



Consumer Price Developments in February 2016

CPI-All Items inflation eased to -0.8% year-on-year (y-o-y) in February

CPI-All Items inflation eased to -0.8% in February from -0.6% in January, due to a steeper decline in the costs of private road transport and accommodation.

Private road transport cost fell by 3.9%, compared to the 1.8% drop a month ago, on account of a larger fall in car prices amid weaker Certificate of Entitlement (COE) premiums, as well as a slower pace of increase in petrol pump prices.

Accommodation cost fell by 3.2% following the 3.1% decline in the previous month, as the housing rental market continued to soften.

Overall services inflation was 0.5% in February, unchanged from a month earlier. While domestic services cost¹ saw a stronger pickup, this was offset by a more moderate increase in holiday expenses.

Food inflation rose to 2.0% in February from 1.7% in January, driven by a larger increase in the prices of prepared meals, including restaurant, hawker and fast food.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) fell by 0.2%

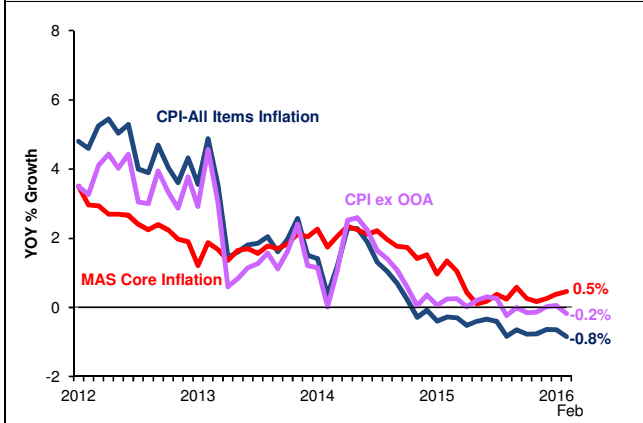
CPI less imputed rentals on owner-occupied accommodation (OOA) was 0.2% lower in February, after edging up by 0.1% in January, due to the larger decline in private road transport cost.

MAS Core Inflation edged up to 0.5% in February

MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 0.5% in February from 0.4% a month ago. This was mostly on account of the higher food inflation.

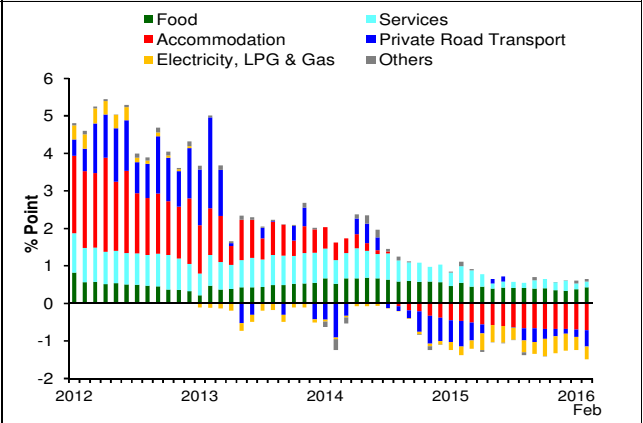
¹ Includes salaries and government levies for foreign domestic workers, the costs of other domestic house cleaning services, etc.

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



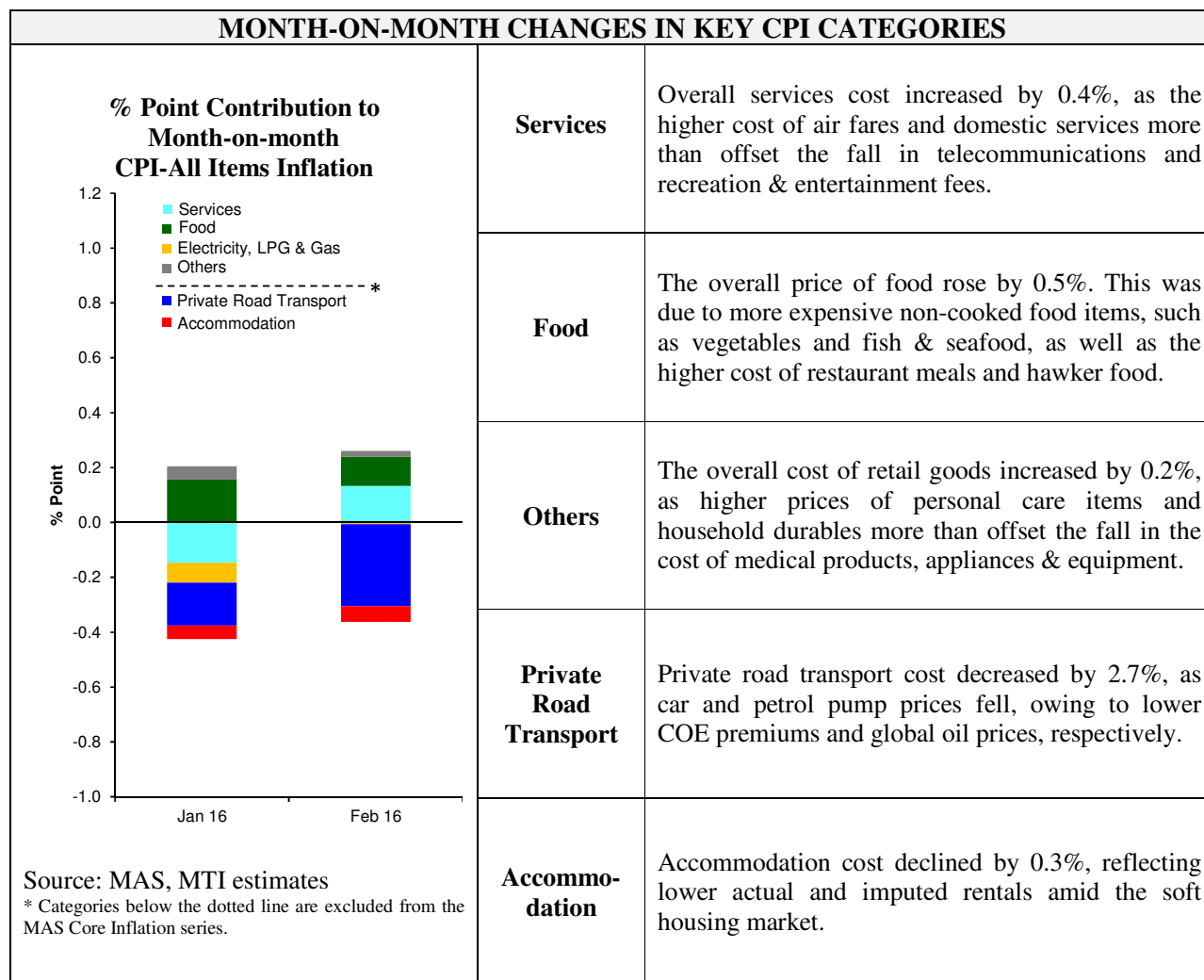
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items fell by 0.1% in February, following the 0.2% decline in January. MAS Core Inflation was 0.4%, compared to 0.0% 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
↑	Other travel & transport ^	1.3	5.8	↓	Private road transport	11.5	-2.7
↑	Vegetables	1.0	2.9	↓	Medical products, appliances & equipment	1.4	-1.1
↑	Household services & Supplies	3.0	1.6	↓	Recreation & entertainment	3.9	-0.5
↑	Sugar, preserves & confectionery	0.3	1.5	↓	Fruits	0.8	-0.5
↑	Other food ~	0.3	1.2	↓	Communication	3.9	-0.3
↑	Personal Care	2.4	1.1	↓	Accommodation	22.9	-0.3
↑	Fish & Seafood	1.2	1.0	↓	Bread & Cereals	1.4	-0.2
↑	Oils & Fats	0.2	0.9	↓	Fuel & utilities	3.4	-0.2
↑	Restaurant food	4.9	0.6	↓	Alcoholic drinks & tobacco	1.0	-0.1
↑	Household durables	1.8	0.5	-	Clothing & Footwear	2.7	-

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

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

Outlook

External sources of inflation are likely to remain muted given ample supply buffers in the major commodity markets and weak global demand conditions. Notably, global oil prices are expected to average lower for the whole of 2016 compared to last year. On the domestic front, wages are expected to continue to increase in 2016, although at a more moderate pace than in the previous year. The pass-through of wage costs to consumer prices may also be tempered by the subdued economic growth environment. Car prices and housing rentals will continue to dampen overall inflationary pressures, given the expected increase in the supply of COEs and newly-completed housing units respectively in 2016.

MAS Core Inflation is expected to pick up gradually over the course of the year, as the disinflationary effects of oil² as well as budgetary³ and other one-off measures ease. CPI-All Items inflation will remain subdued in the near term, reflecting continued weakness in car prices and housing rentals. For the whole year, CPI-All Items inflation and MAS Core Inflation are projected to average -1.0–0.0% and 0.5–1.5%, respectively.

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² With global Brent oil prices currently expected to rise gradually in H2 2016, the year-on-year drag of direct oil-related items on core inflation is likely to become smaller towards the end of the year.

³ The budgetary measures include medical subsidies under the Pioneer Generation Package, the reduction in the concessionary foreign domestic worker levy, as well as the abolition of national examination fees for Singaporeans.

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 February 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/cpifeb2016.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 Feb	-0.3	2.5	-	-2.6	1.9	0.2	-3.7	1.1	0.3	3.6	1.4	99.4
Mar	-0.3	2.1	-0.8	-2.7	1.6	-0.2	-2.7	2.5	0.5	3.5	0.2	99.8
Apr	-0.5	2.1	-2.0	-3.7	1.7	-0.4	-1.4	2.1	-0.3	3.2	-0.4	99.9
May	-0.4	1.8	-	-3.8	-2.0	-0.2	0.9	0.3	-0.1	3.1	-0.3	99.6
Jun	-0.3	2.0	0.2	-3.9	-1.8	-0.3	0.9	0.5	0.1	3.1	-0.1	99.5
Jul	-0.4	1.9	0.8	-3.5	-2.0	-0.4	0.1	-0.2	0.3	3.6	-0.7	99.7
Aug	-0.8	1.9	-0.9	-3.6	-2.2	-0.5	-2.3	-0.2	0.4	3.7	-0.4	99.3
Sep	-0.6	1.8	2.3	-3.6	-1.5	0.7	-2.2	-1.5	0.7	3.5	0.1	99.3
Oct	-0.8	1.8	1.0	-4.3	-1.6	0.6	-1.7	-0.6	0.4	3.7	-0.5	99.3
Nov	-0.8	1.6	1.4	-4.2	-1.3	-0.5	-1.1	-0.9	0.8	3.7	-0.5	99.0
Dec	-0.6	1.5	1.2	-4.2	-1.3	-0.7	-0.9	-0.1	1.4	3.7	-	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

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					
2015 Feb	-0.3	1.3	0.2	-13.6	-14.5	-48.7
Mar	-0.3	1.0	0.3	-13.2	-18.1	-49.6
Apr	-0.5	0.4	-	-12.5	-19.5	-45.3
May	-0.4	0.1	0.2	-11.1	-17.3	-41.1
Jun	-0.3	0.2	0.3	-11.6	-16.1	-44.2
Jul	-0.4	0.4	0.3	-13.5	-18.0	-48.7
Aug	-0.8	0.2	-0.2	-14.2	-19.7	-54.9
Sep	-0.6	0.6	-	-13.6	-18.0	-53.3
Oct	-0.8	0.3	-0.2	-11.2	-17.5	-47.1
Nov	-0.8	0.2	-0.1	-10.2	-20.5	-46.4
Dec	-0.6	0.3	-	-8.7	-19.3	-43.4
2016 Jan	-0.6	0.4	0.1	-5.7	-16.7	-40.2
Feb	-0.8	0.5	-0.2	N.A.	-13.6	-46.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible