



Consumer Price Developments in January 2016

CPI-All Items inflation came in at -0.6% year-on-year (y-o-y) in January

CPI-All Items inflation was -0.6% in January, unchanged from that in December. While services inflation moderated and car prices fell more sharply, these were offset by a smaller drag from oil-related items, as well as higher food and retail goods inflation.

Overall services inflation moderated to 0.5% in January from 0.9% a month earlier, largely due to a slower pace of increase in education services fees and holiday travel costs. Meanwhile, healthcare services costs picked up as the disinflationary effects of enhanced medication subsidies introduced in January last year dissipated.¹

Food inflation increased to 1.7% in January from 1.5% in December, as a larger increase in the prices of non-cooked food more than offset the smaller rise in the cost of prepared meals.

The overall cost of retail items was 0.6% higher, following a 0.1% rise in the preceding month, mainly due to a faster pace of increase in the price of clothing & footwear.

The cost of oil-related items fell at a slower rate of 3.2% in January compared to the 7.0% decline in the previous month, mainly due to a smaller drop in electricity tariffs, which reflected the low base in January last year.²

Private road transport cost was 1.8% lower, extending the 1.1% decline in December, as the sharper fall in car prices amid weaker Certificate of Entitlement (COE) premiums more than offset the faster pace of increase in petrol pump prices.

Accommodation cost declined by 3.1% in January, after falling by 3.0% in the previous month, reflecting the soft housing rental market.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 0.1% in January

CPI less imputed rentals on owner-occupied accommodation (OOA) was 0.1% higher in January after remaining unchanged in December, mainly due to the slower pace of decline in the cost of oil-related items.

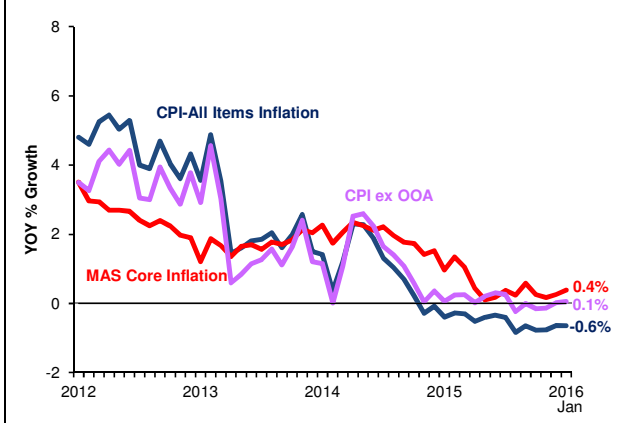
MAS Core Inflation edged up to 0.4% in January

MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 0.4% in January from 0.3% a month ago. This was mostly on account of the smaller reduction in electricity tariffs and higher food and retail goods inflation, which more than offset the fall in services inflation.

¹ Since January 2015, lower- to middle-income Singaporeans have been able to receive enhanced medication subsidies at subsidised Specialist Outpatient Clinics (SOC) and polyclinics. Singaporeans who qualify for the Pioneer Generation Package (PGP) are entitled to an additional 50% off the remaining cost of the subsidised medications. These factors had a dampening effect on year-ago inflation between January 2015 and December 2015.

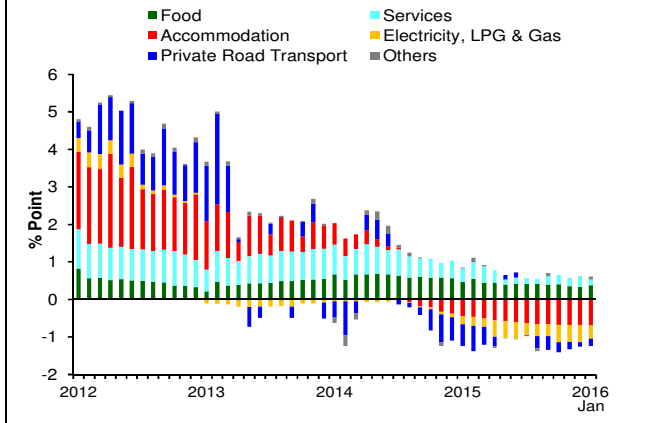
² Following the sharp fall in global oil prices in the final quarter of 2014, electricity tariffs were cut by 7.9% in January 2015 compared to December 2014.

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



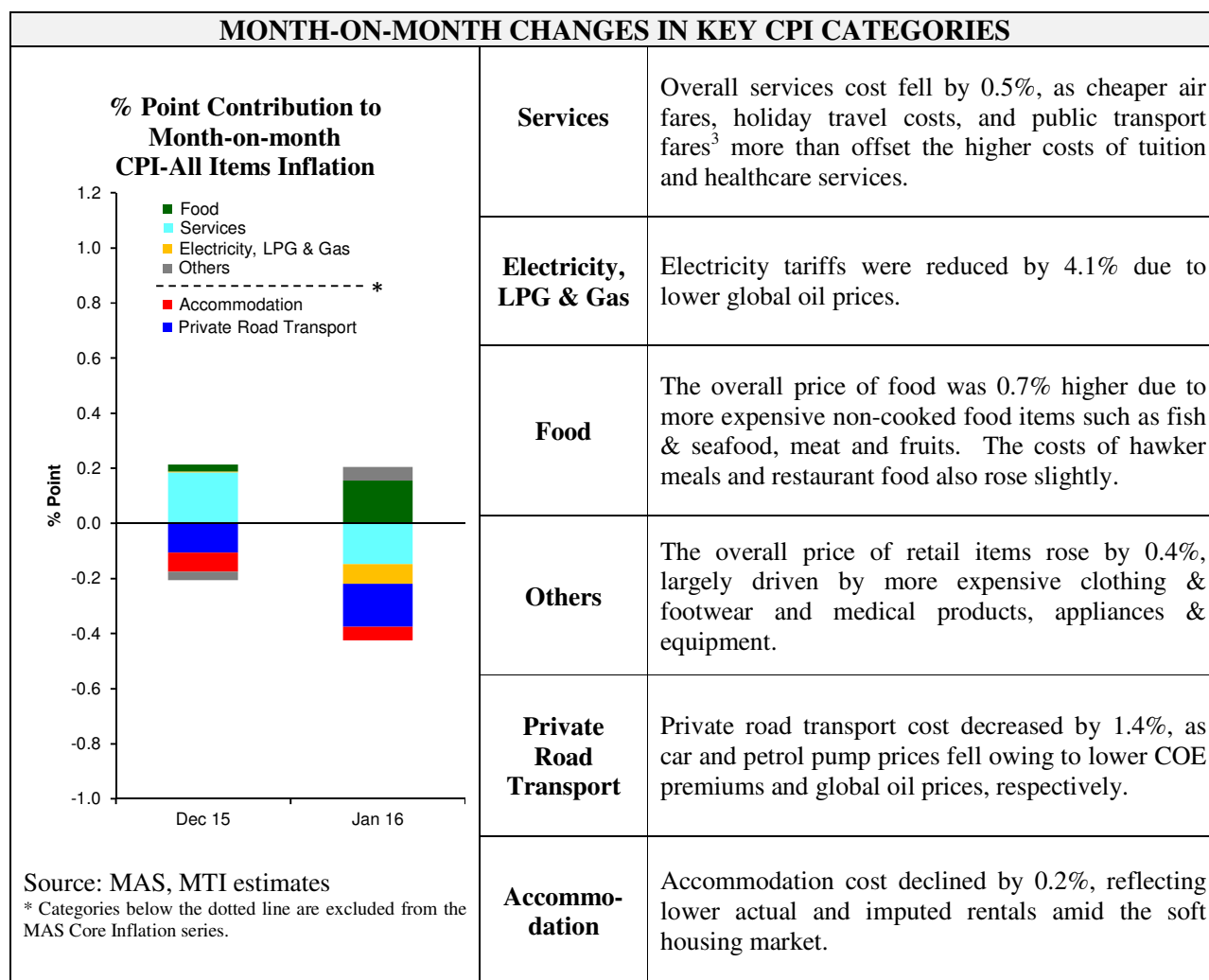
Source: Department of Statistics

% 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 0.2% in January, after remaining unchanged in December. MAS Core Inflation was 0.0%, compared to 0.3% 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 | 6.1 | ↓ | Other travel & transport ^ | 1.3 | -7.9 |
| ↑ | Meat | 1.2 | 2.0 | ↓ | Holiday Expenses | 3.5 | -2.5 |
| ↑ | Oils & Fats | 0.2 | 1.7 | ↓ | Fuel & utilities | 3.4 | -2.4 |
| ↑ | Fruits | 0.8 | 1.5 | ↓ | Private road transport | 11.5 | -1.4 |
| ↑ | Clothing & Footwear | 2.7 | 1.2 | ↓ | Non-alcoholic beverages | 0.5 | -0.9 |
| ↑ | Personal effects # | 0.6 | 1.2 | ↓ | Public road transport | 3.0 | -0.6 |
| ↑ | Vegetables | 1.0 | 1.1 | ↓ | Communication | 3.9 | -0.6 |
| ↑ | Tuition & other fees | 6.1 | 0.8 | ↓ | Household durables | 1.8 | -0.6 |
| ↑ | Bread & Cereals | 1.4 | 0.8 | ↓ | Other food ~ | 0.3 | -0.3 |
| ↑ | Medical products, appliances & equipment | 1.4 | 0.7 | ↓ | Accommodation | 22.9 | -0.2 |

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

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

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

³ Public transport fares were reduced by 1.9% from 27 December 2015. However, given that the fare reduction took place towards the end of the month, the impact was only fully incorporated in January 2016.

Outlook

External sources of inflation are likely to remain muted given ample supply buffers in the major commodity markets and weak global demand conditions. Notably, global oil prices have fallen significantly since mid-October⁴, and are expected to average lower for the whole of 2016 compared to last year. On the domestic front, wages are expected to continue to increase in 2016, although at a more moderate pace compared to last year. The pass-through of wage costs to consumer prices may also remain tempered by the subdued economic growth environment. Car prices and housing rentals will continue to dampen overall inflationary pressures given the expected increase in the supply of COEs and newly-completed housing units respectively in 2016.

Given the significant step-down in global oil prices in recent months and the larger-than-expected decline in COE premiums at the start of the year⁵, the forecast for CPI-All Items inflation in 2016 has been revised down to -1.0–0.0% from -0.5–0.5%. The forecast for MAS Core Inflation is unchanged at 0.5–1.5%, reflecting the smaller weight of oil-related items⁶ and the exclusion of private road transport costs. MAS Core Inflation is still expected to pick up gradually over the course of 2016, as the disinflationary effects of oil⁷ as well as budgetary⁸ and other one-off measures ease. MAS and MTI will continue to closely monitor external price developments and underlying cost pressures in the economy.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 February 2016

⁴ The Brent benchmark has fallen by around 30%, from US\$48 per barrel in mid-October to the current level of about US\$35 per barrel.

⁵ Car COE premiums fell sharply at the start of the year, by about \$2,500 (4%) on average over the first four bidding exercises of 2016.

⁶ The oil-related items in CPI-All Items inflation include electricity, liquefied petroleum gas & gas (for domestic use), as well as fuels & lubricants (including petrol). Fuels & lubricants are a component of private road transport costs, and are thus excluded from MAS Core Inflation. As a result, the weight of oil-related items is 5.0% in CPI-All Items inflation, but only 2.5% in MAS Core Inflation.

⁷ With global Brent oil prices currently expected to rise gradually in H2 2016, the year-on-year drag of direct oil-related items on core inflation is likely to become smaller towards the end of the year.

⁸ The budgetary measures include medical subsidies under the Pioneer Generation Package, the reduction in the concessionary foreign domestic worker (FDW) levy, as well as the abolition of national examination fees for Singaporeans.

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 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/cpijan2016.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) |
| 2015 Jan | -0.4 | 2.2 | -2.3 | -2.4 | 1.4 | 0.6 | -3.1 | 1.1 | -0.5 | 3.0 | 0.8 | 99.6 |
| Feb | -0.3 | 2.5 | - | -2.6 | 1.9 | 0.2 | -3.7 | 1.1 | 0.3 | 3.6 | 1.4 | 99.4 |
| Mar | -0.3 | 2.1 | -0.8 | -2.7 | 1.6 | -0.2 | -2.7 | 2.5 | 0.5 | 3.5 | 0.2 | 99.8 |
| Apr | -0.5 | 2.1 | -2.0 | -3.7 | 1.7 | -0.4 | -1.4 | 2.1 | -0.3 | 3.2 | -0.4 | 99.9 |
| May | -0.4 | 1.8 | - | -3.8 | -2.0 | -0.2 | 0.9 | 0.3 | -0.1 | 3.1 | -0.3 | 99.6 |
| Jun | -0.3 | 2.0 | 0.2 | -3.9 | -1.8 | -0.3 | 0.9 | 0.5 | 0.1 | 3.1 | -0.1 | 99.5 |
| Jul | -0.4 | 1.9 | 0.8 | -3.5 | -2.0 | -0.4 | 0.1 | -0.2 | 0.3 | 3.6 | -0.7 | 99.7 |
| Aug | -0.8 | 1.9 | -0.9 | -3.6 | -2.2 | -0.5 | -2.3 | -0.2 | 0.4 | 3.7 | -0.4 | 99.3 |
| 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 | - | 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 |

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 Jan | -0.4 | 1.0 | 0.1 | -17.4 | -11.6 | -57.3 |
| Feb | -0.3 | 1.3 | 0.2 | -13.6 | -14.5 | -48.7 |
| Mar | -0.3 | 1.0 | 0.3 | -13.2 | -18.1 | -49.6 |
| Apr | -0.5 | 0.4 | - | -12.5 | -19.5 | -45.3 |
| May | -0.4 | 0.1 | 0.2 | -11.1 | -17.3 | -41.1 |
| Jun | -0.3 | 0.2 | 0.3 | -11.6 | -16.1 | -44.2 |
| Jul | -0.4 | 0.4 | 0.3 | -13.5 | -18.0 | -48.7 |
| Aug | -0.8 | 0.2 | -0.2 | -14.2 | -19.7 | -54.9 |
| Sep | -0.6 | 0.6 | - | -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 | - | -8.6 | -19.3 | -43.4 |
| 2016 Jan | -0.6 | 0.4 | 0.1 | N.A. | -16.6 | -40.2 |

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible