



Consumer Price Developments in December 2011

Singapore's CPI-All Items rose at a more moderate pace of 5.5% (y-o-y) in December

The moderation in CPI-All Items inflation, from 5.7% in November, was largely due to a smaller increase in the cost of private road transport. The cost of private road transport rose at a slower pace of 12% year-on-year compared to 14% in the preceding month, as the increase in car COE premiums and petrol pump prices eased slightly.

The single largest contributor to CPI-All Items inflation was accommodation cost, which was 11% higher during the month, similar to the increase in November.

For the whole of 2011, CPI-All Items inflation averaged 5.2%.

CPI less imputed rentals on owner-occupied accommodation increased by 4.3% (y-o-y) in December

The increase in accommodation cost reflected the sharp rise in imputed rentals on owner-occupied accommodation (OOA).¹ However, monthly changes in imputed rentals on OOA have no impact on the cash expenditure of most households in Singapore as they do not incur rental expenditure. CPI less imputed rentals on OOA increased by 4.3% year-on-year in December, more than one percentage point lower than the rise in CPI-All Items.

For the whole of 2011, CPI less imputed rentals on OOA inflation was 4.2%.

MAS Core Inflation, which excludes the costs of private road transport and accommodation, was much lower at 2.6% in December.

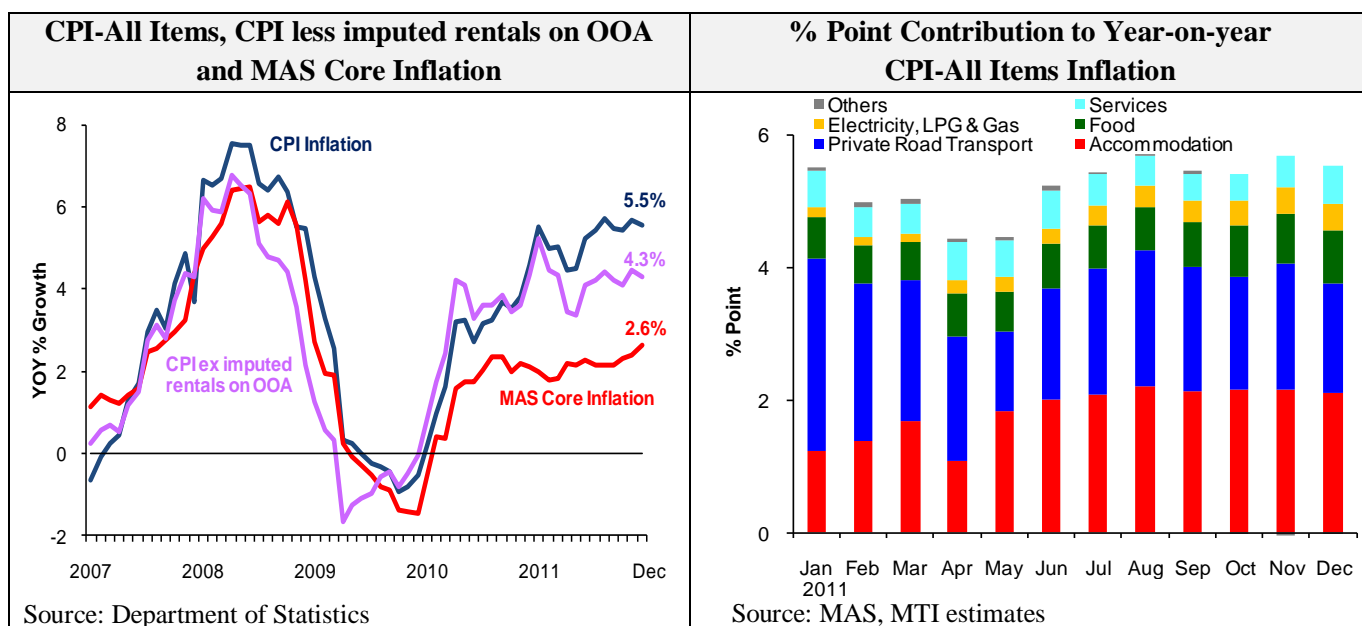
Core inflation in December was, however, slightly higher compared to the rise of 2.4% in November, reflecting higher prices for food items and services due to the continued pass-through of earlier increases in global food commodity prices and business costs respectively.

For the year as a whole, MAS Core Inflation was 2.2%.

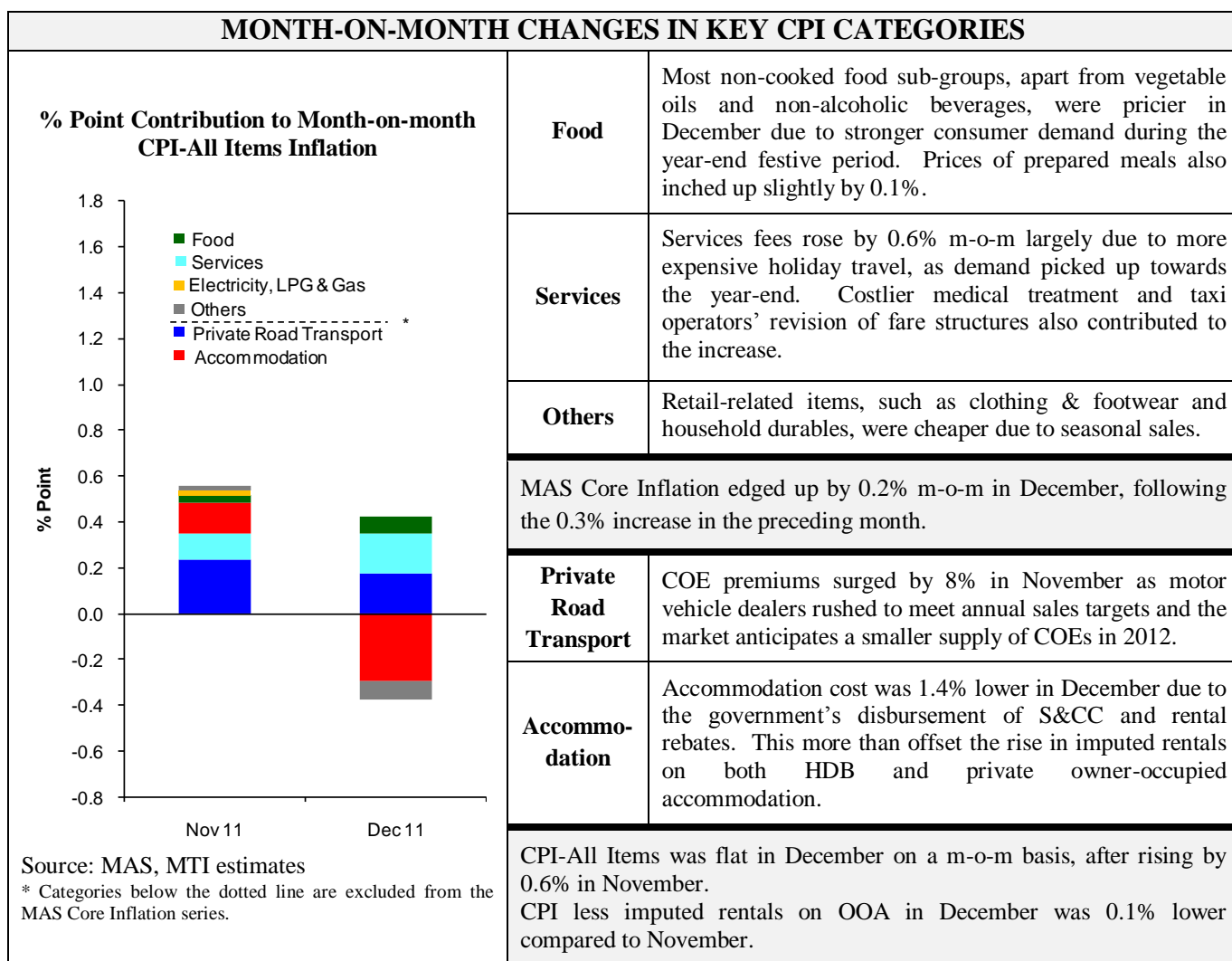
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for December 2011 and Year 2011".²]

¹ A significant share of the CPI Accommodation subgroup is "owner-occupied accommodation (OOA) cost", which is computed based on the imputed rental concept under the rental equivalence method. Given that it has no impact on the cash expenditure of most households in Singapore as they already own their homes, the "CPI All Items less imputed rentals on owner-occupied accommodation" is compiled as an additional indicator.

² <http://www.singstat.gov.sg/news/news/cpidec2011.pdf>



On a month-on-month basis, more expensive services, food and cars offset the effects of government rebates and cheaper retail-related items



Outlook

In 2012, CPI-All Items inflation is expected to average between 2.5-3.5% while MAS Core Inflation is forecast to be 1.5-2.0%.

Year-on-year inflation in CPI-All Items will likely remain elevated over the next few months. Notably, the continued increase in housing rentals, due to a temporary shortage of completed dwellings, will cause imputed rentals on OOA to rise further in the near term. Private road transport cost is expected to remain firm in view of the tight COE supply. Meanwhile, MAS Core Inflation will likely face some upward pressure in the next few months due to the ongoing pass-through of earlier cost increases.

However, the continued sluggishness in domestic economic activity will reduce the tightness in the labour market and alleviate cost pressures over the coming months. Barring an escalation of geopolitical tensions in the Middle East that could potentially affect oil prices, inflationary pressures emanating from abroad should also ease, given subdued global growth prospects.

For the whole of 2012, CPI-All Items inflation and MAS Core Inflation are forecast to be 2.5-3.5% and 1.5-2.0% respectively. Accommodation costs will account for close to half of inflation in CPI-All Items, while the prices of food and services will each account for around one-fifth.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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Annex: Price Indicators

CPI

The CPI is commonly used as a measure of consumer prices for the households. 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 shares, houses, 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 observable 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 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 December 2011 and Year 2011” report (<http://www.singstat.gov.sg/news/news/cpidec2011.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)
2010 Oct	3.5	1.7	1.2	3.5	9.5	-2.1	3.6	2.6	2.4	103.7
Nov	3.8	1.8	1.8	4.0	9.4	0.5	3.7	2.6	2.4	104.1
Dec	4.6	2.1	0.1	5.1	12.8	0.7	3.7	2.7	2.1	105.0
2011 Jan	5.5	2.8	0.2	5.3	18.4	0.6	3.8	3.0	0.7	106.3
Feb	5.0	2.6	1.3	5.8	15.2	-1.7	3.3	3.2	0.8	106.3
Mar	5.0	2.6	0.9	7.1	13.4	-2.4	3.3	2.9	1.1	106.7
Apr	4.5	2.9	0.6	5.1	11.7	-0.4	3.3	2.8	1.3	106.7
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	109.1
Oct	5.4	3.5	-0.8	9.9	10.5	-1.7	2.3	1.8	1.3	109.3
Nov	5.7	3.6	-0.6	10.0	11.6	-1.8	2.2	2.2	1.3	110.0
Dec	5.5	3.7	0.1	9.9	10.0	-1.9	2.2	2.7	1.7	110.8

Source: Singapore Department of Statistics
S.A.: Seasonally Adjusted

Table A.2
Selected Inflation Indicators

	CPI-All Items	MAS Core Inflation	CPI Less Imputed Rentals on OOA	Import Price Index	Non-fuel Primary Commodities	OPEC Oil Price
	YOY % GROWTH					
2010 Oct	3.5	2.0	3.4	-1.0	28.4	9.9
Nov	3.8	2.2	3.6	-1.4	25.9	8.6
Dec	4.6	2.1	4.3	0.9	28.3	19.6
2011 Jan	5.5	2.0	5.2	1.6	30.9	22.0
Feb	5.0	1.8	4.4	4.1	38.0	37.4
Mar	5.0	1.8	4.3	5.2	30.8	42.3
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	N.A.	-12.2	21.2

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