

Consumer Price Developments in April 2013

Singapore's CPI-All Items inflation came in lower at 1.5% y-o-y in April

CPI-All Items inflation eased to 1.5% in April from 3.5% in March. This moderation, which had been anticipated in the March Inflation Report, largely reflected the continued effects of the motor vehicle-related policy measures introduced since late February, as well as the temporary impact from the disbursement of government rebates for HDB service & conservancy charges (S&CC).

Private road transport cost edged up by 0.5% in April, a significantly smaller rise compared to the 8.6% increase a month earlier. The deceleration was due to lower COE premiums in March and price adjustments by car dealers following the implementation of the motor vehicle-related policy measures.¹ As a result, the contribution of private road transport to CPI-All Items inflation fell to 0.1% point from 1.2% points in the preceding month.

Accommodation cost inflation slowed to 2.4% in April from 5.8% in March due to the disbursement of S&CC rebates for HDB households.² The rebates led to a fall in the cost of minor repairs & maintenance which partially offset the rise in imputed rentals on owner-occupied accommodation. On the whole, accommodation cost contributed 0.5% point to CPI-All Items inflation, down from 1.2% points in March.

The rise in services fees eased slightly to 2.2% in April from 2.5% in the previous month, due to a decline in holiday travel cost and a smaller increase in school tuition fees.

Prices of oil-related items declined by a steeper 5.2% in April relative to the 2.8% fall in the preceding month, mainly due to lower electricity tariffs and petrol pump prices compared to a year ago.

Food inflation was stable at 1.8% in April.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 0.6%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) eased to 0.6% in April from 3.0% a month earlier, given lower contributions from the costs of private road transport, oil-related items and services.

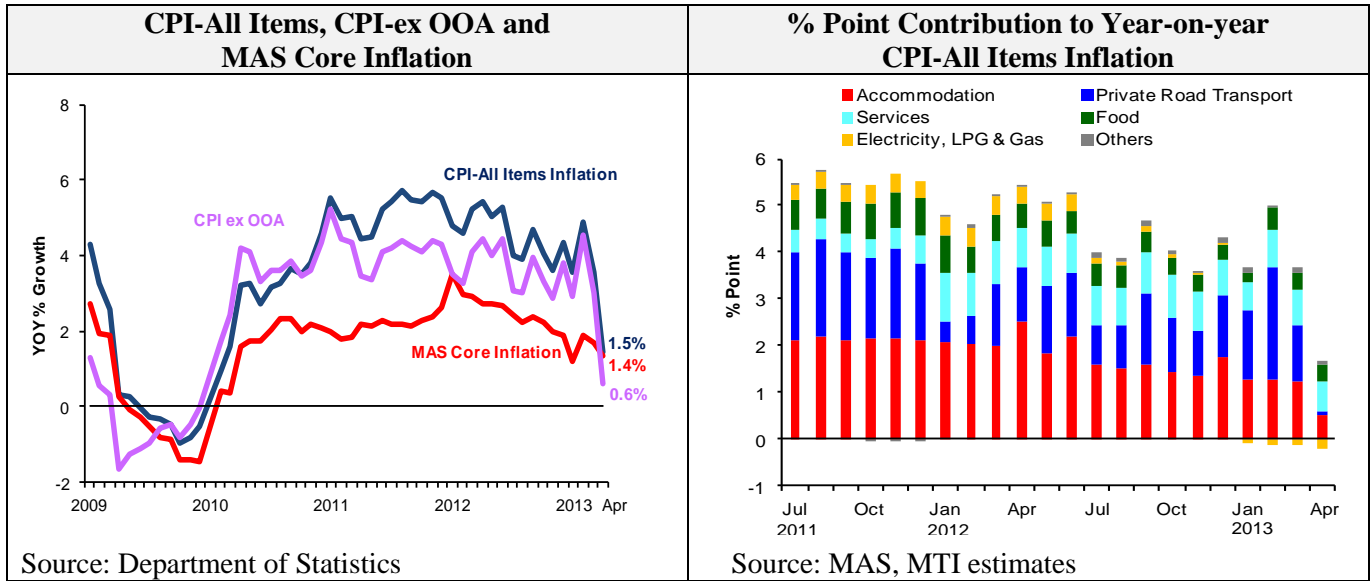
MAS Core Inflation was lower at 1.4% in April

MAS Core Inflation, which excludes the costs of accommodation and private road transport, slowed to 1.4% in April from 1.7% in March, led by a smaller increase in services costs and a larger decline in the prices of oil-related items.

¹ Car loans are limited to no more than 60% of the vehicle's purchase price, while the repayment period is capped at 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. In early April this year, MAS lifted loan curbs on used cars for 60 days which could have temporarily shifted demand away from the new car market.

² The accommodation sub-group in the CPI comprises "rented accommodation", "imputed rentals on owner-occupied accommodation", "housing insurance premiums" and "minor repairs & maintenance". The government announced the disbursement of S&CC rebates for HDB households in Budget 2013. In April 2013, 1-, 2-, 3- and 4-room HDB households received 1-month S&CC rebates, while 5-room and Executive/Multi-generation HDB households received a 0.5-month rebate.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for April 2013".³]



³ http://www.singstat.gov.sg/news/press_releases/cpiapr2013.pdf

On a month-on-month basis, CPI-All Items declined by 1.5% in April following a 0.5% fall in March. MAS Core Inflation was 0.1% compared to -0.1% in the previous month.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES	
<p>% Point Contribution to Month-on-month CPI-All Items Inflation</p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p>Food</p> <p>Overall food prices were 0.2% higher on account of more expensive prepared meals and costlier non-cooked food items such as rice & other cereals and fruits.</p>
	<p>Electricity, LPG and Gas</p> <p>The 1.6% rise in electricity tariffs reflected the increase in global oil prices in Q1 this year. However, this was partially offset by the 1.8% price decline for LPG.</p>
	<p>Services</p> <p>The cost of holiday travel fell as demand eased after the March school holidays. However, this was more than offset by the 2.4% rise in household services cost arising from higher salaries for foreign domestic helpers, as well as the slight increase in medical treatment fees.</p>
	<p>Others</p> <p>Retail-related items, including clothing & footwear and personal effects⁴, were cheaper in April.</p>
	<p>Private Road Transport</p> <p>Car prices fell in April, reflecting the correction in car COE premiums in March and price adjustments by car dealers in response to the motor vehicle-related policy measures implemented since late February. Petrol pump prices were also lower, in line with the recent weakness in global oil prices.</p>
	<p>Accommodation</p> <p>Accommodation cost fell by 2.4% in April due to the government's disbursement of S&CC rebates to HDB households. However, actual rental costs and imputed rentals on owner-occupied accommodation rose further.</p>

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
↑	Household Services	2.5	2.4	↓	Private Road Transport	11.7	-6.6
↑	Fuel & Utilities	3.6	0.9	↓	Accommodation	20.0	-2.4
↑	Fruits	0.9	0.5	↓	Clothing & Footwear	3.4	-1.8
↑	Dental Treatment	0.5	0.5	↓	Hobbies & Other Miscellaneous Expenditure	4.8	-1.4
↑	Rice & Other Cereals	1.7	0.4	↓	Cooking Oils & Fats	0.2	-0.6
↑	Medical Treatment	3.5	0.3	↓	Personal Effects	0.8	-0.5
↑	Dairy Products & Eggs	1.0	0.3	↓	Household Durables	1.9	-0.5
↑	Non-Alcoholic Beverages	0.4	0.3	↓	Vegetables & Vegetable Products	1.1	-0.5
↑	Catered Food	0.1	0.3	↓	Other Food *	0.3	-0.4
↑	Alcoholic Drinks & Tobacco	1.4	0.3	↓	Recreation & Entertainment	3.2	-0.3

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

⁴ Personal effects include leather & travel goods and "accessories" such as watches and costume jewellery.

Outlook

Imported inflation will likely remain subdued this year, given ample supply buffers in the commodity markets. However, domestic cost pressures are expected to persist amid continuing tightness in the labour market, and cost pass-through to prices of consumer services could pick up slightly. 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.

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 impending 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. For 2013, CPI-All Items inflation is expected to be 3-4%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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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.⁵

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.

⁵ See DOS’ “Singapore Consumer Price Index for April 2013” (http://www.singstat.gov.sg/news/press_releases/cpiapr2013.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)
2012 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
Apr	1.5	1.8	-0.1	1.1	0.5	-1.3	2.9	3.4	2.4	114.1

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 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	4.1	-2.1
Feb	4.9	1.9	4.6	-4.3	1.8	-4.0
Mar	3.5	1.7	3.0	-6.3	-2.2	-13.4
Apr	1.5	1.4	0.6	N.A.	-3.7	-14.6

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