



Consumer Price Developments in June 2014

CPI-All Items inflation came in lower at 1.8% y-o-y in June

CPI-All Items inflation fell to 1.8% in June from 2.7% in May, mainly on account of a more moderate increase in car prices. Contributions from other major categories, except food, were also slightly lower.

Private road transport cost edged up by 2.8% in June, a smaller rise compared to the 8.1% surge a month earlier, largely due to the sharp correction in COE premiums in May.¹

Accommodation cost increased at a slower pace of 0.5% compared to 0.9% in May, as imputed rentals on owner-occupied accommodation (OOA) picked up more modestly.

Services inflation eased to 2.2% from 2.5% in the preceding month, owing to lower contributions from the cost of holiday travel, telecommunication and medical insurance.

Food inflation came in at 3.2%, higher than the 3.0% a month ago, reflecting steeper price increases of both non-cooked food items and prepared meals.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 2.2% in June

Inflation as measured by CPI less imputed rentals on OOA moderated to 2.2% in June from 3.1% in May, largely on account of the lower contribution from private road transport cost.

MAS Core Inflation eased to 2.1% in June

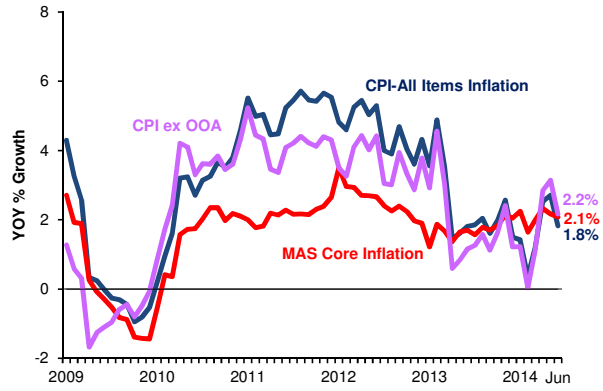
MAS Core Inflation, which excludes the cost of accommodation and private road transport, inched down to 2.1% in June from 2.2% a month ago, as the steeper increase in food prices was more than offset by the decline in services inflation.

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

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

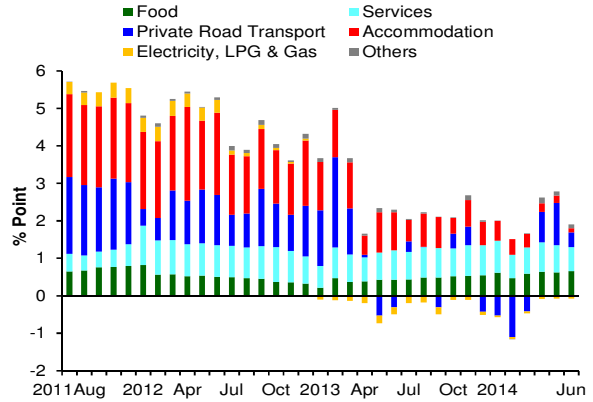
² http://www.singstat.gov.sg/news/press_releases/cpijun2014.pdf

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



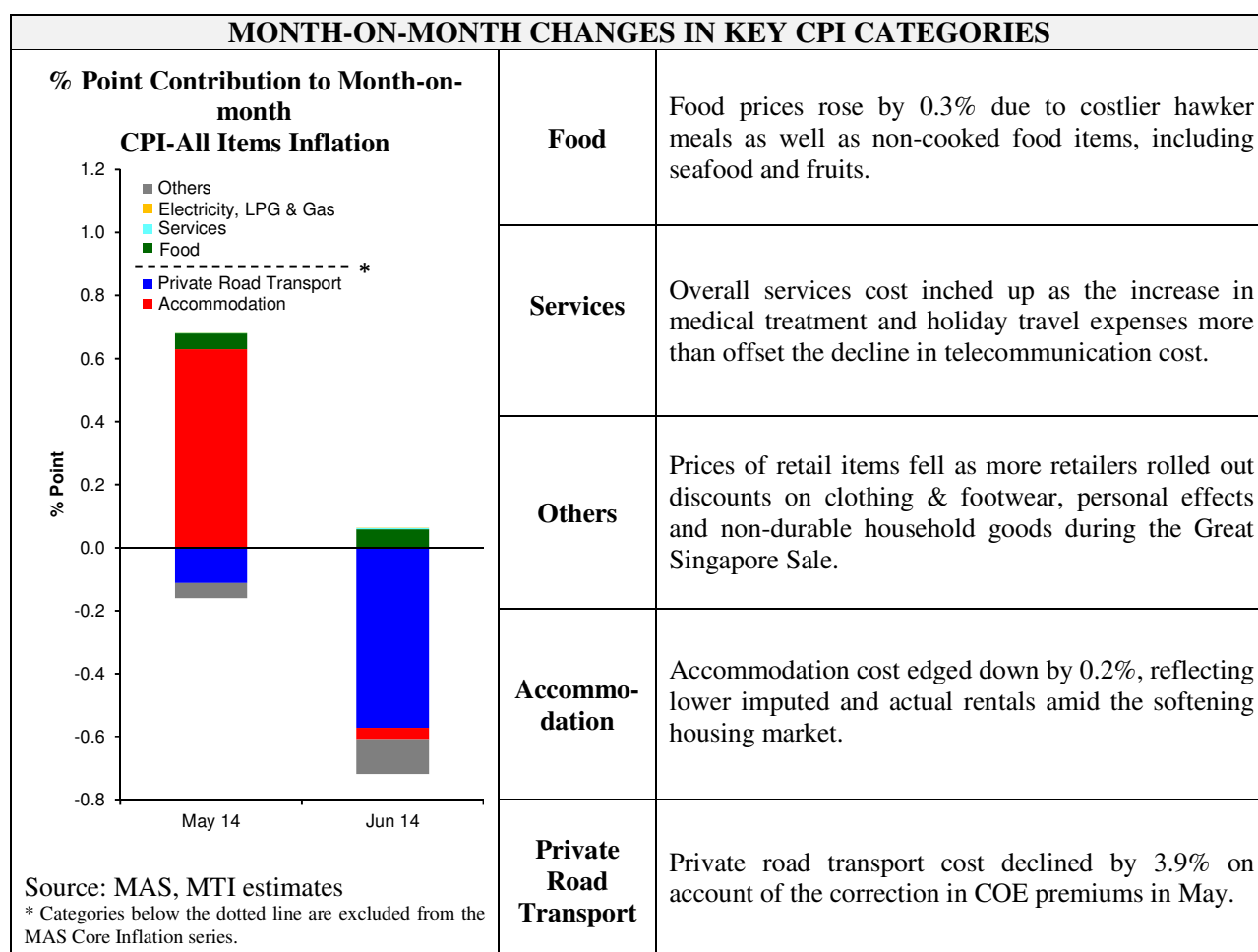
Source: Department of Statistics

% Point Contribution to Year-on-year CPI-All Items Inflation



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items fell by 0.7% in June following the 0.5% increase in May. MAS Core Inflation moderated to -0.1%, from 0% a month ago.



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 % Growth		Sub-Group	Weight (%)	M-o-M % Growth
↑	Seafood	1.3	1.2	↓	Private road transport	11.7	-3.9
↑	Non-alcoholic beverages	0.4	0.8	↓	Clothing & Footwear	3.4	-3.0
↑	Medical treatment	3.5	0.7	↓	Personal effects #	0.8	-1.7
↑	Hawker food (incl. food courts)	9.2	0.5	↓	Non-durable household goods	0.7	-1.1
↑	Fruits	0.9	0.4	↓	Communication	4.8	-0.5
↑	Other food ~	0.3	0.4	↓	Rice & other cereals	1.7	-0.5
↑	Fast food	0.8	0.4	↓	Other travel & transport ^	0.2	-0.3
↑	Hobbies & other miscellaneous expenditure *	4.8	0.3	↓	Dairy Products & Eggs	1.0	-0.3
↑	Sugar, preserves & confectionery	0.3	0.3	↓	Personal care	2.2	-0.3
↑	Alcoholic drinks & tobacco	1.4	0.1	↓	Proprietary medicine & supplies	1.1	-0.3

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

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

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.

Outlook

External price developments should be relatively benign for the rest of the year, notwithstanding some volatility 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 be 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 in the second half of 2014 due to lower imputed rentals on OOA and car prices. For the whole year, car prices are now projected to exert a slight drag on overall inflation, given the larger-than-expected increase in car COE quotas. Consequently, CPI-All Items inflation is expected to come in at the lower half of the 1.5–2.5% forecast range.

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.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 June 2014” (http://www.singstat.gov.sg/news/press_releases/cpijun2014.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 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
Jun	1.8	3.2	-0.5	0.2	2.7	-0.8	2.8	3.2	2.1	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					
2013 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	-4.6	-1.8
Oct	2.0	1.8	1.6	-1.4	-3.1	-1.5
Nov	2.6	2.1	2.4	0.3	-2.6	-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	-6.2	-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	1.2	3.2
May	2.7	2.2	3.1	0.9	-1.3	4.8
Jun	1.8	2.1	2.2	N.A.	-3.0	6.8

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available