



## Consumer Price Developments in June 2017

CPI-All Items inflation fell to 0.5% in June, from 1.4% in the preceding month, because of sharply lower housing maintenance & repairs inflation. This was mainly associated with the timing effects of the disbursement of Service & Conservancy Charges (S&CC) rebates. Meanwhile, MAS Core Inflation edged down to 1.5% from 1.6%, due to lower services and food inflation.

### ***CPI-All Items inflation was 0.5% year-on-year in June***

CPI-All Items inflation came in at 0.5% in June, compared with 1.4% a month ago. The lower inflation rate largely reflected the steep fall in housing maintenance & repairs inflation on a year-ago basis, as the base effects associated with the disbursement of the S&CC rebates dissipated.<sup>1</sup> This contributed to a 3.9% fall in the cost of accommodation in June, larger than the 1.5% decline recorded in May.

Private road transport inflation slowed to 3.0% in June from 6.1% in the previous month, mainly on account of a decline in car prices and smaller petrol price increases.

Food inflation eased to 1.4% in June from 1.5% in May, as the rate of increase in the prices of non-cooked food items moderated. Meanwhile, the prices of prepared meals continued to rise at a stable pace.

Services inflation edged down to 1.3% in June from 1.4% in May, due to a decline in telecommunications services fees.

### ***CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was lower at 1.7% in June***

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) fell to 1.7% in June from 2.8% in the previous month, owing to the large decline in housing maintenance & repairs inflation on a year-ago basis.<sup>1</sup>

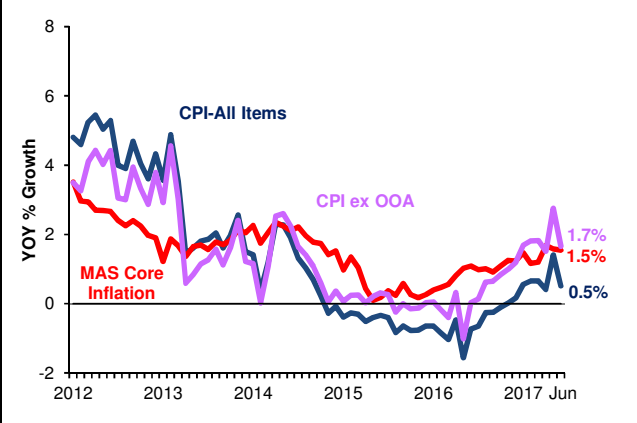
### ***MAS Core Inflation moderated to 1.5% in June***

MAS Core Inflation eased to 1.5% in June from 1.6% in the preceding month on account of lower services and food inflation.

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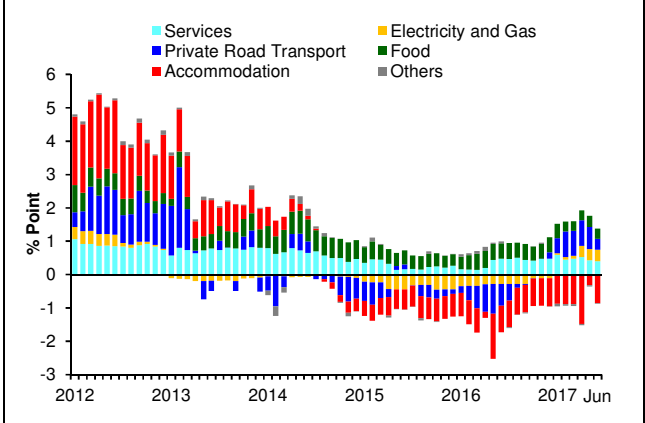
<sup>1</sup> S&CC rebates, which lower the housing maintenance & repair cost component of the CPI, were disbursed in May last year, but in April this year. The timing of the disbursement of the S&CC rebates led to a positive contribution to year-on-year inflation in housing maintenance & repair cost in May 2017, which subsequently dissipated in June 2017. The other months of disbursement of the S&CC rebates remain in July and October.

