



## Consumer Price Developments in February 2018

In February 2018, CPI-All Items inflation and MAS Core Inflation rose to 0.5% and 1.7% respectively, from 0% and 1.4% in the previous month. The increase in both MAS Core Inflation and CPI-All Items inflation reflected higher services and food inflation, and in the case of CPI-All Items inflation, a smaller decline in the cost of accommodation as well.

### *CPI-All Items inflation increased to 0.5% year-on-year (y-o-y) in February*

CPI-All Items inflation was higher at 0.5% y-o-y in February, compared to 0% the month before. This was due to a milder decline in the cost of accommodation, and to a lesser extent, a stronger pickup in the prices of services and food, which collectively more than offset the decline in private road transport inflation.

The cost of accommodation fell by 3.6% in February, moderating from the 5.3% decline in the preceding month, as the dampening effect of the disbursement of Service & Conservancy Charges (S&CC) rebates in January dissipated.<sup>1</sup>

Services inflation increased to 1.9% in February from 1.3% in January, as a rise in air fares and holiday expenses, following the year-ago declines in the previous month, more than offset the smaller increase in recreational & cultural services fees.

Food inflation rose to 1.5% in February from 1.1% in the previous month, reflecting a larger increase in the prices of non-cooked food items, and to a lesser extent, the cost of prepared meals, due to the seasonal uptick in food prices associated with Chinese New Year.<sup>2</sup>

Private road transport inflation slowed to 0.6% in February from 1.6% in January, largely due to a smaller year-ago increase in petrol prices, as well as lower Electronic Road Pricing (ERP) charges.<sup>3</sup>

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation rose to 1.5% in February*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.5% in February, up from 1.0% in the previous month. Apart from higher services and food inflation, this was also due to the increase in the cost of housing maintenance & repairs, as the negative contribution of the S&CC rebates to year-ago inflation dissipated in February.

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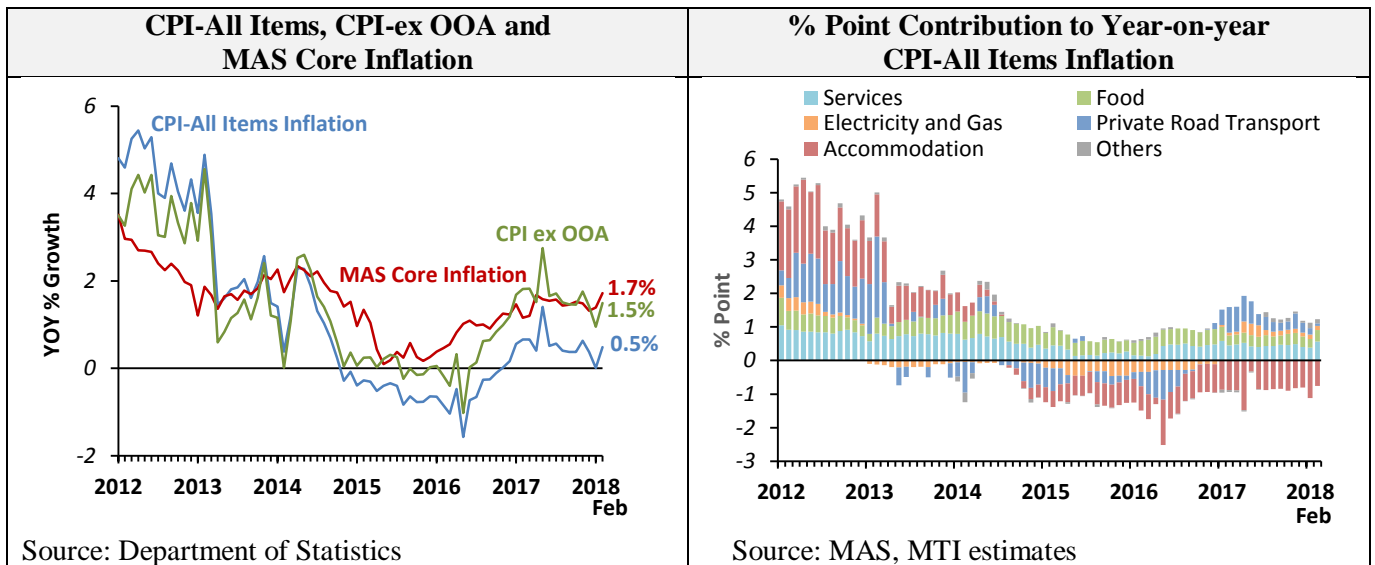
<sup>1</sup> As announced in Budget 2017, the quantum of S&CC rebates was increased in FY2017, with an additional 0.5 month of rebates disbursed to most HDB households in January 2018. S&CC rebates, which lower the housing maintenance & repair cost component of the accommodation CPI, were disbursed in April, July and October last year, but not in January. This resulted in a negative contribution to year-on-year inflation in January 2018 that dissipated in February 2018.

