



Consumer Price Developments in December 2016

CPI-All Items inflation rose to 0.2% in December from 0.0% in November, due to a larger increase in private road transport cost. In comparison, MAS Core Inflation eased to 1.2% from 1.3% in the previous month, as a result of lower retail goods inflation.

CPI-All Items inflation was 0.2% y-o-y in December

CPI-All Items inflation rose to 0.2% in December from 0.0% in November, due to a stronger pickup in the cost of private road transport.

Private road transport cost increased by 1.7% in December, following the 0.2% rise in November, as a result of higher petrol prices and car park fees.¹

Services inflation edged up to 1.6% from 1.5% in the preceding month, mainly on account of a faster pace of increase in holiday expenses, which more than offset the larger contraction in telecommunication services fees.

Food inflation was 2.0% in December, unchanged from the previous month. Price increases for both non-cooked food items and prepared meals were broadly stable.

Accommodation cost fell by 3.8% in December, similar to the previous month, reflecting continued softness in the housing rental market.

Overall retail goods inflation eased to 0.0% in December from 0.2% in November, largely on account of a fall in the prices of personal care products following the rise in November.

For the whole of 2016, CPI-All Items inflation came in at -0.5% for the second consecutive year.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 1.2% in December

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) picked up to 1.2% in December from 1.0% in the preceding month, reflecting the stronger pickup in the cost of private road transport.

For 2016 as a whole, CPI less imputed rentals on OOA rose by 0.3%, higher than the 0.1% increase in 2015.

MAS Core Inflation was slightly lower at 1.2% in December

MAS Core Inflation was 1.2% in December, slightly lower than the 1.3% in November, as the decline in retail goods inflation more than offset the increase in services inflation.

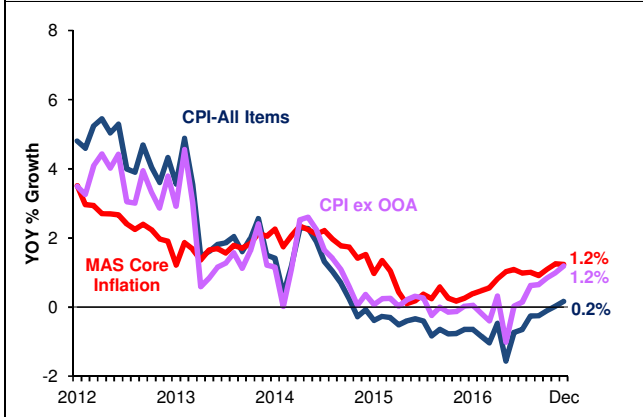
For the whole of 2016, MAS Core Inflation rose to 0.9%, from 0.5% the year before.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for December 2016 and Year 2016".²]

¹ The Housing Development Board (HBD) and Urban Redevelopment Authority (URA) raised public car park charges for short-term and season parking schemes, with effect from 1 December 2016.

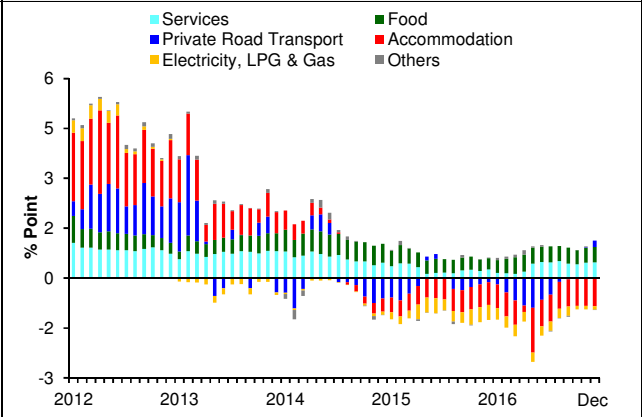
² http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpidec2016.pdf

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



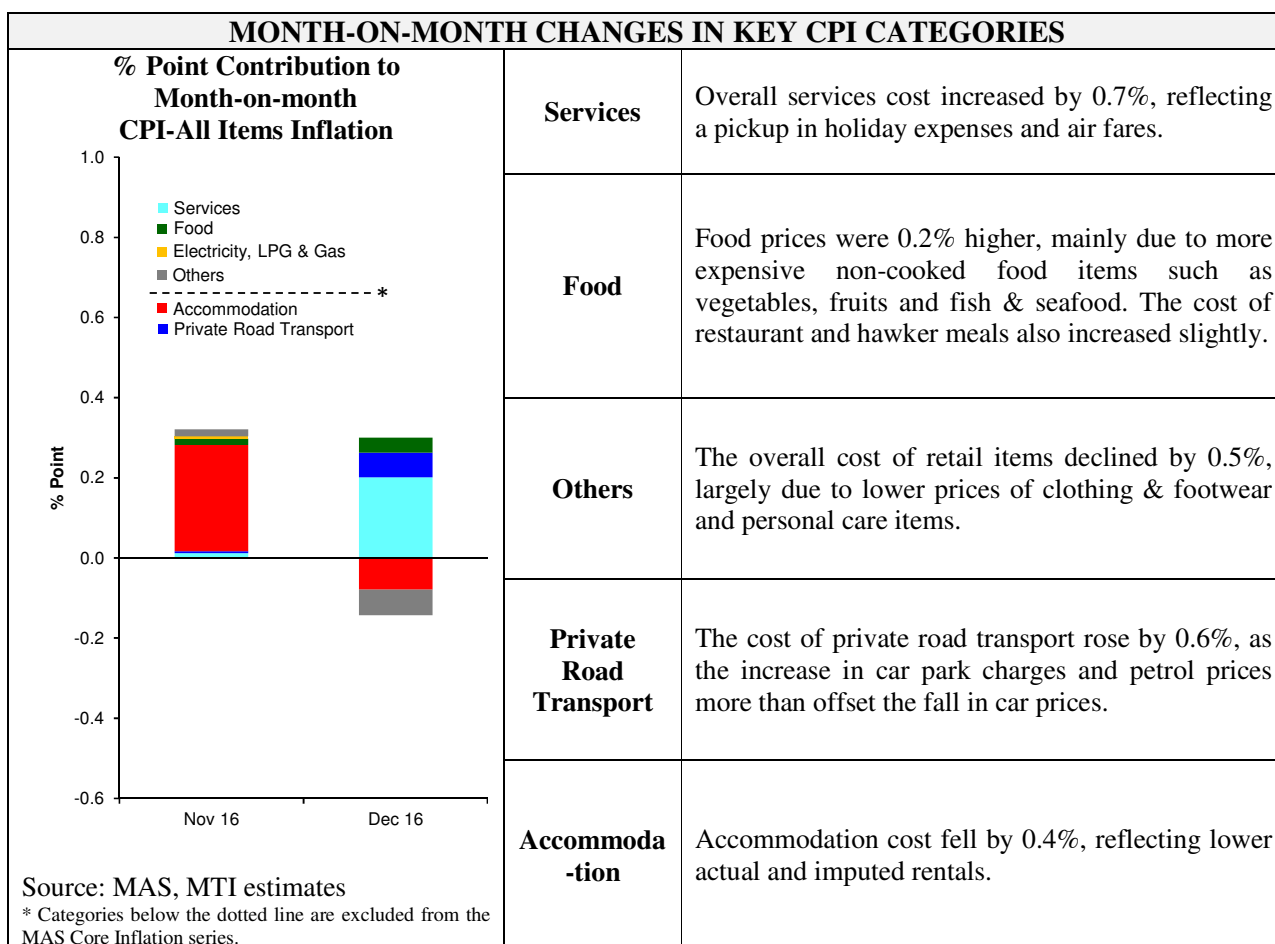
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation eased to 0.2% in December from 0.3% in November. In comparison, MAS Core Inflation picked up to 0.3% 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
↑	Other travel & transport ^	1.3	6.2	↓	Sugar, preserves & confectionery	0.3	-1.5
↑	Holiday Expenses	3.5	2.6	↓	Oils & Fats	0.2	-0.9
↑	Vegetables	1.0	1.4	↓	Clothing & Footwear	2.7	-0.9
↑	Fruits	0.8	0.9	↓	Personal Care	2.4	-0.8
↑	Fish & Seafood	1.2	0.8	↓	Personal effects #	0.6	-0.6
↑	Medical products, appliances & equipment	1.4	0.7	↓	Milk, Cheese & Eggs	0.9	-0.5
↑	Private road transport	11.5	0.6	↓	Alcoholic drinks & tobacco	1.0	-0.4
↑	Communication	3.9	0.4	↓	Household durables	1.8	-0.4
↑	Non-alcoholic beverages	0.5	0.4	↓	Accommodation	22.9	-0.4
↑	Medical & dental treatment	4.8	0.4	↓	Bread & Cereals	1.4	-0.4

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

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

Outlook

On the external front, imported inflation is likely to rise modestly on the back of a turnaround in global commodity markets. In particular, global oil prices are expected to average higher in 2017 as compared to last year, although upward pressures would be capped by existing inventories as well as an anticipated increase in US crude oil output. Domestically, overall cost pressures should be muted. Amid a pullback in hiring, conditions in the labour market have slackened. This will cap underlying wage growth, even as non-labour business costs have eased. The subdued growth environment will also constrain the extent of cost pass-through to consumer prices.

