



Consumer Price Developments in August 2014

CPI-All Items inflation fell to 0.9% y-o-y in August

CPI-All Items inflation eased to 0.9% in August from 1.2% in July, mainly reflecting a sharper decline in private road transport cost and a more moderate increase in services fees.

Private road transport cost fell by 2.9%, following the 1.6% correction a month earlier, largely due to lower COE premiums in July.¹ Petrol pump prices also rose at a slower pace of 0.7%, compared to 3.1% a month ago, on account of the recent weakness in global oil prices.

Services inflation edged down to 2.1% in August from 2.5% in the preceding month, led by more modest increases in the costs of recreation & entertainment and holiday travel.

Accommodation cost declined by 0.2% after coming in flat in July, given the soft housing rental market.

Overall food inflation was slightly lower at 2.9% compared to 3.0% a month ago, as the increase in the prices of prepared meals eased. Non-cooked food prices, however, rose at a quicker pace of 3.4% compared to 2.8% in July, reflecting steeper price increases for seafood and vegetables.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 1.2% in August

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) edged down to 1.2% in August from 1.5% in July, reflecting the decline in private road transport cost and the more moderate increase in services fees.

MAS Core Inflation inched down to 2.1% in August

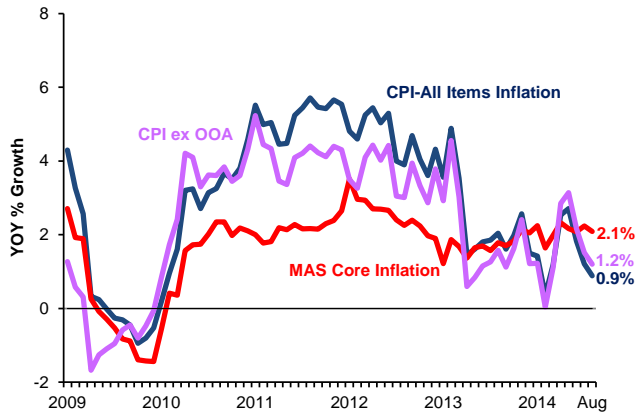
MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased slightly to 2.1% in August, from 2.2% a month ago, mainly due to the lower contribution from services costs.

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

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

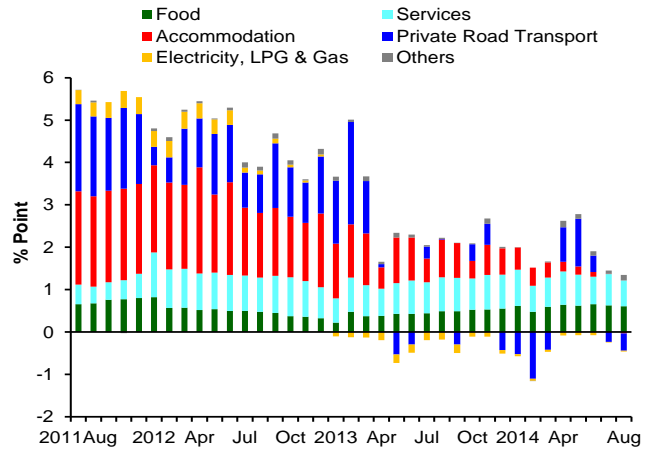
² http://www.singstat.gov.sg/news/press_releases/cpiaug2014.pdf

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 August, following the 0.3% decline in July. MAS Core Inflation was 0.3%, similar to the previous month.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p>% Point Contribution to Month-on-month CPI-All Items Inflation</p> <p>Legend: Others (grey), Electricity, LPG & Gas (yellow), Services (cyan), Food (green), Private Road Transport (blue), Accommodation (red).</p> <p>* Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	Food	Food prices were 0.3% higher in August, largely on account of price increases in non-cooked food items such as seafood, dairy products & eggs and fruits.
	Services	Overall services costs edged up by 0.1%, owing to higher tertiary tuition fees and household services cost.
	Others	With the end of the Great Singapore Sale, retailers rolled back the discounts on items such as clothing & footwear and personal effects.
	Accommodation	Accommodation cost rose by 1.8% compared to July when Service & Conservancy Charges (S&CC) rebates were disbursed to households living in HDB flats. ³ However, imputed rentals on OOA declined amid the soft housing rental market.
	Private Road Transport	Private road transport cost fell by 0.7%, mainly due to cheaper petrol pump prices. Car prices were also lower, given the correction in COE premiums in July.

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
↑	Clothing & Footwear	3.4	3.3	↓	Private road transport	11.7	-0.7
↑	Seafood	1.3	1.9	↓	Other travel & transport [^]	0.2	-0.5
↑	Accommodation	20.0	1.8	↓	Recreation & entertainment	3.2	-0.3
↑	Fruits	0.9	1.1	↓	Alcoholic drinks & tobacco	1.4	-0.1
↑	Dairy Products & Eggs	1.0	1.0	↓	Vegetables & vegetable products	1.1	-0.1
↑	Sugar, preserves & confectionery	0.3	0.8	↓	Meat & Poultry	1.4	-0.1
↑	Personal effects [#]	0.8	0.8	-	Non-durable household goods	0.7	0.0
↑	Other food [~]	0.3	0.6	-	Fuel & utilities	3.6	0.0
↑	Tuition & other fees	6.0	0.5	-	Communication	4.8	0.0
↑	Proprietary medicine & supplies	1.1	0.5	-	Rice & other cereals	1.7	0.0

[#] 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.

³ The accommodation sub-group in the CPI comprises “rented accommodation”, “imputed rentals on owner-occupied accommodation”, “housing insurance premiums” and “minor repairs & maintenance”. 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 muted for the rest of the year, notwithstanding some uptick in imported food inflation from the region. 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 contained. 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 remain subdued for the rest of 2014 due to the continued drag from imputed rentals and car prices. For the whole year, CPI-All Items inflation is projected to come in at 1.5–2.0%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 September 2014

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 August 2014” (http://www.singstat.gov.sg/news/press_releases/cpiaug2014.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 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
Aug	0.9	2.9	0.5	-0.1	-1.8	-0.6	2.8	3.4	1.7	117.1

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 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	-1.2	-2.4	1.1
Aug	0.9	2.1	1.2	N.A.	-3.0	-6.3

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