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



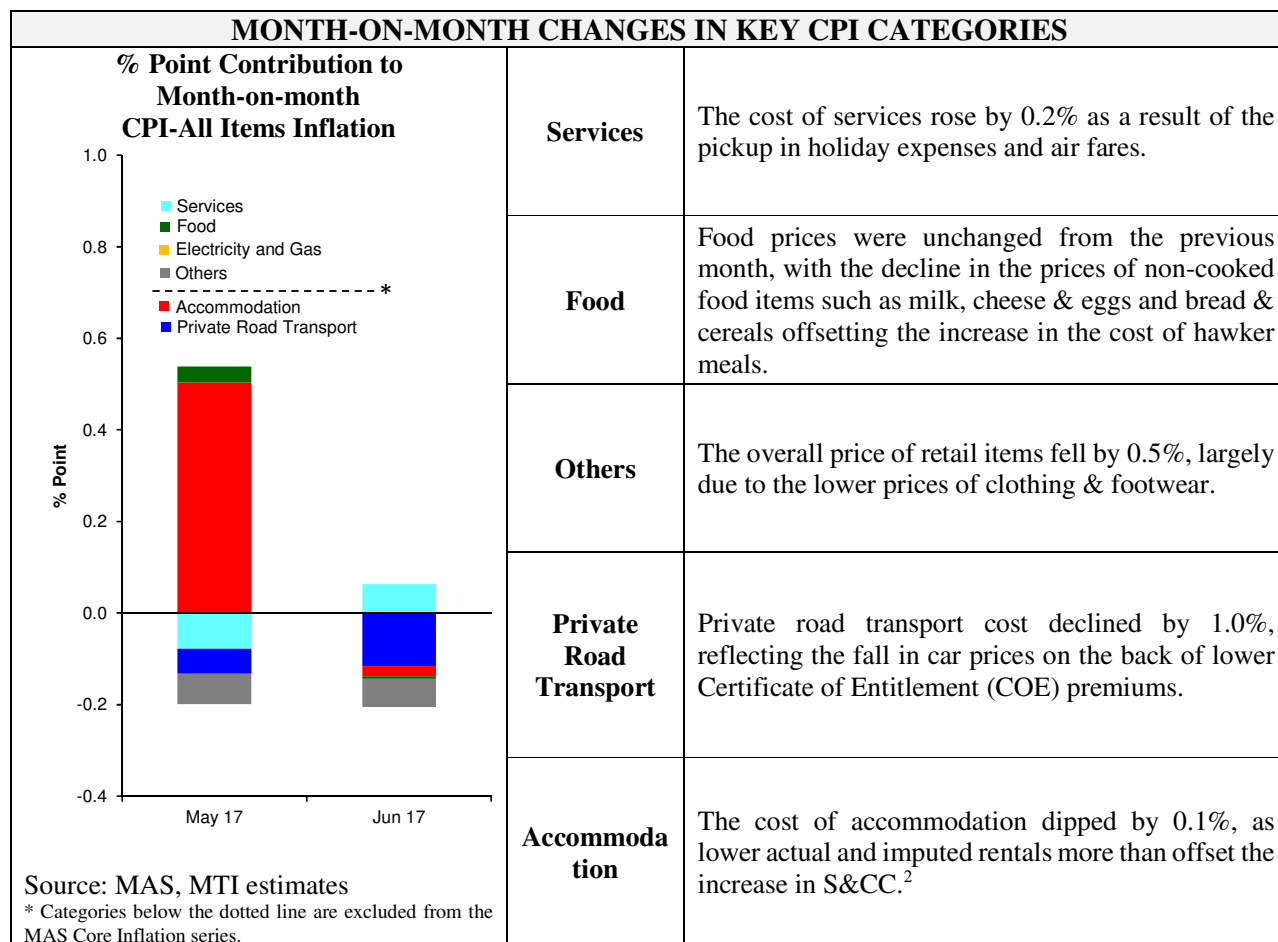
Source: Department of Statistics

**% 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 June after registering an increase of 0.3% in May. MAS Core Inflation was 0% in June, compared to -0.2% in May.



### 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	2.4	↓ Clothing & Footwear	2.7	-1.8		
↑ Holiday Expenses	3.5	1.7	↓ Sugar, preserves & confectionery	0.3	-1.1		
↑ Fruits	0.8	1.0	↓ Communication	3.9	-1.1		
↑ Oils & Fats	0.2	0.6	↓ Private road transport	11.5	-1.0		
↑ Vegetables	1.0	0.4	↓ Bread & Cereals	1.4	-0.9		
↑ Personal Care	2.4	0.3	↓ Non-alcoholic beverages	0.5	-0.8		
↑ Medical & dental treatment	4.8	0.2	↓ Milk, Cheese & Eggs	0.9	-0.8		
↑ Hawker food (incl. food courts)	8.1	0.2	↓ Personal effects #	0.6	-0.6		
↑ Alcoholic drinks & tobacco	1.0	0.1	↓ Other food ~	0.3	-0.6		
↑ Recreation & entertainment	3.9	0.1	↓ Medical products, appliances & equipment	1.4	-0.5		

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

## Outlook

External inflationary pressures have picked up amid a turnaround in global commodity markets. Global oil prices have risen from their trough in the previous year, and are likely to average higher in 2017, although upward pressures would be capped by elevated inventories alongside rising US crude oil production. Administrative price adjustments<sup>3</sup> will also contribute to a temporary increase in inflation this year. Overall, domestic sources of inflation remain relatively muted. Conditions remain slack in the labour market, and this is expected to dampen underlying wage pressures, even as commercial and retail rents have continued to ease. The subdued economic environment will also limit the extent to which businesses pass on higher costs to consumers.

For 2017, MAS Core Inflation is expected to average 1–2%, compared with 0.9% in 2016, while CPI-All Items inflation is projected to rise to 0.5–1.5% from -0.5% last year. The projected pickup in inflation can be attributed to the positive contribution of energy-related components and the impact of administrative price increases, rather than generalised demand-induced price pressures.

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<sup>3</sup> These include the upward revision in car park charges and household refuse collection fees which took effect from December 2016 and January 2017 respectively, as well as the rise in S&CC from June 2017 and the increase in water prices from July 2017. U-Save rebates, which have also been increased and will partially offset the impact of higher water prices, 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 June 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/cpijun2017.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpijun2017.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 Jun	-0.7	2.1	0.2	-4.2	3.4	0.7	-4.3	0.4	1.6	3.2	0.5	98.8
Jul	-0.7	2.1	-1.8	-4.3	3.2	0.4	-3.5	0.9	1.2	3.6	0.2	99.0
Aug	-0.3	2.0	-1.9	-4.3	3.2	0.8	-0.7	1.1	1.0	3.4	0.1	99.0
Sep	-0.2	2.2	-1.2	-4.3	3.1	0.6	-0.5	0.2	1.2	3.3	-0.3	99.0
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

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					
2016 Jun	-0.7	1.1	0.0	-8.2	-1.8	-23.9
Jul	-0.7	1.0	0.1	-6.8	0.6	-21.2
Aug	-0.3	1.0	0.6	-5.2	2.1	-5.2
Sep	-0.2	0.9	0.6	-4.1	2.7	-4.3
Oct	-0.1	1.1	0.8	-1.1	4.1	6.3
Nov	0.0	1.3	1.0	0.9	12.2	6.7
Dec	0.2	1.2	1.2	8.8	13.8	53.9
2017 Jan	0.6	1.5	1.7	11.3	17.7	96.2
Feb	0.7	1.2	1.8	11.9	19.6	85.8
Mar	0.7	1.2	1.8	8.6	11.6	45.2
Apr	0.4	1.7	1.5	9.5	5.9	35.9
May	1.4	1.6	2.8	5.6	5.1	13.9
Jun	0.5	1.5	1.7	N.A.	2.3	-1.4

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available