For the whole of 2017, MAS Core Inflation is expected to average 1–2%, compared with 0.9% in 2016. Energy-related components are projected to contribute positively to inflation in 2017, while the temporary disinflationary effects from budgetary measures will fade.³ However, the increase in core inflation will be gradual, given the absence of more generalised demand-induced price pressures. CPI-All Items inflation is projected to pick up to 0.5–1.5% this year, from -0.5% in 2016, largely reflecting the rise in private road transport cost.⁴

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 January 2017

³ The budgetary measures include the abolition of national examination fees for Singaporeans, the reduction in the concessionary foreign domestic worker (FDW) levy, and government subsidies and support for MediShield Life premiums.

⁴ The cost of private road transport is projected to rise in 2017, largely as a result of the expiry of the road tax rebate for petrol vehicles, the upward revision of car park charges with effect from 1 December 2016, and higher petrol prices.

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 2016 and Year 2016”. 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/cpidec2016.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)
2015 Dec	-0.6	1.5	1.2	-4.2	-1.3	-0.7	-0.9	-0.1	1.4	3.7	0.0	99.1
2016 Jan	-0.6	1.7	2.6	-4.0	-1.4	0.7	-1.5	-0.7	0.8	2.6	0.3	99.0
Feb	-0.8	2.0	2.5	-4.1	-0.6	0.7	-2.9	-0.9	0.1	2.4	0.5	98.8
Mar	-1.0	2.2	1.3	-4.2	-0.3	0.7	-4.3	-1.8	0.4	2.4	0.6	98.9
Apr	-0.5	2.3	1.8	-1.9	0.2	1.1	-5.4	-1.9	1.0	3.1	0.6	98.9
May	-1.6	2.2	-0.3	-6.4	3.3	1.0	-5.7	-0.1	1.1	3.2	0.2	98.2
Jun	-0.7	2.1	0.2	-4.2	3.4	0.7	-4.3	0.4	1.6	3.2	0.5	98.9
Jul	-0.7	2.1	-1.8	-4.3	3.2	0.4	-3.5	0.9	1.2	3.6	0.2	98.7
Aug	-0.3	2.0	-1.9	-4.3	3.2	0.8	-0.7	1.1	1.0	3.4	0.1	99.2
Sep	-0.2	2.2	-1.2	-4.3	3.1	0.6	-0.5	0.2	1.2	3.3	-0.3	99.2
Oct	-0.1	1.9	-0.2	-3.8	3.2	0.9	-0.2	-0.3	1.0	3.2	-0.4	98.9
Nov	0.0	2.0	-0.2	-3.7	2.6	2.4	-0.3	-0.6	0.8	3.2	0.8	99.2
Dec	0.2	2.0	-0.1	-3.8	2.1	2.9	0.8	-0.8	0.9	3.2	0.0	99.4

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					
2015 Dec	-0.6	0.3	0.0	-8.7	-19.3	-43.4
2016 Jan	-0.6	0.4	0.1	-5.9	-16.7	-40.2
Feb	-0.8	0.5	-0.2	-11.0	-15.0	-46.9
Mar	-1.0	0.6	-0.4	-10.2	-8.3	-33.9
Apr	-0.5	0.8	0.3	-10.2	-5.8	-33.7
May	-1.6	1.0	-1.0	-9.1	-5.6	-30.5
Jun	-0.7	1.1	0.0	-8.2	-2.4	-23.9
Jul	-0.7	1.0	0.1	-6.8	0.0	-21.2
Aug	-0.3	1.0	0.6	-5.2	1.9	-5.2
Sep	-0.2	0.9	0.6	-4.1	2.1	-4.3
Oct	-0.1	1.1	0.8	-1.1	3.7	6.3
Nov	0.0	1.3	1.0	0.9	12.1	6.7
Dec	0.2	1.2	1.2	N.A.	14.0	53.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available