

Consumer Price Developments in July 2013

CPI-All Items inflation came in slightly higher at 1.9% y-o-y in July

CPI-All Items inflation edged up to 1.9% in July from 1.8% in June, largely due to an increase in private road transport cost after two consecutive months of decline.

Private road transport cost was 2.0% higher in July compared to the 2.1% fall in the preceding month, as car prices picked up following the rise in COE premiums in June and the implementation of a new surcharge on some cars under the Carbon Emissions-based Vehicle Scheme (CEVS).¹ Petrol pump prices also rose in line with the recent uptrend in global oil prices.

Accommodation cost increased at a slower pace of 2.6% in July from 4.8% in June as a result of the disbursement of Service & Conservancy Charges (S&CC) rebates for HDB households.² Imputed rentals on owner-occupied accommodation (OOA) also rose at a more moderate pace, reflecting softer conditions in the housing rental market.

Services inflation eased to 2.5% in July compared with 2.7% a month earlier, led by smaller increases in the cost of healthcare and household services.

Food prices rose by 2.1% in July, slightly stronger than the 2.0% in June, mainly on account of costlier non-cooked food items.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slightly faster pace of 1.3%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) picked up to 1.3% in July from 1.1% in the previous month, mainly due to higher contribution from private road transport cost.

MAS Core Inflation was lower at 1.6% in July

MAS Core Inflation, which excludes the costs of accommodation and private road transport, slowed to 1.6% in July from 1.7% in June as the moderation in services inflation more than offset the higher contribution from food prices.

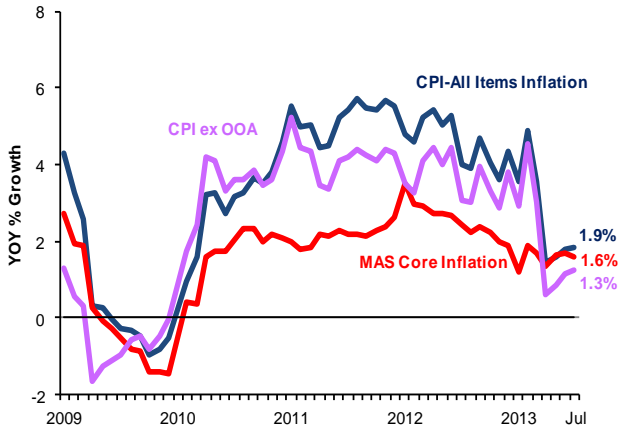
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for July 2013".³]

¹ Under the CEVS, new cars with carbon emissions equal to or more than 211g CO₂/km and registered wef 1 July 2013 will incur a registration surcharge of between \$5,000 and \$20,000.

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 July 2013, 1- and 2-room HDB households received a 1-month rebate while 3-, 4-, 5-room and Executive/Multi-generation HDB households received a 0.5-month rebate.

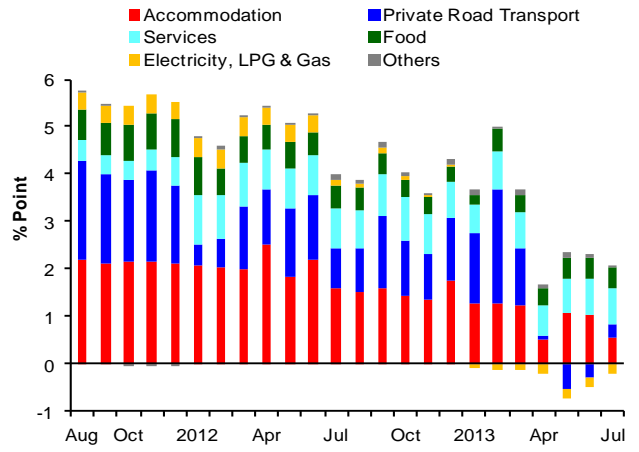
³ http://www.singstat.gov.sg/news/press_releases/cpijuly2013.pdf

