



Consumer Price Developments in October 2013

CPI-All Items inflation was higher at 2.0% y-o-y in October

CPI-All Items inflation came in at 2.0% in October compared to 1.6% in September, largely on account of the increase in private road transport cost.

Private road transport cost rose by 2.7% after declining by 2.0% in the previous month, as a result of the pickup in COE premiums.

Food inflation was 2.5% in October compared to 2.4% a month ago, reflecting slightly steeper price increases for both non-cooked food and prepared meals.

Prices of oil-related items fell by 0.9%, compared to the 2.1% decline in the preceding month, due to a smaller reduction in electricity tariffs.

Services inflation eased to 2.5% from 2.7% in September, led by slower increases in the costs of recreation & entertainment and holiday travel.

The rise in accommodation cost moderated to 1.9% from 3.9% in the previous month, reflecting the disbursement of Service & Conservancy Charges (S&CC) rebates for HDB households in October.¹ The rebates led to a fall in the cost of minor repairs & maintenance which partially offset the increase in imputed rentals on owner-occupied accommodation.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) increased at a faster pace of 1.6%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) edged up to 1.6% in October from 1.1% in September, largely reflecting the higher private road transport cost.

MAS Core Inflation inched up to 1.8% in October

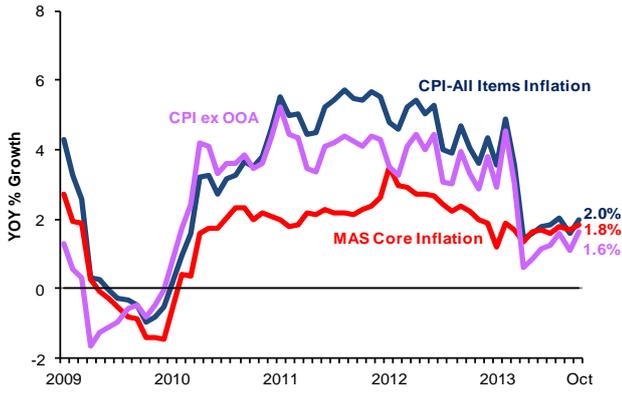
MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 1.8% from 1.7% a month ago due to stronger contributions from food and oil-related items.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for October 2013".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". The government announced the disbursement of S&CC rebates for HDB households in Budget 2013. In October 2013, 1- and 2-room HDB households received 1-month S&CC rebates, while 3-, 4- and 5-room HDB households received a 0.5-month rebate.

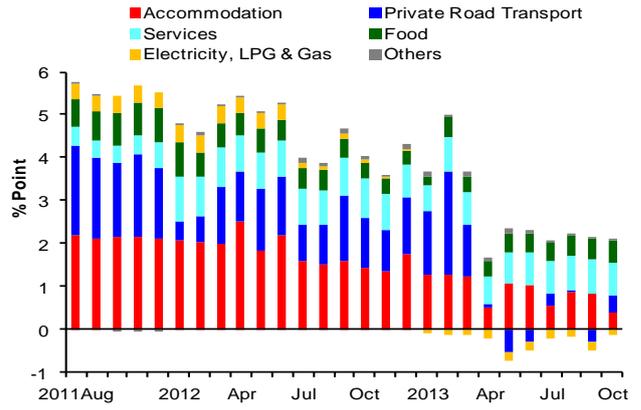
² http://www.singstat.gov.sg/news/press_releases/cpioc2013.pdf

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 increased by 0.2% in October, following a 0.1% rise in September. MAS Core Inflation was 0.3% compared to 0% in the previous 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>	Services	Increases in holiday travel cost and tuition fees at commercial institutions were partially moderated by lower cost of recreation & entertainment.
	Food	Overall food prices recorded a 0.3% increase on account of pricier non-cooked food items, such as fruits, rice & other cereals and dairy products & eggs, as well as prepared meals.
	Electricity, LPG and Gas	Electricity tariffs were raised by 0.5% due to higher global oil prices in Q3 2013.
	Others	Retail items, including clothing & footwear and non-durable household goods, were slightly more expensive in October.
	Private Road Transport	Petrol pump prices fell, given the recent weakness in global oil prices. Nonetheless, private road transport cost increased by 2.2%, driven by the rise in COE premiums in September.
	Accommodation	Accommodation cost declined by 1.6% due to the government's disbursement of S&CC rebates to HDB households. However, imputed rentals on owner-occupied accommodation picked up as leasing contracts for residential properties continued to be reset at higher rental values.

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 %		Sub-Group	Weight (%)	M-o-M %
↑	Private road transport	11.7	2.2	↓	Accommodation	20.0	-1.6
↑	Fruits	0.9	1.8	↓	Personal effects ~	0.8	-1.1
↑	Fast food	0.8	1.1	↓	Recreation & entertainment	3.2	-0.9
↑	Dairy Products & Eggs	1.0	0.8	↓	Seafood	1.3	-0.7
↑	Rice & other cereals	1.7	0.8	↓	Sugar, preserves & confectionery	0.3	-0.5
↑	Clothing & Footwear	3.4	0.7	↓	Household durables	1.9	-0.3
↑	Cooking Oils & Fats	0.2	0.7	↓	Vegetables & vegetable products	1.1	-0.3
↑	Hobbies & other miscellaneous expenditure ^	4.8	0.7	↓	Meat & Poultry	1.4	-0.3
↑	Restaurant food	3.5	0.7	↓	Alcoholic drinks & tobacco	1.4	-0.2
↑	Fuel & utilities #	3.6	0.6	↓	Other food *	0.3	-0.1

^ Holiday travel is subsumed under the "hobbies & other miscellaneous expenditure" sub-group.

The "fuel & utilities" sub-group includes electricity, water, LPG, gas and environmental services

~ The "personal effects" sub-group includes leather & travel goods, and "accessories" such as watches and costume jewellery.

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

Outlook

Overall imported inflation is expected to remain subdued, given spare production capacity in the advanced economies and ample supply buffers in the commodity markets. However, the pass-through of domestic costs to prices of consumer services could intensify as a result of the rising cost pressures that firms are facing from business rentals and labour costs. Taking these factors into account, MAS Core Inflation is expected to rise over the next few quarters, and average 1.5-2% in 2013 and 2-3% in 2014.³

Imputed rentals on OOA will increase at a slower pace, given the greater supply of housing coming on stream. COE premiums could continue to be volatile in the short term as the market adjusts to the pending re-categorisation of COEs. CPI-All Items inflation is projected to come in at 2.5-3% in 2013 and 2-3% in 2014.

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³ MAS Core Inflation is expected to be higher in November 2013, partly on account of the low base a year ago. CPI-All Items Inflation could also rise further in November 2013, as the effect of the October S&CC rebates dissipates and COE premiums increased in October.

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. 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.

⁴ See DOS’ “Singapore Consumer Price Index for October 2013” (http://www.singstat.gov.sg/news/press_releases/cpioc2013.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)
2012 Sep	4.7	2.1	2.4	6.4	9.6	0.4	3.4	4.9	1.6	114.4
Oct	4.0	1.7	2.0	5.6	7.5	0.0	3.6	5.2	1.8	114.1
Nov	3.6	1.7	-0.2	5.2	6.2	-0.1	3.5	5.0	1.6	114.3
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
Feb	4.9	2.3	0.5	4.2	13.9	-1.2	3.5	3.3	3.1	116.7
Mar	3.5	1.8	1.4	4.1	6.9	-1.1	3.5	3.9	2.6	116.2
Apr	1.5	1.8	-0.1	1.1	0.5	-1.3	2.9	3.4	2.4	114.1
May	1.6	2.0	1.1	3.3	-2.8	-1.4	2.9	4.2	2.8	114.6
Jun	1.8	2.0	0.6	3.0	-1.6	-1.4	2.9	4.3	3.0	115.2
Jul	1.9	2.1	0.0	1.3	1.7	-1.6	2.9	4.0	2.7	115.1
Aug	2.0	2.4	-0.3	2.6	0.2	-1.7	3.3	3.9	3.1	115.8
Sep	1.6	2.4	-1.5	2.3	-1.5	-1.9	3.3	4.0	3.1	116.2
Oct	2.0	2.5	-1.0	1.1	2.3	-1.5	3.5	3.7	2.6	116.4

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					
2012 Sep	4.7	2.4	3.9	-0.2	-8.1	2.8
Oct	4.0	2.2	3.3	-3.5	-1.2	1.9
Nov	3.6	2.0	2.9	-5.9	0.4	-2.9
Dec	4.3	1.9	3.8	-5.7	4.6	-0.8
2013 Jan	3.6	1.2	2.9	-6.0	4.2	-2.1
Feb	4.9	1.9	4.6	-4.3	1.7	-4.0
Mar	3.5	1.7	3.0	-6.3	-2.2	-13.4
Apr	1.5	1.4	0.6	-7.1	-3.3	-14.6
May	1.6	1.7	0.8	-4.7	0.5	-6.9
Jun	1.8	1.7	1.1	-0.9	2.1	7.5
Jul	1.9	1.6	1.3	-0.6	-2.2	4.9
Aug	2.0	1.8	1.6	-1.5	-2.0	-1.8
Sep	1.6	1.7	1.1	-2.0	-4.7	-1.8
Oct	2.0	1.8	1.6	N.A.	-3.5	1.5

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