



Consumer Price Developments in January 2014

CPI-All Items inflation came in slightly lower at 1.4% y-o-y in January

CPI-All Items inflation inched down to 1.4% in January 2014 from 1.5% in December 2013, on account of a more moderate increase in accommodation cost and a larger decline in private road transport cost.

Accommodation cost rose by 2.4%, compared with 2.9% in the previous month, as imputed rentals on owner-occupied accommodation (OOA) edged up at a slower pace.

Private road transport cost fell by 3.5% in January, following the 2.8% drop in December, due to lower COE premiums at the end of 2013.

Services inflation was slightly higher at 2.9%, compared with 2.8% in the preceding month, led by a stronger increase in holiday travel cost and pre-school fees.

Food inflation edged up to 3.0% from 2.7% in December. This mainly reflected the seasonal uptick in food prices during Chinese New Year.¹

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) was stable at 1.2%

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) was unchanged at 1.2% as the decline in private road transport cost was offset by the stronger rise in services fees and food prices.

MAS Core Inflation increased to 2.2% in January

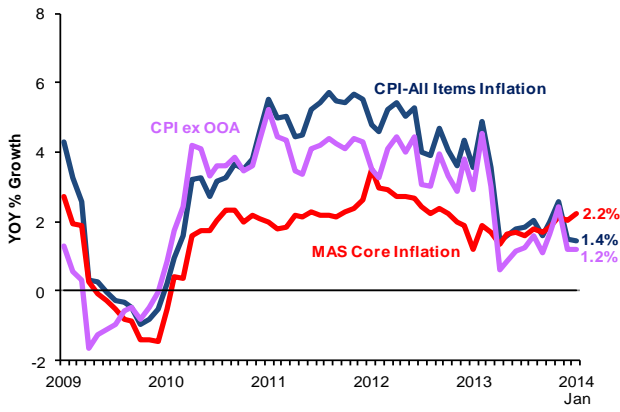
MAS Core Inflation, which excludes the costs of accommodation and private road transport, edged up to 2.2% from 2.0% a month ago due to higher contributions from services and food prices.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for January 2014".²]

¹ As the Chinese New Year fell in January 2014 but February last year, the seasonal pickup in food prices in January 2014 was compounded by the low base last year.

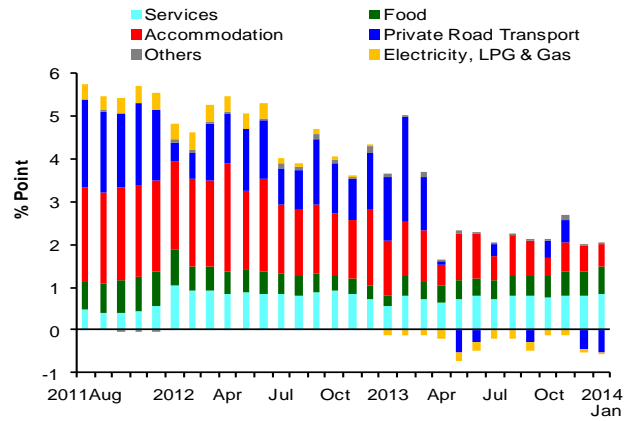
² http://www.singstat.gov.sg/news/press_releases/cpijan2014.pdf

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 rose by 0.1% in January following a 0.3% decline in December 2013. MAS Core Inflation was 0.4% 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>	Food	Food prices increased by 0.8% in January, mainly on account of more expensive non-cooked food items such as seafood and meat & poultry, as demand picked up during the Chinese New Year period.
	Services	Overall services fees were 0.4% higher. Fee increases for preschool education and healthcare were only partially offset by cheaper holiday travel as the school holidays came to an end.
	Electricity, LPG and Gas	Electricity tariffs fell by 1.6% due to lower fuel costs in Q4 2013.
	Others	Clothing & footwear were cheaper as a result of pre-Chinese New Year sales.
	Accommodation	Accommodation cost inched up on account of slightly higher imputed rentals on OOA.
	Private Road Transport	Private road transport cost fell by 0.9% 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 %
↑	Seafood	1.3	8.4	↓	Other travel & transport ^	0.2	-4.4
↑	Dental treatment	0.5	2.1	↓	Hobbies & other miscellaneous expenditure *	4.8	-1.3
↑	Tuition & other fees	6.0	1.5	↓	Fuel & utilities	3.6	-1.3
↑	Recreation & entertainment	3.2	1.4	↓	Cooking Oils & Fats	0.2	-1.2
↑	Personal effects #	0.8	1.3	↓	Private road transport	11.7	-0.9
↑	Meat & Poultry	1.4	0.8	↓	Clothing & Footwear	3.4	-0.6
↑	Medical treatment	3.5	0.6	↓	Non-alcoholic beverages	0.4	-0.5
↑	Dairy Products & Eggs	1.0	0.6	↓	Proprietary medicine & supplies	1.1	-0.5
↑	Fruits	0.9	0.5	↓	Other food ~	0.3	-0.2
↑	Public road transport	3.7	0.5	↓	Non-durable household goods	0.7	-0.2

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

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

* Holiday travel is subsumed under "hobbies & other miscellaneous expenditure".

~ 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 wages. Taking these factors into account, MAS Core Inflation is expected to rise over the next few quarters and average 2-3% in 2014.

Imputed rentals on OOA will increase at a slower pace as more housing supply comes into the market. COE premiums could continue to be volatile in the short term as the market adjusts to changes in the COE system. CPI-All Items inflation is projected to come in at 2-3% in 2014.³

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24 February 2014

³ CPI-All Items inflation is expected to be lower in February 2014. This is due to the significantly higher base in February last year when COE premiums surged and food prices rose on account of Chinese New 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.⁴

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.

⁴ See DOS’ “Singapore Consumer Price Index for January 2014” (http://www.singstat.gov.sg/news/press_releases/cpijan2014.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 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	116.2
Mar	3.5	1.8	1.4	4.1	6.9	-1.1	3.5	3.9	2.6	115.8
Apr	1.5	1.8	-0.1	1.1	0.5	-1.3	2.9	3.4	2.4	114.8
May	1.6	2.0	1.1	3.3	-2.8	-1.4	2.9	4.2	2.8	114.5
Jun	1.8	2.0	0.6	3.0	-1.6	-1.4	2.9	4.3	3.0	114.7
Jul	1.9	2.1	0.0	1.3	1.7	-1.6	2.9	4.0	2.7	115.5
Aug	2.0	2.4	-0.3	2.6	0.2	-1.7	3.3	3.9	3.1	116.0
Sep	1.6	2.4	-1.5	2.3	-1.5	-1.9	3.3	4.0	3.1	116.1
Oct	2.0	2.5	-1.0	1.1	2.3	-1.5	3.5	3.7	2.6	116.8
Nov	2.6	2.6	2.1	2.3	2.9	-1.5	3.5	3.6	3.1	117.1
Dec	1.5	2.7	-0.1	2.0	-2.1	-0.9	3.5	3.8	2.7	116.8
2014 Jan	1.4	3.0	-0.1	1.8	-2.7	-0.5	2.9	3.9	2.9	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 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	1.8	-3.2	1.2
2014 Jan	1.4	2.2	1.2	N.A.	-6.3	-4.0

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