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



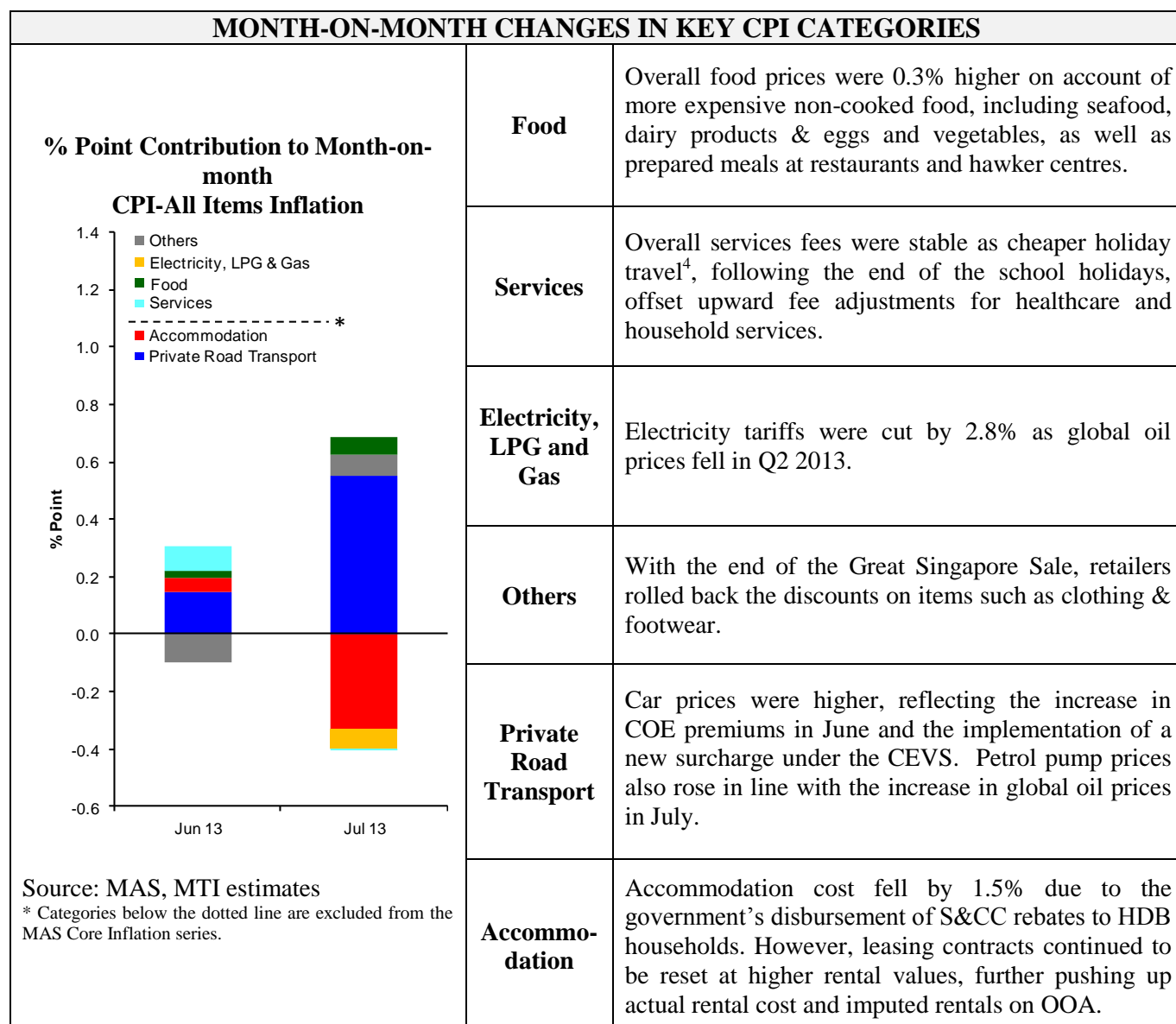
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, both CPI-All Items inflation and MAS Core Inflation edged up by 0.1% point to 0.3% and 0.1% respectively in July.



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
↑ Private road transport	11.7	3.9	↓ Fuel & utilities	3.6	-1.8
↑ Clothing & Footwear	3.4	2.3	↓ Other travel & transport ^	0.2	-1.6
↑ Seafood	1.3	1.6	↓ Accommodation	20.0	-1.5
↑ Proprietary medicine & supplies	1.1	1.1	↓ Hobbies & other miscellaneous expenditure	4.8	-1.1
↑ Cooking Oils & Fats	0.2	0.9	↓ Sugar, preserves & confectionery	0.3	-1.1
↑ Restaurant food	3.5	0.6	↓ Non-alcoholic beverages	0.4	-0.4
↑ Dairy Products & Eggs	1.0	0.6	↓ Household durables	1.9	-0.4
↑ Medical treatment	3.5	0.5	↓ Other food *	0.3	-0.3
↑ Dental treatment	0.5	0.4	↓ Alcoholic drinks & tobacco	1.4	-0.1
↑ Vegetables & vegetable products	1.1	0.4	↓ Personal effects	0.8	-0.05

^ 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

Overall imported inflation will remain generally subdued for the year. 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 OOA will likely continue to increase at a slower pace over the rest of the year as more housing units come on-stream. Car prices are significantly lower than in Q1 following the introduction of the various motor vehicle-related policy measures, although they have picked up more recently. For 2013, CPI-All Items inflation is expected to be 2-3%. Imputed rentals on OOA will account for one-third of overall inflation this year, while services and food will add about a quarter and a fifth respectively.

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 July 2013” (http://www.singstat.gov.sg/news/press_releases/cpijuly2013.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 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
May	1.6	2.0	1.1	3.3	-2.8	-1.4	2.9	4.2	2.8	114.6
Jun	1.8	2.0	0.6	3.0	-1.6	-1.4	2.9	4.3	3.0	115.2
Jul	1.9	2.1	-	1.3	1.7	-1.6	2.9	4.0	2.7	115.1

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 Jun	5.3	2.7	4.4	-1.8	-14.9	-13.8
Jul	4.0	2.4	3.0	-1.3	-11.8	-10.8
Aug	3.9	2.2	3.0	1.4	-11.6	3.0
Sep	4.7	2.4	3.9	-0.2	-8.1	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	4.2	-2.1
Feb	4.9	1.9	4.6	-4.3	1.7	-4.0
Mar	3.5	1.7	3.0	-6.3	-2.2	-13.4
Apr	1.5	1.4	0.6	-7.1	-3.3	-14.6
May	1.6	1.7	0.8	-4.7	0.5	-6.9
Jun	1.8	1.7	1.1	-1.0	2.0	7.5
Jul	1.9	1.6	1.3	N.A.	-2.2	4.9

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