<sup>2</sup> Chinese New Year fell in January last year, but was in February this year.

<sup>3</sup> ERP charges were lower on average because the ERP gantries were not in operation during the Chinese New Year holidays, which were in February this year and January last year.

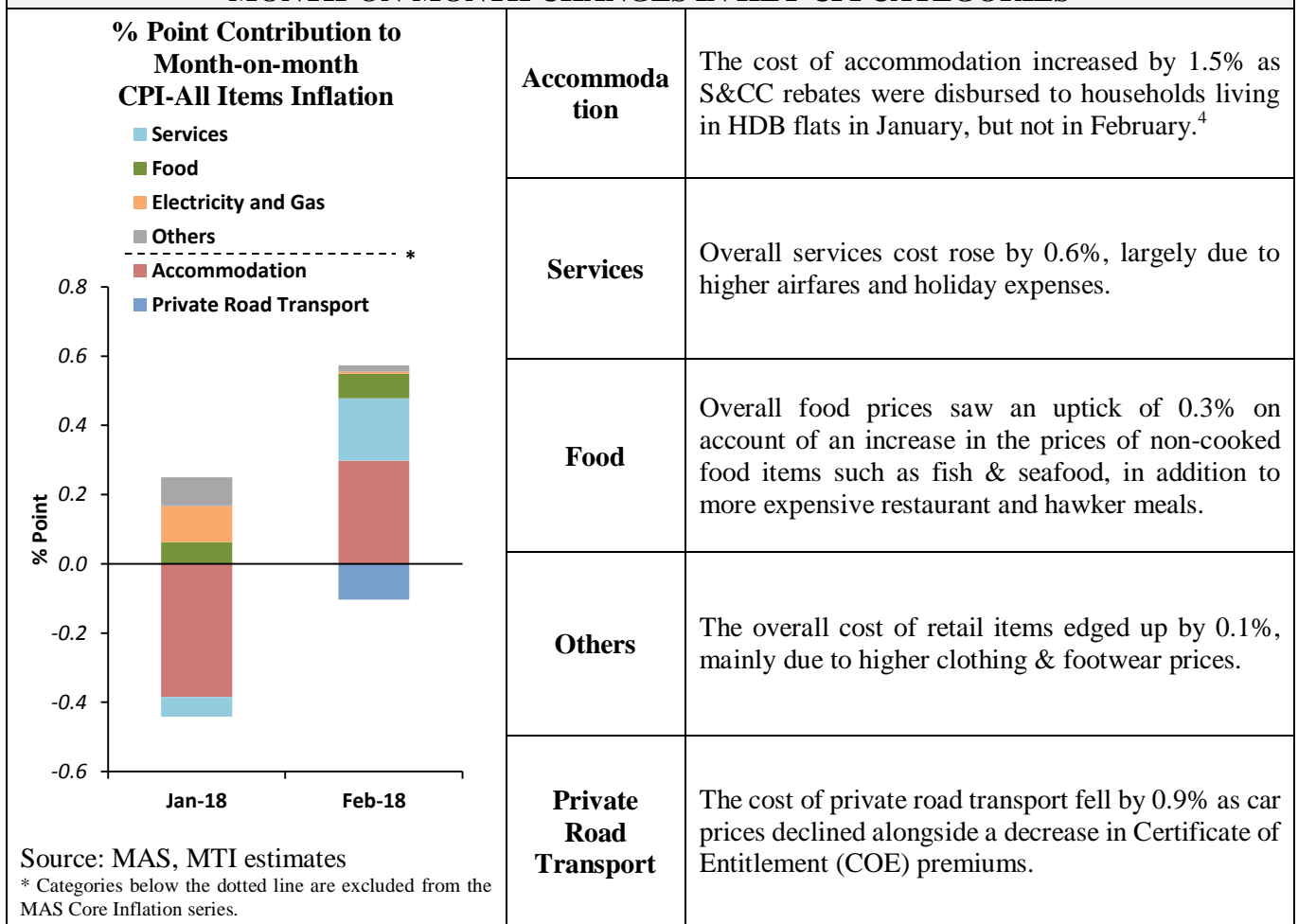
**MAS Core Inflation was higher at 1.7% in February**

MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 1.7% in February from 1.4% in January. This reflected higher services and food inflation.



**On a month-on-month basis, CPI-All Items increased by 0.5% in February, reversing the 0.2% decline in January. Meanwhile, MAS Core Inflation edged up to 0.4% in February from 0.3% in the previous month.**

### MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES



### 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		
↑ Other travel & transport ^	1.3	5.1	↓ Vegetables	1.0	-1.6		
↑ Fish & Seafood	1.2	3.2	↓ Private road transport	11.5	-0.9		
↑ Holiday Expenses	3.5	1.5	↓ Personal Care	2.4	-0.6		
↑ Accommodation	22.9	1.5	↓ Fast food	0.9	-0.4		
↑ Milk, Cheese & Eggs	0.9	1.3	↓ Non-alcoholic beverages	0.5	-0.4		
↑ Sugar, preserves & confectionery	0.3	1.0	↓ Personal effects #	0.6	-0.3		
↑ Clothing & Footwear	2.7	1.0	↓ Fruits	0.8	-0.3		
↑ Alcoholic drinks & tobacco	1.0	0.8	↓ Other food ~	0.3	-0.2		
↑ Oils & Fats	0.2	0.5	↓ Communication	3.9	-0.1		
↑ Tuition & other fees	6.1	0.5	↓ Household services & Supplies	3.0	0.0		

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

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

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

<sup>4</sup> In January 2018, 1- to 5-room HDB households received a 0.5-month S&CC rebate. No rebates were disbursed in February 2018.

## Outlook

On the external front, imported inflation is likely to rise mildly, as global demand improves amid ample supply in key commodity markets. Global oil prices are expected to increase only slightly in 2018 as compared to 2017. Global food commodity prices are also expected to rise modestly, even as localised shocks in 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 retail rentals continue to be subdued.

MAS Core Inflation averaged 1.5% in 2017 and is expected to stay in the 1–2% range in 2018. Meanwhile, CPI-All Items inflation came in at 0.6% in 2017 and is projected to be 0–1% this year. Accommodation costs should continue to dampen CPI-All Items inflation in 2018, albeit to a lesser extent than last year, while private road transport costs are likely to rise at a more moderate pace as the inflationary impact from administrative measures dissipates.<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.

## **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 February 2018”. 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/cpifeb2018.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpifeb2018.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)
2017 Feb	0.7	1.3	-0.2	-3.1	1.5	2.6	4.2	0.7	0.5	3.6	-0.6	99.5
Mar	0.7	1.3	-0.9	-3.2	1.6	2.8	4.5	-0.4	0.3	3.6	0.2	99.4
Apr	0.4	1.3	0.5	-4.6	0.8	3.0	4.7	1.0	0.3	3.2	0.1	99.9
May	1.4	1.5	1.9	0.1	0.7	2.4	3.8	0.8	-0.2	3.2	-0.1	99.4
Jun	0.5	1.4	1.9	-2.0	0.3	2.5	1.8	-0.6	-0.1	3.2	0.2	99.3
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.6
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.4
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.4
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.6
Nov	0.6	1.5	0.7	-2.4	1.0	2.0	2.6	1.5	0.8	2.6	-0.4	99.7
Dec	0.4	1.4	-0.2	-2.3	1.1	1.9	1.4	0.5	0.4	2.6	0.1	99.6
2018 Jan	0.0	1.1	1.0	-3.6	1.2	2.3	0.7	0.0	0.8	2.8	0.5	99.5
Feb	0.5	1.5	0.7	-2.1	0.8	2.5	0.6	-0.1	1.6	2.9	0.4	99.7

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					
2017 Feb	0.7	1.2	1.8	11.9	14.9	85.8
Mar	0.7	1.2	1.8	8.6	9.7	45.2
Apr	0.4	1.7	1.5	9.5	4.4	35.9
May	1.4	1.6	2.8	5.6	3.0	13.9
Jun	0.5	1.5	1.7	3.2	-0.6	-1.4
Jul	0.6	1.6	1.7	4.2	1.9	10.0
Aug	0.4	1.4	1.5	5.0	3.6	15.1
Sep	0.4	1.5	1.5	4.9	5.9	24.6
Oct	0.4	1.5	1.5	3.4	6.2	15.9
Nov	0.6	1.5	1.8	4.1	2.7	40.5
Dec	0.4	1.3	1.4	-0.4	2.0	20.0
2018 Jan	0.0	1.4	1.0	-0.3	3.2	27.3
Feb	0.5	1.7	1.5	N.A.	3.1	18.9

Source: Singapore Department of Statistics, World Bank and Bloomberg

N.A.: Not available