



Consumer Price Developments in December 2013

CPI-All Items inflation slowed to 1.5% y-o-y in December

CPI-All Items inflation fell to 1.5% in December from 2.6% in the preceding month, mainly reflecting the decline in private road transport cost.

Private road transport cost decreased by 2.8% in December, following the 3.4% rise in November, on account of lower COE premiums. The recent weakness in car COE premiums partly reflected a high base as premiums surged in the same period one year earlier.

Accommodation cost rose by 2.9% compared to the 3.3% increase in the previous month, as housing rentals edged up at a slower pace on a year ago basis. Imputed rentals on owner-occupied accommodation (OOA) contributed 0.5% point to overall inflation, down slightly from 0.6% point in November.

Food inflation inched up to 2.7% from 2.6% in November due to a slightly faster pickup in non-cooked food prices.

Services inflation was stable at 2.8% as smaller increases in the cost of holiday travel and household services were offset by higher contributions from telecommunications and medical treatment costs.

For the whole of 2013, CPI-All Items inflation averaged 2.4%, sharply lower than the 4.6% in 2012.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 1.2%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) moderated to 1.2% in December from 2.4% in the previous month, largely as a result of the fall in private road transport cost.

CPI less imputed rentals on OOA inflation was 1.9% in 2013, down from 3.6% in 2012.

MAS Core Inflation moderated to 2.0% in December

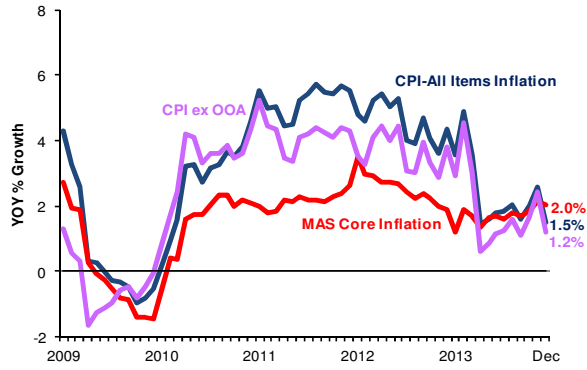
MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased to 2.0% in December from 2.1% a month ago due to cheaper retail items such as clothing & footwear.

For the whole of 2013, MAS Core Inflation came in at 1.7% compared to 2.5% in 2012.

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

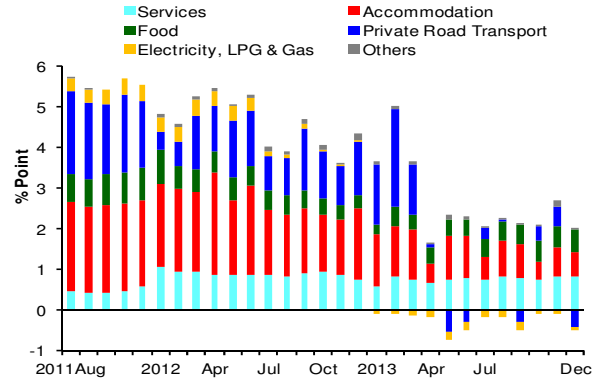
¹ http://www.singstat.gov.sg/news/press_releases/cpidec2013.pdf

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 declined by 0.3% in December, following a 0.7% rise in November. MAS Core Inflation was 0.1% compared to 0.3% 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>	Food	Food prices rose by 0.3%, mainly on account of more expensive non-cooked food items, including seafood and vegetables.
	Services	Overall services fees edged up by 0.2%, mostly due to pricier holiday travel during the school holidays.
	Electricity, LPG and Gas	The price of liquefied petroleum gas climbed by 11.8%, reflecting the earlier increase in global oil prices.
	Others	Retail items, such as clothing & footwear, personal effects and household durables, were slightly cheaper in December owing to seasonal sales.
	Accommodation	Accommodation cost was marginally lower compared to November as the housing rental market softened.
	Private Road Transport	Private road transport cost fell by 2.5%, as the decline in COE premiums more than offset the increase in petrol pump prices.

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 %		Sub-Group	Weight (%)	M-o-M %
↑	Vegetables & vegetable products	1.1	3.1	↓	Personal effects #	0.8	-3.1
↑	Seafood	1.3	1.3	↓	Private road transport	11.7	-2.5
↑	Hobbies & other miscellaneous expenditure *	4.8	1.2	↓	Clothing & Footwear	3.4	-1.8
↑	Other travel & transport ^	0.2	1.2	↓	Cooking Oils & Fats	0.2	-1.0
↑	Fast food	0.8	1.1	↓	Communication	4.8	-0.7
↑	Non-alcoholic beverages	0.4	0.6	↓	Meat & Poultry	1.4	-0.5
↑	Fuel & utilities	3.6	0.6	↓	Other food ~	0.3	-0.4
↑	Medical treatment	3.5	0.4	↓	Dairy Products & Eggs	1.0	-0.4
↑	Non-durable household goods	0.7	0.4	↓	Household durables	1.9	-0.4
↑	Fruits	0.9	0.3	↓	Recreation & entertainment	3.2	-0.2

* Holiday travel is subsumed under the "hobbies & other miscellaneous expenditure" sub-group.

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

The "personal effects" sub-group includes leather & travel goods and "accessories" such as watches and costume jewellery

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

Outlook

Overall imported inflation is expected to remain subdued because of 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 firms face rising cost pressures from higher rentals and wages. Taking these factors into account, MAS Core Inflation is expected to rise over the next few quarters and average 2-3% in 2014.²

Imputed rentals on OOA will increase at a slower pace as more housing supply come into the market. COE premiums could continue to be volatile in the short term as the market adjusts to the changes in the COE system. Taking these into account, CPI-All Items inflation is projected to come in at 2-3% in 2014.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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² MAS Core Inflation is expected to be higher in January 2014 reflecting also the seasonal rise in food prices associated with the Chinese New Year. Notably, the Chinese New Year fell in February last year but will be in January this 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.³

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.

³ See DOS’ “Singapore Consumer Price Index for December 2013” (http://www.singstat.gov.sg/news/press_releases/cpidec2013.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 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
Oct	2.0	2.5	-1.0	1.1	2.3	-1.5	3.5	3.7	2.6	116.4
Nov	2.6	2.6	2.1	2.3	2.9	-1.5	3.5	3.6	3.1	117.2
Dec	1.5	2.7	-0.1	2.0	-2.1	-0.9	3.5	3.8	2.7	116.9

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 Nov	3.6	2.0	2.9	-5.9	0.2	-2.9
Dec	4.3	1.9	3.8	-5.7	4.5	-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	1.7	-4.0
Mar	3.5	1.7	3.0	-6.3	-2.2	-13.4
Apr	1.5	1.4	0.6	-7.1	-3.1	-14.6
May	1.6	1.7	0.8	-4.7	0.6	-6.9
Jun	1.8	1.7	1.1	-0.9	2.3	7.5
Jul	1.9	1.6	1.3	-0.6	-2.1	4.9
Aug	2.0	1.8	1.6	-1.5	-1.7	-1.8
Sep	1.6	1.7	1.1	-2.0	-4.5	-1.8
Oct	2.0	1.8	1.6	-1.4	-3.1	-1.5
Nov	2.6	2.1	2.4	0.3	-2.7	-1.8
Dec	1.5	2.0	1.2	N.A.	-3.3	1.2

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available