



Consumer Price Developments in May 2016

CPI-All Items fell by 1.6% in May, compared to the 0.5% decline in April, mostly due to base effects associated with the timing of the disbursement of Service & Conservancy Charges (S&CC) rebates.¹ MAS Core Inflation, however, inched up to 1.0% in May, from 0.8% in April, reflecting a pickup in services inflation.

CPI-All Items inflation was -1.6% year-on-year (y-o-y) in May

CPI-All Items inflation was -1.6% in May, compared to -0.5% in April. This was mostly due to accommodation costs contracting by 6.0%, compared to the 0.9% fall in the previous month. While the decline in actual and imputed rentals was largely stable, the cost of housing maintenance & repairs fell sharply on a year-ago basis, as S&CC rebates were disbursed to households in May 2016 but not in the same month last year.

Private road transport cost was 7.6% lower, compared to the 7.1% decline a month earlier. This was driven by a larger decline in petrol pump prices, reflecting the relatively high base in May last year.²

Food inflation edged down to 2.2% from 2.3% in the previous month, as increases in the price of prepared meals (such as restaurant food) moderated.

Meanwhile, services inflation rose to 1.5% from 0.7% a month earlier, as the disinflationary effect from the reduction in foreign domestic worker concessionary levy since May 2015 dissipated.³

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) fell by 1.0%

CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.0% lower in May, reversing the 0.3% increase in April. This reflected the disbursement of S&CC rebates in May.

MAS Core Inflation rose to 1.0% in May

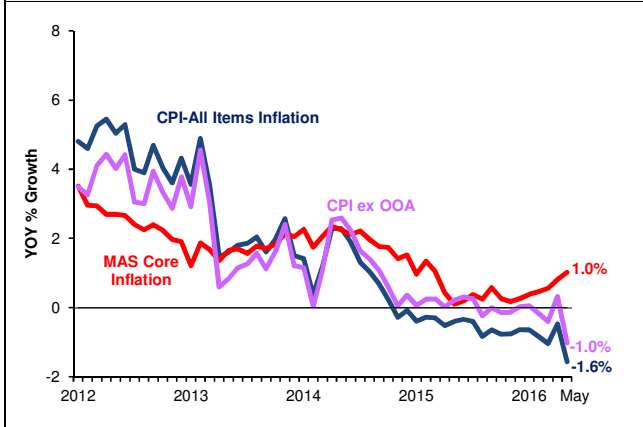
MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 1.0% from 0.8% in April on account of the pickup in services inflation.

¹ S&CC rebates, which affect the housing maintenance & repair cost component, were disbursed in April, July and October last year, and will be disbursed in May, July, and October this year. Hence, the negative contribution from the S&CC rebates in May will be reversed in June.

² Petrol pump prices rose by 4.3% month-on-month in May 2015, following a brief recovery in global oil prices.

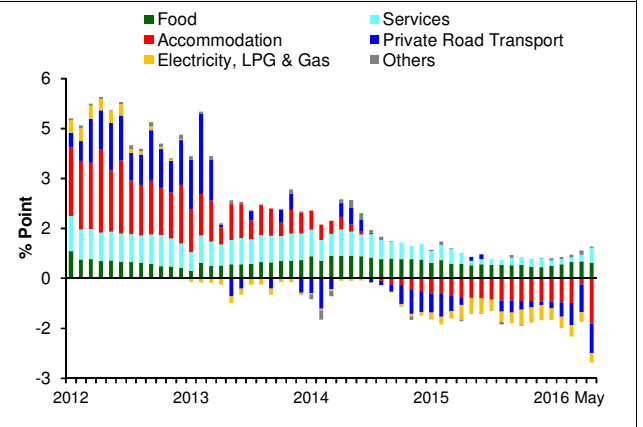
³ The monthly foreign domestic worker concessionary levy for eligible households was lowered from \$120 to \$60 with effect from May 2015. While the reduction in levy helped to dampen services inflation for the period May 2015 to April 2016 on a year-ago basis, the disinflationary effect will dissipate from May 2016 onwards.

