



Consumer Price Developments in December 2018

MAS Core Inflation rose to 1.9% on a year-on-year (y-o-y) basis in December 2018, from 1.7% in the preceding month, mainly due to larger increases in the costs of services and retail items. Meanwhile, CPI-All Items inflation picked up to 0.5% y-o-y in December, from 0.3% in November, reflecting higher inflation for services and retail items, as well as a smaller decline in accommodation costs.

For the whole of 2018, CPI-All Items inflation came in at 0.4%, lower than the 0.6% recorded in 2017, while MAS Core Inflation rose to 1.7%, from 1.5% in the year before.

CPI-All Items inflation increased to 0.5% y-o-y in December

CPI-All Items inflation rose to 0.5% y-o-y in December, from 0.3% in November. This was mainly on account of larger increases in the costs of services and retail items, as well as a slower pace of decline in accommodation costs.

Services inflation increased to 1.5% y-o-y in December, from 1.2% in the previous month, due to a stronger pickup in holiday expenses and airfares, as well as a smaller decline in telecommunication services fees.

The overall cost of retail items rose by 1.7% y-o-y in December, faster than the 1.1% increase in November. This was mainly because of larger increases in the prices of clothing & footwear and household durables.

Food inflation was 1.4% y-o-y in December, unchanged from the preceding two months, as price increases for both non-cooked food items and prepared meals remained broadly the same.

The cost of electricity & gas rose by 14.6% y-o-y in December, lower than the 15.4% increase in November. The lower rate of inflation was due to the effect of the phased nationwide launch of the Open Electricity Market (OEM) on electricity prices.

Private road transport costs fell by 3.7% y-o-y in December, slightly faster than the 3.6% decline in the previous month. This was because even though the fall in car prices moderated in December, its effect was more than offset by a slower pace of increase in petrol prices.

Accommodation costs decreased by 1.9% y-o-y in December, moderating from the 2.1% decline in November, due to a more gradual fall in housing rentals.

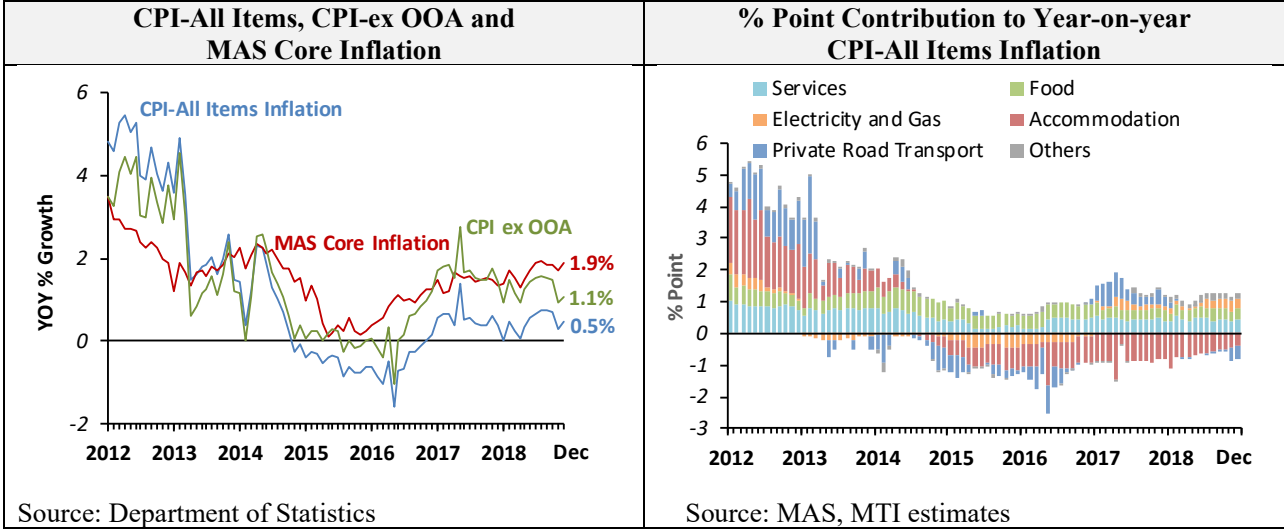
CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation rose to 1.1% y-o-y in December

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) increased to 1.1% y-o-y in December, from 0.9% in the previous month, largely due to higher inflation for services and retail items.

MAS Core Inflation came in higher at 1.9% y-o-y in December

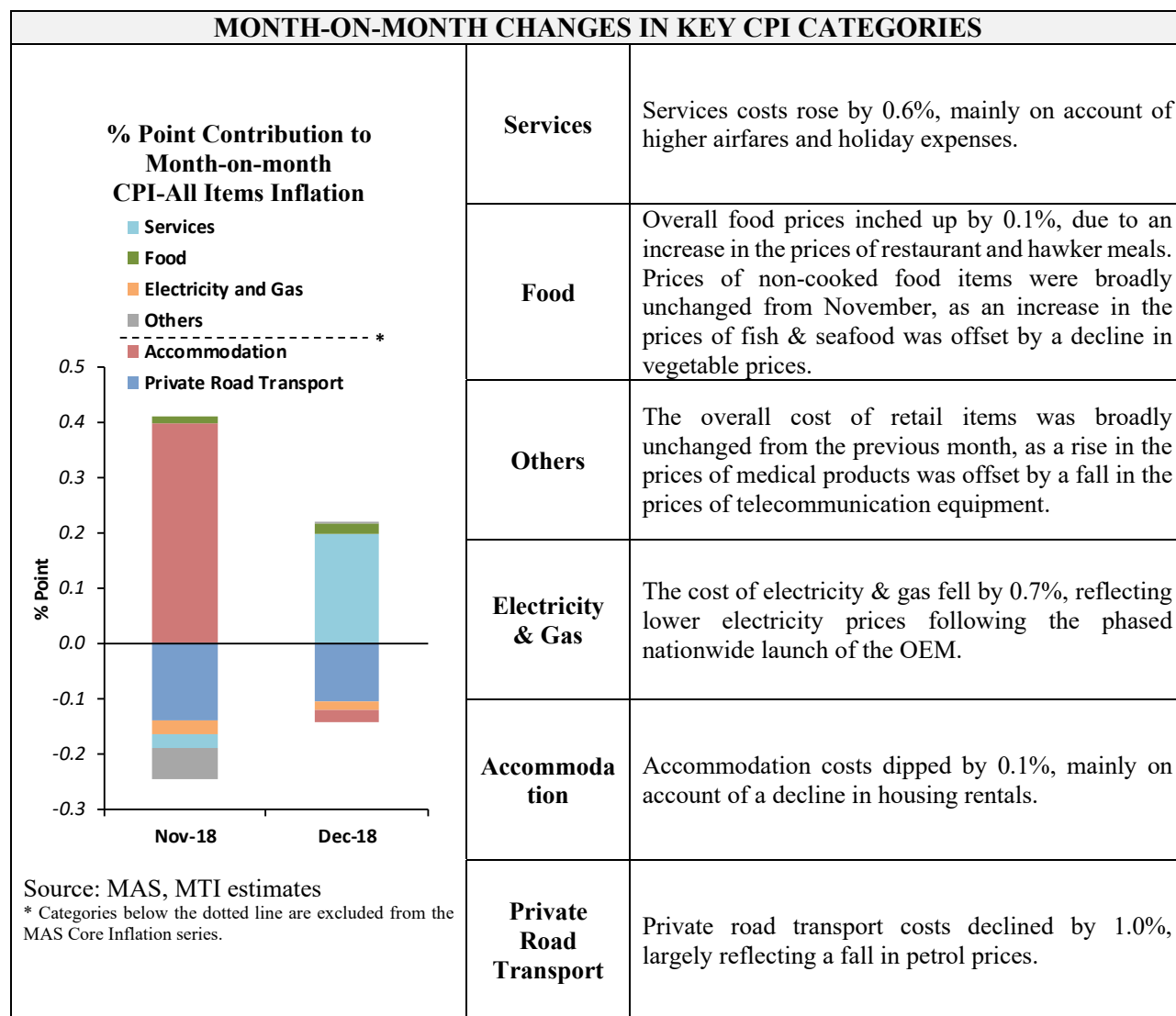
MAS Core Inflation, which excludes the costs of accommodation and private road transport, picked up to 1.9% y-o-y in December, from 1.7% in November. This reflected higher services and retail inflation.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for December 2018 and year 2018".¹]



¹ <https://www.singstat.gov.sg/-/media/files/publications/economy/cpidec18.pdf>

On a month-on-month basis, CPI-All Items inflation eased to 0.1% in December, from 0.2% in the previous month. Meanwhile, MAS Core Inflation rose to 0.3% in December, from -0.1% in November.



Price Movements (m-o-m) for Selected CPI Sub-categories

Sub-categories With Largest Price Increases			Sub-categories With Largest Price Declines		
Group	Weight (%)	M-o-M % Growth	Group	Weight (%)	M-o-M % Growth
↑ Other travel & transport ^	1.3	5.6	↓ Private road transport	11.5	-1.0
↑ Holiday Expenses	3.5	3.0	↓ Other food ~	0.3	-0.8
↑ Medical products, appliances & equipment	1.4	0.7	↓ Vegetables	1.0	-0.7
↑ Fish & Seafood	1.2	0.7	↓ Oils & Fats	0.2	-0.6
↑ Sugar, preserves & confectionery	0.3	0.4	↓ Fuel & utilities	3.4	-0.4
↑ Non-alcoholic beverages	0.5	0.3	↓ Alcoholic drinks & tobacco	1.0	-0.3
↑ Personal effects #	0.6	0.3	↓ Communication	3.9	-0.3
↑ Public road transport	3.0	0.3	↓ Household durables	1.8	-0.2
↑ Meat	1.2	0.2	↓ Bread & Cereals	1.4	-0.1
↑ Medical & dental treatment	4.8	0.2	↓ Accommodation	22.9	-0.1

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

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

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

Outlook

External sources of inflation have generally increased over 2018. Global oil prices came in higher on average in 2018 as compared to 2017, while non-oil import prices have also picked up from their trough in Q1. On the domestic front, the improving labour market should underpin a faster pace of wage growth in 2018 and 2019, compared to 2017. Growth in the unit labour cost for services has picked up recently. As domestic demand strengthens further, there could be a greater pass-through of higher import and labour costs to consumer prices. However, the extent of overall price increases will be capped by greater market competition in several consumer segments, such as telecommunications, electricity and retail.

MAS Core Inflation averaged 1.7% in 2018 and is expected to come in within the forecast range of 1.5–2.5% in 2019. CPI-All Items inflation came in at 0.4% in 2018, and is currently projected to pick up to 1–2% in 2019 as the overall drag from accommodation and private road transport costs lessens.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 January 2019

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 December 2018 and year 2018”. This release also contains further information on the various price indicators published.
<https://www.singstat.gov.sg/-/media/files/publications/economy/cpidec18.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

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 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
Mar	0.2	1.4	1.2	-2.0	0.7	2.1	-0.5	-0.3	0.6	3.0	1.0	99.7
Apr	0.1	1.4	0.8	-2.3	0.7	2.0	-0.7	-1.3	0.7	2.9	0.5	99.9
May	0.4	1.3	0.6	-2.0	0.8	2.3	0.0	-0.8	1.2	2.9	1.1	99.8
Jun	0.6	1.5	1.5	-1.8	0.9	2.4	0.3	0.2	1.4	2.9	1.2	99.9
Jul	0.6	1.5	2.3	-1.0	0.5	2.0	-0.3	0.2	1.7	2.4	0.9	100.2
Aug	0.7	1.7	2.8	-0.6	0.7	2.0	-0.2	-1.5	1.6	2.4	1.1	100.1
Sep	0.7	1.6	1.8	-0.5	0.8	2.0	-0.1	-1.6	1.2	2.9	1.1	100.1
Oct	0.7	1.4	1.2	-0.2	0.9	1.8	-0.5	-1.2	1.0	3.2	1.1	100.3
Nov	0.3	1.4	0.8	0.0	0.7	1.6	-2.8	-3.0	0.9	3.2	1.4	100.0
Dec	0.5	1.4	2.6	0.1	0.8	1.6	-2.6	-2.7	1.7	3.2	1.4	100.0

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	S&P Non-Energy GSCI Index	Brent Crude Spot Prices
	YOY % GROWTH					
2017 Dec	0.4	1.3	1.4	-0.4	5.8	64.4
2018 Jan	0.0	1.4	1.0	-0.2	5.4	69.1
Feb	0.5	1.7	1.5	-0.1	4.4	65.3
Mar	0.2	1.5	1.2	1.5	5.1	66.0
Apr	0.1	1.3	0.9	1.7	6.7	72.1
May	0.4	1.5	1.2	6.6	6.9	77.0
Jun	0.6	1.7	1.5	9.1	5.6	74.4
Jul	0.6	1.9	1.5	10.0	-2.8	74.3
Aug	0.7	1.9	1.6	9.2	-1.4	72.5
Sep	0.7	1.8	1.5	9.2	-3.4	78.9
Oct	0.7	1.9	1.5	9.7	-2.4	81.0
Nov	0.3	1.7	0.9	3.6	-4.1	64.8
Dec	0.5	1.9	1.1	N.A.	-2.2	57.4

Source: Singapore Department of Statistics, S&P Dow Jones Indices, U.S. Energy Information Administration

N.A.: Not available