

Consumer Price Developments in July 2014

CPI-All Items inflation came in lower at 1.2% y-o-y in July

CPI-All Items inflation eased to 1.2% in July from 1.8% in June, mainly due to lower private road transport cost.

Private road transport cost fell by 1.6% in July, following the 2.8% increase a month earlier. This mainly reflects the high base last year when COE premiums surged, while petrol pump prices also rose at a slower pace of 3.1%, compared to 6.4% a month ago.

Accommodation cost was largely unchanged, after edging up by 0.5% in the previous month, given the soft housing rental market.

Food inflation eased to 3.0% from 3.2% a month ago, on account of a more moderate rise in the prices of non-cooked food items and prepared meals.

Services inflation was higher at 2.5%, compared to 2.2% in the preceding month, led by stronger increases in pre-school fees, medical treatment cost and holiday travel expenses.

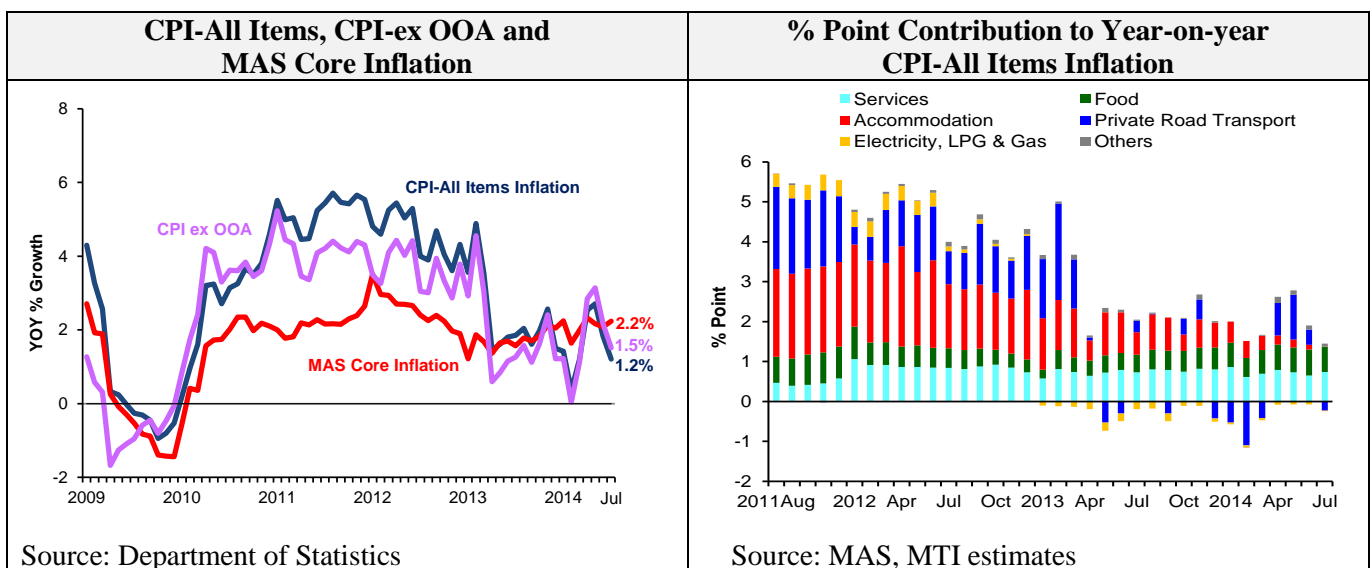
CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 1.5% in July

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) fell to 1.5% in July from 2.2% in June, largely on account of the decline in private road transport cost.

MAS Core Inflation was higher at 2.2% in July

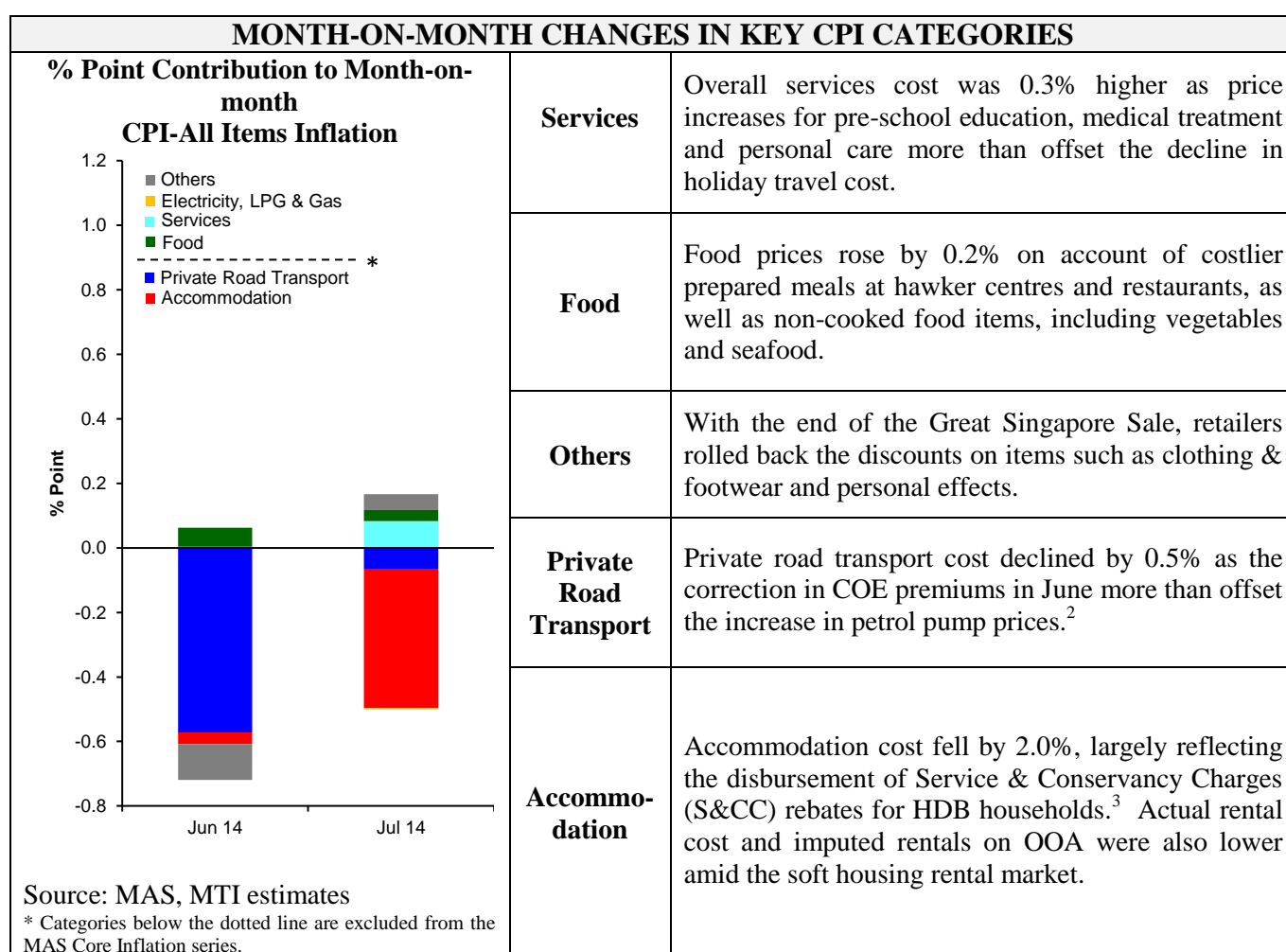
MAS Core Inflation, which excludes the cost of accommodation and private road transport, inched up to 2.2% in July from 2.1% a month ago, due to the pickup in services inflation.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for July 2014".¹]



¹ http://www.singstat.gov.sg/news/press_releases/cpijul2014.pdf

On a month-on-month basis, CPI-All Items fell by 0.3% in July, following the 0.7% decline in June. MAS Core Inflation edged up to 0.3% from -0.1% 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 % Growth	Sub-Group	Weight (%)	M-o-M % Growth
↑ Personal effects [#]	0.8	2.0	↓ Accommodation	20.0	-2.0
↑ Vegetables & vegetable products	1.1	1.1	↓ Other food [~]	0.3	-0.9
↑ Clothing & Footwear	3.4	1.1	↓ Sugar, preserves & confectionery	0.3	-0.9
↑ Personal care	2.2	0.9	↓ Hobbies & other miscellaneous expenditure [*]	4.8	-0.7
↑ Non-durable household goods	0.7	0.9	↓ Private road transport	11.7	-0.5
↑ Medical treatment	3.5	0.9	↓ Cooking Oils & Fats	0.2	-0.4
↑ Tuition & other fees	6.0	0.7	↓ Non-alcoholic beverages	0.4	-0.4
↑ Seafood	1.3	0.6	↓ Meat & Poultry	1.4	-0.2
↑ Proprietary medicine & supplies	1.1	0.6	↓ Other travel & transport [^]	0.2	-0.1
↑ Dental treatment	0.5	0.5	↓ School textbooks & stationery	0.7	-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.

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

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

² COE premiums in a particular month are reflected in the CPI for private road transport in the subsequent month.

³ As announced in Budget 2014, 1- and 2-room HDB households received a 1-month S&CC rebate in July 2014, while 3-, 4-, 5- and Executive/Multi-Generation HDB households received a 0.5-month rebate.

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 for the rest of 2014 due to lower contributions from imputed rentals on OOA and car prices. For the whole year, imputed rentals are likely to add negligibly to overall inflation while car prices should pose a slight drag. Correspondingly, CPI-All Items inflation is projected to come in at 1.5–2.0% 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 July 2014” (http://www.singstat.gov.sg/news/press_releases/cpijul2014.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 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
Jul	1.2	3.0	-1.7	0.1	-0.8	-0.7	3.3	3.3	2.4	116.6

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 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	0.8	-1.2	4.8
Jun	1.8	2.1	2.2	-0.2	-2.9	6.8
Jul	1.2	2.2	1.5	N.A.	-2.3	1.1

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available