

## Consumer Price Developments in March 2013

### *Singapore's CPI-All Items inflation came in lower at 3.5% y-o-y in March*

CPI-All Items inflation eased to 3.5% in March from 4.9% in February. This was due to smaller price increases across all major categories in the CPI, with private road transport cost accounting for the bulk of the moderation.

Private road transport cost rose by 8.6% in March, down from 17.4% a month earlier. This reflected weaker COE premiums in February and price adjustments by car dealers following the introduction of financing restrictions on motor vehicle loans.<sup>1</sup> As a result, the contribution of private road transport cost to CPI-All Items inflation fell to 1.2% points in March, half that in February.

Accommodation cost inflation edged down to 5.8% in March from 5.9% in the preceding month as a result of a slightly smaller increase in market rentals.<sup>2</sup> Nevertheless, imputed rentals on owner-occupied accommodation (OOA) continued to contribute a significant 1% point to overall inflation.

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

Food inflation was 1.8% in March, down from 2.3% in February, as the seasonal effect from Chinese New Year dissipated.<sup>3</sup>

The rise in services fees slowed to 2.5% in March from 2.7% in February, led by a moderation in household services cost increases.

Prices of oil-related items declined by a steeper 2.8% in March compared to the 0.2% fall in February, mainly due to lower petrol pump prices.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 3.0%*

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) fell to 3.0% in March from 4.6% a month earlier, given lower contributions from private road transport, oil-related items, food and services.

### *MAS Core Inflation was lower at 1.7% in March*

MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased to 1.7% in March from 1.9% in February on account of more moderate increases in the costs of food and services as well as a decline in the prices of oil-related items.

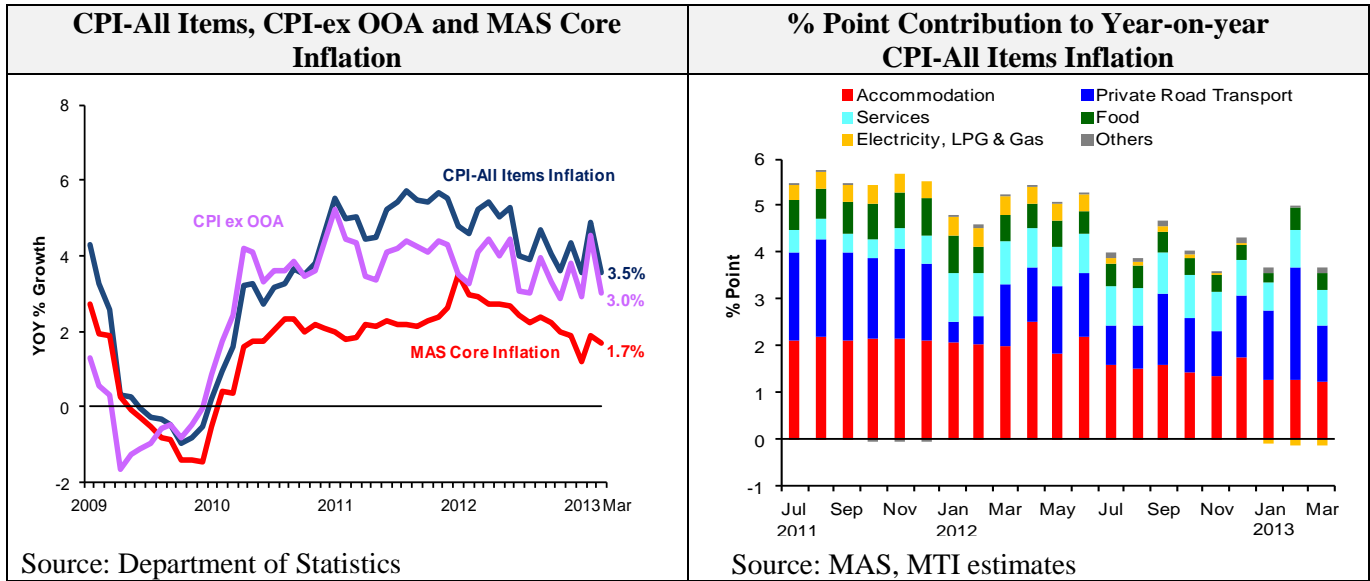
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<sup>1</sup> Car loans are limited to no more than 60% of the vehicle's purchase price and the repayment period to no more than five years. In March, a tiered Additional Registration Fee (ARF) structure was also applied to cars, taxis and goods-cum-passenger vehicles, replacing the previous flat rate of 100% of the Open Market Value of the vehicle. While this adds to overall car prices directly, it also likely dampens the demand for cars and hence prices.

<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> A wide-range of non-cooked food items were cheaper in March as demand eased after the Chinese New Year. Apart from the sequential price movements, food inflation on a year-on-year basis also eased due to the dissipation of base effects. As the Chinese New Year fell in January last year but February this year, base effects dragged down food inflation in January 2013 but added to food inflation in February this year.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for March 2013".<sup>4</sup> ]



<sup>4</sup> [http://www.singstat.gov.sg/news/press\\_releases/cpimar2013.pdf](http://www.singstat.gov.sg/news/press_releases/cpimar2013.pdf)

**On a month-on-month basis, CPI-All Items fell by 0.5% in March following an increase of 1.0% in February. MAS Core Inflation was -0.1% compared to 0.4% in February.**

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES																									
<p><b>% Point Contribution to Month-on-month CPI-All Items Inflation</b></p> <table border="1"> <caption>Data for % Point Contribution to Month-on-month CPI-All Items Inflation</caption> <thead> <tr> <th>Category</th> <th>Feb 13</th> <th>Mar 13</th> </tr> </thead> <tbody> <tr> <td>Others</td> <td>0.00</td> <td>0.10</td> </tr> <tr> <td>Electricity, LPG &amp; Gas</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Food</td> <td>0.10</td> <td>-0.10</td> </tr> <tr> <td>Services</td> <td>0.20</td> <td>-0.05</td> </tr> <tr> <td>Accommodation</td> <td>0.10</td> <td>0.05</td> </tr> <tr> <td>Private Road Transport</td> <td>0.65</td> <td>-0.50</td> </tr> <tr> <td><b>Total CPI-All Items</b></td> <td><b>1.00</b></td> <td><b>-0.50</b></td> </tr> </tbody> </table> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	Category	Feb 13	Mar 13	Others	0.00	0.10	Electricity, LPG & Gas	0.00	0.00	Food	0.10	-0.10	Services	0.20	-0.05	Accommodation	0.10	0.05	Private Road Transport	0.65	-0.50	<b>Total CPI-All Items</b>	<b>1.00</b>	<b>-0.50</b>	<p><b>Food</b></p> <p>Overall food prices were 0.5% lower on account of cheaper non-cooked food items, including seafood, vegetables and meat &amp; poultry, after Chinese New Year.</p>
	Category	Feb 13	Mar 13																						
	Others	0.00	0.10																						
	Electricity, LPG & Gas	0.00	0.00																						
	Food	0.10	-0.10																						
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<b>Total CPI-All Items</b>	<b>1.00</b>	<b>-0.50</b>																							
<p><b>Services</b></p> <p>Services fees fell by 0.2%, mainly due to the reduction in the concessionary levy for foreign domestic helpers.<sup>5</sup> The cost of holiday travel also edged down as demand eased after Chinese New Year. These declines more than offset the rise in medical insurance premiums.</p>																									
<p><b>Others</b></p> <p>Retail-related items, including clothing &amp; footwear and personal effects<sup>6</sup>, were more expensive following the end of the seasonal sale period.</p>																									
<p><b>Private Road Transport</b></p> <p>Car prices fell in March due to lower car COE premiums in February and the effects of the motor vehicle-related policies announced in late February. The decline was partially offset by the rise in Additional Registration Fee for selected car models.<sup>7</sup> Petrol pump prices were also lower, in line with the recent weakness in global oil prices.</p>																									
<p><b>Accommodation</b></p> <p>Leasing contracts for residential properties continued to be reset at higher rental values, which further pushed up actual rental cost and imputed rentals on owner-occupied accommodation. This resulted in a 0.3% rise in overall accommodation cost.</p>																									

<sup>5</sup> From 1 March 2013, families with Singaporean dependants such as children, elderly parents and family members with disabilities will pay a lower concessionary levy of \$120 a month for their foreign domestic helpers, down from \$170 previously.

<sup>6</sup> Personal effects include leather & travel goods and “accessories” such as watches and costume jewellery.

<sup>7</sup> A car with OMV of up to \$20,000 will be taxed at the current rate of 100%. The next \$30,000 will be taxed at 140%, and any OMV above \$50,000 at 180%.

**Price Movements (m-o-m) for Selected CPI Sub-categories**

Top Price Increases			Top Price Decreases				
	Sub-Group	Weight (%)	M-o-M % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Medical health insurance	0.8	3.8	↓	Seafood	1.3	-6.8
↑	Clothing & Footwear	3.4	3.0	↓	Private road transport	11.7	-3.5
↑	Personal effects	0.8	2.4	↓	Household services	2.5	-3.0
↑	Non-alcoholic beverages	0.4	1.0	↓	Vegetables & vegetable products	1.1	-3.0
↑	Other food*	0.3	0.9	↓	Other travel & transport ^	0.2	-2.7
↑	Dairy Products & Eggs	1.0	0.6	↓	Meat & Poultry	1.4	-1.3
↑	Alcoholic drinks & tobacco	1.4	0.6	↓	Sugar, preserves & confectionery	0.3	-0.7
↑	Proprietary medicine & supplies	1.1	0.5	↓	Cooking Oils & Fats	0.2	-0.5
↑	Fruits	0.9	0.4	↓	Hobbies & other miscellaneous expenditure	4.8	-0.2
↑	Accommodation	20.0	0.3	↓	Public road transport	3.7	-0.1

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

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

## Outlook

Imported inflation in 2013 will likely remain subdued, given ample supply buffers in the commodity markets. However, domestic cost pressures are expected to persist amid continuing tightness in the labour market, and could result in a slightly stronger pace of cost pass-through to prices of consumer services. Taking these factors into account, MAS Core Inflation is expected to rise moderately in the second half of the year and average 1.5-2.5% in 2013.

Meanwhile, imputed rentals on owner-occupied accommodation will continue to add significantly to CPI-All Items inflation, although the pace of increase will likely be slower, given the upcoming completion of a large number of private housing units. Although COE premiums could fluctuate as the market continues to adjust to the motor vehicle-related policy measures, its contribution to CPI-All items inflation is likely to be lower, and overall inflation should recede from its Q1 high.<sup>8</sup> For 2013, CPI-All Items inflation is expected to be 3-4%. Imputed rentals on owner-occupied accommodation and car prices will account for more than half of overall inflation this year.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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<sup>8</sup> Notably, CPI-All Items inflation will moderate considerably in April given the sharp correction in COE premiums in March.

## **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>9</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>9</sup> See DOS’ “Singapore Consumer Price Index for March 2013” ([http://www.singstat.gov.sg/news/press\\_releases/cpimar2013.pdf](http://www.singstat.gov.sg/news/press_releases/cpimar2013.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)
2012 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	112.2
Apr	5.4	2.4	1.3	11.1	7.5	0.1	3.6	4.3	1.5	112.5
May	5.0	2.5	0.4	8.2	9.2	0.0	3.6	4.3	1.6	112.8
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	113.0
Aug	3.9	2.3	1.2	6.1	6.0	0.3	3.3	5.1	1.2	113.5
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

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 Feb	4.6	3.0	3.3	3.1	-14.8	17.2
Mar	5.2	2.9	4.1	2.9	-12.4	11.9
Apr	5.4	2.7	4.4	1.4	-14.6	0.2
May	5.0	2.7	4.0	0.6	-14.5	-1.7
Jun	5.3	2.7	4.4	-1.8	-14.7	-13.8
Jul	4.0	2.4	3.0	-1.3	-11.6	-10.8
Aug	3.9	2.2	3.0	1.4	-11.4	3.0
Sep	4.7	2.4	3.9	-0.2	-8.0	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	4.0	-2.1
Feb	4.9	1.9	4.6	-4.3	1.5	-4.0
Mar	3.5	1.7	3.0	N.A.	-2.5	-13.4

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