



Consumer Price Developments in February 2014

CPI-All Items inflation came in lower at 0.4% y-o-y in February

CPI-All Items inflation fell to 0.4% in February from 1.4% in January. This decline had been anticipated in the January inflation report and largely reflected the higher base in February last year.

Private road transport cost saw a sharper fall of 7.1% in February, after decreasing by 3.5% in January. This was mainly attributed to base effects arising from the surge in COE premiums in January 2013¹, as well as the dip in petrol pump prices.

Food inflation was 2.3% in February, down from 3.0% a month earlier, due to the correction in non-cooked food prices after the Chinese New Year as well as the high base last year.²

Services fees rose at a slower pace of 2.1% in February compared to 2.9% in the preceding month, led by a more moderate increase in the cost of household services.³

Accommodation cost increased by 2.0%, lower than the 2.4% rise in January, as imputed rentals on owner-occupied accommodation (OOA) edged up more gradually.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) was flat

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) came in at 0% in February, down from 1.2% a month earlier, given the decline in private road transport cost as well as the easing of food and services inflation.

MAS Core Inflation eased to 1.6% in February

MAS Core Inflation, which excludes the costs of accommodation and private road transport, fell to 1.6% from 2.2% a month ago due to the lower contributions from costs of food and services.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for February 2014".⁴]

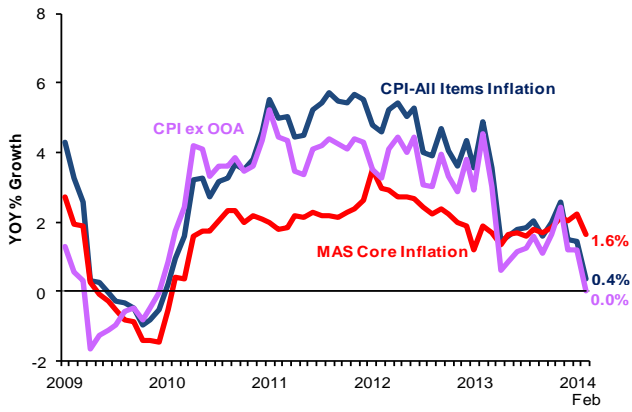
¹ COE premiums in a particular month are reflected in the CPI for private road transport cost in the following month.

² Prices of non-cooked food rose sharply during the Chinese New Year in February last year.

³ The base for household services cost was high in February last year due to the new regulation on mandatory weekly rest day for foreign domestic workers.

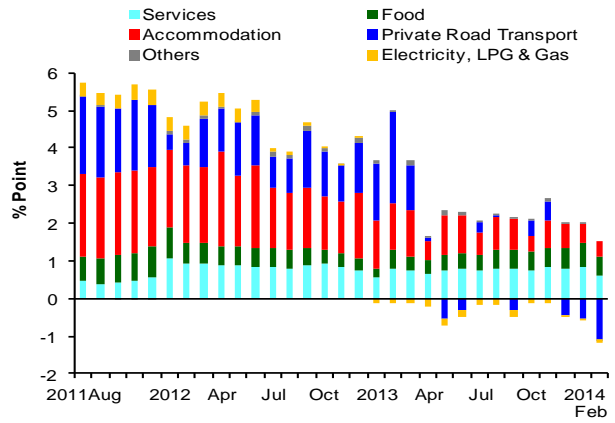
⁴ http://www.singstat.gov.sg/news/press_releases/cpifeb2014.pdf

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



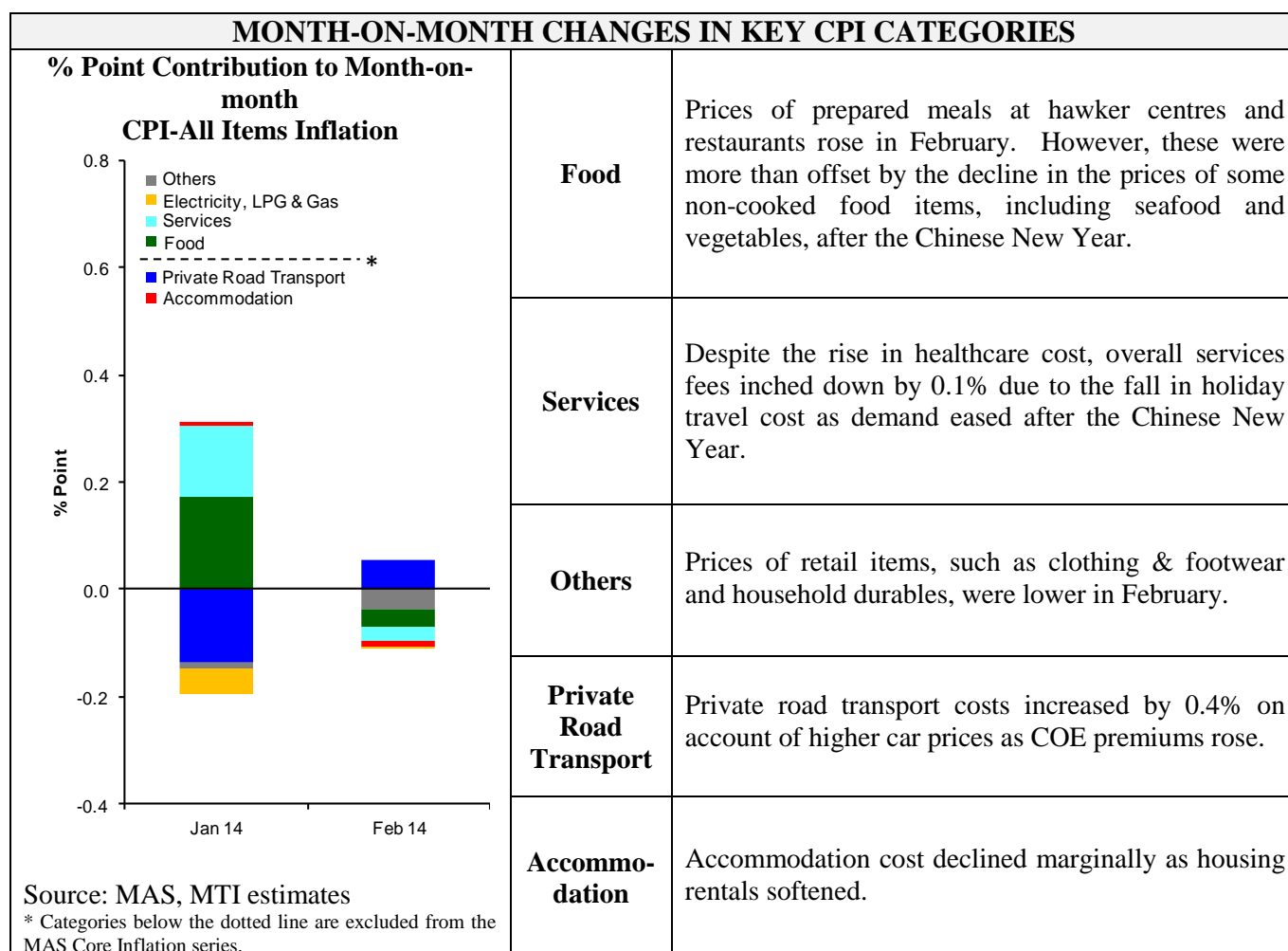
Source: Department of Statistics

% 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 0.1% in February mainly due to seasonal factors. MAS Core Inflation was -0.2%, compared to 0.4% in the previous month.



Price Movements (m-o-m) for Selected CPI Sub-categories

Sub-categories With Largest Price Increases				Sub-categories With Largest Price Declines			
	Sub-Group	Weight (%)	M-o-M %		Sub-Group	Weight (%)	M-o-M %
↑	Other travel & transport ^	0.2	3.3	↓	Seafood	1.3	-5.8
↑	Proprietary medicine & supplies	1.1	1.2	↓	Clothing & Footwear	3.4	-1.7
↑	Alcoholic drinks & tobacco	1.4	0.8	↓	Cooking Oils & Fats	0.2	-0.7
↑	Meat & Poultry	1.4	0.7	↓	Hobbies & other miscellaneous expenditure *	4.8	-0.6
↑	Hawker food (incl. food courts)	9.2	0.5	↓	Sugar, preserves & confectionery	0.3	-0.6
↑	Dairy Products & Eggs	1.0	0.4	↓	Personal care	2.2	-0.6
↑	Private road transport	11.7	0.4	↓	Vegetables & vegetable products	1.1	-0.5
↑	Fruits	0.9	0.3	↓	Household durables	1.9	-0.4
↑	Restaurant food	3.5	0.2	↓	Non-alcoholic beverages	0.4	-0.4
↑	Medical treatment	3.5	0.2	↓	Fuel & utilities	3.6	-0.2

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

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

Outlook

Overall imported inflation is expected to remain generally subdued as a result of spare production capacity in the advanced economies and ample supply buffers in the commodity markets. However, domestic costs could pass through more significantly to prices of consumer services 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. For 2014, CPI-All Items inflation is projected to come in at 2-3%.⁵

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⁵ CPI-All Items inflation is expected to rise over the next few months due to base effects associated with the fluctuations in COE premiums. Notably, COE premiums rose significantly in end 2012 and early 2013, but started to correct in February last year and remained relatively low up to May 2013.

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.⁶

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.

⁶ See DOS’ “Singapore Consumer Price Index for February 2014” (http://www.singstat.gov.sg/news/press_releases/cpifeb2014.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)
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	-	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
Feb	0.4	2.3	-1.7	1.5	-5.6	-0.5	2.9	4.0	1.5	117.0

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					
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	-3.0	1.2
2014 Jan	1.4	2.2	1.2	0.3	-6.0	-4.0
Feb	0.4	1.6	-	N.A.	-5.5	-6.5

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