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



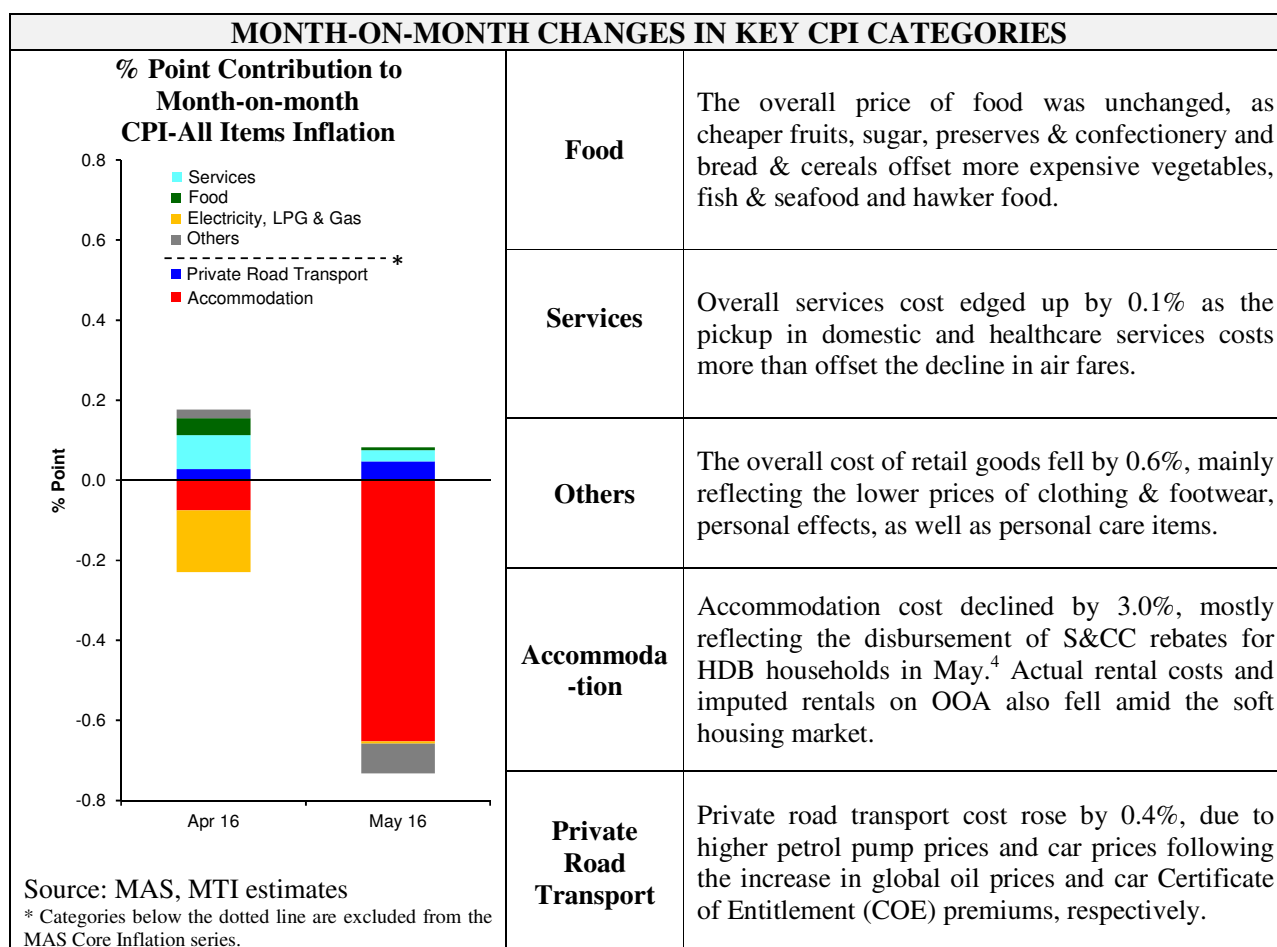
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation fell to -0.7% in May from -0.1% in April. MAS Core Inflation also eased to -0.1% 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			
Group	Weight (%)	M-o-M % Growth	Group	Weight (%)	M-o-M % Growth		
↑ Vegetables	1.0	1.3	↓ Accommodation	22.9	-3.0		
↑ Fish & Seafood	1.2	0.9	↓ Sugar, preserves & confectionery	0.3	-2.5		
↑ Private road transport	11.5	0.4	↓ Fruits	0.8	-1.7		
↑ Fast food	0.9	0.4	↓ Personal effects #	0.6	-1.6		
↑ Medical products, appliances & equipment	1.4	0.3	↓ Clothing & Footwear	2.7	-1.5		
↑ Medical & dental treatment	4.8	0.2	↓ Oils & Fats	0.2	-0.8		
↑ Household services & Supplies	3.0	0.2	↓ Non-alcoholic beverages	0.5	-0.6		
↑ Hawker food (incl. food courts)	8.1	0.2	↓ Personal Care	2.4	-0.4		
↑ Milk Cheese & Eggs	0.9	0.1	↓ Alcoholic drinks & tobacco	1.0	-0.3		
↑ Holiday Expenses	3.5	0.1	↓ Bread & Cereals	1.4	-0.3		

The "personal effects" group includes travel goods, handbags and wallets and "accessories" such as costume jewellery and watches.

⁴ In May 2016, 1-, 2-, 3- and 4-room HDB households received a 1-month S&CC rebate, while 5-room and Executive/Multi-Generation HDB households received a 0.5-month rebate.

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, the labour market is expected to see slightly reduced tightness, with wage growth projected to slow over the course of 2016. The pass-through of wage costs to consumer prices will also be constrained by the subdued economic growth environment.

MAS Core Inflation is expected to pick up gradually over the course of the year, as the disinflationary effects of oil⁵ as well as budgetary and other one-off measures ease. However, the increase in core inflation will be mild, given the weak external price outlook, subdued economic growth prospects, and a reduction in labour market tightness. For the whole of 2016, MAS Core Inflation is likely to be in the lower half of the 0.5–1.5% forecast range, barring a sharp rise in global oil prices. Meanwhile, car prices and housing rentals will continue to dampen overall inflationary pressures, as a large supply of car COEs and residential units is expected to come on-stream this year. CPI-All Items inflation is projected to remain negative throughout 2016, and average -1.0–0.0% for the year as a whole.

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⁵ With global Brent oil prices currently expected to be higher in H2 2016 compared to H1, the year-on-year drag of direct oil-related items on core inflation is likely to become smaller in the second half of the year.

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 May 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/cpimay2016.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 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
Mar	-1.0	2.2	1.3	-4.2	-0.3	0.7	-4.3	-1.8	0.4	2.4	0.6	98.9
Apr	-0.5	2.3	1.8	-1.9	0.2	1.1	-5.4	-1.9	1.0	3.1	0.6	98.9
May	-1.6	2.2	-0.3	-6.4	3.3	1.0	-5.7	-0.1	1.1	3.2	0.2	98.2

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					
2015 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	-5.9	-16.7	-40.2
Feb	-0.8	0.5	-0.2	-11.0	-15.0	-46.9
Mar	-1.0	0.6	-0.4	-10.2	-8.3	-33.9
Apr	-0.5	0.8	0.3	-10.2	-5.7	-33.7
May	-1.6	1.0	-1.0	N.A.	-5.6	-30.5

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible