



Consumer Price Developments in January 2017

In January 2017, CPI-All Items inflation and MAS Core Inflation rose to 0.6% and 1.5% respectively, from 0.2% and 1.2% in the previous month. This reflected an increase in the prices of oil-related items¹, as well as higher services inflation.

CPI-All Items inflation was 0.6% y-o-y in January

CPI-All Items inflation picked up to 0.6% in January from 0.2% in the preceding month, due to an increase in the cost of oil-related items, a smaller decline in car prices, and higher services inflation.

The cost of oil-related items rose by 5.9%, following the 0.1% decline in December, reflecting an increase in electricity tariffs as well as a stronger pickup in petrol prices.

Private road transport cost increased by 4.1%, faster than the 1.7% rise in the previous month, mainly due to a smaller decline in car prices and a faster pace of increase in petrol prices.

Services inflation rose to 1.9% in January from 1.6% a month earlier. This was largely attributable to higher air fares and telecommunication services fees following price declines in December, which more than offset the impact of lower bus and train fares.²

Food inflation eased to 1.9% from 2.0% in December, owing to more modest increases in the prices of non-cooked food items. Meanwhile, the cost of prepared meals rose at a similar pace as in the previous month.

Accommodation cost fell by 3.9%, extending the 3.8% decline in the preceding month, reflecting the continued softness in the housing rental market.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 1.7% in January

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) picked up to 1.7% in January, from 1.2% in the previous month. Similar to CPI-All Items, this was on account of the increase in the cost of oil-related items, a smaller decline in car prices, and higher services inflation.

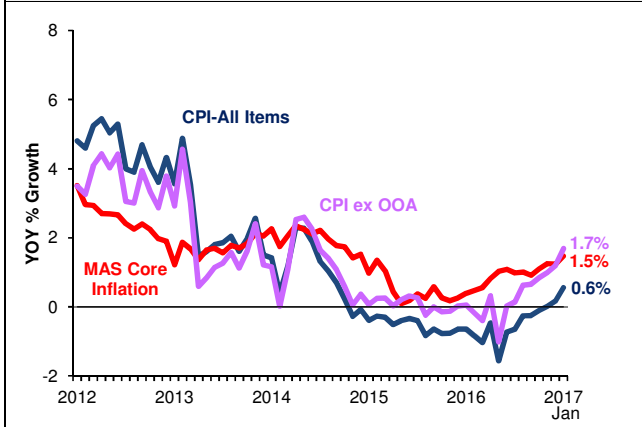
MAS Core Inflation came in higher at 1.5% in January

MAS Core Inflation rose to 1.5% in January from 1.2% in December, as a result of the increase in electricity tariffs and higher services inflation.

¹ Oil-related items include electricity, liquefied petroleum gas (LPG) & gas (for domestic use), as well as fuels & lubricants (including petrol).

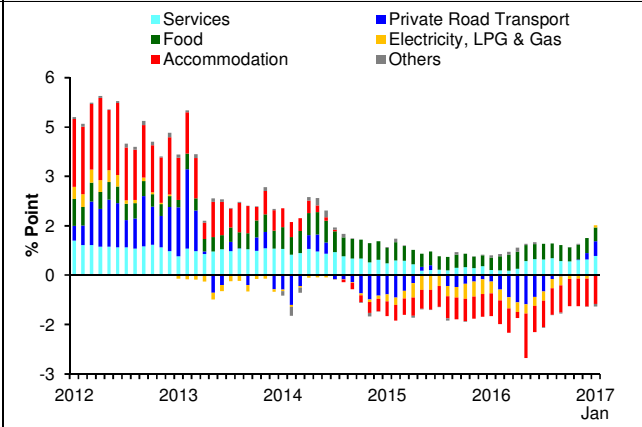
² Bus and train fares were reduced by 4.2% from 30 December 2016.

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



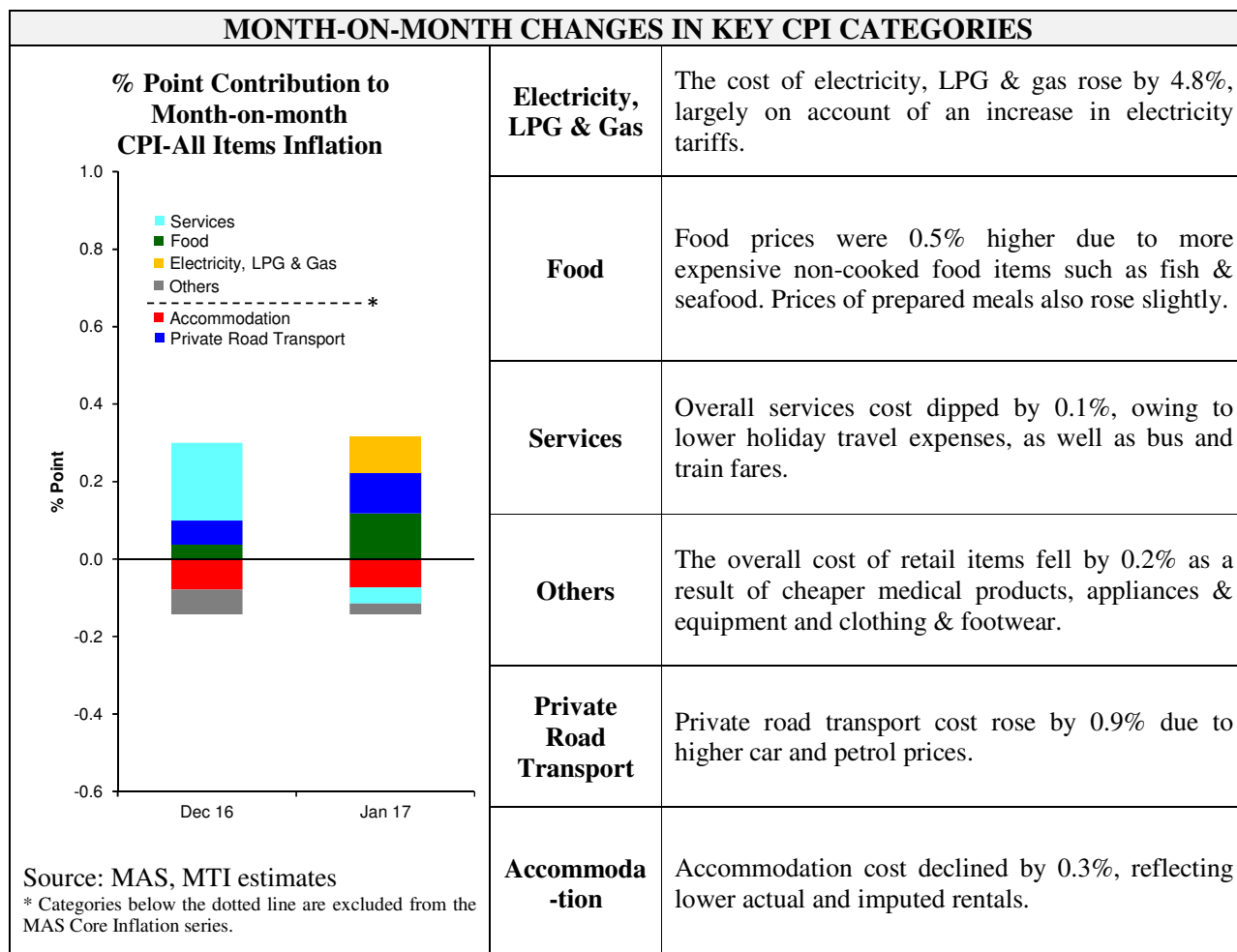
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation in January was the same as the previous month, at 0.2%. In comparison, MAS Core Inflation eased to 0.2% from 0.3%.



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
↑	Fish & Seafood	1.2	6.9	↓	Holiday Expenses	3.5	-2.6
↑	Fuel & utilities	3.4	3.9	↓	Public road transport	3.0	-2.0
↑	Sugar, preserves & confectionery	0.3	2.4	↓	Other food ~	0.3	-1.8
↑	Other miscellaneous expenditure *	0.7	2.4	↓	Other travel & transport ^	1.3	-1.7
↑	Tuition & other fees	6.1	1.1	↓	Non-alcoholic beverages	0.5	-1.0
↑	Private road transport	11.5	0.9	↓	Medical products, appliances & equipment	1.4	-0.9
↑	Communication	3.9	0.6	↓	Personal effects #	0.6	-0.7
↑	Fruits	0.8	0.5	↓	Household durables	1.8	-0.4
↑	Vegetables	1.0	0.4	↓	Accommodation	22.9	-0.3
↑	Medical & dental treatment	4.8	0.3	↓	Recreation & entertainment	3.9	-0.3

