



## Consumer Price Developments in July 2017

Both CPI-All Items inflation and MAS Core Inflation came in slightly higher in July, at 0.6% and 1.6% respectively, compared to 0.5% and 1.5% in June.

### *CPI-All Items inflation edged up to 0.6% year-on-year (y-o-y) in July*

CPI-All Items inflation rose to 0.6% y-o-y in July, from 0.5% a month ago, primarily on account of higher retail<sup>1</sup> and water<sup>2</sup> prices. Collectively, retail and water prices rose by 1.2%, reversing the 0.2% decline in June.

Private road transport inflation also came in higher at 3.5% in July, compared to 3.0% in June, mainly due to a smaller decline in car prices.

Services inflation rose slightly to 1.4% in July from 1.3% in the previous month, largely reflecting an increase in telecommunication services fees following price declines in June.

In comparison, the cost of electricity & gas<sup>3</sup> rose by a smaller 7.9% in July, compared to the 19.1% increase in June. This was attributable to a smaller increase in electricity tariffs on a year-ago basis following a fall in global oil prices in the preceding quarter.<sup>4</sup>

The cost of accommodation fell by a steeper 4.1% in July, compared to the 3.9% decline in the preceding month, owing to a smaller increase in the cost of housing maintenance & repairs.

Food inflation was stable at 1.4% in July, as the rise in non-cooked food inflation was offset by lower price increases for prepared meals.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 1.7% in July*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.7% in July, unchanged from the previous month. This was because the rise in water prices as well as higher retail and private road transport inflation were offset by smaller increases in the cost of housing maintenance & repairs and electricity & gas.

---

<sup>1</sup> Retail items include items such as clothing, footwear and household durables.

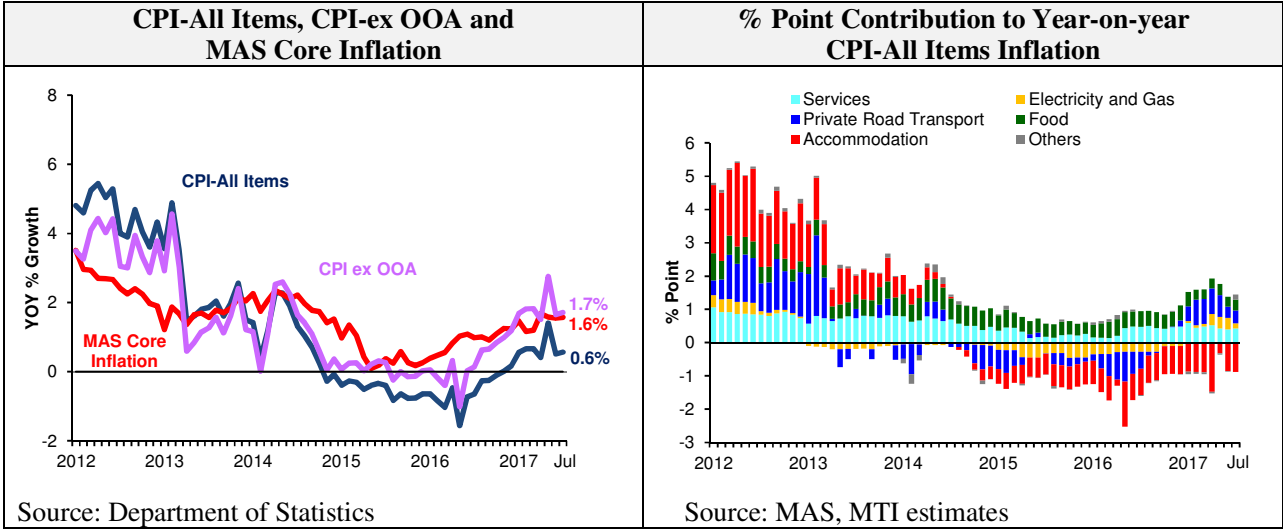
<sup>2</sup> With effect from 1 July 2017, water prices (comprising water tariffs, water conservation tax, waterborne fee and sanitary appliance fee) for domestic users were revised upwards by 15% as part of a phased 30% increase in water prices over two years announced in the FY2017 Budget. The sanitary appliance fee and waterborne fee were also restructured into a single volume-based fee. U-Save rebates, which have been increased and will partially offset the impact of higher water prices on households, are not taken into account in the CPI.

<sup>3</sup> Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

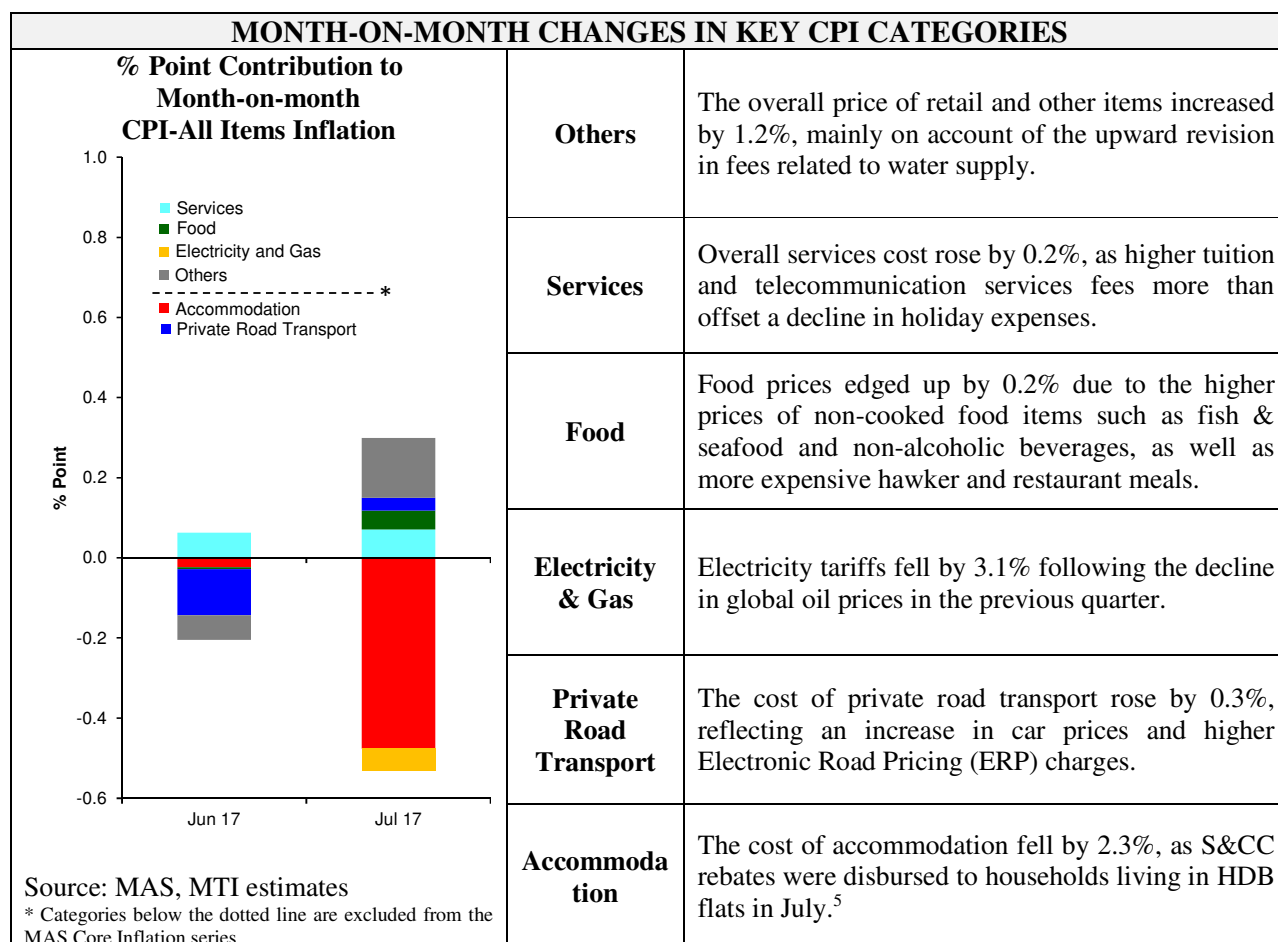
<sup>4</sup> The fuel cost component of the electricity tariff for each quarter is calculated based on the average forward fuel oil and dated Brent oil prices in the first two-and-a-half month period in the preceding quarter.

**MAS Core Inflation rose to 1.6% in July**

MAS Core Inflation came in at 1.6% in July, compared to 1.5% in June. This was on account of higher water prices, as well as retail and services inflation, which were partially offset by a smaller increase in the cost of electricity & gas.



**On a month-on-month basis, CPI-All Items declined by 0.2% in July after recording a fall of 0.1% in June. MAS Core Inflation was 0.3% in July, up 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
↑	Fish & Seafood	1.2	2.1	↓	Accommodation	22.9	-2.3
↑	Fuel & utilities	3.4	1.9	↓	Fruits	0.8	-1.8
↑	Non-alcoholic beverages	0.5	1.5	↓	Holiday Expenses	3.5	-1.4
↑	Other food ~	0.3	1.5	↓	Other travel & transport ^	1.3	-1.2
↑	Medical products, appliances & equipment	1.4	1.5	↓	Vegetables	1.0	-0.9
↑	Communication	3.9	0.9	↓	Alcoholic drinks & tobacco	1.0	-0.6
↑	Personal effects #	0.6	0.8	↓	Fast food	0.9	-0.1
↑	School textbooks & related study guides	0.1	0.8	↓	Clothing & Footwear	2.7	-0.1
↑	Household durables	1.8	0.7	↓	Newspapers, books & stationery	0.5	-0.1
↑	Personal Care	2.4	0.7	↓	Public road transport	3.0	-0.1

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

## Outlook

External inflationary pressures have picked up amid a turnaround in global commodity markets since late last year. Global oil prices have risen from their trough in the previous year, and are likely to average higher in 2017, although upward pressures would be capped by elevated inventories alongside rising US crude oil production. Administrative price adjustments<sup>6</sup> will also contribute to a temporary increase in inflation this year. Overall, domestic sources of inflation remain relatively muted. Conditions remain slack in the labour market, and this is expected to dampen underlying wage pressures, even as commercial and retail rents have continued to ease. The subdued economic environment will also limit the extent to which businesses pass on higher costs to consumers.

For 2017, MAS Core Inflation is expected to average 1–2%, compared with 0.9% in 2016, while CPI-All Items inflation is projected to rise to 0.5–1.5% from -0.5% last year. The projected pickup in inflation can be attributed to the positive contribution of energy-related components and the impact of administrative price increases, rather than generalised demand-induced price pressures.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 August 2017

---

<sup>6</sup> These include the upward revision in car park charges and household refuse collection fees which took effect from December 2016 and January 2017 respectively, as well as the rise in S&CC from June 2017 and the increase in water prices from July 2017.

## **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 July 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/cpijul2017.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpijul2017.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)
2016 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
Feb	0.7	1.3	-0.2	-3.1	1.5	2.6	4.2	0.7	0.5	3.6	-0.6	99.6
Mar	0.7	1.3	-0.9	-3.2	1.6	2.8	4.5	-0.4	0.3	3.6	0.2	99.6
Apr	0.4	1.3	0.5	-4.6	0.8	3.0	4.7	1.0	0.3	3.2	0.1	99.3
May	1.4	1.5	1.9	0.1	0.7	2.4	3.8	0.8	-0.2	3.2	-0.1	99.6
Jun	0.5	1.4	1.9	-2.0	0.3	2.5	1.8	-0.6	-0.1	3.2	0.2	99.5
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.2

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 Jul	-0.7	1.0	0.1	-6.8	0.6	-21.2
Aug	-0.3	1.0	0.6	-5.2	2.1	-5.2
Sep	-0.2	0.9	0.6	-4.1	2.7	-4.3
Oct	-0.1	1.1	0.8	-1.1	4.1	6.3
Nov	0.0	1.3	1.0	0.9	12.2	6.7
Dec	0.2	1.2	1.2	8.8	13.8	53.9
2017 Jan	0.6	1.5	1.7	11.3	17.7	96.2
Feb	0.7	1.2	1.8	11.9	19.6	85.8
Mar	0.7	1.2	1.8	8.6	11.6	45.2
Apr	0.4	1.7	1.5	9.5	5.9	35.9
May	1.4	1.6	2.8	5.6	5.1	13.9
Jun	0.5	1.5	1.7	3.3	2.3	-1.4
Jul	0.6	1.6	1.7	N.A.	N.A.	10.0

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available