point fall in CPI-All Items inflation in October, as compared to a month ago.

Accommodation cost inflation was 6.8% in October, lower than the 7.7% in September. The moderation was largely due to the dissipation of the base effects associated with the Service & Conservancy Charges (S&CC) and HDB rental rebates.¹ The contribution of imputed rentals on owner-occupied accommodation (OOA) to overall inflation also declined marginally to 1.3% points.

Together, accommodation and private road transport costs continued to account for close to two-thirds of CPI-All Items inflation in October.

Food inflation edged down to 1.7% in October from 2.1% in September. Price increases of both non-cooked food and prepared meals weakened to below 2% in October, from 2.3% and 2.0% respectively in September.

Prices of oil-related items in the CPI also rose at a slower pace in tandem with the moderation in global crude oil prices.

However, services inflation inched up to 3.1% in October, from 3.0% in September, on account of a stronger pickup in the costs of holiday travel and household services.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 3.3%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) eased to 3.3% in October from 3.9% in September, reflecting more moderate increases in the costs of private road transport, food and oil-related items as well as the dissipation of the base effects from the S&CC and rental rebates.

MAS Core Inflation slowed to 2.2%

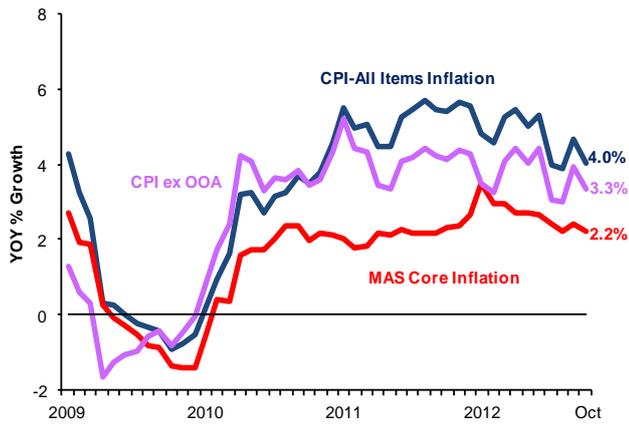
Excluding the costs of accommodation and private road transport, MAS Core Inflation fell to 2.2% in October from 2.4% in September as stronger services inflation was more than offset by lower contributions from food and oil-related items.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for October 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 September 2011, a 0.5-month rental rebate was given to tenants of 1-room HDB flats. Tenants and owners of 1- and 2-room HDB units also received a 0.5-month S&CC rebate. No rental or S&CC rebates were disbursed in September 2012. Thus, the increases in "rented accommodation" and "minor repairs & maintenance" were particularly sharp in September 2012. This base effect was not present in October 2012.

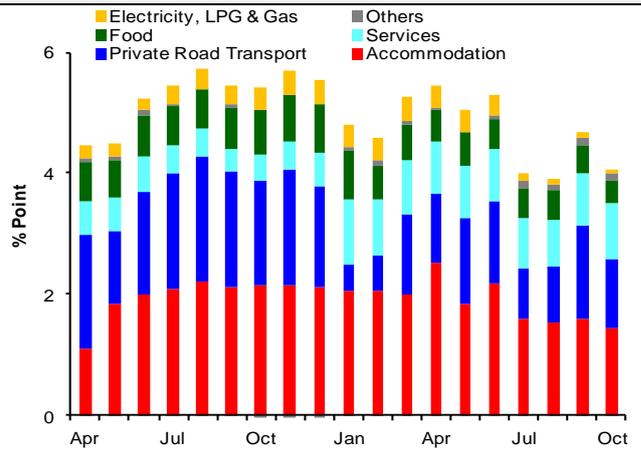
² <http://www.singstat.gov.sg/news/news/cpioct2012.pdf>

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



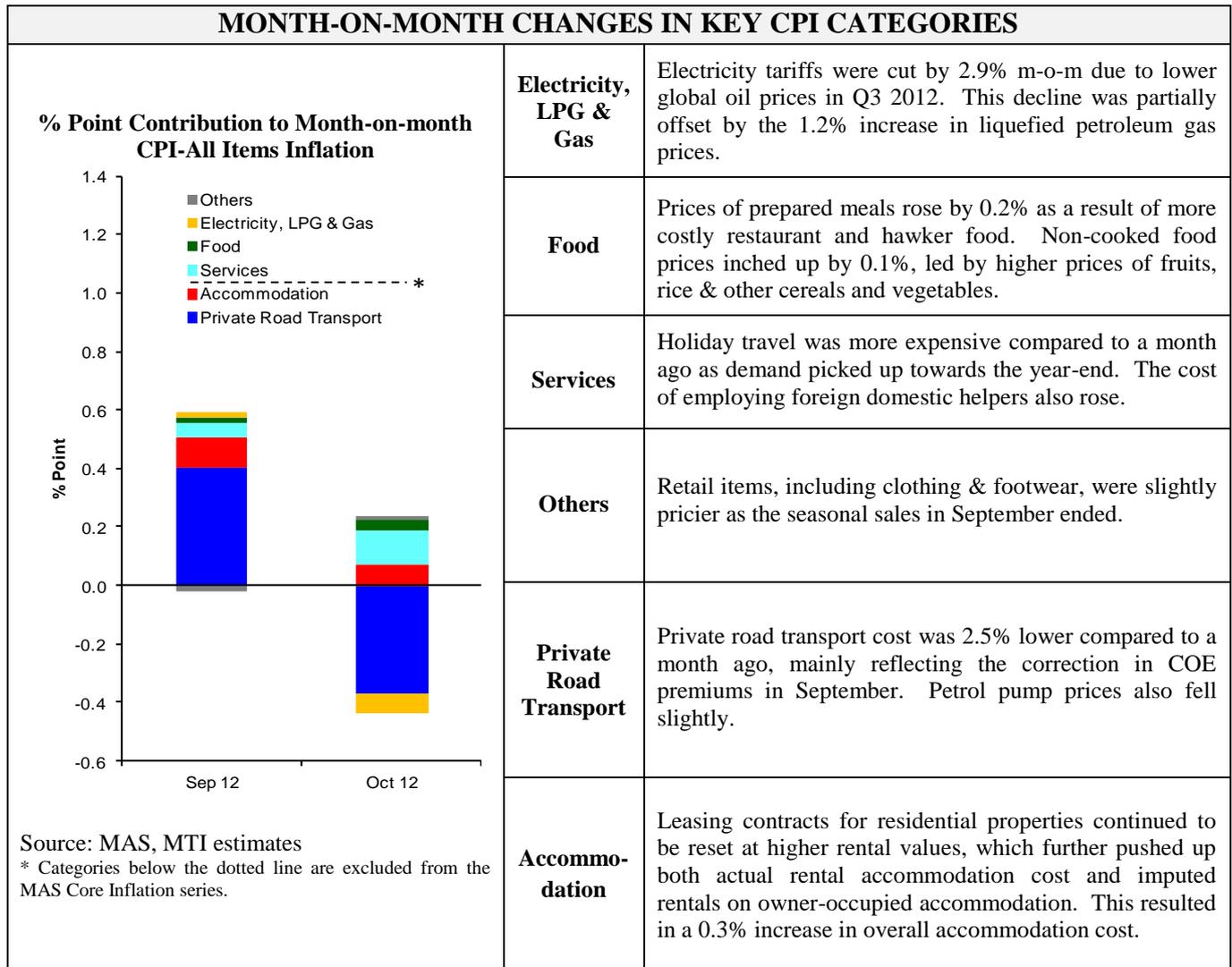
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items fell by 0.2% in October 2012, after increasing by 0.6% 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
↑	Fruits	0.9	1.8	↓	Private road transport	11.7	-2.5
↑	Hobbies & other miscellaneous	4.8	1.3	↓	Seafood	1.3	-2.2
↑	Household services	2.5	1.1	↓	Fuel & utilities	3.6	-1.8
↑	Proprietary medicine & supplies	1.1	1.0	↓	Cooking Oils & Fats	0.2	-1.5
↑	Other travel & transport [^]	0.2	0.9	↓	Personal effects	0.8	-1.2
↑	Vegetables & vegetable products	1.1	0.8	↓	Sugar, preserves & confectionery	0.3	-0.2
↑	Rice & other cereals	1.7	0.7	↓	Communication	4.8	-0.2
↑	Dairy Products & Eggs	1.0	0.7	↓	Recreation & entertainment	3.2	-0.1
↑	Restaurant food	3.5	0.6	↓	Non-alcoholic beverages	0.4	-0.1
↑	Personal care	2.2	0.5	↓	Other food*	0.3	-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

Given continued weakness in the global economy, imported inflation will be generally benign, although global food prices could face further upward pressures in the next few months and into early 2013 due to weather-related supply disruptions. Meanwhile, the persistent tightness in the labour market will support slightly stronger wage increases in 2013, which will continue to be passed through to consumer prices. On the whole, MAS Core Inflation will be broadly stable and average around 2.5% this year and 2-3% in 2013.

CPI-All Items inflation will remain elevated in Q4 2012 and Q1 2013, reflecting significant contributions from imputed rentals on owner-occupied accommodation and car prices. For the full year, CPI-All Items inflation is likely to come in at slightly above 4.5% in 2012 and ease to 3.5-4.5% in 2013. For both years, accommodation and private road transport costs will together account for slightly over 60% of CPI-All Items inflation, while prices of commodity-related items and services will each contribute around one-fifth.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 NOVEMBER 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.³

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.

³ See DOS’ “Singapore Consumer Price Index for October 2012” (<http://www.singstat.gov.sg/news/news/cpioc2012.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 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
Sep	4.7	2.1	2.4	6.4	9.6	0.4	3.4	4.9	1.6	114.3
Oct	4.0	1.7	2.0	5.6	7.5	0.0	3.6	5.2	1.8	113.9

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 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	1.6	-11.4	3.0
Sep	4.7	2.4	3.9	-0.4	-8.1	2.8
Oct	4.0	2.2	3.3	N.A.	-1.2	1.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available