



Consumer Price Developments in July 2015

CPI-All Items inflation eased to -0.4% y-o-y in July

CPI-All Items inflation came in at -0.4% in July compared to -0.3% in June, mainly due to the lower cost of private road transport.

Private road transport cost fell by 0.1% after rising by 1.2% in June, largely on account of the decline in Certificate of Entitlement (COE) premiums for cars.

Accommodation cost declined by 2.8% following the 2.6% drop in the previous month, reflecting the continued softening of the housing rental market.

Food inflation edged down to 1.9% from 2.0% a month earlier, owing to smaller price increases for non-cooked food items¹ and hawker food.

Services inflation came in slightly higher, at 0.6% in July compared to 0.5% in June, due to a rise in educational course fees and holiday travel costs.

Prices of oil-related items fell by 8.0%, following the 9.5% decline in the preceding month, due to a smaller decrease in electricity tariffs.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) was 0.3% higher in July

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 0.3% in July, unchanged from the previous month, as the fall in private road transport cost was offset by a smaller reduction in electricity tariffs.

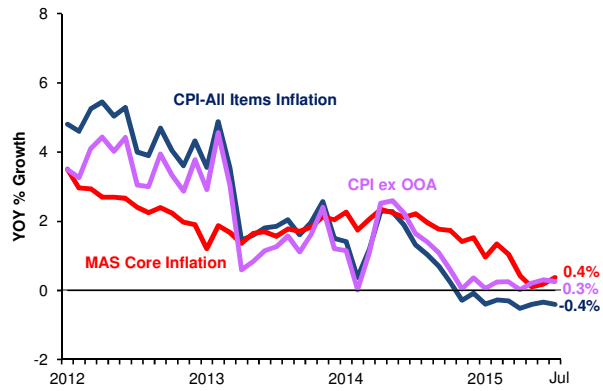
MAS Core Inflation rose to 0.4% in July

MAS Core Inflation, which excludes the costs of accommodation and private road transport, came in at 0.4% compared to 0.2% in the previous month, largely reflecting the more moderate decline in electricity tariffs and higher services inflation.

¹

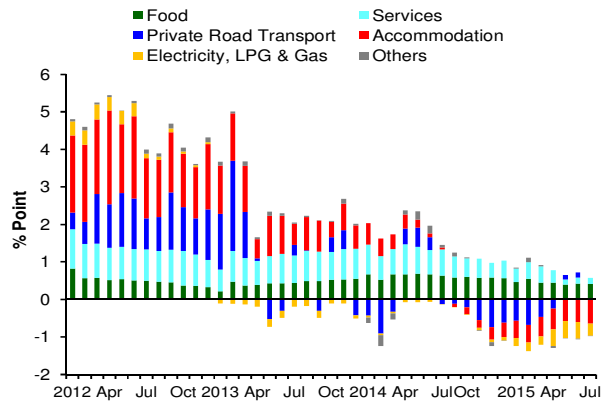
The moderation in non-cooked food inflation was partly due to various temporary supermarket price discounts.

