



Consumer Price Developments in September 2017

CPI-All Items inflation was 0.4% in September, unchanged from August. Meanwhile, MAS Core Inflation rose to 1.5% in September, from 1.4% in August, due to higher services inflation.

CPI-All Items inflation was 0.4% year-on-year (y-o-y) in September

CPI-All Items inflation came in at 0.4% y-o-y in September, unchanged from the previous month, as higher services inflation offset the fall in private road transport inflation.

Services inflation edged up to 1.5% in September from 1.4% a month earlier, mainly due to a faster pace of increase in telecommunication services fees, which more than offset a smaller rise in holiday expenses and a larger decline in air fares.

Private road transport inflation eased to 2.1% in September from 2.6% in the previous month, reflecting a larger decline in car prices, as well as a smaller year-ago increase in petrol prices.

Food inflation was 1.2% in September, the same as in August, as the prices of non-cooked food and prepared meals rose at a similar pace in both months.

Accommodation cost fell by 3.9% in September, the same rate of decline as in the preceding month, amid continued softness in the housing rental market.

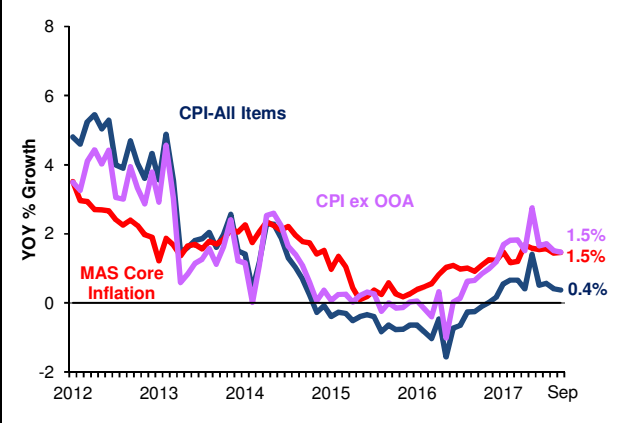
CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation came in at 1.5% in September

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.5% in September, unchanged from the preceding month, as the increase in services inflation offset lower private road transport inflation.

MAS Core Inflation rose to 1.5% in September

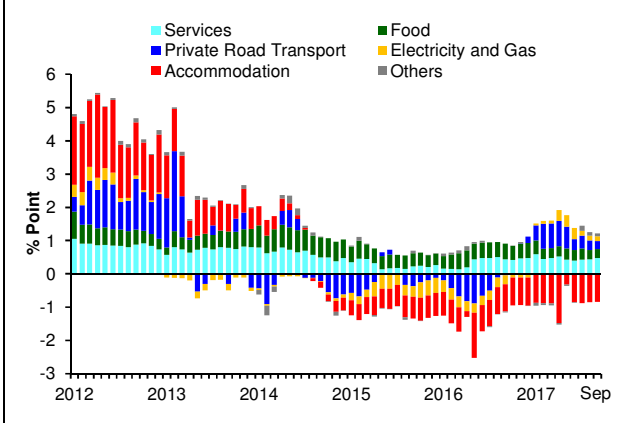
MAS Core Inflation, which excludes the costs of accommodation and private road transport, was higher at 1.5% in September, compared to 1.4% in August, due to an increase in services inflation.

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



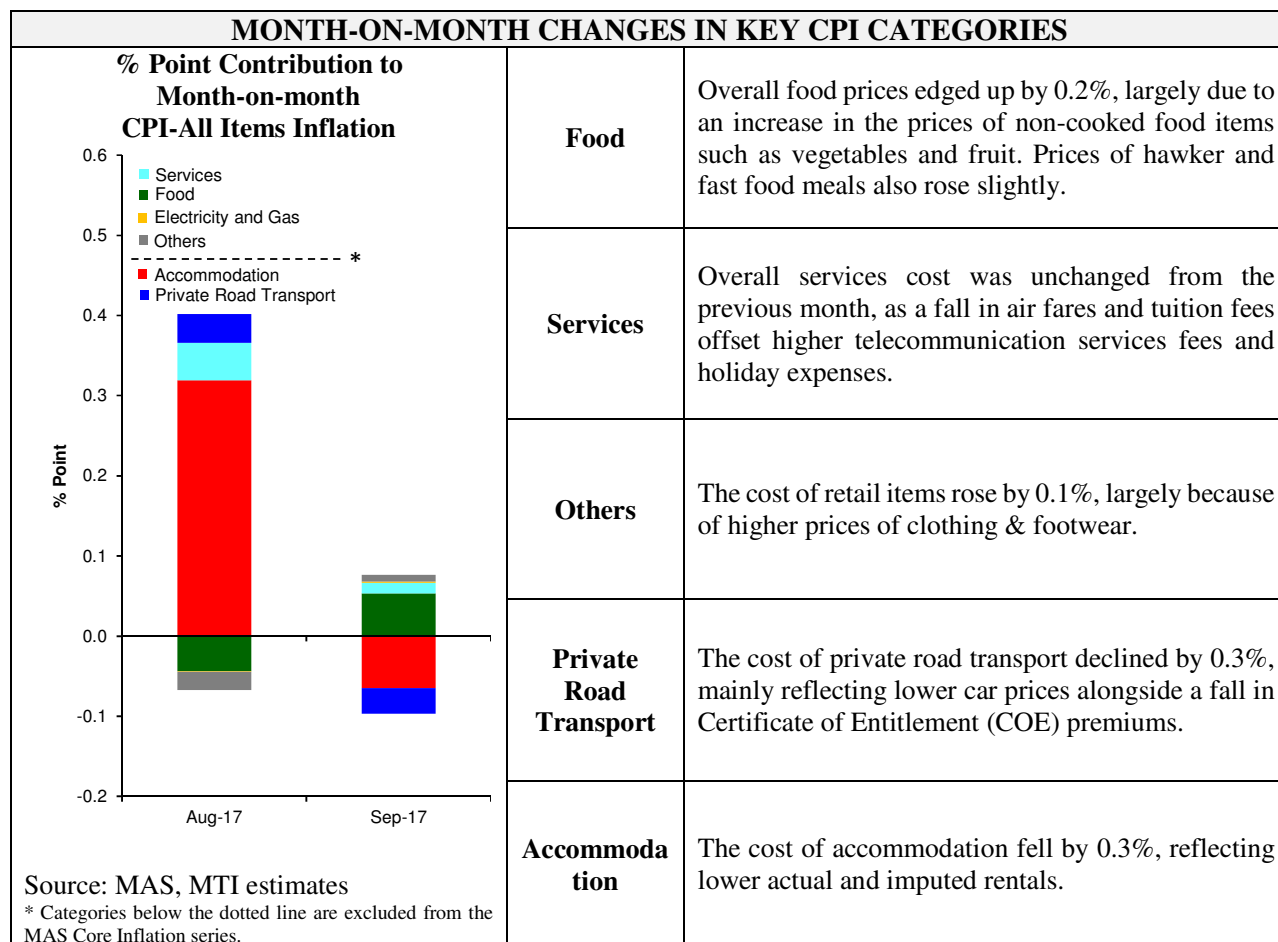
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation eased to 0% in September, from 0.3% in August. Meanwhile, MAS Core Inflation inched up to 0.1% in September, from 0% 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 or No Price Changes		
Group	Weight (%)	M-o-M % Growth	Group	Weight (%)	M-o-M % Growth
↑ Oils & Fats	0.2	3.4	↓ Medical products, appliances & equipment	1.4	-0.9
↑ Vegetables	1.0	2.3	↓ Other travel & transport ^	1.3	-0.8
↑ Sugar, preserves & confectionery	0.3	1.9	↓ Personal effects #	0.6	-0.3
↑ Fruits	0.8	0.8	↓ Accommodation	22.9	-0.3
↑ Milk, Cheese & Eggs	0.9	0.6	↓ Private road transport	11.5	-0.3
↑ Clothing & Footwear	2.7	0.5	↓ Tuition & other fees	6.1	-0.1
↑ Other food ~	0.3	0.5	↓ Fish & Seafood	1.2	-0.1
↑ Holiday Expenses	3.5	0.3	↓ Meat	1.2	-0.1
↑ Communication	3.9	0.3	↓ Non-alcoholic beverages	0.5	-0.1
↑ Recreation & entertainment	3.9	0.2	- Bread & Cereals	1.4	0.0

^ 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 watches and costume jewellery.

Outlook

On the external front, imported inflation is likely to rise mildly, as global demand improves amid ample supply in key commodity markets. Global oil prices have fluctuated within a fairly narrow range over the first nine months of this year, and are expected to increase only slightly in 2018 compared to 2017. Food commodity prices are also expected to rise modestly, although localised shocks from regional supply sources could lead to transitory fluctuations in domestic food prices.

Overall, cost pressures in the economy should remain relatively restrained. Although labour market conditions have improved recently, the gradual absorption of previously accumulated slack will temper wage pressures in the near term. Meanwhile, other non-labour costs such as commercial and retail rentals continue to be subdued.

MAS Core Inflation is expected to be around 1.5% in 2017 and average 1–2% in 2018, while CPI-All Items inflation is projected to come in at around 0.5% this year, and stay in the range of 0–1% next year. Accommodation costs will continue to dampen CPI-All Items inflation in 2018, albeit to a lesser extent than this year, while the positive contribution of private road transport costs will fall, in part reflecting the dissipation of inflationary effects from previous administrative measures.¹

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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¹ The administrative measures associated with higher private road transport inflation in 2017 include the expiry of the one-year road tax rebates and the upward revision in parking fees in August and December 2016, respectively. As for other administrative measures, water price increases in 2017–18 will add temporarily to inflation. U-Save rebates, which were increased from July 2017 to partially offset the impact of higher water prices for eligible households, 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 September 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/cpisep2017.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)
2016 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
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.2
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.6
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	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	World Bank Non-Energy Commodity Index	OPEC Oil Price
	YOY % GROWTH					
2016 Sep	-0.2	0.9	0.6	-4.1	2.6	-4.3
Oct	-0.1	1.1	0.8	-1.1	2.0	6.3
Nov	0.0	1.3	1.0	0.9	8.2	6.7
Dec	0.2	1.2	1.2	8.8	9.7	53.9
2017 Jan	0.6	1.5	1.7	11.3	14.5	96.2
Feb	0.7	1.2	1.8	11.9	14.4	85.8
Mar	0.7	1.2	1.8	8.6	9.2	45.2
Apr	0.4	1.7	1.5	9.5	4.0	35.9
May	1.4	1.6	2.8	5.6	2.6	13.9
Jun	0.5	1.5	1.7	3.2	-1.0	-1.4
Jul	0.6	1.6	1.7	4.2	1.4	10.0
Aug	0.4	1.4	1.5	4.9	3.3	15.1
Sep	0.4	1.5	1.5	N.A.	5.7	24.6

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available