



Consumer Price Developments in September 2015

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

CPI-All Items inflation came in at -0.6% in September, compared to -0.8% in August, largely on account of a stronger pickup in the prices of consumer services and retail items.

Services inflation rose to 0.8% in September from 0.5% in the previous month. This mainly reflected the rise in healthcare services fees and public road transport cost, as the dampening effects of enhanced medical subsidies¹ and SG50-related price promotions² dissipated.

The overall price of retail items was 0.6% higher, reversing the 0.6% drop in the preceding month, largely due to more costly clothing & footwear and household durables.

Food inflation edged down to 1.8% from 1.9% a month earlier, as the increase in the cost of prepared meals moderated slightly.

Private road transport cost decreased by 3.2%, extending the 2.9% fall in August, owing to lower Certificate of Entitlement (COE) premiums and petrol pump prices.

Accommodation cost fell by 2.9% in September, similar to the decline in the previous month, reflecting the soft housing rental market.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) was unchanged

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) came in at 0% in September, following the 0.2% decline in the previous month, on the back of higher services and retail goods inflation.

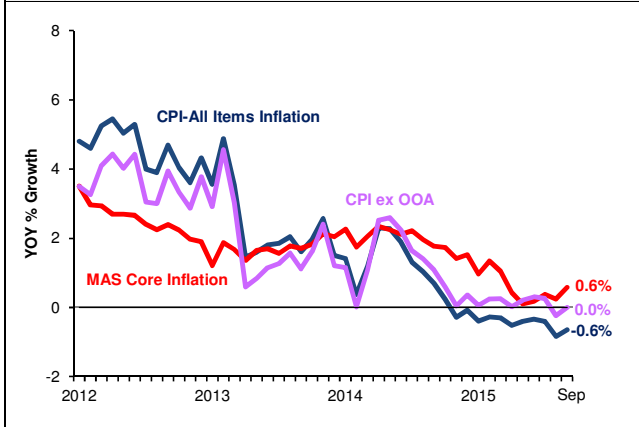
MAS Core Inflation picked up to 0.6% in September

MAS Core Inflation, which excludes the costs of accommodation and private road transport, increased to 0.6% from 0.2% in August. This mainly reflected the stronger pickup in the prices of services and retail items.

¹ In September 2014, the subsidy given to lower- to middle- income Singaporeans for treatment at Specialist Outpatient Clinics (SOCs) at public hospitals was increased. Singaporeans who qualified for the Pioneer Generation Package (PGP) received an additional 50% off subsidised services fees at SOC and polyclinics, and were given special subsidies at private General Practitioners and dental clinics participating in the Community Health Assist Scheme (CHAS). These had a dampening effect on year-ago inflation between September 2014 and August 2015.

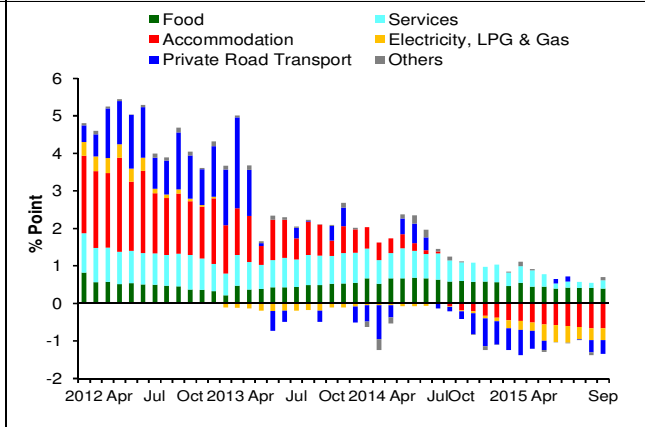
² In conjunction with the SG50 celebrations, public transport operators provided free bus and train services on National Day.