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



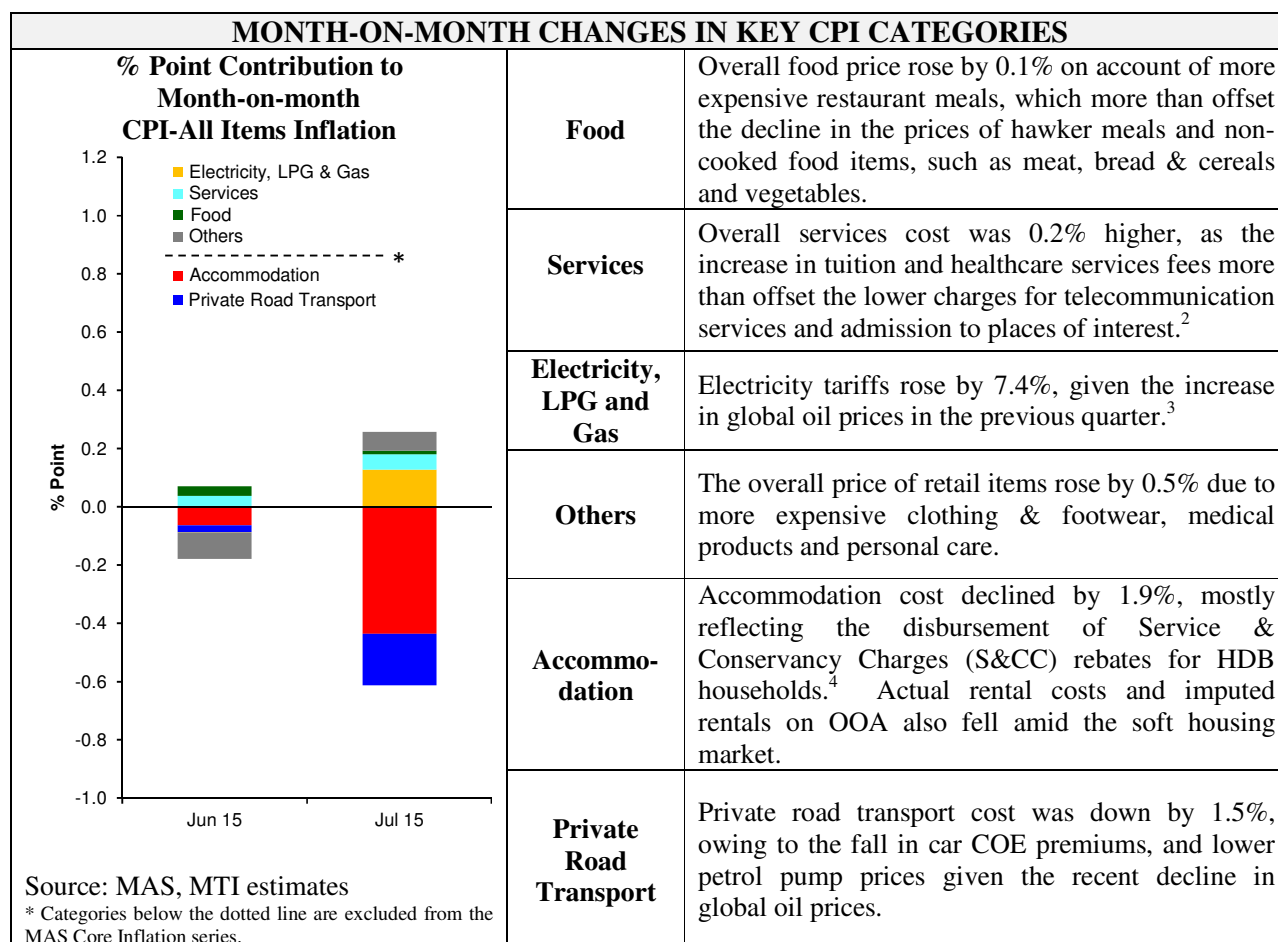
Source: Department of Statistics

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



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items fell by 0.4% in July, following the 0.1% decline in June. MAS Core Inflation was 0.4%, compared to 0.0% 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
↑	Fuel & utilities	3.4	4.3	↓	Accommodation	22.9	-1.9
↑	Fish & Seafood	1.2	1.6	↓	Oils & Fats	0.2	-1.5
↑	Clothing & Footwear	2.7	1.3	↓	Private road transport	11.5	-1.5
↑	Other travel & transport ^	1.3	1.3	↓	Meat	1.2	-1.4
↑	Milk Cheese & Eggs	0.9	0.9	↓	Sugar, preserves & confectionery	0.3	-1.1
↑	School textbooks & related study guides	0.1	0.9	↓	Other food ~	0.3	-1.0
↑	Fruits	0.8	0.7	↓	Vegetables	1.0	-0.8
↑	Restaurant food	4.9	0.7	↓	Non-alcoholic beverages	0.5	-0.6
↑	Tuition & other fees	6.1	0.6	↓	Communication	3.9	-0.5
↑	Medical products, appliances & equipment	1.4	0.6	↓	Bread & Cereals	1.4	-0.5

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

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

² Admission fees to some places of interest were lowered in conjunction with the SG50 celebration.

³ The fuel cost component of the electricity tariff is based on the average forward fuel oil and dated Brent prices in the first two and a half months in the preceding quarter, and makes up approximately half of the electricity tariff.

⁴ The government announced the disbursement of S&CC rebates for HDB households in Budget 2015. In July 2015, 1- and 2-room HDB households received 1-month S&CC rebates, while 3-, 4-, 5-room and Executive/Multi-Generation HDB households received 0.5-month rebates.

Outlook

External sources of inflation should remain generally benign, given ample supply buffers in the major commodity markets. Notably, global oil prices are likely to be much lower for the whole of 2015 compared to the US\$93 average⁵ recorded last year. Although underlying cost pressures stemming from the tight labour market remain, the pass-through to consumer prices is expected to be tempered in the near term due to the moderate growth environment. At the same time, the suite of Budget measures will help to alleviate some of the price pressures faced by consumers.⁶

As a result, MAS Core Inflation is expected to remain subdued at around the current rate in the near term. CPI All-Items inflation could ease further⁷, given the dampening effects of car prices and imputed rentals on owner-occupied accommodation, amid the expected increase in the supply of COEs and newly-completed housing units respectively.

MAS Core Inflation and CPI-All Items inflation could rise towards the end of the year and are expected to pick up further in 2016, as the effects of the budgetary measures and the drag from the past fall in global oil prices dissipate on a year-ago basis. For 2015 as a whole, MAS Core Inflation and CPI-All Items inflation are projected to come in at the lower half of the forecast range of 0.5–1.5% and -0.5–0.5% respectively.

MONETARY AUTHORITY OF SINGAPORE

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⁵ This refers to the West Texas Intermediate (WTI) benchmark oil price.

⁶ The Budget measures include the reduction in the concessionary foreign domestic worker (FDW) levy, the one-year road tax rebates, and the abolition of national examination fees for Singaporeans. These are on top of the increase in medical subsidies, which will continue to dampen inflation on a year-ago basis until early 2016.

⁷ CPI-All Items inflation is expected to be lower in August 2015, largely due to the significantly higher base in August last year when COE premiums surged.

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 2015”. 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/cpijul2015.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)
2014 Jul	1.3	3.0	-1.6	0.2	1.7	3.1	-0.4	-0.7	2.8	3.7	1.9	100.0
Aug	1.0	2.7	-0.2	-0.3	1.7	3.1	-0.4	-0.6	1.4	3.2	1.7	100.1
Sep	0.7	2.8	-1.3	-0.7	1.6	2.0	-1.1	0.8	0.5	3.4	1.1	99.9
Oct	0.2	2.7	-1.2	-1.0	1.3	2.0	-3.2	0.9	1.1	3.1	1.6	100.0
Nov	-0.3	2.8	-2.8	-1.5	0.9	1.9	-4.5	0.8	-0.2	3.1	1.3	99.8
Dec	-0.1	2.7	-1.7	-1.8	1.0	1.7	-3.0	1.3	-0.5	3.1	1.4	99.7
2015 Jan	-0.4	2.2	-2.3	-2.4	1.4	0.6	-3.1	1.1	-0.5	3.0	0.8	99.8
Feb	-0.3	2.5	-	-2.6	1.9	0.2	-3.7	1.1	0.3	3.6	1.4	99.5
Mar	-0.3	2.1	-0.8	-2.7	1.6	-0.2	-2.7	2.5	0.5	3.5	0.2	99.9
Apr	-0.5	2.1	-2.0	-3.7	1.7	-0.4	-1.4	2.1	-0.3	3.2	-0.4	99.3
May	-0.4	1.8	-	-3.8	-2.0	-0.2	0.9	0.3	-0.1	3.1	-0.3	99.8
Jun	-0.3	2.0	0.2	-3.9	-1.8	-0.3	0.9	0.5	0.1	3.1	-0.1	99.7
Jul	-0.4	1.9	0.8	-3.5	-2.0	-0.4	0.1	-0.2	0.3	3.6	-0.7	99.3

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					
2014 Jul	1.3	2.2	1.6	-1.2	-2.2	1.1
Aug	1.0	2.0	1.4	-3.0	-2.9	-6.3
Sep	0.7	1.8	1.1	-3.5	-4.3	-11.7
Oct	0.2	1.7	0.6	-5.4	-6.4	-20.3
Nov	-0.3	1.4	0.1	-7.7	-6.1	-28.0
Dec	-0.1	1.5	0.4	-13.1	-9.8	-44.9
2015 Jan	-0.4	1.0	0.1	-17.4	-11.7	-57.3
Feb	-0.3	1.3	0.2	-13.6	-14.6	-48.7
Mar	-0.3	1.0	0.3	-13.2	-18.2	-49.6
Apr	-0.5	0.4	-	-12.5	-19.7	-45.3
May	-0.4	0.1	0.2	-11.1	-17.5	-41.1
Jun	-0.3	0.2	0.3	-11.4	-16.5	-44.2
Jul	-0.4	0.4	0.3	N.A.	-18.8	-48.7

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible