



## Consumer Price Developments in September 2012

### *Singapore's CPI-All Items inflation came in higher at 4.7% y-o-y in September*

CPI-All Items inflation rose to 4.7% in September from 3.9% in August 2012. This pick-up had been anticipated in the August inflation report and was largely attributed to the surge in COE premiums in August.<sup>1</sup>

Private road transport cost climbed by 10.8% in September from 6.3% in August. This increase accounted for three-quarters of the 0.8% point rise in overall y-o-y inflation in September, as compared to a month ago.

Accommodation cost inflation edged up to 7.7% in September from 7.4% in the previous month.<sup>2</sup> This reflected the impact of the withdrawal of Service & Conservancy Charges (S&CC) and HDB rental rebates.<sup>3</sup> Imputed rentals on owner-occupied accommodation (OOA) continued to contribute a considerable 1.4% points to overall inflation in September.

Together, accommodation and private road transport costs accounted for around two-thirds of CPI-All Items inflation in September.

Services inflation inched up to 3.0% in September from 2.7% in August, reflecting the stronger pickup in the cost of holiday travel and household services.

Food prices increased at a slower pace of 2.1% in September compared to 2.3% in August. Non-cooked food inflation softened, while prices of cooked food rose at a steady pace of 2.0% in the past two months.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) increased at a faster pace of 3.9%*

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was 3.9% in September, up from 3.0% in August, mainly on account of the jump in private road transport cost.

### *MAS Core Inflation edged up to 2.4%*

Excluding the costs of accommodation and private road transport, MAS Core Inflation was slightly higher at 2.4% in September compared to the 2.2% in August as stronger services inflation more than offset the lower contribution from food.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for September 2012".<sup>4</sup> ]

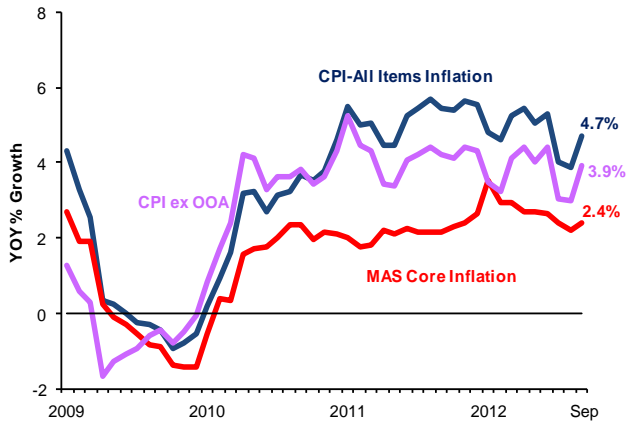
<sup>1</sup> COE premiums in a particular month are reflected in CPI private road transport cost in the following month.

<sup>2</sup> The accommodation sub-group in the CPI comprises "rented accommodation", "imputed rentals on owner-occupied accommodation", "housing insurance premiums" and "minor repairs & maintenance".

<sup>3</sup> 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.

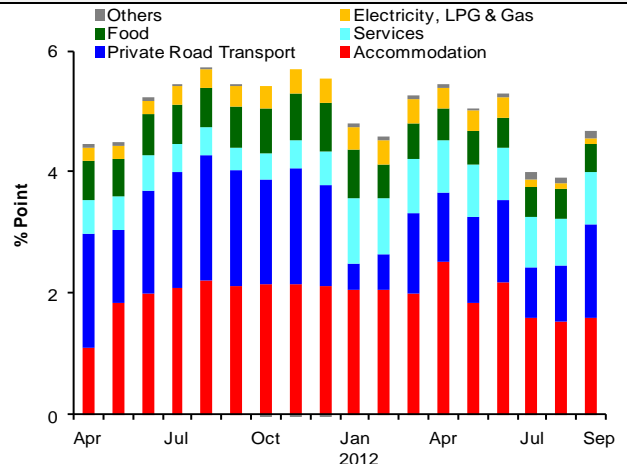
<sup>4</sup> <http://www.singstat.gov.sg/news/news/cpisep2012.pdf>

**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 0.6% in September, similar to that in the preceding month.**

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p><b>% Point Contribution to Month-on-month CPI-All Items Inflation</b></p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<b>Services</b>	Household services fees rose by 0.7% m-o-m due to the higher cost of employing foreign domestic helpers. At the same time, holiday travel fares increased, reflecting a pickup in demand during the September school holidays.
	<b>Food</b>	Prices of prepared meals inched up by 0.1%, led by more expensive hawker food and fast food. Non-cooked food prices were stable, as the rise in the prices of vegetables and dairy products & eggs was offset by cheaper seafood and rice & other cereals.
	<b>Electricity, LPG &amp; Gas</b>	The price of liquefied petroleum gas climbed by 10%, in line with the earlier increase in global oil prices.
	<b>Others</b>	Prices of retail items, such as clothing & footwear and personal effects, fell due to seasonal sales. <sup>5</sup>
	<b>Private Road Transport</b>	COE premiums surged by 7.3% m-o-m in August, on the back of a smaller quota for the August 2012-January 2013 period. Petrol pump prices also increased slightly.
	<b>Accommodation</b>	Leasing contracts for residential properties continued to be reset at higher rental values, which further pushed up both actual rental accommodation cost and imputed rentals on owner-occupied accommodation. In addition, several town councils raised S&CC in September. These resulted in a 0.5% increase in overall accommodation cost.

### 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
↑	Private road transport	11.7	2.7	↓	Other travel & transport <sup>^</sup>	0.2	-1.6
↑	Vegetables & vegetable products	1.1	1.2	↓	Seafood	1.3	-1.4
↑	Other food*	0.3	1.1	↓	Personal effects	0.8	-0.7
↑	Sugar, preserves & confectionery	0.3	0.8	↓	Proprietary medicine & supplies	1.1	-0.5
↑	Household services	2.5	0.7	↓	Household durables	1.9	-0.3
↑	Hobbies & other miscellaneous expenditure	4.8	0.6	↓	Rice & other cereals	1.7	-0.2
↑	Accommodation	20.0	0.5	↓	Non-durable household goods	0.7	-0.2
↑	Dairy Products & Eggs	1.0	0.5	↓	Clothing & footwear	3.4	-0.1
↑	Fuel & utilities	3.6	0.4	↓	Recreation & entertainment	3.2	-0.1
↑	Non-alcoholic beverages	0.4	0.3	↓	School textbooks & stationery	0.7	0.0

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

<sup>^</sup> The "other travel & transport" sub-group includes sea transport, air transport, etc.

## 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 slightly above 4.5% in 2012 and ease to 3.5-4.5% in 2013.<sup>6</sup> For both years, 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

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<sup>6</sup> At the Annual Report 2011/12 Press Conference on 25 July 2012, MAS highlighted that COE premiums could present upside risks to the 4.0-4.5% forecast for CPI-All Items inflation in 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.<sup>7</sup>

### **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.

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<sup>7</sup> See DOS’ “Singapore Consumer Price Index for September 2012” (<http://www.singstat.gov.sg/news/news/cpisept2012.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](http://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 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
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

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 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	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	1.5	-11.6	3.0
Sep	4.7	2.4	3.9	N.A.	-8.1	2.8

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