



Consumer Price Developments in May 2014

CPI-All Items inflation rose to 2.7% y-o-y in May

CPI-All Items inflation picked up to 2.7% in May from 2.5% in April, due to base effects associated with the fluctuations in COE premiums. Price increases for all other major categories moderated slightly during the month.

Private road transport cost climbed by 8.1% in May, stronger than the 5.7% rise in the preceding month, mainly on account of the low base in May 2013.¹ Petrol pump prices also edged up at a faster pace than in April.

Accommodation cost rose by 0.9% compared to 1.1% in April, due to a slower pace of increase in imputed rentals on owner-occupied accommodation (OOA).

Services inflation edged down to 2.5% from 2.7% in April, as holiday travel cost and health insurance premiums rose more moderately.

Food inflation came in slightly lower at 3.0% in May compared to 3.1% in the previous month, reflecting a smaller increase in non-cooked food prices.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) increased at a faster pace of 3.1% in May

Inflation as measured by CPI less imputed rentals on OOA edged up to 3.1% in May from 2.9% in April, mainly reflecting the rise in private road transport cost.

MAS Core Inflation moderated to 2.2% in May

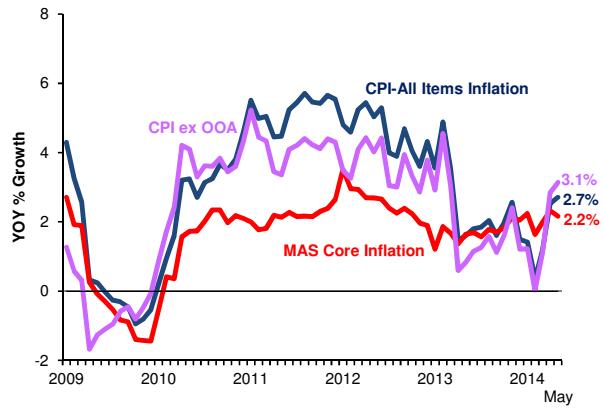
MAS Core Inflation, which excludes the cost of accommodation and private road transport, fell to 2.2% from 2.3% a month ago, due to lower contributions from services and food items.

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

¹ COE premiums fell sharply in March and April 2013 following the implementation of the financing restrictions on motor vehicle loans. Given that COE premiums in a particular month are reflected in the CPI in the subsequent month, these developments led to the decline in the CPI for private road transport in April and May 2013.

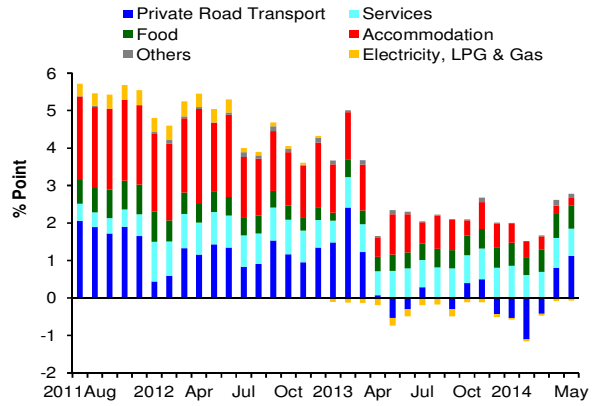
² http://www.singstat.gov.sg/news/press_releases/cpimay2014.pdf

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



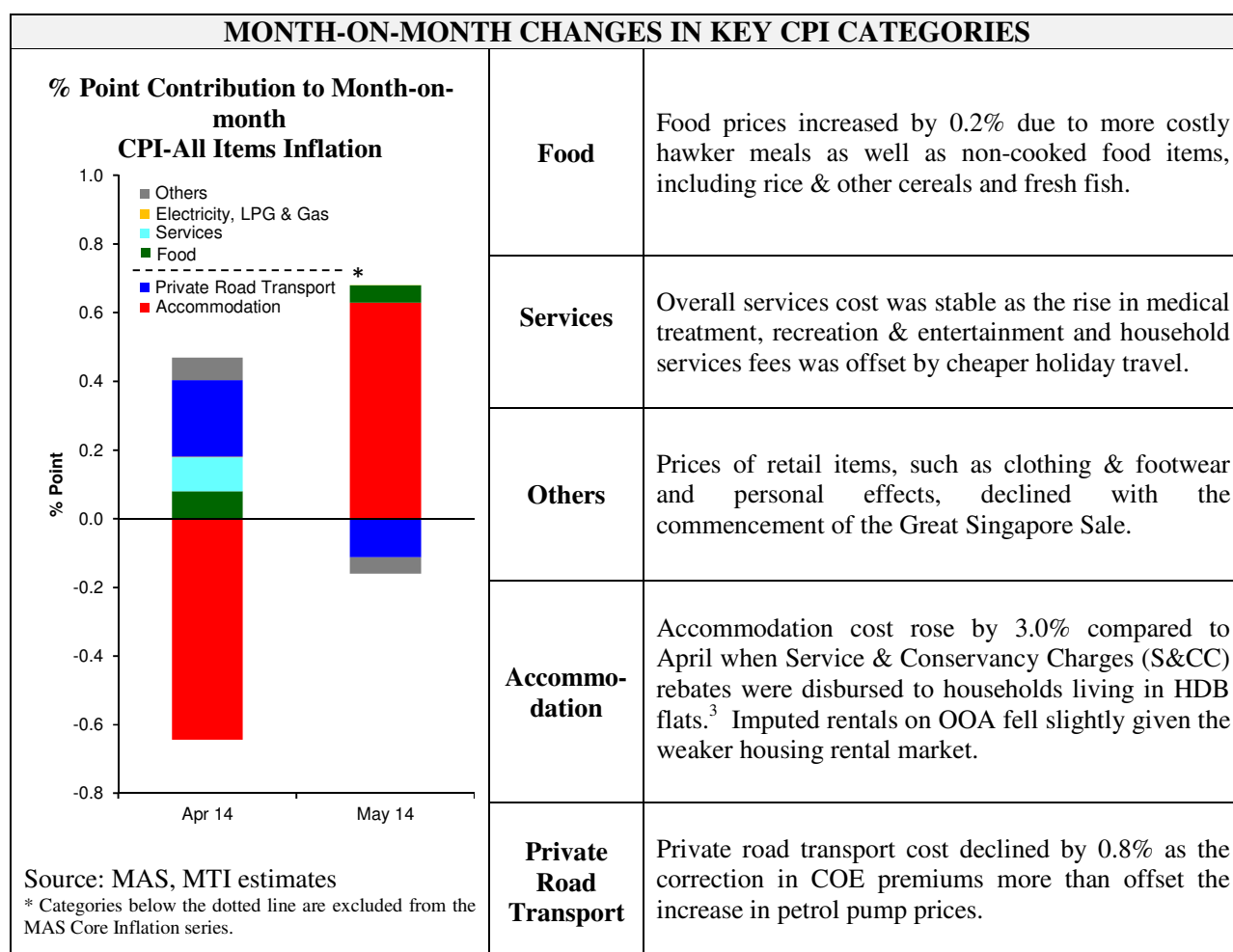
Source: Department of Statistics

% 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 0.5% in May following the 0.2% fall in April. MAS Core Inflation eased to 0% from 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 Price Declines or No Price Changes			
	Sub-Group	Weight (%)	M-o-M % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Accommodation	20.0	3.0	↓	Other travel & transport [^]	0.2	-1.9
↑	Sugar, preserves & confectionery	0.3	1.1	↓	Personal effects [#]	0.8	-1.7
↑	Dairy Products & Eggs	1.0	0.7	↓	Clothing & Footwear	3.4	-1.1
↑	Seafood	1.3	0.7	↓	Private road transport	11.7	-0.8
↑	Rice & other cereals	1.7	0.6	↓	Hobbies & other miscellaneous expenditure [*]	4.8	-0.7
↑	Meat & Poultry	1.4	0.5	↓	Vegetables & vegetable products	1.1	-0.5
↑	Cooking Oils & Fats	0.2	0.5	↓	Fruits	0.9	-0.5
↑	Medical treatment	3.5	0.5	↓	Proprietary medicine & supplies	1.1	-0.3
↑	Public road transport	3.7	0.3	↓	Personal care	2.2	-0.2
↑	Hawker food (incl. food courts)	9.2	0.3	-	Medical health insurance	0.8	0.0

[^] 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.

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

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As announced in Budget 2014, 1-, 2-, 3- and 4-room HDB households received a 1-month S&CC rebate in April 2014, while 5-room and Executive/Multi-Generation HDB households received a 0.5-month rebate. No rebates were disbursed in May 2014.

Outlook

External price developments should be relatively benign for the rest of the year, notwithstanding some pickup in global oil prices recently. Supply buffers in the major commodity markets continue to be ample and inflation in most of Singapore's key import source countries is expected to remain modest. 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 projected to stay elevated at 2–3% in 2014.

CPI-All Items inflation is expected to ease for the rest of 2014 with the dissipation of the base effect arising from the sharp correction in COE premiums in Q2 2013. 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 OOA should stabilise this year. 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.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 May 2014” (http://www.singstat.gov.sg/news/press_releases/cpimay2014.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).

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 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
Apr	2.5	3.1	0.6	0.7	5.0	-0.5	2.9	3.5	2.9	117.1
May	2.7	3.0	-0.2	0.5	6.9	-0.3	2.9	3.2	2.4	117.7

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 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	-5.7	-6.5
Mar	1.2	2.0	1.1	-0.5	-1.2	-2.2
Apr	2.5	2.3	2.9	0.7	1.5	3.2
May	2.7	2.2	3.1	N.A.	-1.0	4.8

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available