



## Consumer Price Developments in September 2016

CPI-All Items inflation was -0.2% year-on-year (y-o-y) in September, compared to -0.3% in August. The smaller decline in CPI-All Items was largely on account of a moderation in the fall in private road transport cost. In comparison, MAS Core Inflation eased slightly to 0.9% from 1.0% in the preceding month, as a result of lower services inflation.

### ***CPI-All Items inflation was -0.2% y-o-y in September***

CPI-All Items inflation came in at -0.2% in September, compared to -0.3% in August. This mainly reflected a smaller decline in private road transport cost, and to a lesser extent, higher food inflation.

Private road transport cost fell by 0.4%, moderating from the 1.0% decline in the preceding month, largely on account of a smaller drop in petrol prices.

Accommodation cost decreased by 3.7%, extending the 3.6% decline in the previous month, amid continued softness in the housing rental market.

Food inflation rose to 2.2%, from 2.0% in August, due to a steeper rise in the cost of non-cooked food. Price increases for prepared meals remained stable.

Services inflation moderated to 1.5% from 1.7% a month earlier, reflecting a fall in public road transport cost<sup>1</sup>, in addition to a smaller increase in telecommunication services fees.<sup>2</sup>

### ***CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 0.6% in September***

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 0.6% in September, unchanged from the previous month, as lower services inflation offset the smaller decline in private road transport cost.

### ***MAS Core Inflation eased slightly to 0.9% in September***

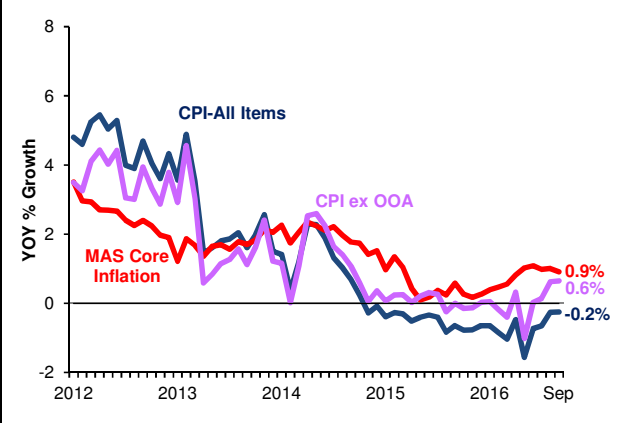
MAS Core Inflation moderated to 0.9% in September from 1.0% in August, largely on account of lower services inflation, which more than offset the stronger pickup in food prices.

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<sup>1</sup> Public road transport cost fell by 0.7% in September, following the 0.9% increase in August. The increase in August was due to the low base a year ago when public transport operators provided free bus and train services on National Day in conjunction with the SG50 celebrations.

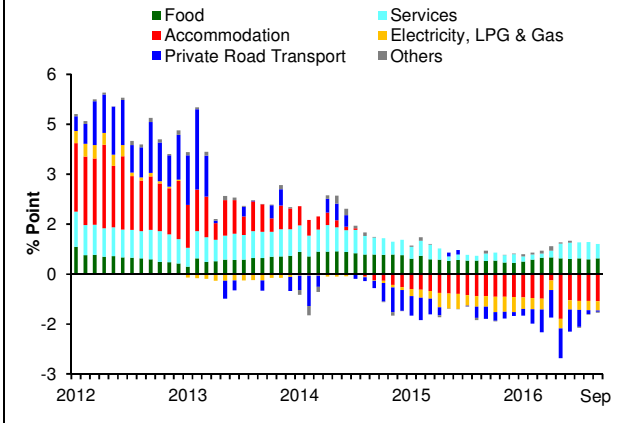
<sup>2</sup> The slower pace of increase in telecommunication services fees was largely due to the discounts offered during various consumer electronic fairs held in September.

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



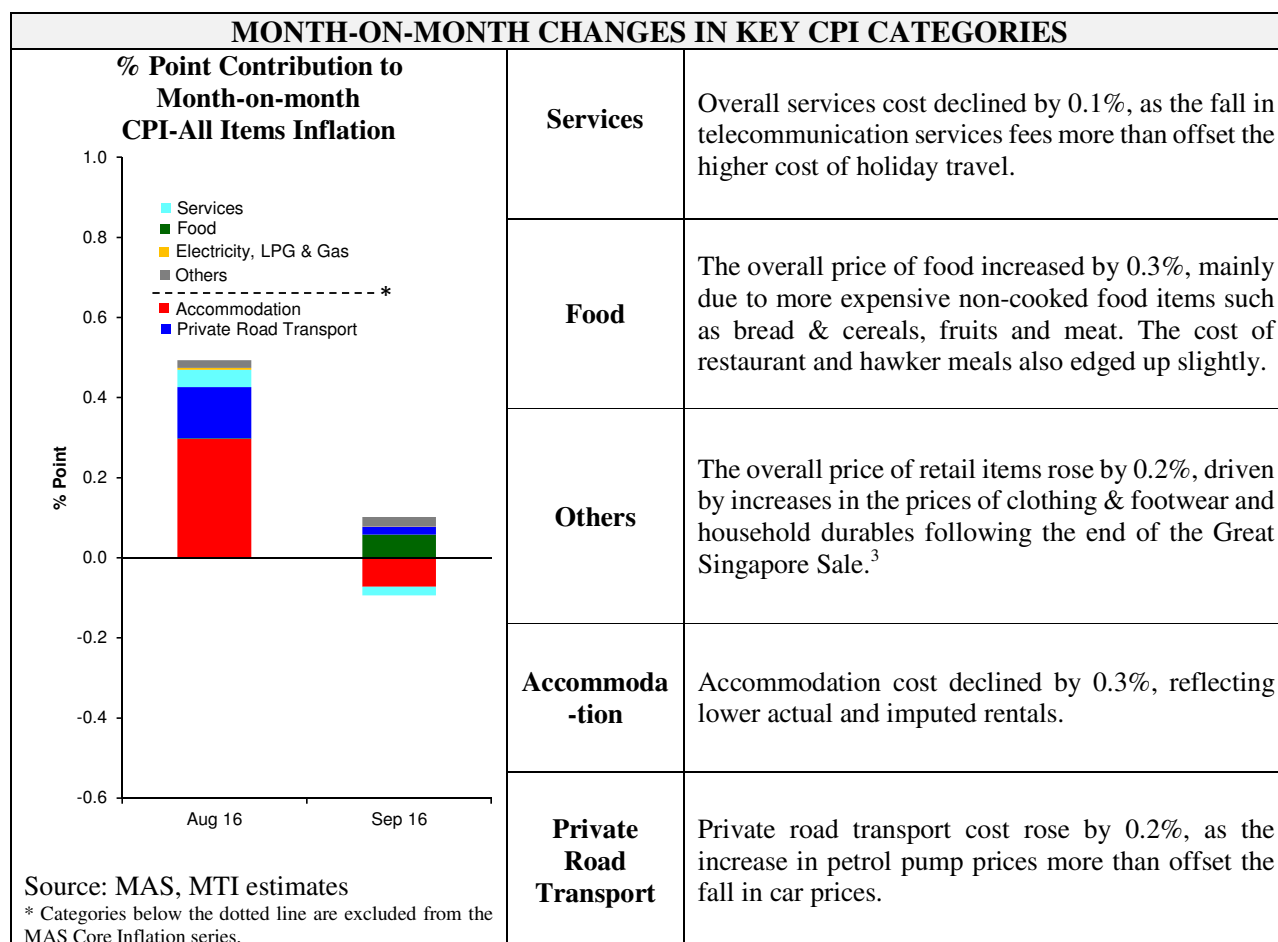
Source: Department of Statistics

**% 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% in September from 0.5% in August, 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		
Group	Weight (%)	M-o-M % Growth	Group	Weight (%)	M-o-M % Growth
↑ Fruits	0.8	1.7	↓ Personal effects #	0.6	-1.0
↑ Clothing & Footwear	2.7	1.6	↓ Communication	3.9	-0.9
↑ Sugar, preserves & confectionery	0.3	1.4	↓ Personal Care	2.4	-0.9
↑ Bread & Cereals	1.4	1.2	↓ Vegetables	1.0	-0.8
↑ Other food ~	0.3	1.2	↓ Medical products, appliances & equipment	1.4	-0.6
↑ Meat	1.2	1.1	↓ Fish & Seafood	1.2	-0.4
↑ Oils & Fats	0.2	1.1	↓ Fast food	0.9	-0.4
↑ Household durables	1.8	0.9	↓ Accommodation	22.9	-0.3
↑ Holiday Expenses	3.5	0.6	↓ Other travel & transport ^	1.3	-0.3
↑ Non-alcoholic beverages	0.5	0.5	↓ Recreation & entertainment	3.9	-0.1

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

^ 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.

<sup>3</sup> The Great Singapore Sale was extended to ten weeks this year (3 June–14 August 2016) compared to eight weeks last year (29 May–26 July 2015).

## 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, as energy-related components begin to contribute positively to inflation and temporary disinflationary effects from budgetary measures fade.<sup>4</sup> 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.<sup>5</sup>

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<sup>4</sup> 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.

<sup>5</sup> 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 September 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/cpisept2016.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpisept2016.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](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 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	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

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 Sep	-0.6	0.6	0.0	-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	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	-5.1	-1.9	-5.2
Sep	-0.2	0.9	0.6	N.A.	2.1	-4.3

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available