



Consumer Price Developments in December 2015

CPI-All Items inflation came in at -0.6% year-on-year (y-o-y) in December

CPI-All Items inflation came in at -0.6% in December, compared to -0.8% in November, mainly due to a stronger pickup in the cost of petrol and overall price of services.

Private road transport cost fell by 1.1% in December, moderating from the 1.7% decline in November. Petrol pump prices rose at a faster pace on a year-ago basis in December, owing to the relatively low base in the same period last year.¹ This more than offset the larger drop in car prices seen in December amid weaker Certificate of Entitlement (COE) premiums.

Accommodation cost was 3.0% lower in December, similar to the decline in the previous month, reflecting the soft housing rental market.

Overall services inflation picked up to 0.9% in December from 0.7% a month earlier, due to a faster pace of increase in holiday travel expenses and a smaller decline in telecommunication services fees.

Food inflation edged down to 1.5% from 1.6% a month ago, as increases in the prices of prepared meals (such as hawker food) moderated.

For the whole of 2015, CPI-All Items inflation eased to -0.5% from 1.0% in the preceding year.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) was unchanged in December

CPI less imputed rentals on owner-occupied accommodation (OOA) was unchanged in December, compared to a fall of 0.1% in November. This mainly reflected the larger increase in petrol pump prices and the overall price of services.

For 2015 as a whole, CPI less imputed rentals on OOA rose by 0.1%, lower than the 1.2% increase in 2014.

MAS Core Inflation edged up to 0.3% in December

MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 0.3% in December from 0.2% a month ago, on account of higher services inflation.

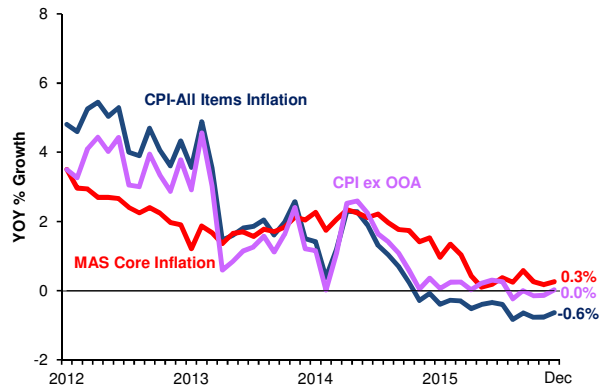
For the whole of 2015, MAS Core Inflation eased to 0.5%, from 1.9% in the preceding year.

[Detailed CPI statistics can be found in the Department of Statistics' release on "Singapore Consumer Price Index for December 2015 and Year 2015".²]

¹ The hike in petrol duty rates announced in Budget 2015 would have been incorporated in petrol pump prices in December 2015, but not in December 2014. Moreover, petrol pump prices fell sharply by 6.9% m-o-m in December 2014, compared to a 3.8% decline the month before, following the plunge in global oil prices.

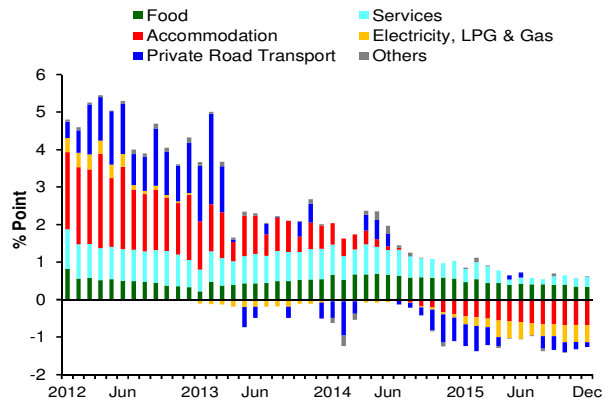
² http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpidec2015.pdf

