



## Consumer Price Developments in September 2019

MAS Core Inflation eased to 0.7% on a year-on-year (y-o-y) basis in September, from 0.8% in August, due to lower services inflation and a larger fall in the cost of electricity & gas, even as the cost of retail goods fell by a smaller amount. Meanwhile, CPI-All Items inflation was 0.5% y-o-y in September, unchanged from the previous month, as accommodation costs fell by a smaller amount, while core and private road transport inflation slowed.

### *CPI-All Items inflation came in at 0.5% y-o-y in September*

CPI-All Items inflation was 0.5% y-o-y in September, unchanged from the previous month. Accommodation costs fell by a smaller amount, while core and private road transport inflation slowed.

Services inflation eased to 1.4% y-o-y in September, from 1.7% in August, on the back of a fall in airfares and telecommunications services fees, which more than offset larger increases in recreational & cultural services fees and holiday expenses.

Food inflation was 1.6% y-o-y in September, unchanged from the preceding month, as a slower pace of increase in the cost of non-cooked food offset a marginally faster pace of increase in the prices of prepared meals.

The cost of electricity & gas fell by a steeper 8.3% y-o-y in September, compared to the 7.8% decline in August, mainly due to the dampening effect of the nationwide launch of the Open Electricity Market (OEM) on electricity prices.

The cost of retail goods declined by 0.8% y-o-y in September, moderating from the 1.5% drop in August. This primarily reflected smaller declines in the prices of clothing & footwear items, medical products and telecommunications equipment.

Private road transport inflation was 0.5% y-o-y in September, lower than the 0.6% in August. This was due to a larger fall in petrol prices and a smaller increase in Electronic Road Pricing (ERP) charges, which collectively outweighed a faster pace of increase in car prices.

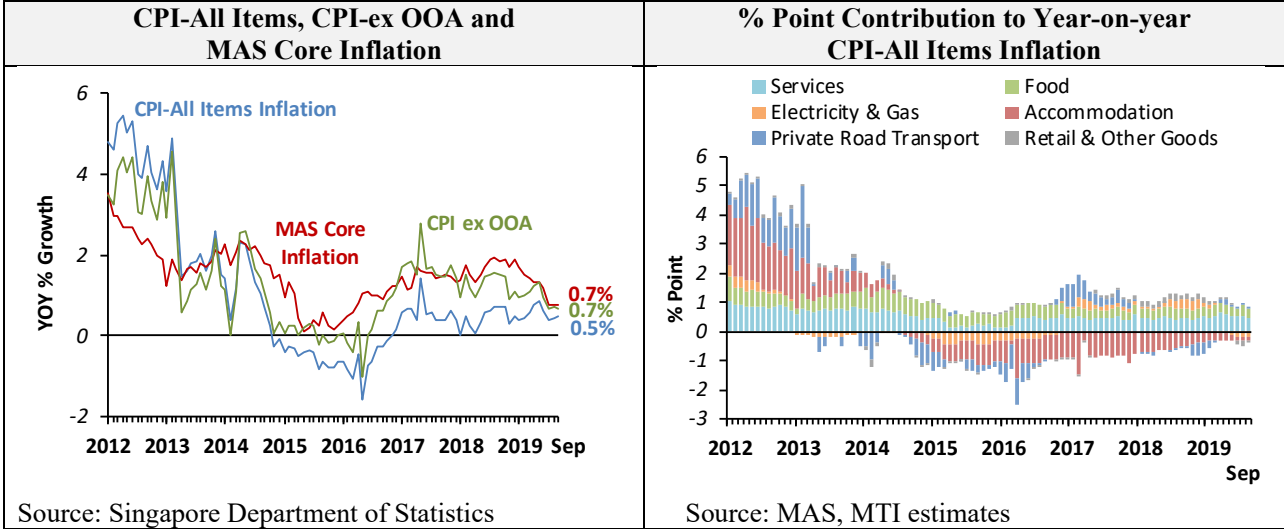
Accommodation costs dipped by 0.5% y-o-y in September, moderating from the 0.7% drop in August, as housing rentals declined more gradually.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 0.7% y-o-y in September*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 0.7% y-o-y in September, unchanged from August. This was because even though services and private road transport inflation slowed and the cost of electricity & gas fell at a faster pace, the cost of retail goods declined by a smaller amount.

**MAS Core Inflation eased to 0.7% y-o-y in September**

MAS Core Inflation, which excludes the costs of accommodation and private road transport, fell to 0.7% y-o-y in September from 0.8% in August, due to lower services inflation and a steeper fall in the cost of electricity & gas, even as the cost of retail goods fell by a smaller amount.



