



Consumer Price Developments in November 2016

In November, both CPI-All Items inflation and MAS Core Inflation were higher, at 0.0% and 1.3% respectively compared to -0.1% and 1.1% in the previous month. This mainly reflected the pickup in services and food inflation.

CPI-All Items inflation was 0.0% y-o-y in November

CPI-All Items inflation rose to 0.0% in November from -0.1% in October, led by a stronger pickup in services fees and food prices.

Overall services inflation increased to 1.5% in November from 1.4% a month earlier. The progressive phasing down of the Transitional Subsidies for MediShield Life premiums contributed to the rise in the cost of medical & dental treatment.¹ Meanwhile, air fares and telecommunication services fees declined.

Food inflation also edged up to 2.0% from 1.9% in the previous month, due to a larger increase in the prices of non-cooked food items such as vegetables and fruits.

Private road transport cost rose by 0.2% after remaining unchanged in October, primarily due to the smaller drag posed by petrol pump prices.

Accommodation cost fell by 3.8% in November, similar to the previous month, amid continued softness in the housing rental market.

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

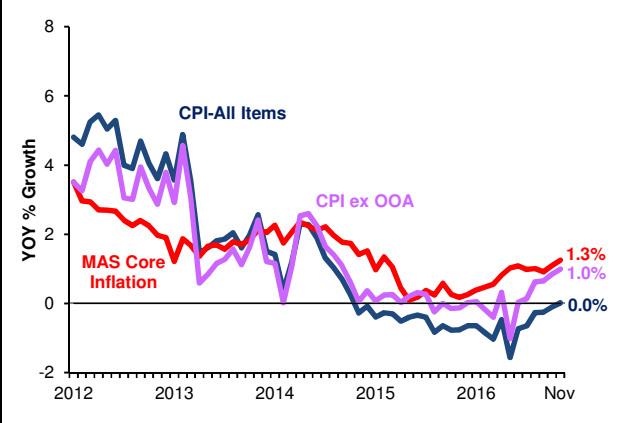
Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) picked up to 1.0% in November from 0.8% in the preceding month, reflecting higher services and food inflation.

MAS Core Inflation rose to 1.3% in November

MAS Core Inflation rose to 1.3% in November from 1.1% in October, on account of the faster pace of increase in overall services and food prices.

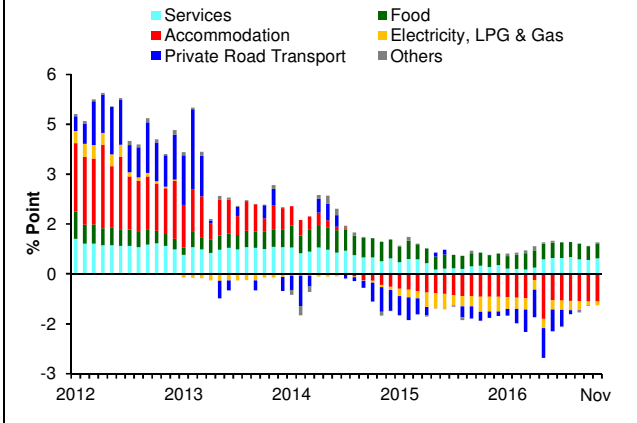
¹ Government subsidies and support for MediShield Life premiums consist of permanent and transitional components. These measures lowered healthcare costs from November 2015 onwards, and dampened healthcare cost inflation on a year-ago basis from November 2015 to October 2016. The rise in healthcare cost inflation in November 2016 was due to the progressive phasing down of the Transitional Subsidies for MediShield Life premiums, as well as the effect of the low base in November 2015. The permanent component of the government subsidies and support for MediShield Life premiums is unchanged.

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



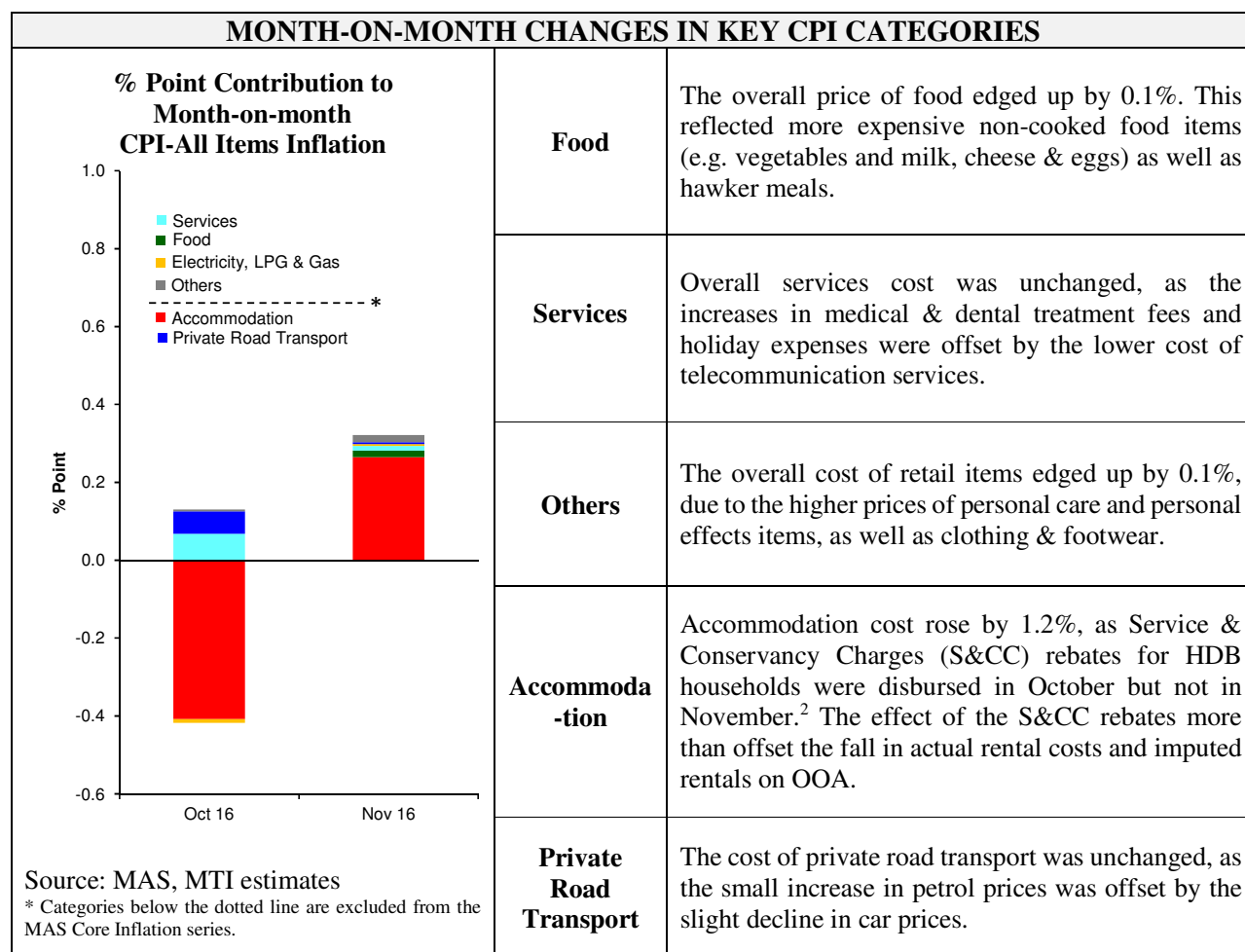
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation picked up to 0.3% in November from -0.3% in October, while MAS Core Inflation remained unchanged from the previous month at 0.1%.



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
↑ Personal effects #	0.6	1.9	↓ Sugar, preserves & confectionery	0.3	-1.7
↑ Vegetables	1.0	1.7	↓ Household durables	1.8	-0.9
↑ Accommodation	22.9	1.2	↓ Fruits	0.8	-0.8
↑ Personal Care	2.4	1.0	↓ Fish & Seafood	1.2	-0.6
↑ Milk, Cheese & Eggs	0.9	0.5	↓ Communication	3.9	-0.5
↑ Non-alcoholic beverages	0.5	0.5	↓ Other travel & transport ^	1.3	-0.2
↑ Clothing & Footwear	2.7	0.5	↓ Recreation & entertainment	3.9	-0.2
↑ Medical & dental treatment	4.8	0.4	↓ Medical products, appliances & equipment	1.4	-0.1
↑ Holiday Expenses	3.5	0.3	↓ Bread & Cereals	1.4	-0.1
↑ Meat	1.2	0.3	- Household services & Supplies	3.0	-

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

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

Outlook

On the external front, imported inflation is likely to rise mildly given ample supply buffers in the commodity markets and soft global demand conditions. Notwithstanding continued short-term volatility, global oil prices are expected to increase in 2017 from its trough this year. Domestically, overall cost pressures should be muted. Amid a pullback in hiring, conditions in the labour market have slackened. This will cap underlying wage growth, even as non-labour business costs have eased. The subdued growth environment will also constrain the extent of cost pass-through to consumer prices.

MAS Core Inflation is expected to average around 1% in 2016 before rising to 1–2% next year. Energy-related components are projected to contribute positively to inflation in 2017, while the temporary disinflationary effects from budgetary measures will fade.³ However, the increase in core inflation will be gradual, given the absence of more generalised demand-induced price pressures. CPI-All Items inflation has troughed and is projected to pick up to 0.5–1.5% next year, from around -0.5% in 2016, largely reflecting the rise in private road transport cost.⁴

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MINISTRY OF TRADE AND INDUSTRY

23 December 2016

³ The budgetary measures include the abolition of national examination fees for Singaporeans, the reduction in the concessionary foreign domestic worker (FDW) levy, and government subsidies and support for MediShield Life premiums.

⁴ The cost of private road transport is projected to rise in 2017, largely as a result of the expiry of the road tax rebate for petrol vehicles, the upward revision of car park charges with effect from 1 December 2016, and higher petrol prices.

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 November 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/cpinov2016.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 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	0.0	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
Jun	-0.7	2.1	0.2	-4.2	3.4	0.7	-4.3	0.4	1.6	3.2	0.5	98.9
Jul	-0.7	2.1	-1.8	-4.3	3.2	0.4	-3.5	0.9	1.2	3.6	0.2	98.7
Aug	-0.3	2.0	-1.9	-4.3	3.2	0.8	-0.7	1.1	1.0	3.4	0.1	99.2
Sep	-0.2	2.2	-1.2	-4.3	3.1	0.6	-0.5	0.2	1.2	3.3	-0.3	99.2
Oct	-0.1	1.9	-0.2	-3.8	3.2	0.9	-0.2	-0.3	1.0	3.2	-0.4	98.9
Nov	0.0	2.0	-0.2	-3.7	2.6	2.4	-0.3	-0.6	0.8	3.2	0.8	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					
2015 Nov	-0.8	0.2	-0.1	-10.2	-20.5	-46.4
Dec	-0.6	0.3	0.0	-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	-5.8	-33.7
May	-1.6	1.0	-1.0	-9.1	-5.6	-30.5
Jun	-0.7	1.1	0.0	-8.2	-2.4	-23.9
Jul	-0.7	1.0	0.1	-6.8	0.0	-21.2
Aug	-0.3	1.0	0.6	-5.2	1.9	-5.2
Sep	-0.2	0.9	0.6	-4.1	2.1	-4.3
Oct	-0.1	1.1	0.8	-1.2	3.7	6.3
Nov	0.0	1.3	1.0	N.A.	12.1	6.7

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available