



## Consumer Price Developments in October 2017

Both CPI-All Items inflation and MAS Core Inflation were unchanged from the previous month, coming in at 0.4% and 1.5% respectively in October 2017.

### *CPI-All Items inflation was 0.4% year-on-year (y-o-y) in October*

CPI-All Items inflation came in at 0.4% y-o-y, the same as in the previous month, with higher food and private road transport inflation offsetting the steeper decline in the cost of accommodation and the smaller increase in the cost of electricity & gas.<sup>1</sup>

Food inflation rose to 1.5% in October from 1.2% a month ago, reflecting a larger increase in the prices of non-cooked food items and, to a lesser extent, prepared meals.

Private road transport inflation edged up to 2.2% in October from 2.1% in the previous month, on the back of a smaller drop in car prices.

The cost of electricity & gas rose by 6.6% in October, lower than the 7.6% increase in the previous month as electricity tariffs fell following a decline in global oil prices in the preceding months.<sup>2</sup>

The cost of accommodation fell by 4.2% in October, steeper than the 3.9% decline registered in the previous month. This was due to a larger quantum of Service & Conservancy Charges (S&CC) rebates disbursed compared to October last year.<sup>3</sup>

Services inflation was stable at 1.5% in October, as a larger increase in holiday expenses and recreational & cultural services fees was offset by a smaller rise in the cost of medical & dental treatment and telecommunications services fees.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 1.5% in October*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.5% in October, unchanged from the previous month, as higher food and private road transport inflation offset smaller increases in the costs of electricity & gas and housing maintenance & repairs.

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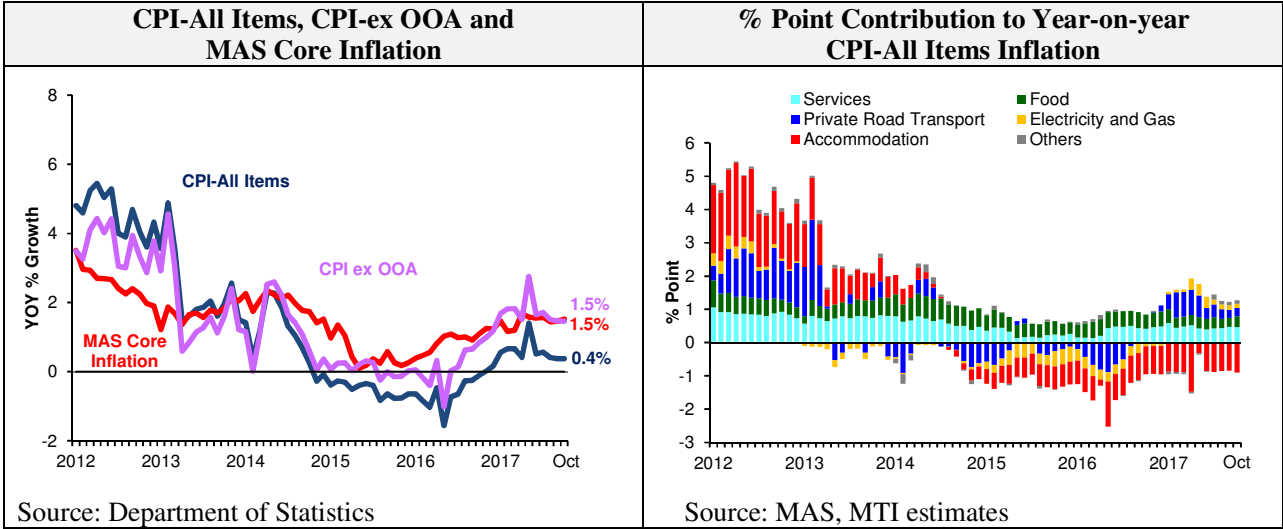
<sup>1</sup> Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

<sup>2</sup> The fuel cost component of the electricity tariff for each quarter is calculated based on the average forward fuel oil and dated Brent oil prices in the first two-and-a-half month period of the preceding quarter.

