

Consumer Price Developments in January 2012

Singapore's CPI-All Items inflation eased to 4.8% y-o-y in January 2012

CPI-All Items inflation eased from 5.5% in December 2011 due largely to lower contribution from private road transport cost. This reflected the high base last year when COE premiums surged.

And CPI less imputed rentals on owner-occupied accommodation increased by a lower 3.5%

Accommodation cost rose by 10% y-o-y and remained the single largest contributor to CPI-All Items inflation. In particular, the owner-occupied accommodation (OOA) sub-group, with a 15.6% weight in the CPI basket, contributed 1.8% points to CPI-All Items inflation. This reflected the sharp rise in market residential rentals. Accordingly, inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was lower at 3.5%.

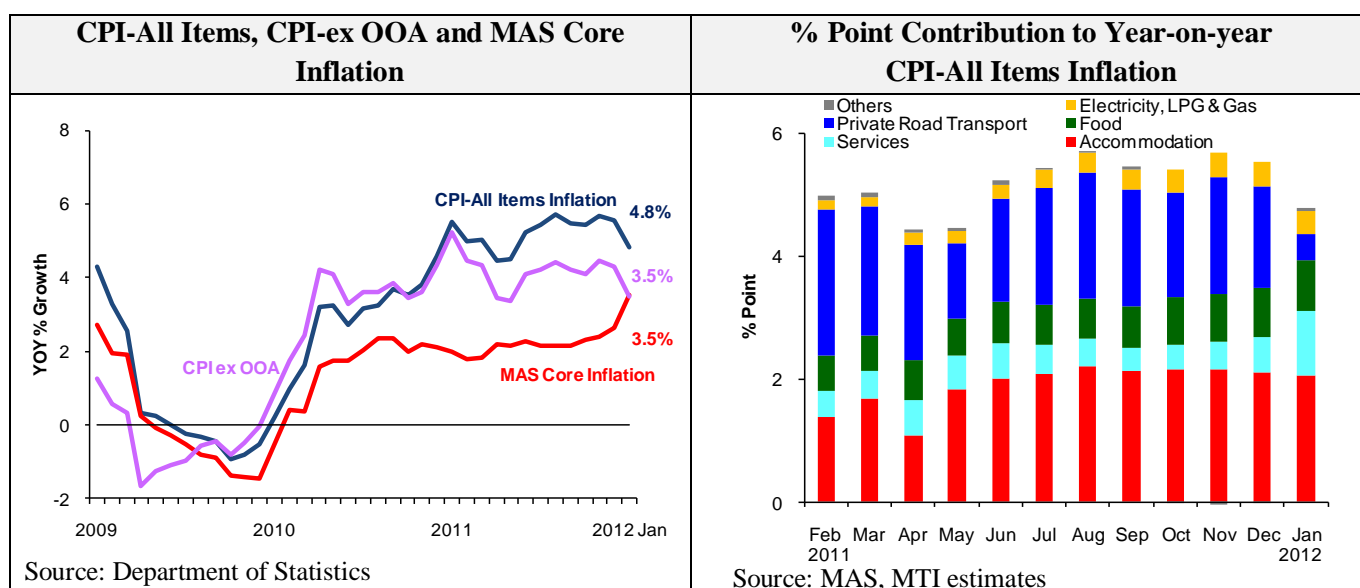
But MAS Core Inflation rose to 3.5% in January 2012

Consistent with expectations¹, core inflation picked up from 2.6% in December 2011. The 0.9% point increase in core inflation in January 2012 mostly reflected seasonal and base effects:

- An estimated 0.2% point of the increase was attributable to the seasonal uptick in food prices during the Chinese New Year, which fell in January this year but February in 2011.
- A further 0.5% point of the increase reflected a low base in January 2011 arising from the removal of radio & TV license fees.

The remaining 0.2% point of the overall increase in core inflation was due to the continued pass-through of labour cost increases to consumer prices, especially related to healthcare and education services.

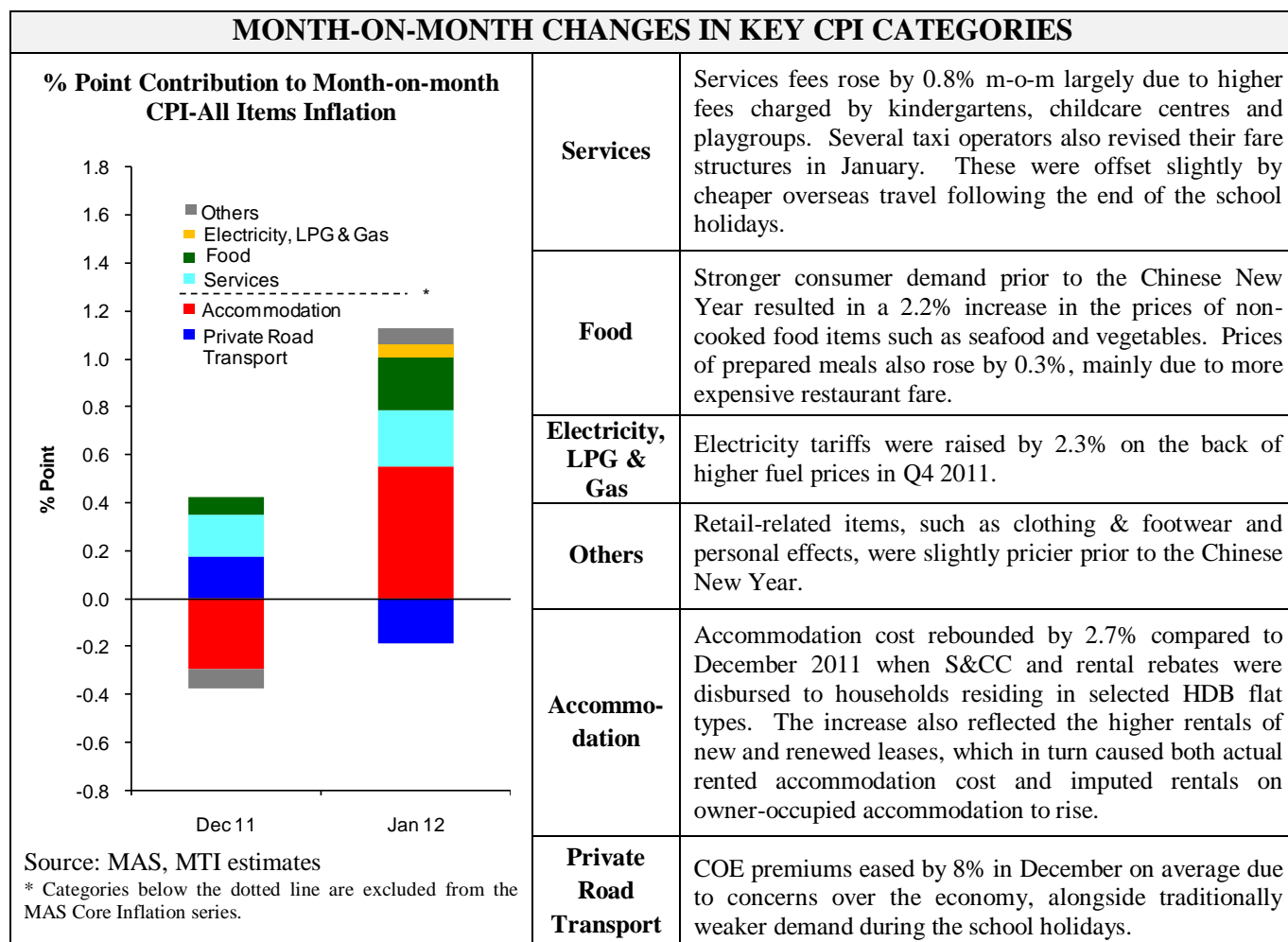
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for January 2012".²]



¹ Earlier inflation reports have indicated that MAS Core Inflation will face upward pressure in the first few months of 2012.

² <http://www.singstat.gov.sg/news/news/cpijan2012.pdf>

On a month-on-month basis, CPI-All Items was up by 0.9% in January 2012, after coming in flat in the preceding month



Top Price Movements (m-o-m) for Selected CPI Sub-Groups

Top Price Increases				Top Price Decreases			
	Sub-Group	Weight (%)	M-o-m % Growth		Sub-Group	Weight (%)	M-o-m % Growth
↑	Seafood	1.34	10.5	↓	Other travel & transport*	0.21	-3.3
↑	Public road transport	3.66	3.3	↓	Private road transport	11.66	-1.3
↑	Accommodation	20.02	2.7	↓	Hobbies & other miscellaneous expenditure	4.8	-1.2
↑	Vegetables & vegetable products	1.07	1.8	↓	Other food [#]	0.32	-0.5
↑	Meat & Poultry	1.41	1.7	↓	Sugar, preserves & confectionary	0.27	-0.5

* 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

CPI-All Items inflation will likely remain elevated in H1 2012, while MAS Core Inflation could stay at around 3% in the next few months

CPI-All Items inflation on a y-o-y basis will likely remain elevated and volatile 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 will remain high on average in view of the tight COE supply, with fluctuations from month to month. In addition, earlier cost increases, especially in the labour market, could continue to pass through to consumer prices and keep MAS Core Inflation at around 3% in the next few months.

At this stage, the 2012 forecasts for CPI-All Items inflation and MAS Core Inflation remain at 2.5-3.5% and 1.5-2.0% respectively. These projections are predicated on some moderation in domestic and external cost pressures in the second half of the year given the generally sluggish economic environment. MAS and MTI are monitoring price trends closely and will review the forecasts if underlying price pressures turn out to be more persistent.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 FEBRUARY 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.

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 January 2012” report (<http://www.singstat.gov.sg/news/news/cpijan2012.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 Nov	3.8	1.8	1.8	4.0	9.4	0.5	3.7	2.6	2.4	104.2
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	106.8
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	109.2
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

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					
2010 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	5.2	-12.2	21.2
2012 Jan	4.8	3.5	3.5	N.A.	-13.9	20.2

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