



## Consumer Price Developments in January 2018

CPI-All Items inflation fell to 0% in January from 0.4% in December, mostly due to lower accommodation and private road transport inflation. Meanwhile, MAS Core Inflation rose to 1.4% from 1.3% in the previous month, as higher retail inflation more than offset a decline in food inflation.

### *CPI-All Items inflation fell to 0% year-on-year (y-o-y) in January*

CPI-All Items inflation eased to 0% y-o-y in January from 0.4% in the previous month, largely due to a steeper decline in accommodation cost and lower private road transport inflation.

The cost of accommodation fell by 5.3% in January, compared to the 3.8% decline registered in the preceding month, as Service & Conservancy Charges (S&CC) rebates were disbursed to HDB households in January 2018, but not in the same month last year.<sup>1</sup>

Private road transport inflation moderated to 1.6% in January from 2.6% in the previous month, due to lower car prices and a decline in Certificate of Entitlement (COE) premiums.

Food inflation eased to 1.1% in January from 1.4% in December, largely on account of a moderation in the price increases for non-cooked food items. The cost of prepared meals also rose at a slightly slower pace compared to the previous month.

Services inflation was 1.3% in January, unchanged from the previous month, as a smaller decline in the cost of public road transport, together with larger increases in education and recreational & cultural services fees, offset a fall in telecommunications services fees and a steeper drop in air fares.

The cost of electricity & gas<sup>2</sup> rose by 6.7% in January, higher than the 6.3% increase in the previous month, as electricity tariffs were revised upwards following a rise in global oil prices in the preceding months.<sup>3</sup>

The overall cost of retail items increased by 1.3% in January, larger than the 0.4% rise in December, as the prices of personal care products and clothing & footwear picked up, reversing the declines recorded in December.

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<sup>1</sup> As announced in Budget 2017, the quantum of S&CC rebates was increased in FY2017, with an additional 0.5 month of rebates disbursed to most HDB households in January 2018. S&CC rebates, which lower the housing maintenance & repair cost component of the accommodation CPI, were disbursed in April, July and October last year, but not in January. This resulted in a negative contribution to year-on-year inflation in January 2018.

<sup>2</sup> Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

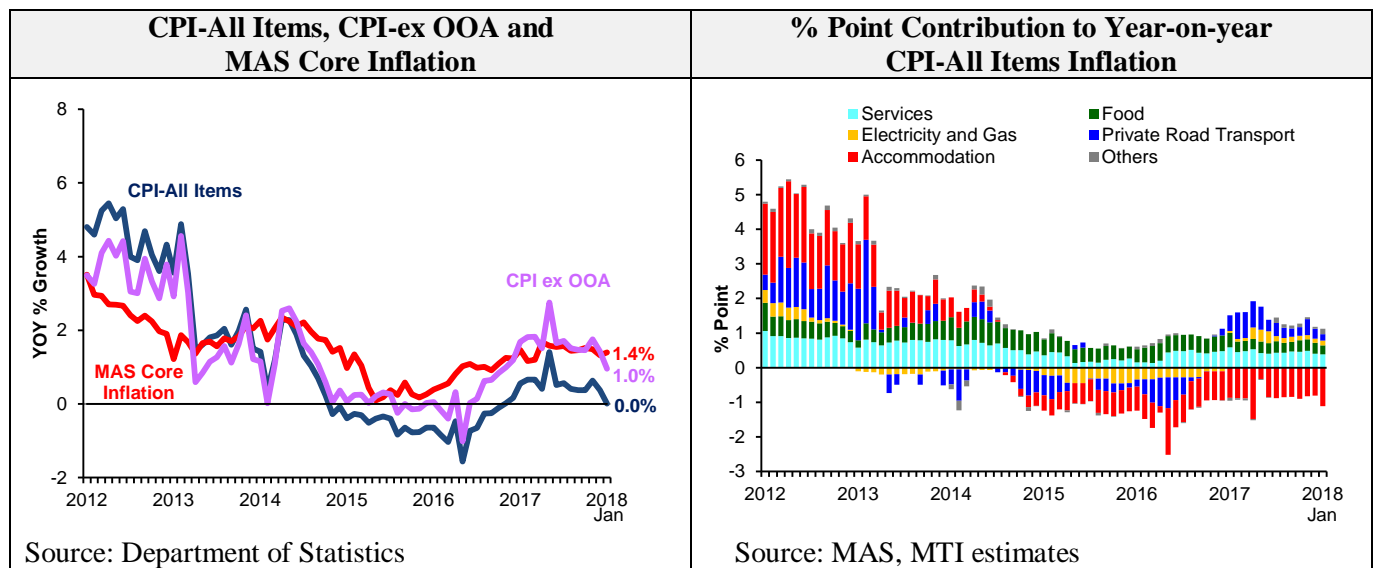
<sup>3</sup> The fuel cost component of the electricity tariff for each quarter is calculated based on the average forward fuel oil and dated Brent oil prices in the first two-and-a-half month period in the preceding quarter.

***CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation eased to 1.0% in January***

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) fell to 1.0% in January from 1.4% in December. This was largely on account of the decline in the cost of housing maintenance & repairs arising from the disbursement of the S&CC rebates, as well as lower private road transport inflation.

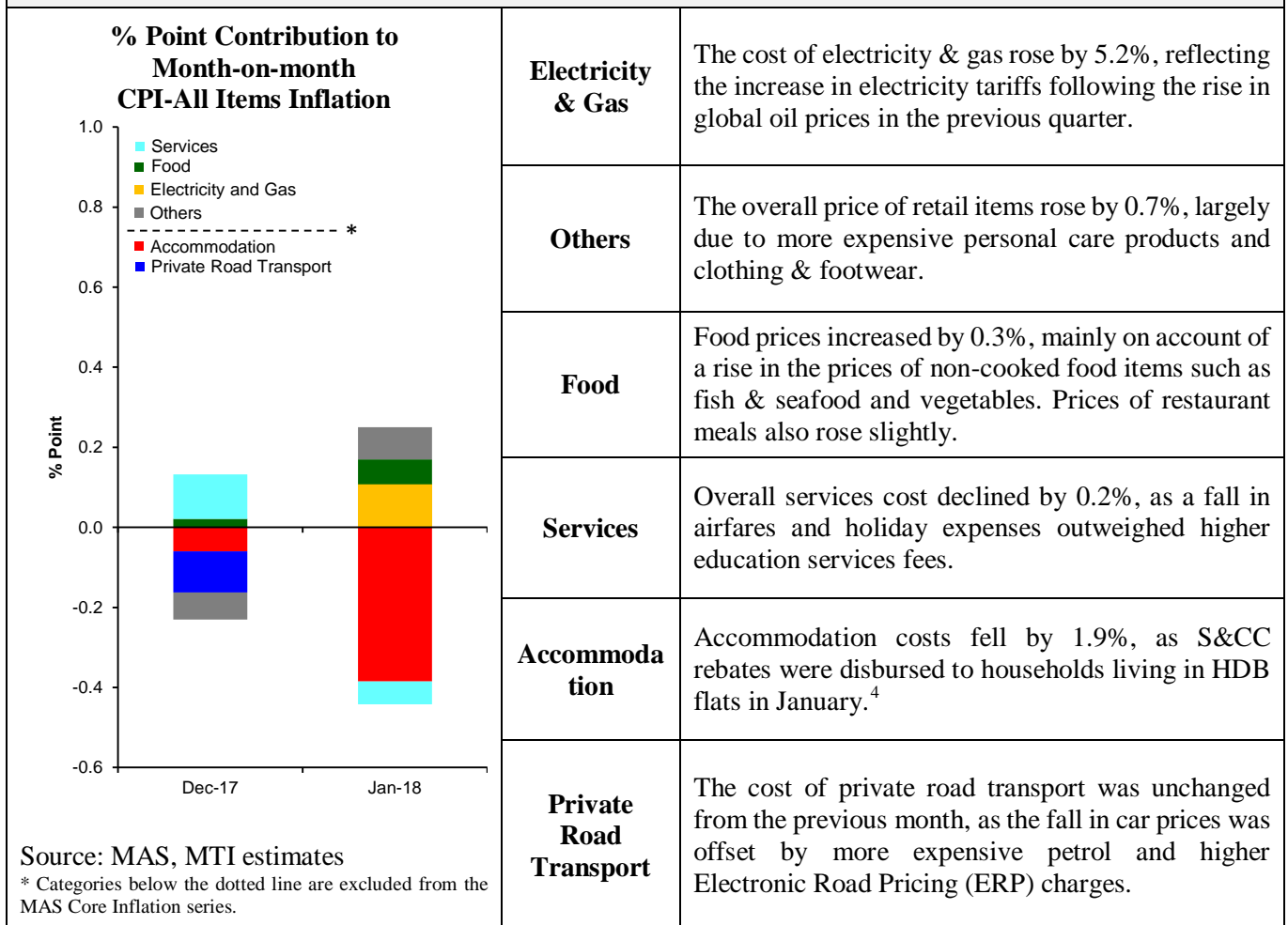
***MAS Core Inflation rose to 1.4% in January***

MAS Core Inflation, which excludes the costs of accommodation and private road transport, edged up to 1.4% in January from 1.3% in the previous month, as the larger increase in the cost of retail items outweighed the fall in food inflation.



**On a month-on-month basis, CPI-All Items inflation came in at -0.2% in January, compared to -0.1% in December. Meanwhile, MAS Core Inflation rose to 0.3% in January, from 0.1% in the previous month.**

### MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES



**Electricity & Gas**

The cost of electricity & gas rose by 5.2%, reflecting the increase in electricity tariffs following the rise in global oil prices in the previous quarter.

**Others**

The overall price of retail items rose by 0.7%, largely due to more expensive personal care products and clothing & footwear.

**Food**

Food prices increased by 0.3%, mainly on account of a rise in the prices of non-cooked food items such as fish & seafood and vegetables. Prices of restaurant meals also rose slightly.

**Services**

Overall services cost declined by 0.2%, as a fall in airfares and holiday expenses outweighed higher education services fees.

**Accommodation**

Accommodation costs fell by 1.9%, as S&CC rebates were disbursed to households living in HDB flats in January.<sup>4</sup>

**Private Road Transport**

The cost of private road transport was unchanged from the previous month, as the fall in car prices was offset by more expensive petrol and higher Electronic Road Pricing (ERP) charges.

### 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	3.7	↓ Other travel & transport ^	1.3	-4.0		
↑ Fuel & utilities	3.4	3.4	↓ Holiday Expenses	3.5	-2.6		
↑ Vegetables	1.0	2.8	↓ Accommodation	22.9	-1.9		
↑ Tuition & other fees	6.1	1.3	↓ Non-alcoholic beverages	0.5	-1.5		
↑ Personal Care	2.4	1.0	↓ Other food ~	0.3	-1.3		
↑ Clothing & Footwear	2.7	0.9	↓ Public road transport	3.0	-1.1		
↑ Catered food	0.2	0.9	↓ Fruits	0.8	-1.1		
↑ Oils & Fats	0.2	0.8	↓ Meat	1.2	-0.7		
↑ Personal effects #	0.6	0.7	↓ School textbooks & related study guides	0.1	-0.5		
↑ Medical products, appliances & equipment	1.4	0.7	↓ Sugar, preserves & confectionery	0.3	-0.2		

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

# The "personal effects" sub-group includes travel goods, handbags and wallets as well as "accessories" such as watches and costume jewellery

^ The 'other travel & transport' sub-group includes sea transport, air transport, etc.

## Outlook

On the external front, imported inflation is likely to rise mildly, as global demand improves amid ample supply in key commodity markets. Notwithstanding recent volatility, global oil prices are expected to increase only slightly in 2018 as compared to 2017. Global food commodity prices are also expected to rise modestly, even as localised shocks in regional supply sources could lead to transitory fluctuations in domestic food prices.

Overall, cost pressures in the economy should remain relatively restrained. Although labour market conditions have improved recently, the gradual absorption of previously accumulated slack will temper wage pressures in the near term. Meanwhile, other non-labour costs such as commercial and retail rentals continue to be subdued.

MAS Core Inflation averaged 1.5% in 2017 and is expected to stay in the 1–2% range in 2018. Meanwhile, CPI-All Items inflation came in at 0.6% in 2017 and is projected to be 0–1% this year. Accommodation costs should continue to dampen CPI-All Items inflation in 2018, while private road transport costs are likely to rise at a more moderate pace as the inflationary impact from administrative measures dissipates.<sup>5</sup>

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<sup>5</sup> The administrative measures associated with higher private road transport inflation in 2017 include the expiry of the one-year road tax rebates and the upward revision in parking fees in August and December 2016, respectively.

## **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 2018”. 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/cpijan2018.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpijan2018.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)
2017 Jan	0.6	1.9	-1.5	-3.2	2.1	2.5	2.8	0.4	0.5	3.5	0.0	99.3
Feb	0.7	1.3	-0.2	-3.1	1.5	2.6	4.2	0.7	0.5	3.6	-0.6	99.5
Mar	0.7	1.3	-0.9	-3.2	1.6	2.8	4.5	-0.4	0.3	3.6	0.2	99.4
Apr	0.4	1.3	0.5	-4.6	0.8	3.0	4.7	1.0	0.3	3.2	0.1	99.9
May	1.4	1.5	1.9	0.1	0.7	2.4	3.8	0.8	-0.2	3.2	-0.1	99.4
Jun	0.5	1.4	1.9	-2.0	0.3	2.5	1.8	-0.6	-0.1	3.2	0.2	99.3
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.6
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.4
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.4
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.6
Nov	0.6	1.5	0.7	-2.4	1.0	2.0	2.6	1.5	0.8	2.6	-0.4	99.7
Dec	0.4	1.4	-0.2	-2.3	1.1	1.9	1.4	0.5	0.4	2.6	0.1	99.6
2018 Jan	0.0	1.1	1.0	-3.6	1.2	2.3	0.7	0.0	0.8	2.8	0.5	99.5

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	World Bank Non-Energy Commodity Index	OPEC Oil Price
	YOY % GROWTH					
2017 Jan	0.6	1.5	1.7	11.3	15.0	96.2
Feb	0.7	1.2	1.8	11.9	14.9	85.8
Mar	0.7	1.2	1.8	8.6	9.7	45.2
Apr	0.4	1.7	1.5	9.5	4.4	35.9
May	1.4	1.6	2.8	5.6	3.0	13.9
Jun	0.5	1.5	1.7	3.2	-0.6	-1.4
Jul	0.6	1.6	1.7	4.2	1.9	10.0
Aug	0.4	1.4	1.5	5.0	3.6	15.1
Sep	0.4	1.5	1.5	4.9	5.9	24.6
Oct	0.4	1.5	1.5	3.4	6.2	15.9
Nov	0.6	1.5	1.8	4.1	2.7	40.5
Dec	0.4	1.3	1.4	-0.5	2.2	20.0
2018 Jan	0.0	1.4	1.0	N.A.	3.2	27.3

Source: Singapore Department of Statistics, World Bank and Bloomberg

N.A.: Not available