



Consumer Price Developments in September 2014

CPI-All Items inflation came in lower at 0.6% y-o-y in September

CPI-All Items inflation eased to 0.6% in September from 0.9% in August, on account of a smaller increase in services costs and a further decline in accommodation cost.

Services inflation slowed to 1.7% in September from 2.1% in the preceding month. This was mainly due to the moderation in the increase in medical and dental treatment fees, from 4.6% in August to 2.4% in September, which reflects the impact of enhanced medical subsidies, including the Pioneer Generation Package (PGP).¹ However, the contributions of telecommunication services, tertiary education and air transport were higher compared to August.

Accommodation cost fell by 0.6%, extending the 0.2% decline in the previous month, as a result of the soft housing rental market.

Private road transport cost was lower by 2.8%, after falling by 2.9% in August, reflecting the more moderate decline in COE premiums relative to a year ago.²

Food inflation was higher at 3.0% compared to 2.9% a month ago, mainly due to a steeper increase in the prices of prepared meals.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose at a slower pace of 1.0% in September

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) eased to 1.0% in September from 1.2% in August, reflecting the slower pickup in services costs.

MAS Core Inflation was lower at 1.9% in September

MAS Core Inflation, which excludes the costs of accommodation and private road transport, edged down to 1.9% in September from 2.1% a month ago. This was largely on account of the enhanced medical subsidies which caused a one-off reduction in the level of healthcare services cost.

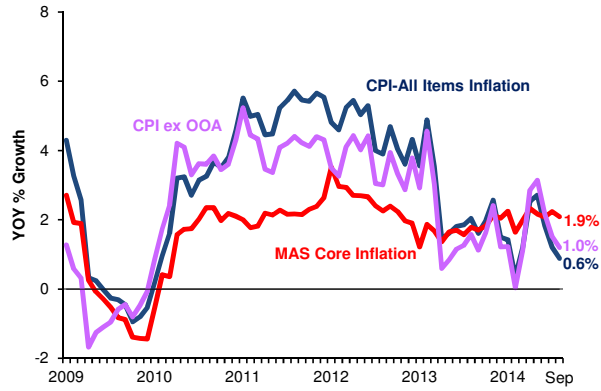
[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for September 2014".³]

¹ Starting from 1 September 2014, lower- to middle-income Singaporeans can receive higher subsidies for subsidised Specialist Outpatient Clinics (SOC) services at the public hospitals. Singaporeans who qualify for the Pioneer Generation Package (PGP) can enjoy an additional 50% off subsidised services fees at the polyclinics and SOC. Pioneers can also enjoy special subsidies at private General Practitioners and dental clinics participating in the Community Health Assist Scheme (CHAS).

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

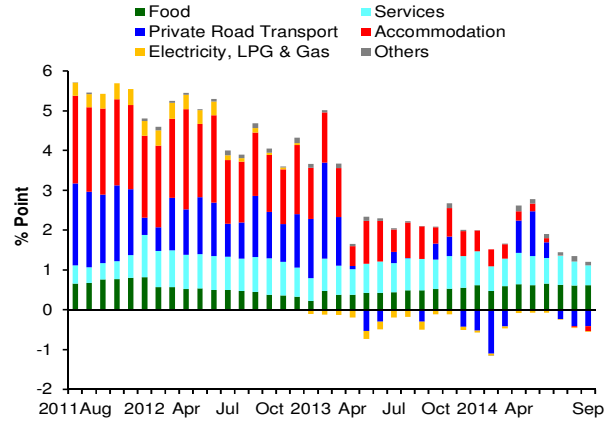
³ http://www.singstat.gov.sg/news/press_releases/cpise2014.pdf