**On a month-on-month basis, CPI-All Items inflation eased to 0% in September from 0.5% in the previous month. Meanwhile, MAS Core Inflation came in at 0% in September, the same as in August.**

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p><b>% Point Contribution to Month-on-month CPI-All Items Inflation</b></p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p><b>Retail &amp; Other Goods</b></p>	<p>The overall cost of retail goods rose by 0.3%, as an increase in the prices of clothing &amp; footwear items outweighed a fall in the prices of personal care products, recreational goods and household durables.</p>
	<p><b>Food</b></p>	<p>Food prices edged up by 0.1% due to an increase in the prices of hawker meals and non-cooked food items such as bread &amp; cereals.</p>
	<p><b>Accommodation</b></p>	<p>Accommodation costs were unchanged, as housing rentals and housing maintenance &amp; repair costs remained broadly the same as in the previous month.</p>
	<p><b>Electricity &amp; Gas</b></p>	<p>The cost of electricity &amp; gas fell by 0.5%, reflecting the dampening effect of the nationwide launch of the OEM on electricity prices.</p>
	<p><b>Private Road Transport</b></p>	<p>Private road transport costs declined by 0.2%, as a fall in the prices of cars and motorcycles more than offset higher petrol prices and ERP charges.</p>
	<p><b>Services</b></p>	<p>Services costs dipped by 0.2%, as lower airfares and telecommunications services fees outweighed an uptick in holiday expenses.</p>

**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 food ~	0.3	2.0	↓ Other travel & transport ^	1.3	-4.2
↑ Oils & Fats	0.2	1.9	↓ Fish & Seafood	1.2	-0.6
↑ Clothing & Footwear	2.7	1.3	↓ Communication	3.9	-0.5
↑ Medical products, appliances & equipment	1.4	1.1	↓ Household durables	1.8	-0.4
↑ Bread & Cereals	1.4	0.9	↓ Vegetables	1.0	-0.4
↑ Non-alcoholic beverages	0.5	0.6	↓ Fuel & utilities	3.4	-0.3
↑ Fruits	0.8	0.5	↓ Personal Care	2.4	-0.3
↑ Holiday Expenses	3.5	0.5	↓ Private road transport	11.5	-0.2
↑ Milk, Cheese & Eggs	0.9	0.2	↓ Sugar, preserves & confectionery	0.3	-0.1
↑ Hawker food (incl. food courts)	8.1	0.1	↓ Recreation & entertainment	3.9	-0.1

~ 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.

## **Outlook**

In the quarters ahead, external sources of inflation are likely to remain benign, amid weak demand conditions, and generally well-supplied food and oil commodity markets. However, oil prices could be volatile in the near term, reflecting geopolitical risks. On the domestic front, labour market conditions are softening slightly. This would lower wage growth in 2019 and 2020, compared to last year. At the same time, non-labour costs such as retail rents should stay subdued, and any cost pass-through to consumers would be constrained by the weaker economic environment.

MAS Core Inflation is expected to come in at the lower end of the 1–2% range in 2019, and average 0.5–1.5% in 2020. CPI-All Items inflation is projected to be around 0.5% this year and average 0.5–1.5% in 2020, as the negative contribution of imputed rentals to headline inflation dissipates.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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## **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 2019”. This release also contains further information on the various price indicators published.*

*<https://www.singstat.gov.sg/-/media/files/publications/economy/cpisept19.pdf>*

#### **MAS Core Inflation**

*A detailed review of MAS Core Inflation can be found in “A Review of the Core Inflation Measure for Singapore”*

*[https://www.mas.gov.sg/-/media/MAS/resource/publications/staff\\_papers/StaffPaperNo51.pdf](https://www.mas.gov.sg/-/media/MAS/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)
2018 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	100.2
Nov	0.3	1.4	0.8	0.0	0.7	1.6	-2.8	-3.0	0.9	3.2	1.4	99.9
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
2019 Jan	0.4	1.4	2.5	-0.5	0.7	1.7	-1.8	-2.9	0.9	3.2	1.4	100.1
Feb	0.5	1.4	1.2	-0.4	0.8	1.7	-1.2	-2.4	0.7	2.7	1.3	100.3
Mar	0.6	1.6	0.1	-0.3	0.4	1.5	-0.3	-1.0	1.3	2.7	-0.3	100.2
Apr	0.8	1.3	-1.3	-1.0	1.4	1.2	1.4	-0.5	2.1	2.6	0.0	100.6
May	0.9	1.4	-0.9	-0.7	1.1	1.4	1.6	-1.1	2.3	2.6	0.3	100.7
Jun	0.6	1.4	-0.6	-0.8	1.1	1.1	0.6	-1.7	1.8	2.5	0.4	100.4
Jul	0.4	1.4	-2.1	-1.5	0.9	1.3	0.9	-2.2	1.3	2.4	0.3	100.5
Aug	0.5	1.6	-2.7	-1.3	0.8	0.9	1.1	-0.3	0.6	2.4	0.1	100.6
Sep	0.5	1.6	-0.9	-1.3	0.6	1.4	0.8	-0.9	0.9	2.1	0.0	100.6

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					
2018 Sep	0.7	1.8	1.5	10.4	-3.4	78.9
Oct	0.7	1.9	1.5	10.4	-2.4	81.0
Nov	0.3	1.7	0.9	5.7	-4.1	64.7
Dec	0.5	1.9	1.1	2.3	-2.2	57.4
2019 Jan	0.4	1.7	0.9	1.9	-5.0	59.4
Feb	0.5	1.5	1.0	3.8	-5.5	64.0
Mar	0.6	1.4	1.1	5.2	-4.5	66.1
Apr	0.8	1.3	1.2	4.5	-4.5	71.2
May	0.9	1.3	1.3	1.0	-8.8	71.3
Jun	0.6	1.2	1.0	-1.5	-4.3	64.2
Jul	0.4	0.8	0.7	-2.5	1.9	63.9
Aug	0.5	0.8	0.7	-3.8	-2.2	59.0
Sep	0.5	0.7	0.7	N.A.	-0.2	62.8

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

N.A.: Not available