



## Consumer Price Developments in December 2012

### *Singapore's CPI-All Items inflation came in at 4.3% y-o-y in December*

CPI-All Items inflation rose to 4.3% in December from 3.6% in November 2012. The increase was due to higher contribution from costs of accommodation and cars.

Accommodation cost inflation reached 8.5% in December compared to 6.6% in November.<sup>1</sup> The costs of rented accommodation and minor repairs & maintenance picked up sharply, largely on account of base effects associated with the disbursement of government rebates for HDB households.<sup>2</sup> Imputed rentals on owner-occupied accommodation (OOA) contributed 1.2% points to overall inflation.

In tandem with the recent surge in COE premiums, private road transport cost climbed by 9.3% y-o-y in December after increasing by 6.7% in November.

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

Services inflation edged down to 2.5% in December from 2.9% in November, led by a decline in telecommunication charges and a more moderate rise in the costs of holiday travel and medical treatment.

Price increases for both non-cooked food and prepared meals slowed in December. As a result, food inflation eased to 1.5% from 1.7% in the preceding month.

For the whole of 2012, CPI-All Items inflation averaged 4.6%, lower than the 5.2% in 2011.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 3.8% in December*

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was 3.8% in December, up from 2.9% in the preceding month. The pick-up largely reflected the base effects associated with the disbursement of government rebates and the jump in COE premiums.

For the year as a whole, CPI less imputed rentals on OOA inflation was 3.6% in 2012, down from 4.2% in 2011.

### *MAS Core Inflation slowed to 1.9% in December*

MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased slightly to 1.9% in December from 2.0% in November due to lower contribution from costs of services and food.

For the whole of 2012, MAS Core Inflation was 2.5%, compared with 2.2% in 2011.

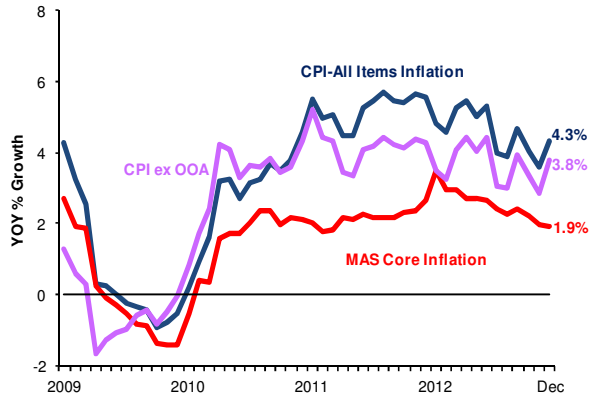
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for December 2012".<sup>3</sup> ]

<sup>1</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>2</sup> In December 2011, tenants and owners of HDB units received a 0.5-month service & conservancy charges (S&CC) rebate. Tenants of 1- and 2-bedroom HDB rental flats also received a 0.5-month rental rebate. No S&CC and rental rebates were disbursed in December 2012.

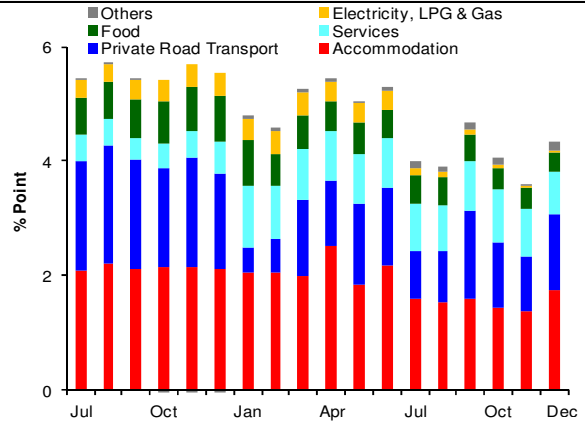
<sup>3</sup> <http://www.singstat.gov.sg/news/news/cpidec2012.pdf>

**CPI-All Items, CPI-ex OOA and MAS Core Inflation**



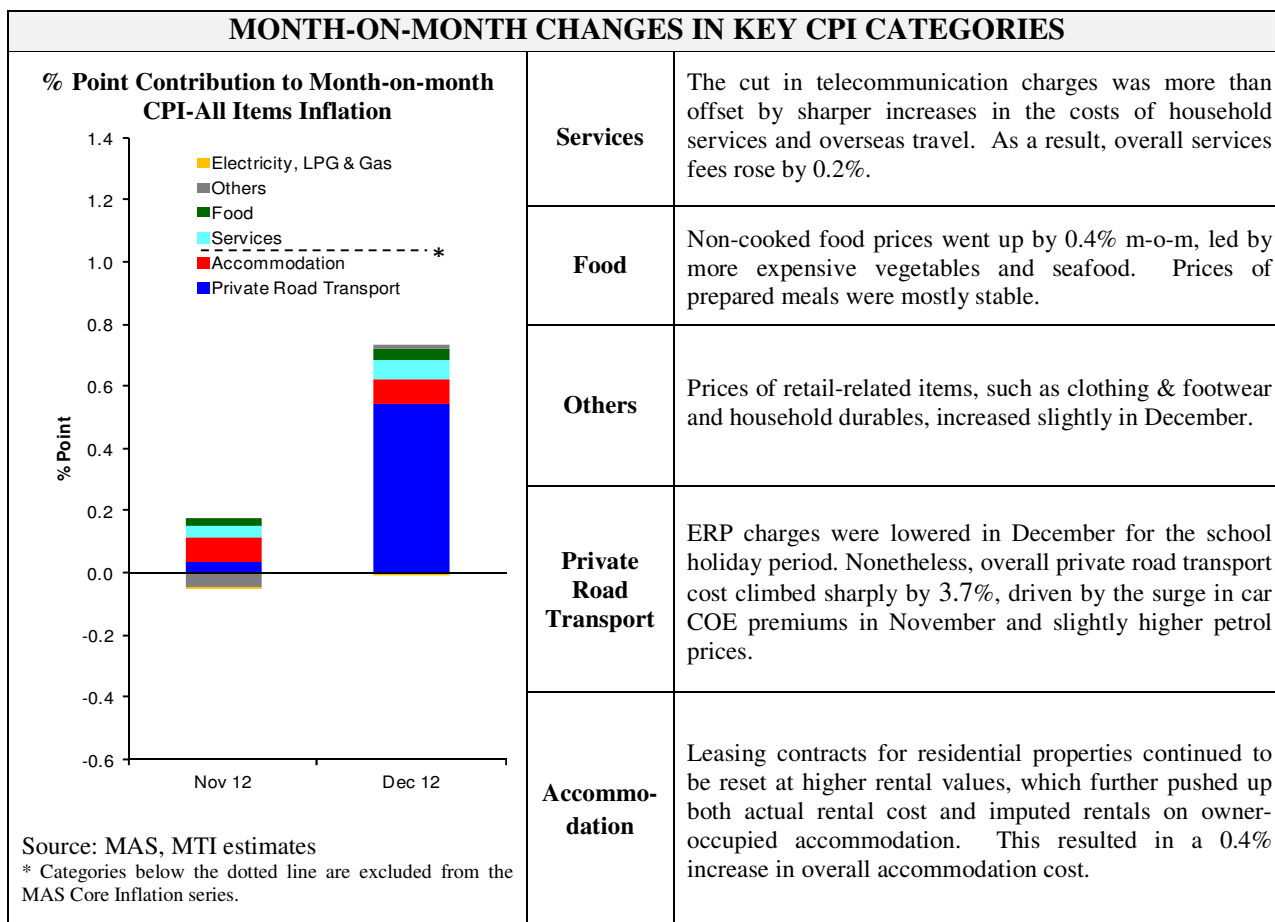
Source: Department of Statistics

**% Point Contribution to Year-on-year CPI-All Items Inflation**



Source: MAS, MTI estimates

**On a month-on-month basis, CPI-All Items rose by 0.7% in December 2012 following an increase of 0.1% in the preceding month**



**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
↑	Other Travel & Transport ^	0.2	4.5	↓	Communication	4.8	-1.2
↑	Private Road Transport	11.7	3.7	↓	Personal Effects	0.8	-1.1
↑	Hobbies & Other Miscellaneous	4.8	1.7	↓	Cooking Oils & Fats	0.2	-0.5
↑	Vegetables & Vegetable Products	1.1	1.7	↓	Other Food*	0.3	-0.3
↑	Seafood	1.3	0.9	↓	Sugar, Preserves & Confectionery	0.3	-0.2
↑	Household Services	2.5	0.8	↓	Fuel & Utilities	3.6	-0.1
↑	Accommodation	20.0	0.4	↓	Meat & Poultry	1.4	-0.1
↑	Clothing & Footwear	3.4	0.3	↓	Recreation & Entertainment	3.2	0.0
↑	Household Durables	1.9	0.3	↓	Alcoholic Drinks & Tobacco	1.4	0.0
↑	Rice & Other Cereals	1.7	0.3	↓	Personal Care	2.2	0.0

^ 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

Given continued weakness in the global economy, imported inflation will be generally benign. Nevertheless, global food prices remain vulnerable to upside risks as supply conditions stay tight which could result in higher import and domestic food prices. Meanwhile, the persistent tightness in the 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% for the whole year.<sup>4</sup>

CPI-All Items inflation will remain elevated, with month-to-month fluctuations, reflecting significant contribution from car prices and imputed rentals on owner-occupied accommodation. For the full year, CPI-All Items inflation is likely to be 3.5-4.5% in 2013. 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>4</sup>

MAS Core Inflation will ease in January 2013 due to the subdued external price developments recently and base effects associated with food prices during Chinese New 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.<sup>5</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.

<sup>5</sup>

See DOS’ “Singapore Consumer Price Index for December 2012” (<http://www.singstat.gov.sg/news/news/cpidec2012.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 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
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

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 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	1.6	-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	N.A.	4.7	-0.8

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