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



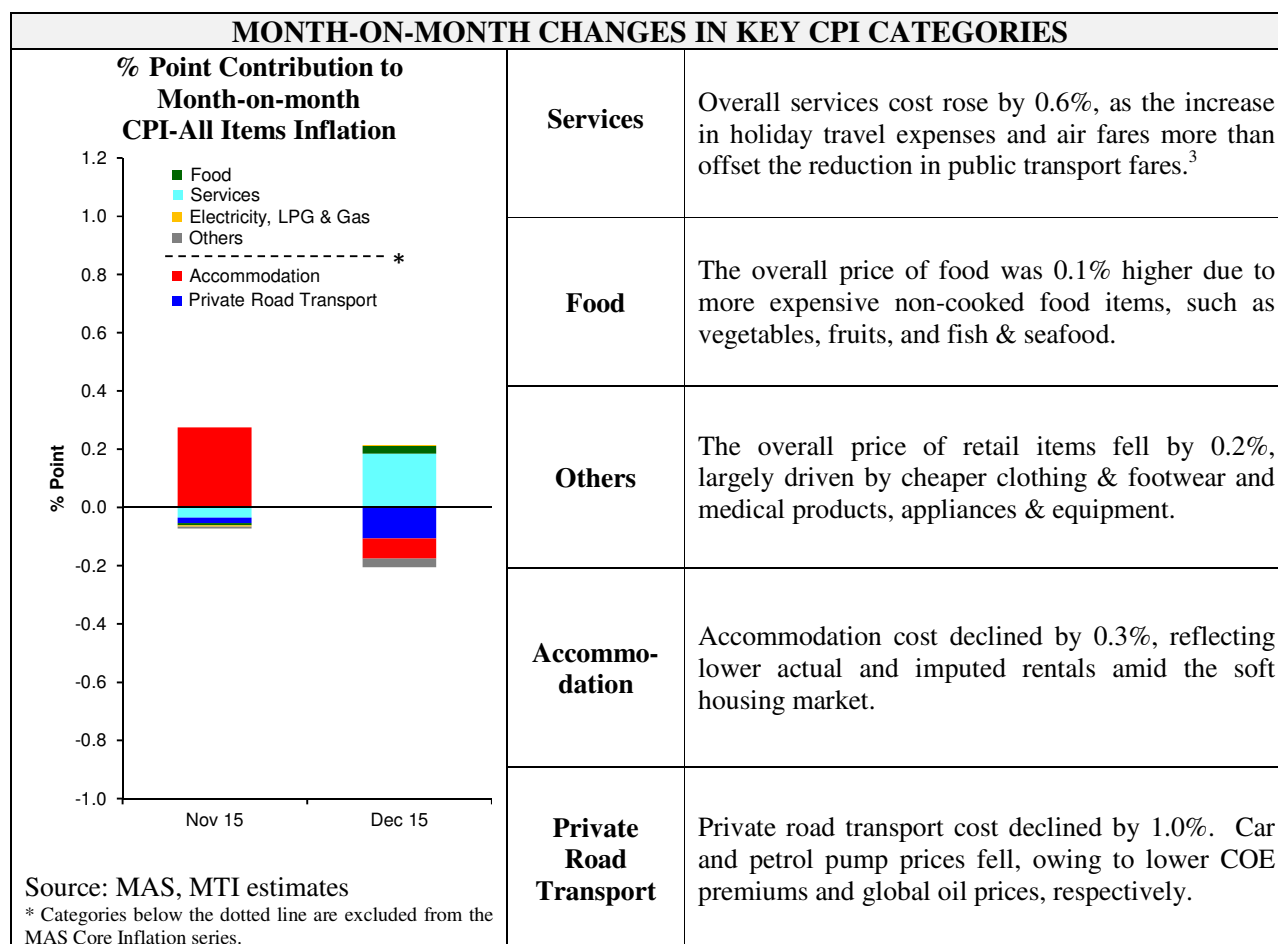
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items was unchanged in December, following the 0.2% rise in November. MAS Core Inflation was 0.3%, compared to -0.1% 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
↑	Other travel & transport ^	1.3	5.9	↓	Oils & Fats	0.2	-1.2
↑	Holiday Expenses	3.5	2.0	↓	Clothing & Footwear	2.7	-1.0
↑	Fruits	0.8	1.2	↓	Private road transport	11.5	-1.0
↑	Vegetables	1.0	1.2	↓	Sugar, preserves & confectionery	0.3	-0.8
↑	Fish & Seafood	1.2	0.7	↓	Medical products, appliances & equipment	1.4	-0.7
↑	Communication	3.9	0.6	↓	Meat	1.2	-0.5
↑	Personal Care	2.4	0.4	↓	Accommodation	22.9	-0.3
↑	Non-alcoholic beverages	0.5	0.4	↓	Alcoholic drinks & tobacco	1.0	-0.2
↑	Household durables	1.8	0.3	↓	Bread & Cereals	1.4	-0.1
↑	Newspapers, books & stationery	0.5	0.3	↓	Public road transport	3.0	-0.1

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

³ Public transport fares were reduced by 1.9% from 27 December 2015. However, given that the fare reduction took place towards the end of the month, its overall impact on prices will only be fully incorporated from January 2016.

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 have fallen by around one third since mid-October⁴, and are expected to remain low in 2016. On the domestic front, some wage cost pressures remain, but their pass-through to consumer prices will be constrained by the subdued economic growth environment.

MAS Core Inflation is expected to pick up gradually over the course of 2016, as the year-on-year disinflationary effects of budgetary⁵ and other one-off measures, ease. CPI-All Items inflation will continue to be dampened by lower car prices and imputed rentals on OOA, due to an expected increase in the supply of COEs and newly-completed housing units. At this stage, the forecasts for CPI-All Items inflation and MAS Core Inflation for 2016 remain at -0.5–0.5% and 0.5–1.5% respectively. However, there is significant uncertainty over the outlook for average global oil prices for the year as a whole. MTI and MAS will continue to closely monitor the developments in global oil prices and assess their impact on domestic inflation.

MONETARY AUTHORITY OF SINGAPORE

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⁴ Global oil prices, based on the Brent benchmark, have fallen from US\$48 as of mid-October, to the current level of about US\$32.

⁵ The budgetary measures include medical subsidies under the Pioneer Generation Package, the reduction in the concessionary foreign domestic worker (FDW) 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 December 2015 and Year 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/cpidec2015.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 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
Sep	-0.6	1.8	2.3	-3.6	-1.5	0.7	-2.2	-1.5	0.7	3.5	0.1	99.4
Oct	-0.8	1.8	1.0	-4.3	-1.6	0.6	-1.7	-0.6	0.4	3.7	-0.5	99.0
Nov	-0.8	1.6	1.4	-4.2	-1.3	-0.5	-1.1	-0.9	0.8	3.7	-0.5	99.2
Dec	-0.6	1.5	1.2	-4.2	-1.3	-0.7	-0.9	-0.1	1.4	3.7	-	99.2

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 Dec	-0.1	1.5	0.4	-13.1	-9.7	-44.9
2015 Jan	-0.4	1.0	0.1	-17.4	-11.6	-57.3
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	-10.1	-20.5	-46.4
Dec	-0.6	0.3	-	N.A.	-19.1	-43.4

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible