



## Consumer Price Developments in June 2016

CPI-All Items fell by 0.7% year-on-year (y-o-y) in June compared to the 1.6% decline in May, as the base effect associated with the disbursement of Service & Conservancy Charges (S&CC) rebates in May dissipated.<sup>1</sup> Meanwhile, MAS Core Inflation edged up to 1.1% in June, from 1.0% in the preceding month, reflecting a pickup in services inflation.

### *CPI-All Items inflation came in at -0.7% y-o-y in June*

CPI-All Items inflation came in at -0.7% in June, compared to -1.6% in the previous month. This was mainly due to a smaller 3.5% decline in accommodation costs, compared to the 6.0% decrease in May when S&CC rebates to households lowered the cost of housing maintenance & repairs. Meanwhile, actual and imputed rental costs continued to fall amid the soft housing market.

Private road transport cost fell by a more modest 5.7% compared to the 7.6% decline a month earlier, largely due to a more moderate drop in car prices on the back of a smaller contraction in Certificate of Entitlement (COE) premiums on a year-ago basis.

Services inflation picked up slightly to 1.6% from 1.5% in the previous month. This reflected larger contributions from rising holiday expenses and telecommunication services fees.

In comparison, food inflation edged down to 2.1% from 2.2% a month ago, as price increases for prepared meals, such as hawker food and restaurant meals, moderated.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 0% in June*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 0% in June, up from -1.0% a month earlier. The pickup in inflation was mostly on account of the dissipation of the impact of the S&CC rebates that were disbursed in May.

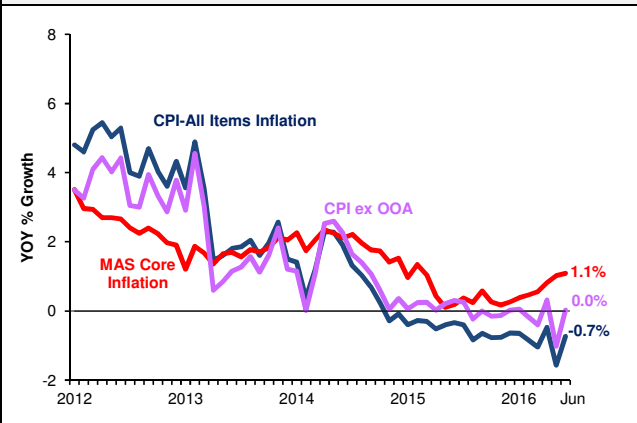
### *MAS Core Inflation edged up to 1.1% in June*

MAS Core Inflation, which excludes the costs of accommodation and private road transport, increased slightly to 1.1% from 1.0% in May, as a result of higher services inflation.

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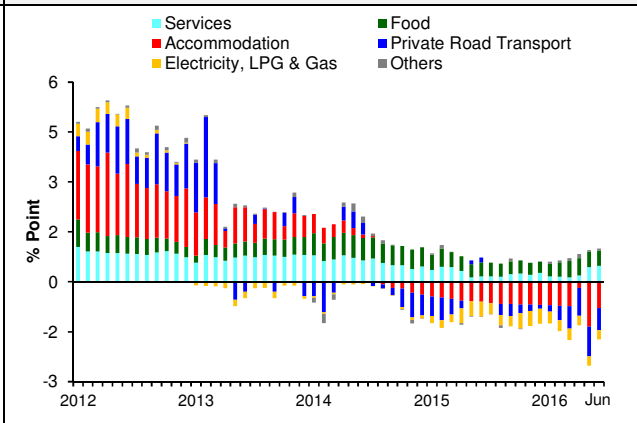
<sup>1</sup> S&CC rebates, which affect the housing maintenance & repair cost component, were disbursed in April, July and October last year, and will be disbursed in May, July, and October this year. As a result, base effects raised CPI-All Items inflation on a year-ago basis in April 2016 but lowered it in May 2016.

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



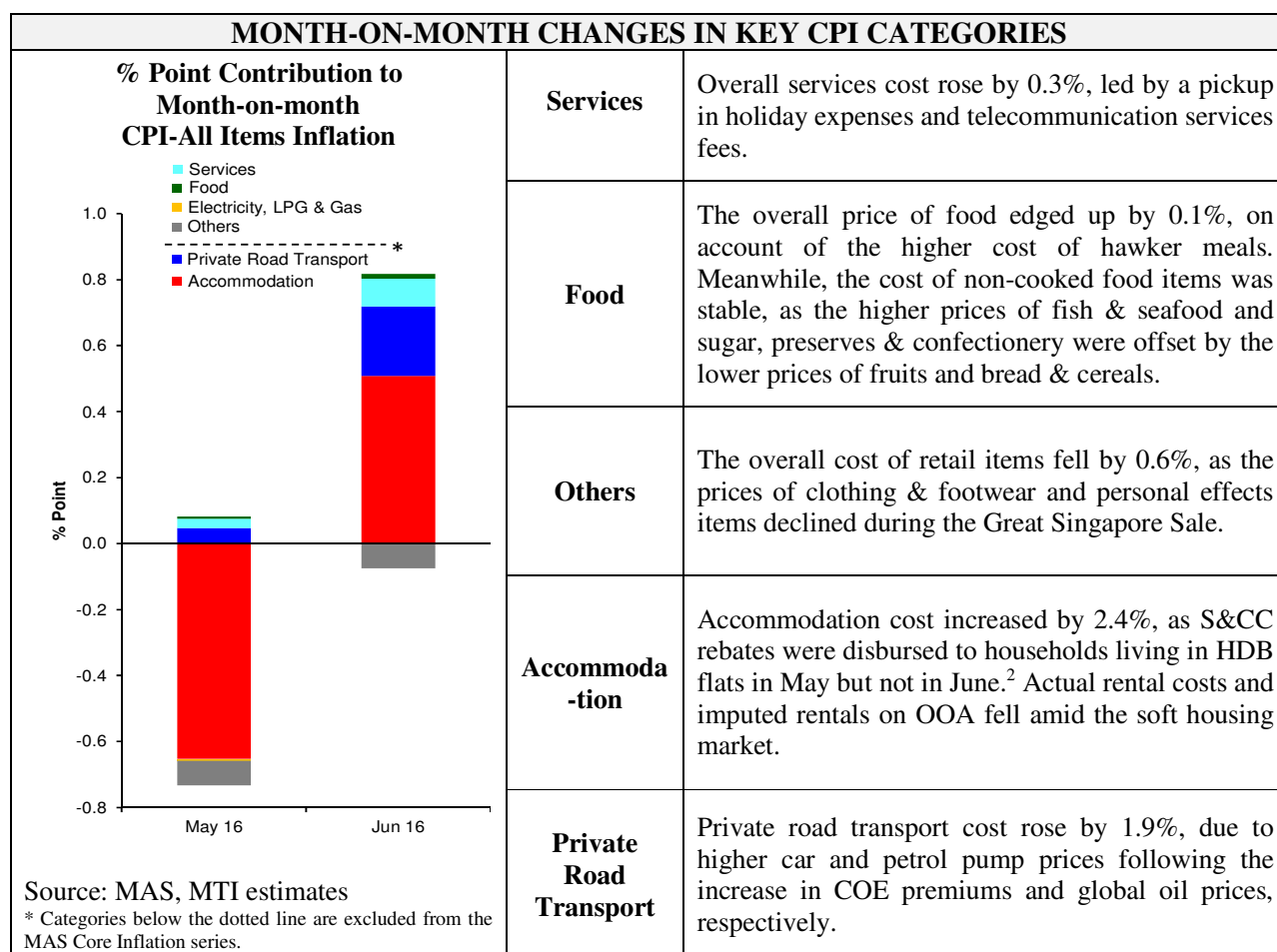
Source: Department of Statistics

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



Source: MAS, MTI estimates

**On a month-on-month basis, CPI-All Items inflation rose to 0.7% in June from -0.7% in May. MAS Core Inflation was 0%, compared to -0.1% 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
↑ Accommodation	22.9	2.4	↓ Oils & Fats	0.2	-2.3
↑ Private road transport	11.5	1.9	↓ Clothing & Footwear	2.7	-1.8
↑ Holiday Expenses	3.5	1.7	↓ Personal effects #	0.6	-1.6
↑ Fish & Seafood	1.2	1.4	↓ Non-alcoholic beverages	0.5	-1.2
↑ Sugar, preserves & confectionery	0.3	1.0	↓ Fruits	0.8	-0.8
↑ Communication	3.9	0.4	↓ Medical products, appliances & equipment	1.4	-0.7
↑ Household services & Supplies	3.0	0.3	↓ Bread & Cereals	1.4	-0.5
↑ Other food ~	0.3	0.2	↓ Catered food	0.2	-0.3
↑ Alcoholic drinks & tobacco	1.0	0.2	↓ Recreation & entertainment	3.9	-0.2
↑ Hawker food (incl. food courts)	8.1	0.2	↓ Personal Care	2.4	-0.1

~ The "other food" sub-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.

<sup>2</sup> In May 2016, 1-, 2-, 3- and 4-room HDB households received a 1-month S&CC rebate, while 5-room and Executive/Multi-Generation HDB households received a 0.5-month rebate. No S&CC rebates were disbursed in June 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. While global oil prices have risen in recent months largely due to supply disruptions, they are still expected to average lower for the whole of 2016 compared to last year. On the domestic front, tightness in the labour market has eased, with wage growth projected to slow slightly over the course of 2016. The pass-through of wage costs to consumer prices will also be constrained by the subdued economic growth environment.

MAS Core Inflation is expected to pick up gradually over the course of the year as the disinflationary effects of oil<sup>3</sup> as well as budgetary and other one-off measures ease. However, the pace of increase in MAS Core Inflation will be restrained by the weak external price outlook, subdued economic growth prospects, and the reduction in labour market tightness. For 2016, MAS Core Inflation is likely to average around 1%. Meanwhile, housing rentals will continue to dampen overall inflationary pressures as a large supply of residential units is expected to come on-stream this year. CPI-All Items inflation has likely troughed in Q2, and is projected to rise in the coming months. For the year as a whole, CPI-All Items Inflation is forecast to come in at -1.0–0.0%.

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25 July 2016

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<sup>3</sup> With global Brent oil prices currently expected to be higher in H2 2016 compared to H1, the year-on-year drag posed by direct oil-related items on core inflation is likely to become smaller in the second half of the year.

## **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 June 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/cpijun2016.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpijun2016.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)
2015 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
Feb	-0.8	2.0	2.5	-4.1	-0.6	0.7	-2.9	-0.9	0.1	2.4	0.5	98.8
Mar	-1.0	2.2	1.3	-4.2	-0.3	0.7	-4.3	-1.8	0.4	2.4	0.6	98.9
Apr	-0.5	2.3	1.8	-1.9	0.2	1.1	-5.4	-1.9	1.0	3.1	0.6	98.9
May	-1.6	2.2	-0.3	-6.4	3.3	1.0	-5.7	-0.1	1.1	3.2	0.2	98.2
Jun	-0.7	2.1	0.2	-4.2	3.4	0.7	-4.3	0.4	1.6	3.2	0.5	98.9

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 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	-	-8.7	-19.3	-43.4
2016 Jan	-0.6	0.4	0.1	-5.9	-16.7	-40.2
Feb	-0.8	0.5	-0.2	-11.0	-15.0	-46.9
Mar	-1.0	0.6	-0.4	-10.2	-8.3	-33.9
Apr	-0.5	0.8	0.3	-10.2	-5.8	-33.7
May	-1.6	1.0	-1.0	-9.1	-5.7	-30.5
Jun	-0.7	1.1	-	N.A.	-2.5	-23.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible