



Consumer Price Developments in September 2018

In September 2018, MAS Core Inflation edged down to 1.8% on a year-on-year (y-o-y) basis, from 1.9% in the previous month, as a moderation in retail inflation more than offset higher services inflation. CPI-All Items inflation in September was unchanged from August, at 0.7% y-o-y, as a smaller decline in accommodation costs and higher services inflation was offset by lower retail inflation.

CPI-All Items inflation was 0.7% y-o-y in September

CPI-All Items inflation came in at 0.7% y-o-y in September, the same pace of increase as in the previous month, as lower retail inflation was offset by higher services inflation and a smaller decline in accommodation costs.

The overall cost of retail items rose by 1.5% y-o-y in September, moderating from the 2.0% increase in August. This mostly reflected a slower pace of increase in the prices of clothing & footwear, as well as a steeper fall in the prices of recreation & entertainment goods and telecommunication equipment.

Food inflation edged down to 1.6% y-o-y in September, from 1.7% in the preceding month, as the prices of non-cooked food items registered a smaller increase.

Services inflation came in at 1.4% y-o-y in September, slightly higher than the 1.3% in August. This mainly reflected a larger increase in education services fees and a smaller decline in telecommunication services fees, which had collectively more than offset a moderation in the pace of increase in recreational & cultural services fees.

Accommodation costs fell by 2.5% y-o-y in September, easing from the 2.6% decline in August, on account of a slower pace of decline in housing rentals.

Private road transport costs edged down by 0.1% y-o-y in September, which was less than the 0.2% decline in August. On a y-o-y basis, the prices of motorcycles & scooters fell in September, reversing the increase in the previous month. However, the decline was more than offset by a steeper increase in petrol prices, a smaller drop in car prices, as well as an increase in Electronic Road Pricing (ERP) charges.

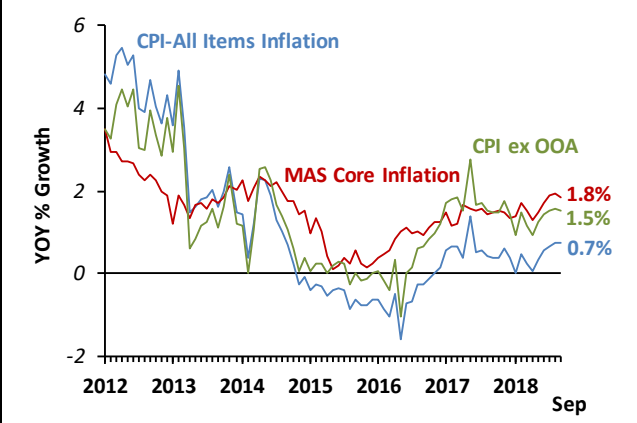
CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation moderated to 1.5% y-o-y in September

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) came in slightly lower at 1.5% y-o-y in September, compared to 1.6% in the previous month. This was largely due to a smaller increase in the prices of retail items, which more than offset higher services inflation.

MAS Core Inflation came in lower at 1.8% y-o-y in September

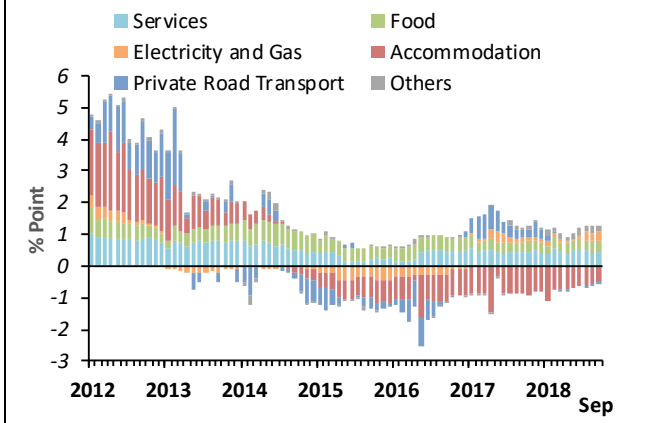
MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased to 1.8% y-o-y in September from 1.9% in August, as a moderation in retail inflation more than offset a pickup in services inflation.

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



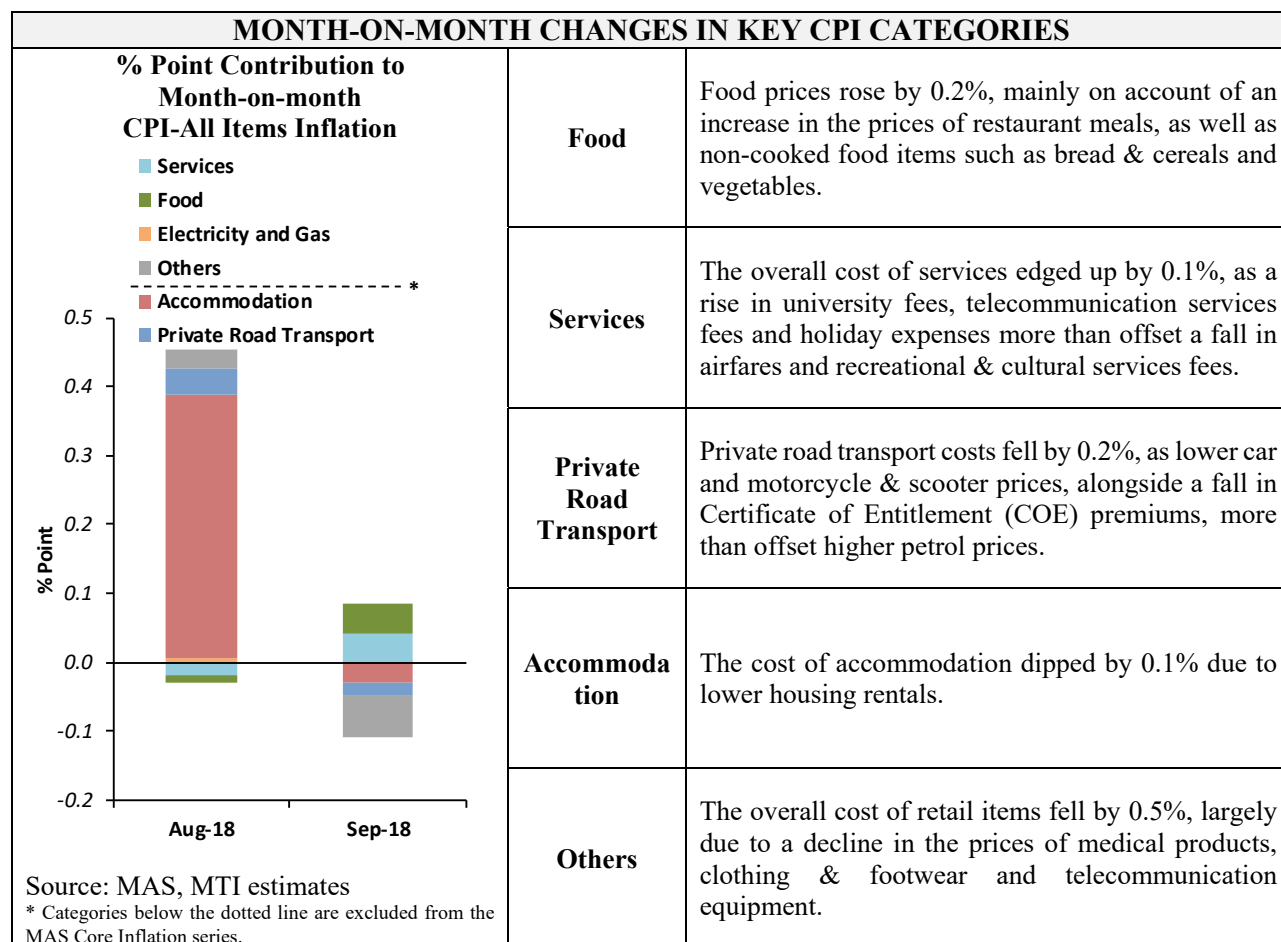
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation moderated to 0% in September, from 0.4% in the previous month. Meanwhile, MAS Core Inflation was unchanged from the preceding month, at 0%.



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	0.9	↓ Medical products, appliances & equipment	1.4	-1.5
↑ Vegetables	1.0	0.7	↓ Other travel & transport ^	1.3	-0.8
↑ Milk, Cheese & Eggs	0.9	0.6	↓ Recreation & entertainment	3.9	-0.6
↑ Fruits	0.8	0.6	↓ Clothing & Footwear	2.7	-0.5
↑ Bread & Cereals	1.4	0.6	↓ Private road transport	11.5	-0.2
↑ Meat	1.2	0.4	↓ Accommodation	22.9	-0.1
↑ Holiday Expenses	3.5	0.4	↓ Fish & Seafood	1.2	-0.1
↑ Sugar, preserves & confectionery	0.3	0.4	↓ Alcoholic drinks & tobacco	1.0	-0.1
↑ Tuition & other fees	6.1	0.3	↓ Non-alcoholic beverages	0.5	-0.1
↑ Oils & Fats	0.2	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.

Outlook

In the quarters ahead, imported inflation is likely to increase on account of higher global oil and food prices. On the domestic front, the improving labour market should underpin a faster pace of wage growth in 2018 and 2019, compared to 2017. Growth in the unit labour cost for services has picked up recently. As domestic demand strengthens further, there could be a greater pass-through of higher import and labour costs to consumer prices. However, the extent of overall price increases will be capped by greater market competition in several consumer segments, such as telecommunications, electricity and retail.

Inflation for the non-core components of the CPI is expected to increase in 2019. Private road transport costs are expected to rise due to higher COE premiums amid an anticipated tapering in supply, while imputed rentals on owner-occupied accommodation will fall by a lesser extent than in 2018 as rental demand gradually picks up.

MAS Core Inflation is expected to rise modestly in the months ahead, and come in within the forecast range of 1.5–2% in 2018 and 1.5–2.5% in 2019. CPI-All Items inflation is projected to be about 0.5% in 2018, before picking up to 1–2% in 2019.

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 2018”. This release also contains further information on the various price indicators published.

<https://www.singstat.gov.sg/-/media/files/publications/economy/cpisept18.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)
2017 Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.4
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.6
Nov	0.6	1.5	0.7	-2.4	1.0	2.0	2.6	1.5	0.8	2.6	-0.4	99.7
Dec	0.4	1.4	-0.2	-2.3	1.1	1.9	1.4	0.5	0.4	2.6	0.1	99.6
2018 Jan	0.0	1.1	1.0	-3.6	1.2	2.3	0.7	0.0	0.8	2.8	0.5	99.5
Feb	0.5	1.5	0.7	-2.1	0.8	2.5	0.6	-0.1	1.6	2.9	0.4	99.7
Mar	0.2	1.4	1.2	-2.0	0.7	2.1	-0.5	-0.3	0.6	3.0	1.0	99.7
Apr	0.1	1.4	0.8	-2.3	0.7	2.0	-0.7	-1.3	0.7	2.9	0.5	99.9
May	0.4	1.3	0.6	-2.0	0.8	2.3	0.0	-0.8	1.2	2.9	1.1	99.8
Jun	0.6	1.5	1.5	-1.8	0.9	2.4	0.3	0.2	1.4	2.9	1.2	99.9
Jul	0.6	1.5	2.3	-1.0	0.5	2.0	-0.3	0.2	1.7	2.4	0.9	100.2
Aug	0.7	1.7	2.8	-0.6	0.7	2.0	-0.2	-1.5	1.6	2.4	1.1	100.1
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

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					
2017 Sep	0.4	1.5	1.5	4.9	7.7	56.2
Oct	0.4	1.5	1.5	3.4	9.1	57.5
Nov	0.6	1.5	1.8	4.1	7.1	62.7
Dec	0.4	1.3	1.4	-0.4	5.8	64.4
2018 Jan	0.0	1.4	1.0	-0.2	5.4	69.1
Feb	0.5	1.7	1.5	-0.1	4.4	65.3
Mar	0.2	1.5	1.2	1.5	5.1	66.0
Apr	0.1	1.3	0.9	1.7	6.7	72.1
May	0.4	1.5	1.2	6.6	6.9	77.0
Jun	0.6	1.7	1.5	9.1	5.6	74.4
Jul	0.6	1.9	1.5	10.0	-2.8	74.3
Aug	0.7	1.9	1.6	9.2	-1.4	72.5
Sep	0.7	1.8	1.5	N.A.	-3.4	78.9

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

N.A.: Not available