

## Consumer Price Developments in September 2013

### *CPI-All Items inflation was lower at 1.6% y-o-y in September*

CPI-All Items inflation eased to 1.6% in September from 2.0% in August, largely on account of the decline in private road transport cost.

Private road transport cost fell by 2.0% after rising marginally by 0.1% in August. The correction in car prices was due to the high base a year ago, and more than offset the increase in petrol pump prices.

Accommodation cost went up by 3.9%, slightly lower than the 4.2% rise in August. This largely reflected a smaller increase in market rentals for both private and HDB properties.

Services inflation was stable at 2.7%, as the stronger pickup in the cost of recreation & entertainment and holiday travel was offset by lower contributions from education and household services fees.

Food inflation was 2.4% in September, similar to the preceding month. While non-cooked food prices rose at a slightly faster pace compared to the increase a month earlier, the pickup in fast food meal prices was more modest.

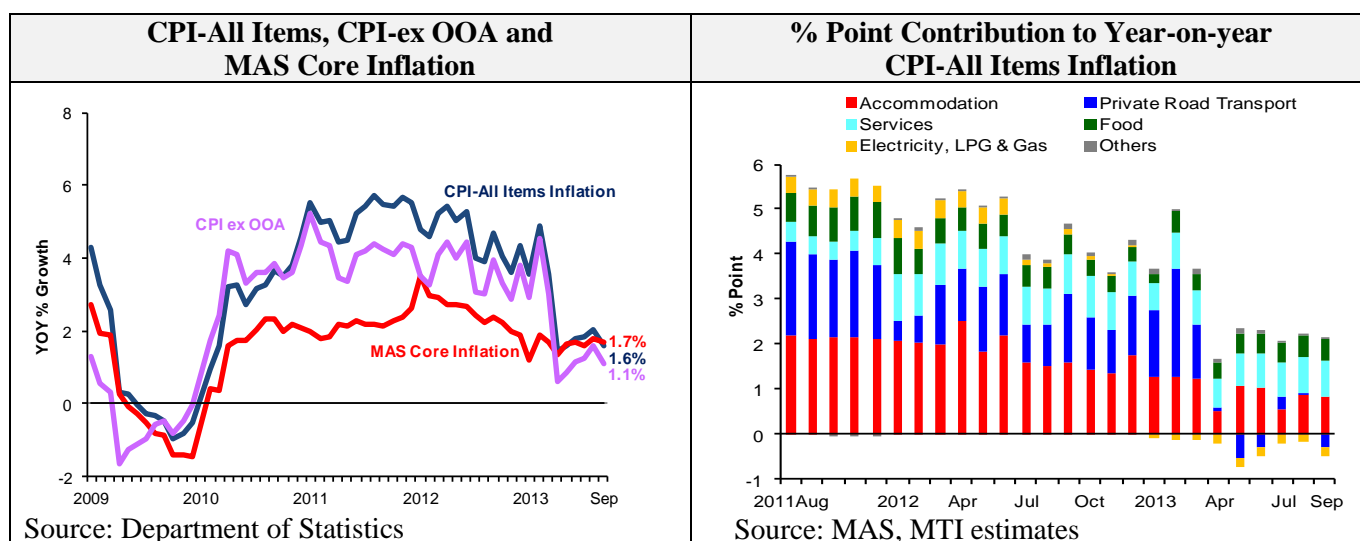
### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 1.1%*

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) fell to 1.1% in September from 1.6% in August, largely as a result of the decline in private road transport cost.

### *MAS Core Inflation eased to 1.7% in September*

MAS Core Inflation, which excludes the costs of accommodation and private road transport, was slightly lower at 1.7% in September compared to 1.8% in the preceding month.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for September 2013".<sup>1</sup> ]



<sup>1</sup> [http://www.singstat.gov.sg/news/press\\_releases/cpisep2013.pdf](http://www.singstat.gov.sg/news/press_releases/cpisep2013.pdf)

**On a month-on-month basis, CPI-All Items increased by 0.1% in September, following a 0.8% rise in August. MAS Core Inflation was 0% compared to 0.5% in the previous 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>	Overall services cost rose by a modest 0.1% as a result of more expensive holiday travel.
	<b>Food</b>	Food prices were up by 0.1% on account of pricier non-cooked food items, including meat & poultry and rice & other cereals.
	<b>Electricity, LPG and Gas</b>	LPG prices increased by 2.2%, as global oil prices were higher in recent months.
	<b>Others</b>	Retail items, such as clothing & footwear and non-durable household goods, experienced price declines due to seasonal sales.
	<b>Private Road Transport</b>	Car prices were higher, reflecting the increase in COE premiums in August.
	<b>Accommodation</b>	Leasing contracts for residential properties continued to be reset at higher rental values, pushing up both actual rental cost and imputed rentals on OOA. This resulted in a 0.2% rise 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
↑	Other food *	0.3	1.3	↓	Other travel & transport ^	0.2	-1.3
↑	Sugar, preserves & confectionery	0.3	0.9	↓	Clothing & Footwear	3.4	-1.3
↑	Hobbies & other miscellaneous expenditure	4.8	0.9	↓	Dairy Products & Eggs	1.0	-0.4
↑	Meat & Poultry	1.4	0.6	↓	Seafood	1.3	-0.3
↑	Private road transport	11.7	0.6	↓	Non-durable household goods	0.7	-0.3
↑	Fruits	0.9	0.3	↓	Proprietary medicine & supplies	1.1	-0.2
↑	Vegetables & vegetable products	1.1	0.3	↓	Cooking Oils & Fats	0.2	-0.2
↑	Recreation & entertainment	3.2	0.3	↓	Non-alcoholic beverages	0.4	-0.1
↑	Rice & other cereals	1.7	0.2	↓	Personal care	2.2	-0.1
↑	Accommodation	20.0	0.2	↓	Communication	4.8	-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**

Overall imported inflation is expected to remain subdued, given spare production capacity in the advanced economies and ample supply buffers in the commodity markets. However, the pass-through of domestic costs to prices of consumer services could intensify as a result of the rising cost pressures that firms are facing from business rentals, COE premiums for commercial vehicles, and labour costs. Taking these factors into account, MAS Core Inflation is expected to rise over the next few quarters, and average 1.5-2% in 2013 and 2-3% in 2014.

Imputed rentals on OOA will increase at a slower pace, given the greater supply of housing coming on stream. COE premiums could continue to rise in the short term as the market adjusts to the pending re-categorisation of COEs, although the increases are unlikely to be sustained at the same pace. CPI-All Items inflation is projected to come in at 2.5-3% in 2013 and 2-3% in 2014.

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.<sup>2</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>2</sup> See DOS’ “Singapore Consumer Price Index for September 2013” ([http://www.singstat.gov.sg/news/press\\_releases/cpisep2013.pdf](http://www.singstat.gov.sg/news/press_releases/cpisep2013.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 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	0.0	1.3	1.7	-1.6	2.9	4.0	2.7	115.1
Aug	2.0	2.4	-0.3	2.6	0.2	-1.7	3.3	3.9	3.1	115.8
Sep	1.6	2.4	-1.5	2.3	-1.5	-1.9	3.3	4.0	3.1	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 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	-0.9	2.0	7.5
Jul	1.9	1.6	1.3	-0.6	-2.1	4.9
Aug	2.0	1.8	1.6	-1.5	-1.8	-1.8
Sep	1.6	1.7	1.1	N.A.	-4.5	-1.8

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