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



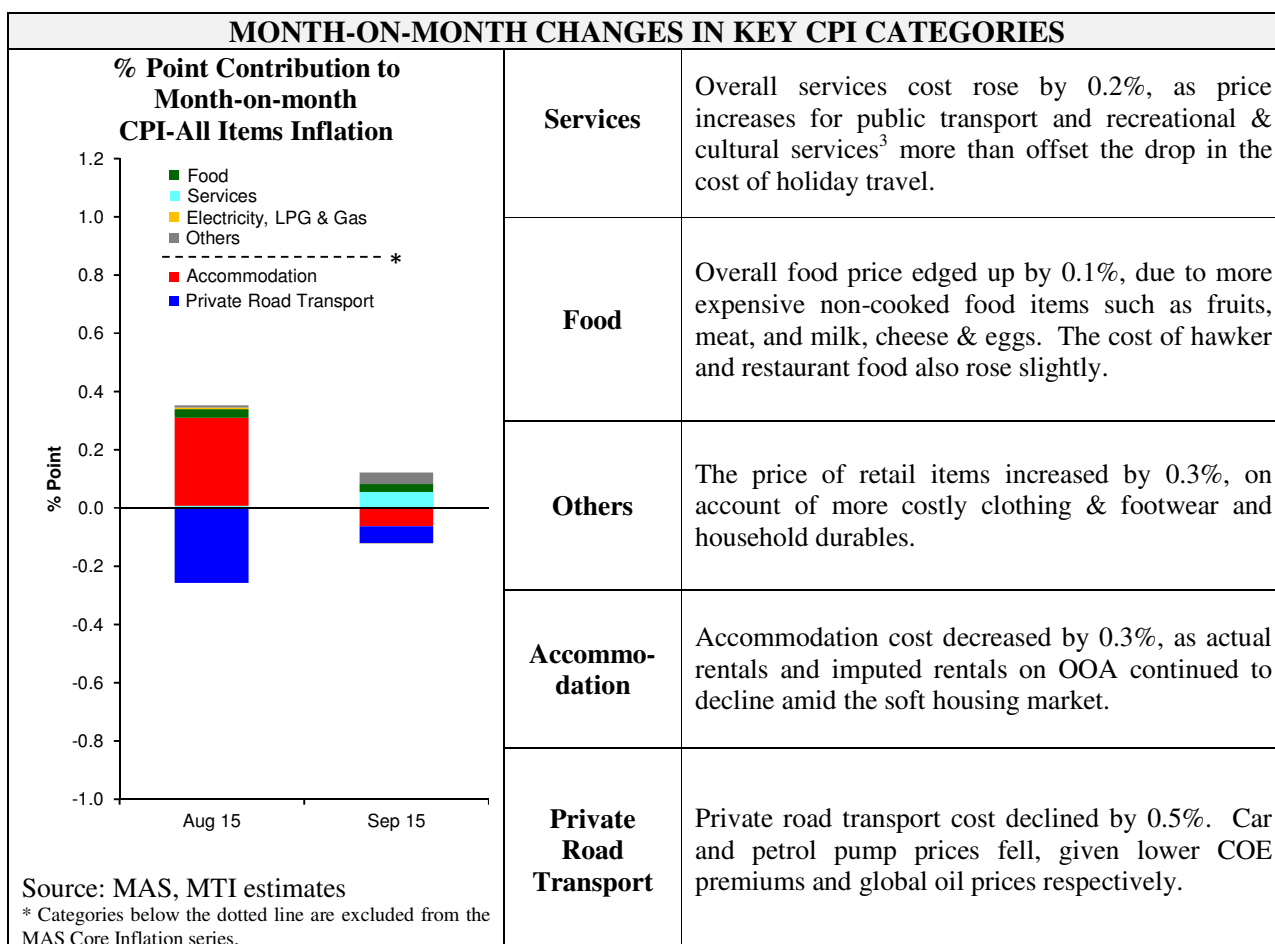
Source: Department of Statistics

% Point Contribution to Year-on-year CPI-All Items Inflation



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items was unchanged in September, after increasing by 0.1% in August. MAS Core Inflation rose 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		
Group	Weight (%)	M-o-M % Growth	Group	Weight (%)	M-o-M % Growth
↑ Oils & Fats	0.2	1.9	↓ Sugar, preserves & confectionery	0.3	-1.5
↑ Public road transport	3.0	1.6	↓ Other travel & transport ^	1.3	-0.6
↑ Household durables	1.8	1.1	↓ Private road transport	11.5	-0.5
↑ Fruits	0.8	1.1	↓ Vegetables	1.0	-0.4
↑ Clothing & Footwear	2.7	0.9	↓ Fish & Seafood	1.2	-0.4
↑ Non-alcoholic beverages	0.5	0.8	↓ Accommodation	22.9	-0.3
↑ Meat	1.2	0.6	↓ Personal Care	2.4	-0.3
↑ Newspapers, books & stationery	0.5	0.5	↓ Personal effects #	0.6	-0.3
↑ Milk Cheese & Eggs	0.9	0.5	↓ Alcoholic drinks & tobacco	1.0	-0.2
↑ Other food ~	0.3	0.4	↓ Holiday Expenses	3.5	-0.2

~ 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.

The "personal effects" sub-group include leather & travel goods and "accessories" such as watches and costume jewellery.

³ Prices of some services returned to normal levels in September 2015 following the end of promotions offered in conjunction with the SG50 celebrations, such as discounted admission fees to some places of interest, as well as free bus and train services on National Day.

Outlook

External sources of inflation are likely to stay generally benign, given ample supply buffers in the major commodity markets and weak global demand conditions. Notably, oil prices are projected to remain low and increase only slightly in 2016. Global food commodity prices could face some upward pressures due to the ongoing El Niño phenomenon, though they would be tempered by the abundant food stockpiles. On the domestic front, some wage cost pressures remain, but their pass-through to consumer prices will continue to be constrained by the subdued economic growth environment.

MAS Core Inflation is expected to pick up gradually⁴ over the course of 2016 towards its historical average as the disinflationary effects of lower oil prices, as well as budgetary⁵ and other one-off measures dissipate. For the full year, MAS Core Inflation is expected to come in at 0.5–1.5% in 2016, compared to around 0.5% in 2015. CPI-All Items inflation could continue to be dampened by lower car prices and imputed rentals on owner-occupied accommodation, amid an expected increase in the supply of COEs and newly-completed housing units. It is projected to average –0.5–0.5% in 2016, compared to around –0.5% this year.

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⁴ MAS Core Inflation is likely to be lower in October 2015, mainly on account of the reduction in electricity tariffs for Q4 2015. The fuel cost component of the electricity tariff is based on the average forward fuel oil and dated Brent prices in the first two and a half months in the preceding quarter.

⁵ The budgetary measures include medical subsidies under the Pioneer Generation Package, the reduction in the concessionary foreign domestic worker (FDW) levy, the abolition of national examination fees for Singaporeans, and road tax rebates.

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 September 2015”. 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/cpisp2015.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)
2014 Sep	0.7	2.8	-1.3	-0.7	1.6	2.0	-1.1	0.8	0.5	3.4	1.1	99.9
Oct	0.2	2.7	-1.2	-1.0	1.3	2.0	-3.2	0.9	1.1	3.1	1.6	100.0
Nov	-0.3	2.8	-2.8	-1.5	0.9	1.9	-4.5	0.8	-0.2	3.1	1.3	99.8
Dec	-0.1	2.7	-1.7	-1.8	1.0	1.7	-3.0	1.3	-0.5	3.1	1.4	99.7
2015 Jan	-0.4	2.2	-2.3	-2.4	1.4	0.6	-3.1	1.1	-0.5	3.0	0.8	99.8
Feb	-0.3	2.5	-	-2.6	1.9	0.2	-3.7	1.1	0.3	3.6	1.4	99.5
Mar	-0.3	2.1	-0.8	-2.7	1.6	-0.2	-2.7	2.5	0.5	3.5	0.2	99.9
Apr	-0.5	2.1	-2.0	-3.7	1.7	-0.4	-1.4	2.1	-0.3	3.2	-0.4	99.3
May	-0.4	1.8	-	-3.8	-2.0	-0.2	0.9	0.3	-0.1	3.1	-0.3	99.8
Jun	-0.3	2.0	0.2	-3.9	-1.8	-0.3	0.9	0.5	0.1	3.1	-0.1	99.7
Jul	-0.4	1.9	0.8	-3.5	-2.0	-0.4	0.1	-0.2	0.3	3.6	-0.7	99.3
Aug	-0.8	1.9	-0.9	-3.6	-2.2	-0.5	-2.3	-0.2	0.4	3.7	-0.4	99.4
Sep	-0.6	1.8	2.3	-3.6	-1.5	0.7	-2.2	-1.5	0.7	3.5	0.1	99.4

Source: Singapore Department of Statistics

S.A.: Seasonally Adjusted

- : Nil or negligible

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					
2014 Sep	0.7	1.8	1.1	-3.5	-4.3	-11.7
Oct	0.2	1.7	0.6	-5.4	-6.4	-20.3
Nov	-0.3	1.4	0.1	-7.7	-6.1	-28.0
Dec	-0.1	1.5	0.4	-13.1	-9.8	-44.9
2015 Jan	-0.4	1.0	0.1	-17.4	-11.7	-57.3
Feb	-0.3	1.3	0.2	-13.6	-14.6	-48.7
Mar	-0.3	1.0	0.3	-13.2	-18.2	-49.6
Apr	-0.5	0.4	-	-12.5	-19.7	-45.3
May	-0.4	0.1	0.2	-11.1	-17.5	-41.1
Jun	-0.3	0.2	0.3	-11.6	-16.5	-44.2
Jul	-0.4	0.4	0.3	-13.5	-18.6	-48.7
Aug	-0.8	0.2	-0.2	-14.2	-20.0	-54.9
Sep	-0.6	0.6	-	N.A.	-18.5	-53.3

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible