

Consumer Price Developments in January 2013

Singapore's CPI-All Items inflation came in lower at 3.6% y-o-y in January

CPI-All Items inflation eased to 3.6% in January from 4.3% in December 2012. While private road transport cost rose more sharply, the contributions of all other major categories were lower, partly because of base effects.

Food prices increased by a slower 1.0% in January, compared with 1.5% in December, mainly on account of the higher base in January 2012 due to the seasonal rise in food prices during the Chinese New Year.

Prices of oil-related items fell by 1.4%, the first y-o-y decline since December 2009. This reflected the weakness in global oil prices towards the end of 2012.

Services inflation edged down to 1.9% in January from 2.5% in the previous month, led by more moderate increases in the costs of public road transport¹ and medical treatment as well as the decline in holiday travel cost.

Accommodation cost inflation eased to 6.1% in January from 8.5% in the preceding month, largely reflecting the dissipation of base effects associated with the Service & Conservancy Charges (S&CC) and HDB rental rebates.² Imputed rentals on owner-occupied accommodation (OOA) contributed 1.1% points to overall inflation, slightly lower than the 1.2% points a month ago.

Private road transport cost rose by 10.5% in January, up from 9.3% in December 2012. This was due to sharply higher COE premiums in December 2012 compared to a year ago.

Together, accommodation and private road transport costs accounted for more than three quarters of CPI-All Items inflation in January.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 2.9% in January

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was 2.9% in January, down from 3.8% in the month earlier. This was led by more moderate increases in the costs of services and food, the decline in prices of oil-related items as well as the dissipation of the base effects associated with the S&CC and rental rebates.

MAS Core Inflation slowed to 1.2% in January

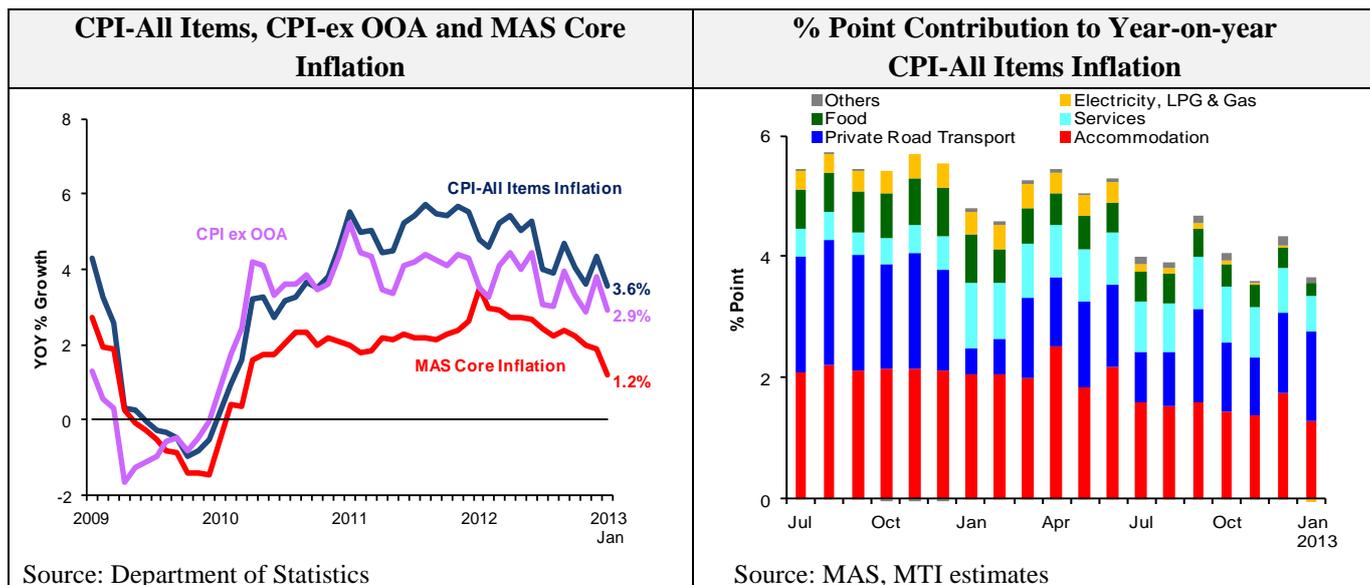
In line with expectations³, MAS Core Inflation, which excludes the costs of accommodation and private road transport, fell from 1.9% in December 2012 to 1.2% in January 2013, with lower contributions from all its major components.

¹ Notably, the increase in taxi fares slowed considerably from 9.0% y-o-y in December 2012 to 0.4% in January 2013 as the base effects associated with the upward adjustment in taxi fares in January 2012 dissipated.

² The accommodation sub-group in the CPI comprises "rented accommodation", "imputed rentals on owner-occupied accommodation", "housing insurance premiums" and "minor repairs & maintenance". In December 2011, a 0.5-month rental rebate was given to tenants of 1- and 2-bedroom HDB rental flats. Tenants and owners of HDB flats also received a 0.5-month S&CC rebate. No S&CC and rental rebates were disbursed in December 2012. Thus, the increases in "rented accommodation" and "minor repairs & maintenance" were particularly sharp in December 2012. This base effect was not present in January 2013.

³ The December 2012 inflation report highlighted that MAS Core Inflation could ease in January 2013 due to subdued external price developments and lower food price inflation because of base effects associated with the Chinese New Year.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for January 2013".⁴]



⁴ <http://www.singstat.gov.sg/news/news/cpijan2013.pdf>

On a month-on-month basis, CPI-All Items rose by 0.2% in January following an increase of 0.7% in the preceding month

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES	
<p>% Point Contribution to Month-on-month CPI-All Items Inflation</p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p>Food</p> <p>Overall food prices increased by 0.5% m-o-m. Non-cooked food prices were up by 0.9%, led by more expensive seafood and fruits. Prices of prepared meals rose by 0.3%, reflecting more costly hawker and restaurant food.</p>
	<p>Services</p> <p>Services fees edged up by 0.3%, mainly due to higher miscellaneous fees for primary schools, secondary schools and pre-universities as well as more expensive education at commercial institutions.</p>
	<p>Electricity, LPG & Gas</p> <p>Electricity tariffs were cut by 3.6% as global oil prices fell in the final quarter of 2012.</p>
	<p>Others</p> <p>Prices of retail-related items, such as clothing & footwear and personal effects, declined in January because of pre-Chinese New Year sales. However, this was more than offset by the rise in membership fees for professional associations and recreation clubs.</p>
	<p>Accommodation</p> <p>Leasing contracts for residential properties continued to be reset at higher rental values, which further pushed up actual rental cost and imputed rentals on owner-occupied accommodation. This resulted in a 0.5% increase in overall accommodation cost.</p>
	<p>Private Road Transport</p> <p>Private road transport cost was 0.2% lower owing to the fall in car prices on account of rebates given out under the new Carbon Emissions-Based Vehicle Scheme (CEVS).⁵ This was only partially offset by higher ERP charges and petrol pump prices.</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
↑	Seafood	1.3	5.3	↓	Other Travel & Transport ^	0.2	-4.7
↑	Tuition & other fees	6.0	2.2	↓	Fuel & utilities	3.6	-2.3
↑	Recreation & entertainment	3.2	1.2	↓	Hobbies & other miscellaneous expenditure	4.8	-1.9
↑	Fruits	0.9	1.1	↓	Non-alcoholic beverages	0.4	-1.0
↑	Cooking Oils & Fats	0.2	0.9	↓	Clothing & Footwear	3.4	-0.5
↑	Restaurant food	3.5	0.6	↓	Other Food*	0.3	-0.4
↑	Dental treatment	0.5	0.5	↓	Vegetables & vegetable products	1.1	-0.3
↑	Accommodation	20.0	0.5	↓	Personal effects	0.8	-0.3
↑	Personal care	2.2	0.4	↓	Private road transport	11.7	-0.2
↑	Medical treatment	3.5	0.4	↓	Household durables	1.9	-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.

⁵ Under the CEVS, buyers of new cars and imported used cars which are more fuel efficient and emit less carbon will enjoy rebates of up to \$20,000 that can be used to offset the Additional Registration Fee payable from 1 January 2013. In addition, cars with carbon emissions beyond a certain threshold will incur a registration surcharge of up to \$20,000 from 1 July 2013.

Outlook

Given the subdued conditions in the global economy, imported inflation will be broadly benign. However, the persistent tightness in the domestic labour market will support wage increases in 2013, some of which will continue to pass through to consumer prices. Taking these factors into account, MAS Core Inflation is expected to average 2-3% this year.

CPI-All Items inflation will remain elevated, with month-to-month fluctuations, reflecting significant contributions from car prices and imputed rentals on owner-occupied accommodation.⁶ For the whole of 2013, CPI-All Items inflation is likely to be 3.5-4.5%. Accommodation and private road transport costs will together account for around 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

25 February 2013

⁶ CPI-All Items inflation on a year-ago basis could see a temporary step-up in February 2013, reflecting the spike in COE premiums early this year compared against the decline in premiums in the beginning of last year.

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.⁷

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.

⁷ See DOS’ “Singapore Consumer Price Index for January 2013” (<http://www.singstat.gov.sg/news/news/cpijan2013.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 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
Nov	3.6	1.7	-0.2	5.2	6.2	-0.1	3.5	5.0	1.6	114.2
Dec	4.3	1.5	2.6	6.7	8.2	-1.3	3.5	4.6	1.5	115.2
2013 Jan	3.6	1.0	1.3	4.4	8.5	-1.3	3.5	3.5	1.6	115.4

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 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	-0.3	-8.0	2.8
Oct	4.0	2.2	3.3	-3.0	-1.2	1.9
Nov	3.6	2.0	2.9	-5.1	0.4	-2.9
Dec	4.3	1.9	3.8	-4.8	4.7	-0.8
2013 Jan	3.6	1.2	2.9	N.A.	4.1	-2.1

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