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

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

* The "other miscellaneous expenditure" group includes social support services, life insurance, 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 modestly on the back of a turnaround in global commodity markets. In particular, global oil prices are expected to average higher in 2017 as compared to last year, although upward pressures would be capped by existing inventories as well as an anticipated increase in US crude oil output. 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.

For the whole of 2017, MAS Core Inflation is expected to average 1–2%, compared with 0.9% in 2016. CPI-All Items inflation is projected to pick up to 0.5–1.5% this year, from -0.5% in 2016. The firmer rate of inflation in 2017 largely reflects the positive contribution of energy-related components as well as some administrative price increases³, rather than generalised demand-induced price pressures.

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³ These include the upward revision of car park charges and household refuse collection fees, which took effect from December 2016 and January 2017 respectively, as well as upcoming increases in water prices and service & conservancy charges (S&CC).

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 January 2017”. 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/cpijan2017.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)
2016 Jan	-0.6	1.7	2.6	-4.0	-1.4	0.7	-1.5	-0.7	0.8	2.6	0.3	98.9
Feb	-0.8	2.0	2.5	-4.1	-0.6	0.7	-2.9	-0.9	0.1	2.4	0.5	98.7
Mar	-1.0	2.2	1.3	-4.2	-0.3	0.7	-4.3	-1.8	0.4	2.4	0.6	98.8
Apr	-0.5	2.3	1.8	-1.9	0.2	1.1	-5.4	-1.9	1.0	3.1	0.6	98.7
May	-1.6	2.2	-0.3	-6.4	3.3	1.0	-5.7	-0.1	1.1	3.2	0.2	98.8
Jun	-0.7	2.1	0.2	-4.2	3.4	0.7	-4.3	0.4	1.6	3.2	0.5	98.8
Jul	-0.7	2.1	-1.8	-4.3	3.2	0.4	-3.5	0.9	1.2	3.6	0.2	99.0
Aug	-0.3	2.0	-1.9	-4.3	3.2	0.8	-0.7	1.1	1.0	3.4	0.1	99.0
Sep	-0.2	2.2	-1.2	-4.3	3.1	0.6	-0.5	0.2	1.2	3.3	-0.3	99.0
Oct	-0.1	1.9	-0.2	-3.8	3.2	0.9	-0.2	-0.3	1.0	3.2	-0.4	99.0
Nov	0.0	2.0	-0.2	-3.7	2.6	2.4	-0.3	-0.6	0.8	3.2	0.8	99.1
Dec	0.2	2.0	-0.1	-3.8	2.1	2.9	0.8	-0.8	0.9	3.2	0.0	99.2
2017 Jan	0.6	1.9	-1.5	-3.2	2.1	2.5	2.8	0.4	0.5	3.5	0.0	99.4

Source: Singapore Department of Statistics

S.A.: Seasonally Adjusted

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					
2016 Jan	-0.6	0.4	0.1	-5.9	-16.5	-40.2
Feb	-0.8	0.5	-0.2	-11.0	-14.8	-46.9
Mar	-1.0	0.6	-0.4	-10.2	-8.0	-33.9
Apr	-0.5	0.8	0.3	-10.2	-5.4	-33.7
May	-1.6	1.0	-1.0	-9.1	-5.3	-30.5
Jun	-0.7	1.1	0.0	-8.2	-1.9	-23.9
Jul	-0.7	1.0	0.1	-6.8	0.5	-21.2
Aug	-0.3	1.0	0.6	-5.2	2.0	-5.2
Sep	-0.2	0.9	0.6	-4.1	2.6	-4.3
Oct	-0.1	1.1	0.8	-1.1	4.0	6.3
Nov	0.0	1.3	1.0	0.9	12.1	6.7
Dec	0.2	1.2	1.2	8.8	13.6	53.9
2017 Jan	0.6	1.5	1.7	N.A.	17.5	96.2

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available