



## Consumer Price Developments in August 2017

Both CPI-All Items inflation and MAS Core Inflation were lower in August, at 0.4% and 1.4% respectively, compared to 0.6% and 1.6% in July.

### *CPI-All Items inflation eased to 0.4% year-on-year (y-o-y) in August*

CPI-All Items inflation moderated to 0.4% y-o-y in August, from 0.6% in the previous month. This largely reflected a fall in private road transport inflation, and to a lesser extent, a moderation in food and retail inflation, which collectively more than offset the smaller decline in the cost of accommodation.

Private road transport inflation fell to 2.6% in August from 3.5% in July. This was due to a dissipation of the base effect associated with the expiry of the one-year road tax rebates in August 2016,<sup>1</sup> which outweighed the combined impact of a steeper increase in petrol prices and a smaller decline in car prices.

Food inflation was lower at 1.2% in August compared to 1.4% in July, on account of smaller increases in the prices of both non-cooked food and prepared meals.

The cost of retail and other goods, including water, rose by 0.9% in August, lower than the 1.2% recorded in the previous month, reflecting more modest increases in clothing & footwear prices.

Services inflation was 1.4% in August, unchanged from the previous month, as the rise in holiday expenses was offset by smaller increases in the costs of medical & dental treatment as well as education services.

The cost of accommodation fell by 3.9% in August, less than the 4.1% decline in July, as the result of a larger increase in the cost of housing maintenance & repairs on a year-ago basis.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 1.5% in August*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) eased to 1.5% in August from 1.7% in the previous month, on account of the decline in private road transport inflation.

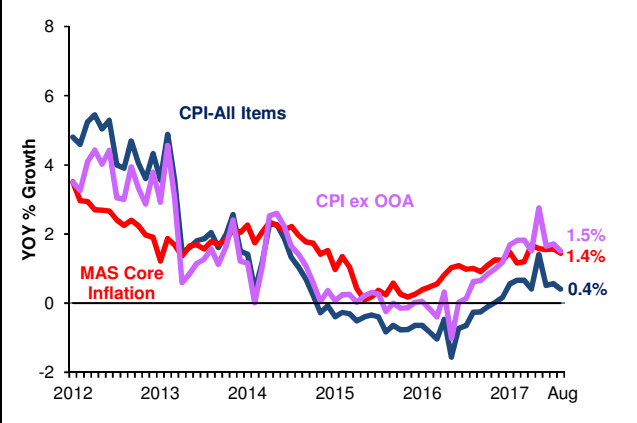
### *MAS Core Inflation decreased to 1.4% in August*

MAS Core Inflation moderated to 1.4% in August, from 1.6% in July, due to lower food and retail inflation.

---

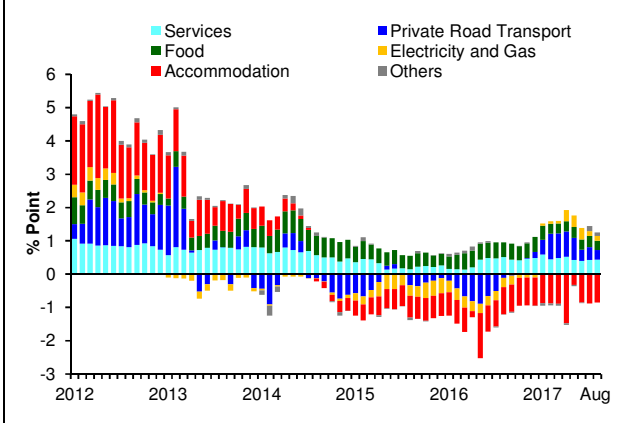
<sup>1</sup> Road tax rebates were granted for petrol vehicles from 1 August 2015 to 31 July 2016 to ease the transition towards higher petrol duties. The expiry of the one-year rebate contributed to a temporary increase in private road transport inflation from August 2016 to July 2017.

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



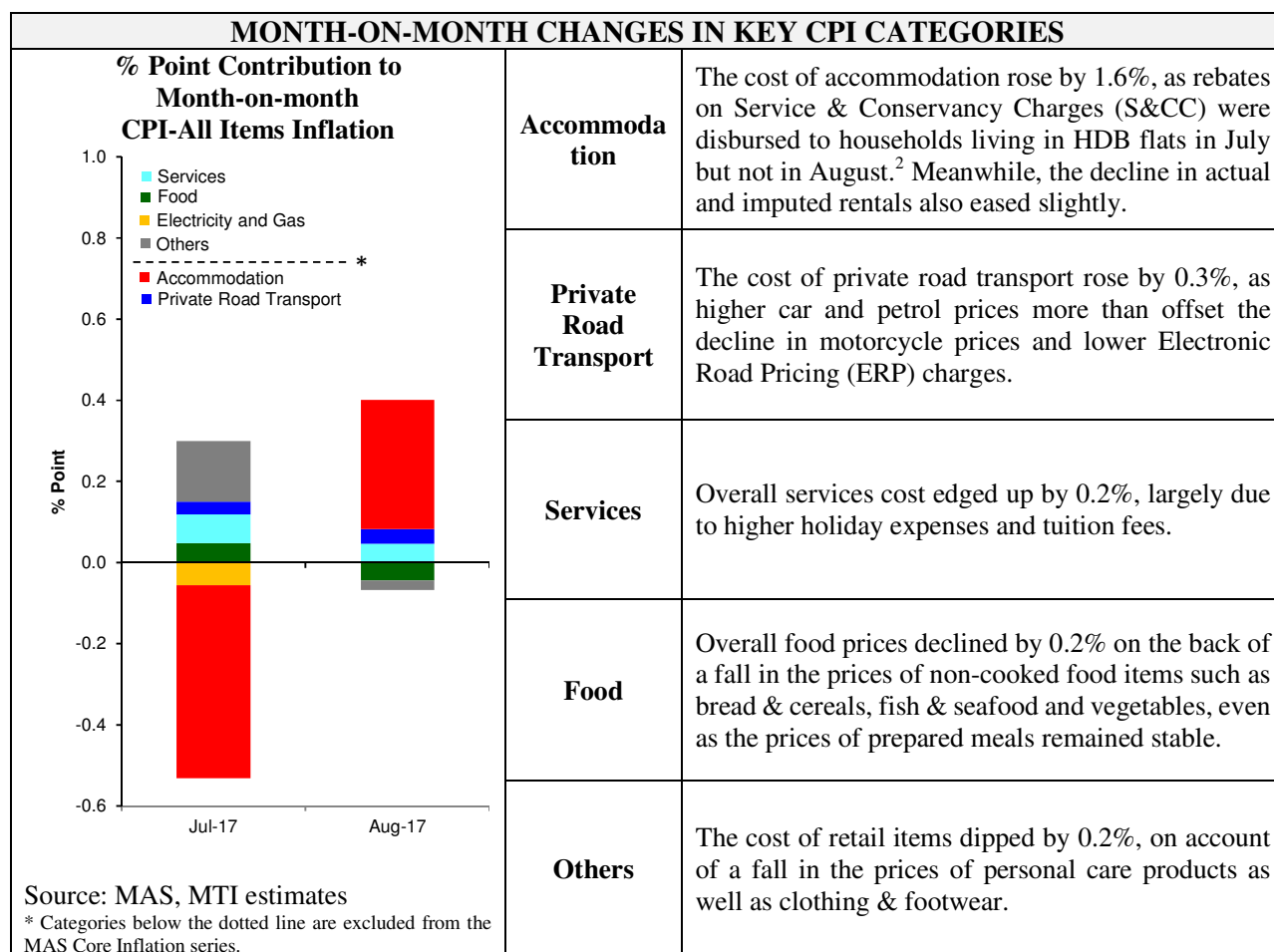
Source: Department of Statistics

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



Source: MAS, MTI estimates

**On a month-on-month basis, CPI-All Items rose by 0.3% in August after declining by 0.2% in July. MAS Core Inflation moderated to 0% in August, from 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
↑	Accommodation	22.9	1.6	↓	Oils & Fats	0.2	-2.3
↑	Holiday Expenses	3.5	0.4	↓	Sugar, preserves & confectionery	0.3	-1.2
↑	Meat	1.2	0.4	↓	Fish & Seafood	1.2	-1.1
↑	Tuition & other fees	6.1	0.3	↓	Vegetables	1.0	-0.9
↑	Private road transport	11.5	0.3	↓	Other food ~	0.3	-0.9
↑	Fast food	0.9	0.1	↓	Bread & Cereals	1.4	-0.8
↑	Household services & Supplies	3.0	0.1	↓	Personal Care	2.4	-0.6
↑	Other travel & transport ^	1.3	0.1	↓	Fruits	0.8	-0.5
↑	Medical & dental treatment	4.8	0.1	↓	Clothing & Footwear	2.7	-0.3
↑	Recreation & entertainment	3.9	0.1	↓	Household durables	1.8	-0.2

^ 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.

<sup>2</sup> In July 2017, 1- and 2-room HDB households received a 1-month S&CC rebate, while 3-, 4-, 5-room and Executive/Multi-Generation HDB households received a 0.5-month rebate.

## 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>3</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

25 September 2017

---

<sup>3</sup> These include the increase in car park charges and household refuse collection fees which took effect from December 2016 and January 2017 respectively, 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 August 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/cpiaug2017.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpiaug2017.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 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
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.6

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 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	3.2	2.3	-1.4
Jul	0.6	1.6	1.7	4.1	N.A.	10.0
Aug	0.4	1.4	1.5	N.A.	N.A.	15.1

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available