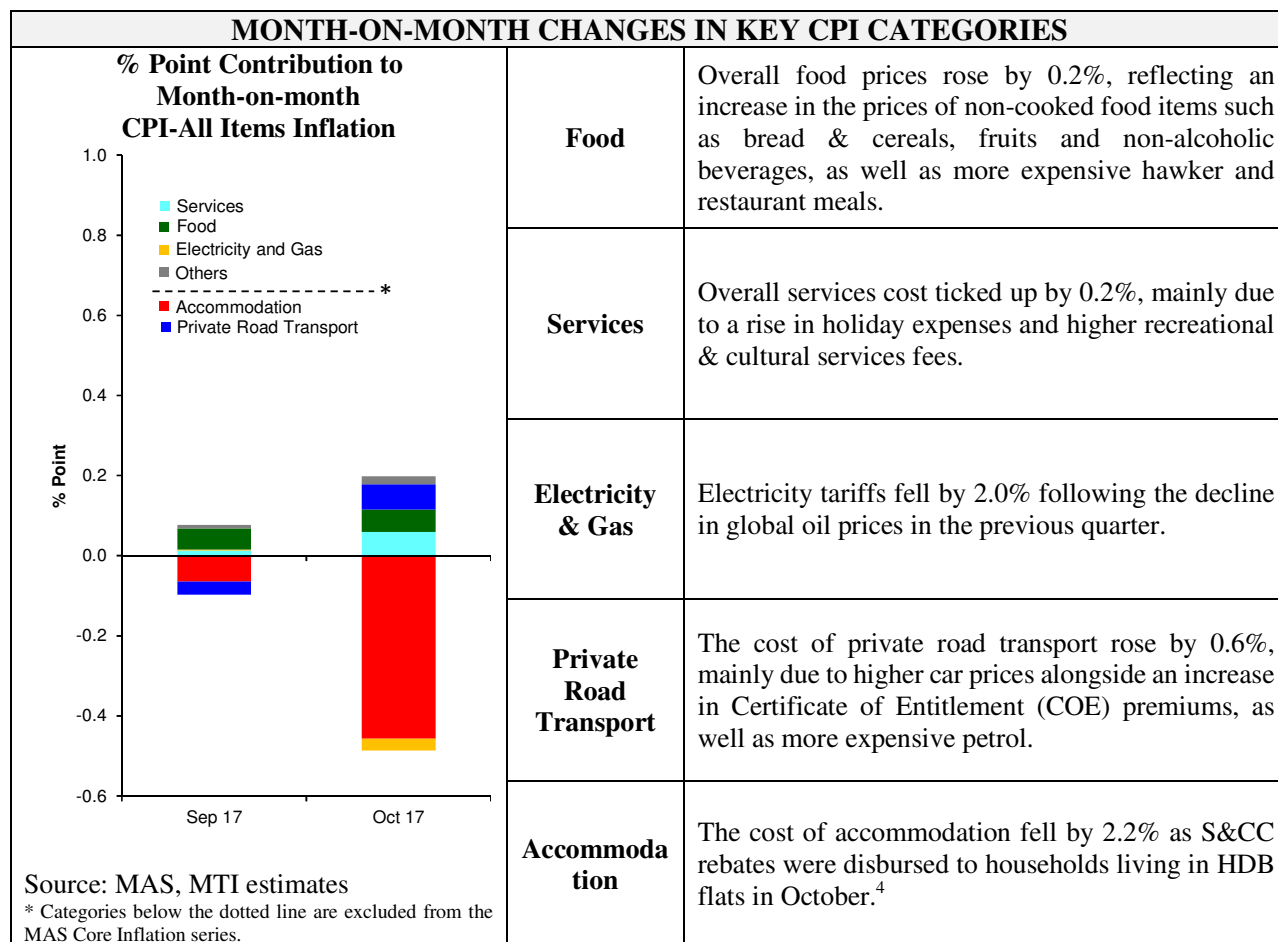
<sup>3</sup> S&CC rebates, which lower the housing maintenance & repair cost component of the accommodation CPI, were disbursed to HDB households in October 2017. The rebates disbursed to households in most HDB flat types in October 2017 were unchanged from that disbursed in October 2016. However, households residing in Executive/Multi-Generation flats were given rebates in October 2017, but not in October last year. This resulted in a negative contribution to year-on-year inflation in October 2017.

**MAS Core Inflation came in at 1.5% in October**

MAS Core Inflation, which excludes the costs of accommodation and private road transport, was unchanged from the previous month at 1.5%, as higher food inflation offset the smaller increase in the cost of electricity & gas.



**On a month-on-month basis, CPI-All Items inflation fell to -0.3% in October from 0% in September. Meanwhile, MAS Core Inflation edged up to 0.2% 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 or No Price Changes			
Group	Weight (%)	M-o-M % Growth	Group	Weight (%)	M-o-M % Growth		
↑ Non-alcoholic beverages	0.5	1.3	↓ Accommodation	22.9	-2.2		
↑ Bread & Cereals	1.4	1.2	↓ Fuel & utilities	3.4	-1.0		
↑ Personal effects #	0.6	1.1	↓ Oils & Fats	0.2	-0.7		
↑ Fruits	0.8	1.1	↓ Sugar, preserves & confectionery	0.3	-0.6		
↑ Other food ~	0.3	1.0	↓ Fish & Seafood	1.2	-0.5		
↑ Holiday Expenses	3.5	0.9	↓ Personal Care	2.4	-0.3		
↑ Clothing & Footwear	2.7	0.7	↓ Milk, Cheese & Eggs	0.9	-0.3		
↑ Other travel & transport ^	1.3	0.7	↓ Household durables	1.8	-0.2		
↑ Private road transport	11.5	0.6	↓ Other miscellaneous expenditure *	0.7	-0.2		
↑ Meat	1.2	0.3	- Vegetables	1.0	0.0		

^ The "other travel & transport" group includes sea transport, air transport, etc.

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

\* The "other miscellaneous expenditure" group includes social support services, life insurance, etc.

# The "personal effects" group includes travel goods, handbags and wallets and "accessories" such as watches and costume jewellery.

## Outlook

On the external front, imported inflation is likely to rise mildly, as global demand improves amid ample supply in key commodity markets. Notwithstanding recent volatility, global oil prices are expected to increase only slightly in 2018 compared to 2017. Food commodity prices are also expected to rise modestly, although localised shocks from regional supply sources could lead to transitory fluctuations in domestic food prices.

Overall, cost pressures in the economy should remain relatively restrained. Although labour market conditions have improved recently, the gradual absorption of previously accumulated slack will temper wage pressures in the near term. Meanwhile, other non-labour costs such as commercial and retail rentals continue to be subdued.

MAS Core Inflation is expected to be around 1.5% in 2017 and average 1–2% in 2018, while CPI-All Items inflation is projected to come in at around 0.5% this year, and stay in the range of 0–1% next year. Accommodation costs will continue to dampen CPI-All Items inflation in 2018, albeit to a lesser extent than this year, while the positive contribution of private road transport costs will fall, in part reflecting the dissipation of inflationary effects from previous administrative measures.<sup>5</sup>

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<sup>5</sup> The administrative measures associated with higher private road transport inflation in 2017 include the expiry of the one-year road tax rebates and the upward revision in parking fees in August and December 2016, respectively. As for other administrative measures, water price increases in 2017–18 will add temporarily to inflation. U-Save rebates, which were increased from July 2017 to partially offset the impact of higher water prices for eligible households, are not taken into account in the CPI.

## **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 and income 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.

### **CPI less imputed rentals on owner-occupied accommodation**

Accommodation, one of the groups in the Housing & Utilities category of the CPI, comprises “rented and owner-occupied accommodation”, as well as “housing maintenance & repairs”. A significant share of the Accommodation group 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.

#### **CPI Statistics**

*Detailed CPI statistics can be found in the Department of Statistics’ release titled “Singapore Consumer Price Index for October 2017”. This release also contains further information on the various price indicators published.*  
[http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press\\_releases/cpioct2017.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpioct2017.pdf)

#### **MAS Core Inflation**

*A detailed review of MAS Core Inflation can be found in “A Review of the Core Inflation Measure for Singapore”*  
[http://www.mas.gov.sg/~media/resource/publications/staff\\_papers/StaffPaperNo51.pdf](http://www.mas.gov.sg/~media/resource/publications/staff_papers/StaffPaperNo51.pdf)

**Table A.1**  
**Consumer Price Index**

	All Items	Food	Clothing & Footwear	Housing & Utilities	Household Durables & Services	Health Care	Transport	Comms	Recreation & Culture	Education	Miscellaneous Goods & Services	All-Items, S.A.
Weights	10000	2167	273	2625	475	615	1579	385	788	615	478	10000
	YOY % Growth											Index (2014=100)
2016 Oct	-0.1	1.9	-0.2	-3.8	3.2	0.9	-0.2	-0.3	1.0	3.2	-0.4	99.0
Nov	0.0	2.0	-0.2	-3.7	2.6	2.4	-0.3	-0.6	0.8	3.2	0.8	99.1
Dec	0.2	2.0	-0.1	-3.8	2.1	2.9	0.8	-0.8	0.9	3.2	0.0	99.2
2017 Jan	0.6	1.9	-1.5	-3.2	2.1	2.5	2.8	0.4	0.5	3.5	0.0	99.4
Feb	0.7	1.3	-0.2	-3.1	1.5	2.6	4.2	0.7	0.5	3.6	-0.6	99.6
Mar	0.7	1.3	-0.9	-3.2	1.6	2.8	4.5	-0.4	0.3	3.6	0.2	99.6
Apr	0.4	1.3	0.5	-4.6	0.8	3.0	4.7	1.0	0.3	3.2	0.1	99.3
May	1.4	1.5	1.9	0.1	0.7	2.4	3.8	0.8	-0.2	3.2	-0.1	99.6
Jun	0.5	1.4	1.9	-2.0	0.3	2.5	1.8	-0.6	-0.1	3.2	0.2	99.5
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.2
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.6
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.5
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.2

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	World Bank Non-Energy Commodity Index	OPEC Oil Price
	YOY % GROWTH					
2016 Oct	-0.1	1.1	0.8	-1.1	2.0	6.3
Nov	0.0	1.3	1.0	0.9	8.2	6.7
Dec	0.2	1.2	1.2	8.8	9.7	53.9
2017 Jan	0.6	1.5	1.7	11.3	14.5	96.2
Feb	0.7	1.2	1.8	11.9	14.4	85.8
Mar	0.7	1.2	1.8	8.6	9.2	45.2
Apr	0.4	1.7	1.5	9.5	4.0	35.9
May	1.4	1.6	2.8	5.6	2.6	13.9
Jun	0.5	1.5	1.7	3.2	-1.0	-1.4
Jul	0.6	1.6	1.7	4.2	1.4	10.0
Aug	0.4	1.4	1.5	5.0	3.0	15.1
Sep	0.4	1.5	1.5	5.0	5.7	24.6
Oct	0.4	1.5	1.5	N.A.	5.9	15.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available