



Consumer Price Developments in August 2015

CPI-All Items inflation eased to -0.8% y-o-y in August

CPI-All Items inflation came in at -0.8% in August compared to -0.4% in July, mainly due to the lower cost of private road transport.

Private road transport cost decreased by 2.9% following the 0.1% fall in July, as a result of the high base a year ago when Certificate of Entitlement (COE) premiums for cars saw a sharp increase¹, as well as the one-year road tax rebates for petrol vehicles.²

Accommodation cost declined by 2.9%, extending the 2.8% drop in the previous month, as the housing rental market continued to soften.

Services inflation edged down to 0.5% in August compared to 0.6% in July, largely on account of the smaller increase in the cost of public road transport.³

The cost of retail items fell by 0.6%, after coming in unchanged in July, mainly reflecting the decline in clothing & footwear prices.

Food inflation was 1.9%, unchanged from the previous month. Price increases for both non-cooked food items and prepared meals were broadly stable.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) was 0.2% lower in August

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) eased to -0.2% in August, compared to 0.3% in the previous month, largely due to the sharper decline in private road transport cost.

MAS Core Inflation came in at 0.2% in August

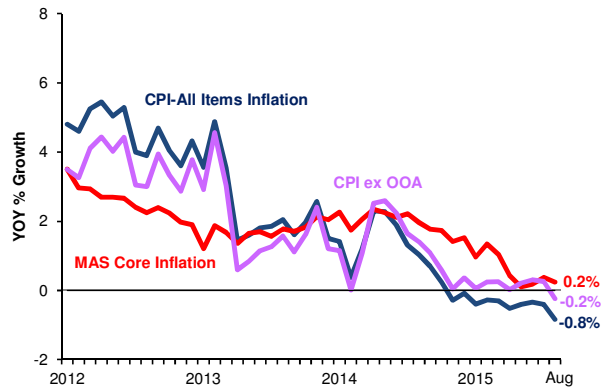
MAS Core Inflation, which excludes the costs of accommodation and private road transport, moderated to 0.2% from 0.4% in July, reflecting lower services and retail goods inflation.

¹ Car COE premiums rose sharply in August 2014 over July 2014, resulting in a substantial month-on-month increase in the CPI for private road transport in August 2014. The impact of this base effect on the CPI for private road transport in August 2015 had been anticipated in the July 2015 inflation report.

² As announced in Budget 2015, a one-year road tax rebate was granted for petrol vehicles to ease the transition towards higher petrol duties. The road tax rebates are applicable from 1 August 2015 to 31 July 2016, at the following rates—20% rebate for cars, 60% rebate for motorcycles, and 100% rebate for commercial vehicles.

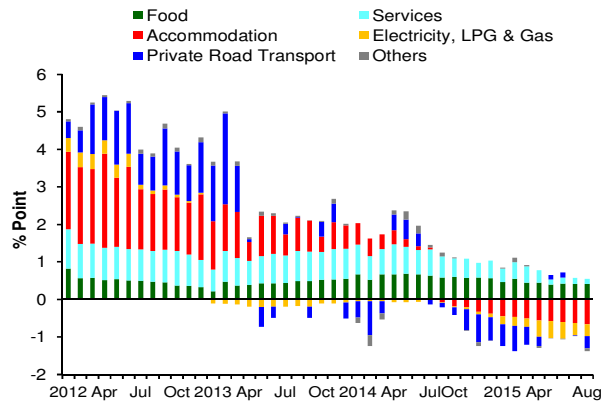
³ In conjunction with the SG50 celebration, public transport operators provided free bus and train services on National Day.

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



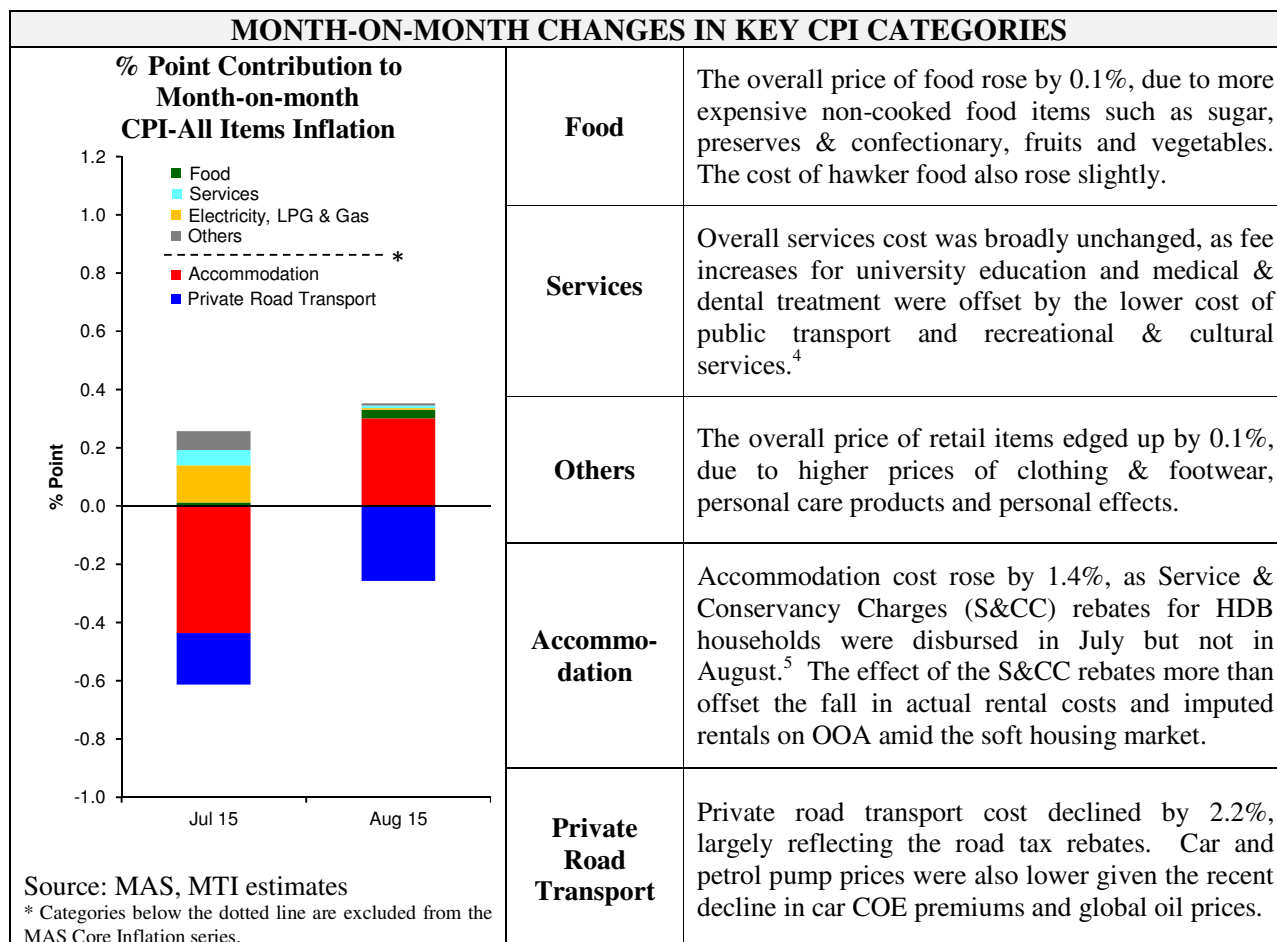
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items rose by 0.1% in August, following the 0.4% decline in July. MAS Core Inflation was 0.1%, compared to 0.4% 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
↑	Sugar, preserves & confectionery	0.3	2.8	↓	Private road transport	11.5	-2.2
↑	Fruits	0.8	1.9	↓	Public road transport	3.0	-1.6
↑	Accommodation	22.9	1.4	↓	Oils & Fats	0.2	-1.4
↑	Clothing & Footwear	2.7	0.8	↓	Medical products, appliances & equipment	1.4	-0.6
↑	Tuition & other fees	6.1	0.7	↓	Household durables	1.8	-0.5
↑	Personal effects #	0.6	0.6	↓	Milk Cheese & Eggs	0.9	-0.4
↑	Non-alcoholic beverages	0.5	0.5	↓	Fish & Seafood	1.2	-0.3
↑	Personal Care	2.4	0.4	↓	Other food ~	0.3	-0.2
↑	Vegetables	1.0	0.3	↓	Bread & Cereals	1.4	-0.2
↑	Other miscellaneous expenditure *	0.7	0.2	↓	Alcoholic drinks & tobacco	1.0	-0.2

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

* The "other miscellaneous expenditure" group includes social support services, life insurance, etc.

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

⁴ In addition to free bus and train services on National Day, admission fees to some places of interest were lowered in conjunction with the SG50 celebration.

⁵ As announced in Budget 2015, 1- and 2-room HDB households received 1-month S&CC rebates, while 3-, 4-, 5-room and Executive/Multi-Generation HDB households received 0.5-month rebates in July 2015. No rebates were disbursed in August 2015.

Outlook

External sources of inflation are expected to stay generally benign, given ample supply buffers in the major commodity markets. Notably, global oil prices are likely to be subdued and come in much lower for the whole of 2015 compared to the US\$93 average⁶ recorded last year. Similarly, global food commodity prices should remain soft in the near term owing to abundant stockpiles, but could recover subsequently given the risks to global food harvests from the El Niño weather phenomenon. While some domestic cost pressures persist, the extent to which businesses are able to pass on accumulated costs to consumer prices could be tempered by the modest economic growth environment.

As a result, MAS Core Inflation is expected to remain subdued at around the current rate in the near term. CPI-All Items inflation could continue to be dampened by lower car prices and imputed rentals on owner-occupied accommodation, amid the expected increase in the supply of COEs and newly-completed housing units respectively.

MAS Core Inflation and CPI-All Items inflation could rise towards the end of the year and are expected to pick up further in 2016, as the effects of the budgetary measures⁷ and the drag from the past fall in global oil prices dissipate on a year-ago basis. For 2015 as a whole, MAS Core Inflation and CPI-All Items inflation are projected to come in at the lower half of the forecast range of 0.5–1.5% and -0.5–0.5% respectively.

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⁶ This refers to the West Texas Intermediate (WTI) benchmark oil price.

⁷ The budgetary measures include the 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 the road tax rebate. The dampening effect of these measures on year-ago inflation will start to dissipate towards the end of the year and into 2016.

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 August 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/cpiaug2015.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 Aug	1.0	2.7	-0.2	-0.3	1.7	3.1	-0.4	-0.6	1.4	3.2	1.7	100.1
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

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 Aug	1.0	2.0	1.4	-3.0	-2.9	-6.3
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	-13.3	-18.7	-48.7
Aug	-0.8	0.2	-0.2	N.A.	-20.2	-54.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible