



## Consumer Price Developments in March 2014

### *CPI-All Items inflation rose to 1.2% y-o-y in March*

CPI-All Items inflation picked up to 1.2% in March from 0.4% in February, mainly on account of a smaller fall in car prices. Contributions from all other major categories, except accommodation, were also slightly higher.

The cost of private road transport fell by 2.8% in March, compared with the 7.1% correction in the preceding month. The smaller decline reflects the dissipation of high base effects of car prices a year ago.<sup>1</sup>

Accommodation cost rose by 1.7% in March, after increasing by 2.0% in February, as imputed rentals on owner-occupied accommodation (OOA) inched up at a slower pace.

Services inflation edged up to 2.4%, from 2.1% in February, led by the stronger increase in the cost of household services and holiday travel.

Food inflation was 2.9% in March, higher than the 2.3% in February, mainly as a result of the dissipation of the base effects associated with Chinese New Year.<sup>2</sup> The price increase for non-cooked food was steeper at 2.9% in March compared with 1.4% in the preceding month.

Prices of oil-related items fell modestly by 0.3% in March, following the 1.8% decline in February, as the lower electricity and gas tariffs were partially offset by the rise in petrol pump prices.

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

Inflation as measured by CPI less imputed rentals on OOA (CPI-ex OOA) increased to 1.1% from 0% in February, given the smaller decline in the prices of cars and oil-related items, as well as higher food and services inflation.

### *MAS Core Inflation was higher at 2.0% in March*

MAS Core Inflation, which excludes the cost of accommodation and private road transport, rose to 2.0% from 1.6% a month ago, mainly on account of higher contributions from food prices and services costs.

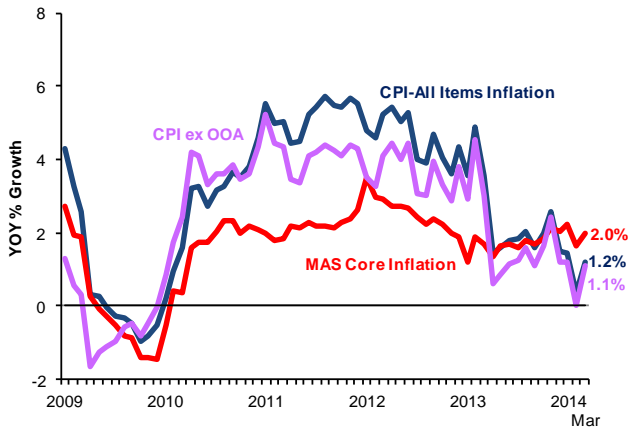
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for March 2014".<sup>3</sup> ]

<sup>1</sup> COE premiums rose significantly in end 2012 and early 2013, but fell in February 2013. COE premiums in a particular month are reflected in the CPI for private road transport cost in the following month.

<sup>2</sup> Compared with March 2014, year-on-year food inflation was lower in February 2014, as prices of non-cooked food had risen sharply in February 2013 due to the Chinese New Year.

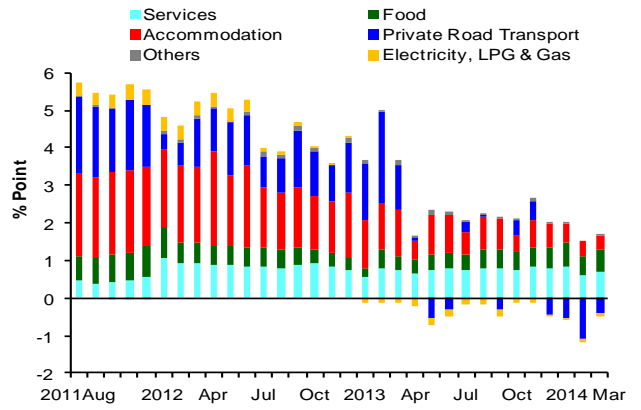
<sup>3</sup> [http://www.singstat.gov.sg/news/press\\_releases/cpimar2014.pdf](http://www.singstat.gov.sg/news/press_releases/cpimar2014.pdf)

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



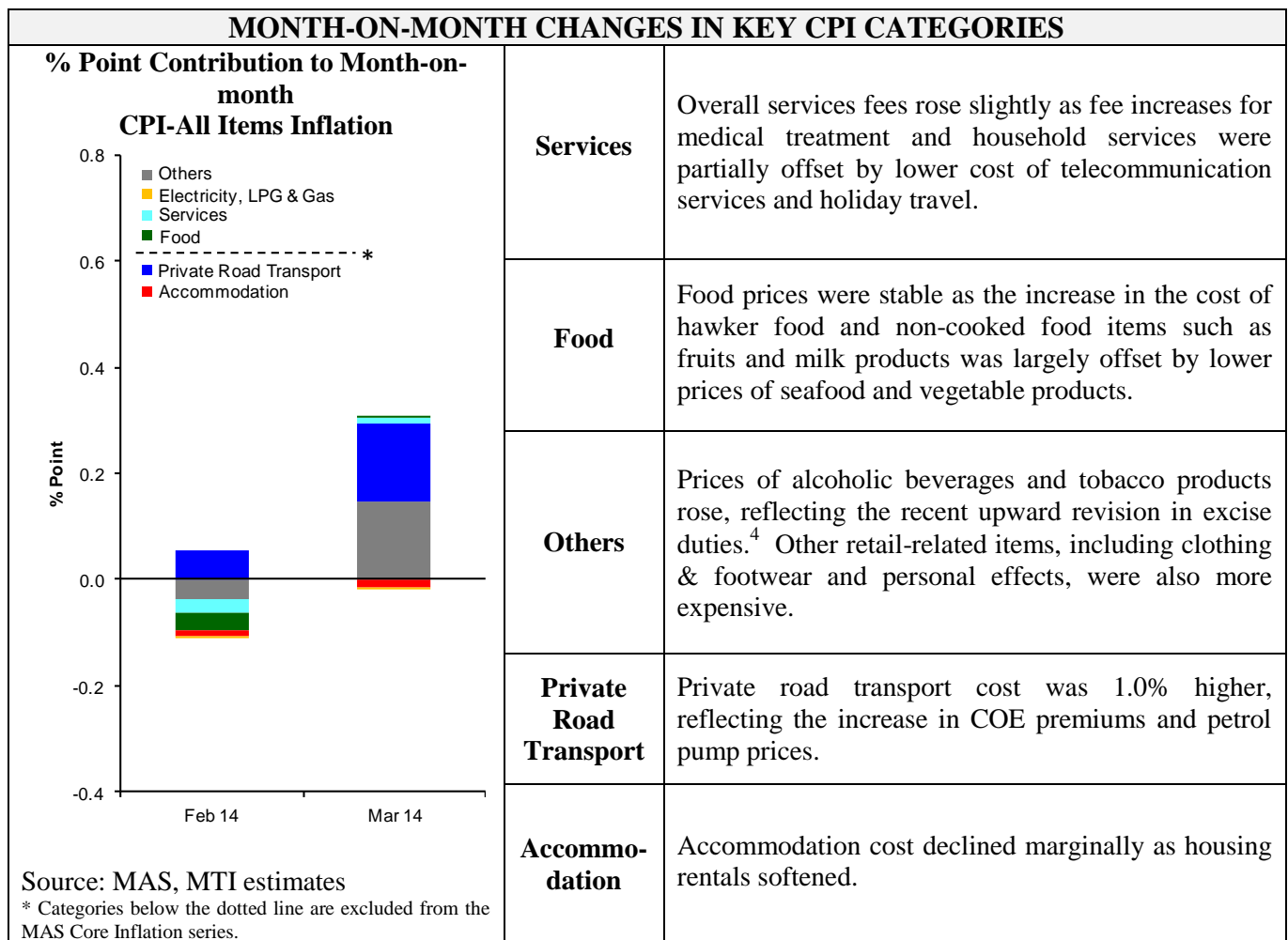
Source: Department of Statistics

**% 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 0.3% following a 0.1% decline in February. MAS Core Inflation was 0.2% compared to -0.2% 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 % |
| ↑   | Alcoholic drinks & tobacco | 1.4        | 3.7     | ↓  | Seafood                                     | 1.3        | -3.1    |
| ↑   | Clothing & Footwear        | 3.4        | 2.7     | ↓  | Other travel & transport ^                  | 0.2        | -3.1    |
| ↑   | Fruits                     | 0.9        | 2.7     | ↓  | Vegetables & vegetable products             | 1.1        | -0.4    |
| ↑   | Personal effects #         | 0.8        | 2.4     | ↓  | Proprietary medicine & supplies             | 1.1        | -0.3    |
| ↑   | Cooking Oils & Fats        | 0.2        | 1.4     | ↓  | Meat & Poultry                              | 1.4        | -0.3    |
| ↑   | Private road transport     | 11.7       | 1.0     | ↓  | Communication                               | 4.8        | -0.3    |
| ↑   | Household durables         | 1.9        | 0.8     | ↓  | Restaurant food                             | 3.5        | -0.1    |
| ↑   | Dairy Products & Eggs      | 1.0        | 0.8     | ↓  | Hobbies & other miscellaneous expenditure * | 4.8        | -0.1    |
| ↑   | Other food ~               | 0.3        | 0.7     | ↓  | Fuel & utilities                            | 3.6        | -0.1    |
| ↑   | Non-alcoholic beverages    | 0.4        | 0.4     | ↓  | Accommodation                               | 20.0       | -0.1    |

# 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.

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

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

<sup>4</sup> On 21 February 2014, excise duties for all types of liquor rose by 25% while those for cigarette and manufactured tobacco products increased by 10%.

## **Outlook**

External price developments should be relatively benign for the rest of the year, given the ample supply buffers in major commodity markets and modest inflation in most of Singapore's key import source countries. Domestic cost pressures, particularly stemming from a tight labour market, are likely to remain the primary source of inflation. Taking these factors into account, MAS Core Inflation is expected to stay elevated at 2–3% in 2014.

CPI-All Items inflation will rise in the coming months due to the low base a year ago when COE premiums fell, but it should ease in the second half of 2014. For the whole year, car prices are likely to add negligibly to inflation. Given the large supply of newly-completed housing units, imputed rentals on owner-occupied accommodation are expected to stabilise in 2014. CPI-All Items inflation is projected to come in at 1.5–2.5% 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>5</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>5</sup> See DOS’ “Singapore Consumer Price Index for March 2014” ([http://www.singstat.gov.sg/news/press\\_releases/cpimar2014.pdf](http://www.singstat.gov.sg/news/press_releases/cpimar2014.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” ([http://www.mas.gov.sg/~media/resource/publications/staff\\_papers/StaffPaperNo51.pdf](http://www.mas.gov.sg/~media/resource/publications/staff_papers/StaffPaperNo51.pdf)).

**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 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            |
| Mar      | 1.2          | 2.9  | -1.9                | 1.2     | -2.1      | -0.9  | 2.9                     | 3.4         | 2.5                 | 117.4            |

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 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                            | 0.3                | -6.3                         | -4.0           |
| Feb      | 0.4          | 1.6                | -                              | -1.1               | -5.8                         | -6.5           |
| Mar      | 1.2          | 2.0                | 1.1                            | N.A.               | -1.4                         | -2.2           |

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