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



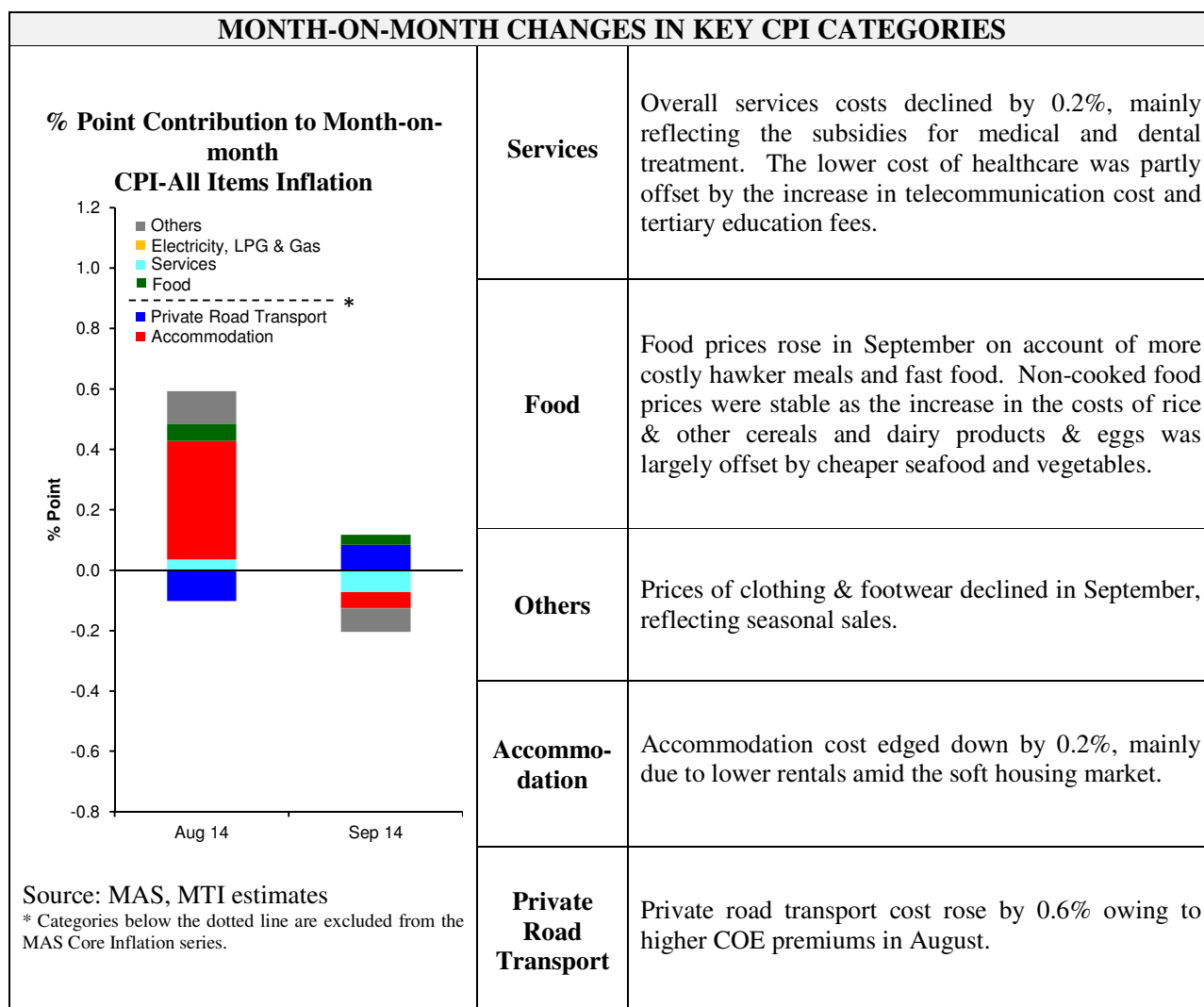
Source: Department of Statistics

% 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 0.1% in September, following the 0.5% increase in August. MAS Core Inflation was -0.2% compared to 0.3% 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
↑	Other food [~]	0.3	1.0	↓	Dental treatment	0.5	-4.5
↑	Communication	4.8	0.8	↓	Clothing & Footwear	3.4	-2.2
↑	Rice & other cereals	1.7	0.8	↓	Seafood	1.3	-1.8
↑	Non-alcoholic beverages	0.4	0.7	↓	Medical treatment	3.5	-1.7
↑	Private road transport	11.7	0.6	↓	Personal care	2.2	-0.5
↑	Fast food	0.8	0.4	↓	Recreation & entertainment	3.2	-0.5
↑	Dairy Products & Eggs	1.0	0.4	↓	Alcoholic drinks & tobacco	1.4	-0.4
↑	Hawker food (incl. food courts)	9.2	0.3	↓	Hobbies & other miscellaneous expenditure	4.8	-0.3
↑	Fruits	0.9	0.3	↓	Accommodation	20.0	-0.2
↑	Tuition & other fees	6.0	0.3	↓	Proprietary medicine & supplies	1.1	-0.2

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

Outlook

External price developments are expected to stay generally benign, given ample supply buffers in the major commodity markets. While there remains considerable uncertainty over global oil prices following the sharp correction recently, they would continue to dampen domestic inflation over the short-term. However, domestic food inflation could be impacted in the near term by higher prices of regional food supplies. At the same time, with the economy at full employment, wage pressures should continue to increase and filter through to prices, in particular, of various services items for which demand remains firm. Taking these factors into account, MAS Core Inflation is likely to rise slightly into early 2015 before easing. For the whole year, it is projected to average 2–2.5% in 2014 and 2–3% in 2015.

CPI-All Items inflation should stay subdued for the rest of this year and throughout 2015, amid the expected increase in the supply of COEs and newly-completed housing units. It is expected ease to below 0.5% in Q4 2014 due to the high base a year ago when COE premiums surged, before rising slightly. For the whole year, CPI-All Items inflation is projected to come in at 1–1.5% in 2014 and 0.5–1.5% in 2015.

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 September 2014” (http://www.singstat.gov.sg/news/press_releases/cpisep2014.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 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
Sep	0.6	3.0	-0.4	-0.5	-1.8	0.4	3.0	1.8	1.1	117.0

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 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	-2.2	1.1
Aug	0.9	2.1	1.2	-3.0	-2.7	-6.3
Sep	0.6	1.9	1.0	N.A.	-4.1	-11.7

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available