



Consumer Price Developments in May 2017

CPI-All Items inflation rose to 1.4% in May from 0.4% in the preceding month, due to base effects associated with the timing of the disbursement of Service & Conservancy Charges (S&CC) rebates. Meanwhile, MAS Core Inflation edged down to 1.6% from 1.7% over the same period, mainly due to lower services inflation.

CPI-All Items inflation increased to 1.4% y-o-y in May

CPI-All Items inflation came in at 1.4% in May, up from 0.4% in April. The increase was mainly on account of the rise in the cost of housing maintenance & repairs on a year-ago basis due to base effects associated with the disbursement of the S&CC rebates.¹ This caused the cost of accommodation to decline by a smaller 1.5% compared with the 6.7% fall in April.

The cost of electricity and gas² rose by a faster 19.1% in May compared to the 18.7% increase in the preceding month, due to a larger increase in gas tariffs on the back of the recovery in global oil prices over the past several months.

Overall food inflation picked up to 1.5% in May from 1.3% in April, driven by a larger increase in the prices of non-cooked food items. Meanwhile, the prices of prepared meals rose at a similar pace in both months.

Private road transport inflation eased to 6.1% in May from 7.0% in the previous month, on account of more moderate increases in car and petrol prices.

Services inflation fell to 1.4% in May from 1.7% in the month before, mainly reflecting a decline in holiday expenses and air fares.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation rose to 2.8% in May

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) increased to 2.8% in May from 1.5% in the previous month, owing to the increase in the cost of housing maintenance & repairs on a year-ago basis.¹

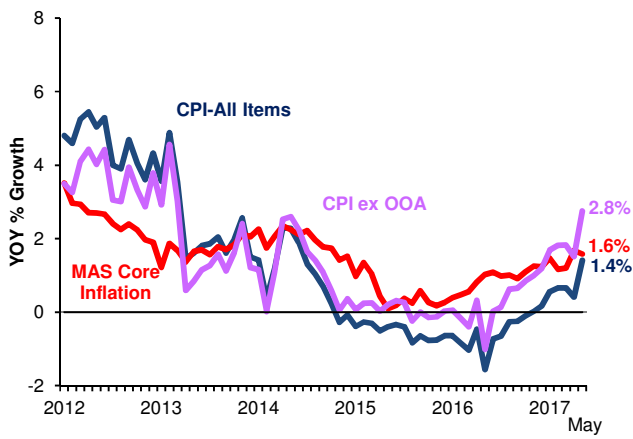
MAS Core Inflation eased to 1.6% in May

MAS Core Inflation was 1.6% in May, lower than the 1.7% recorded in the preceding month. This was due to the fall in services inflation, which more than offset the pickup in food as well as electricity and gas inflation.

¹ S&CC rebates, which lower the housing maintenance & repair cost component, were disbursed in May last year, but in April this year. The timing of the disbursement of the S&CC rebates led to a positive contribution to year-on-year inflation in housing maintenance & repair cost in May 2017. The other months of disbursement remain in July and October.

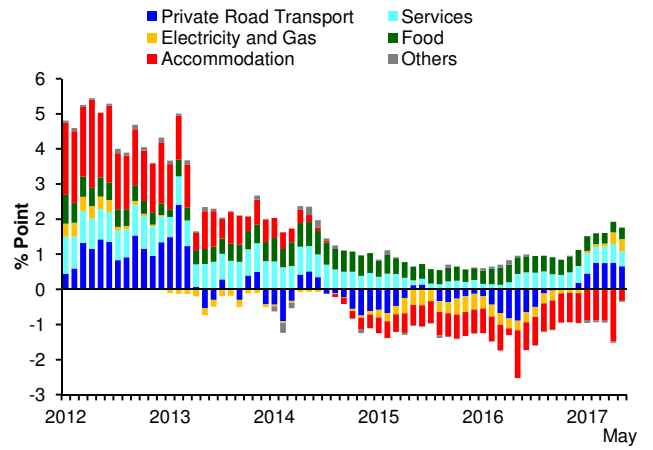
² Electricity and gas include electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

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



Source: Department of Statistics

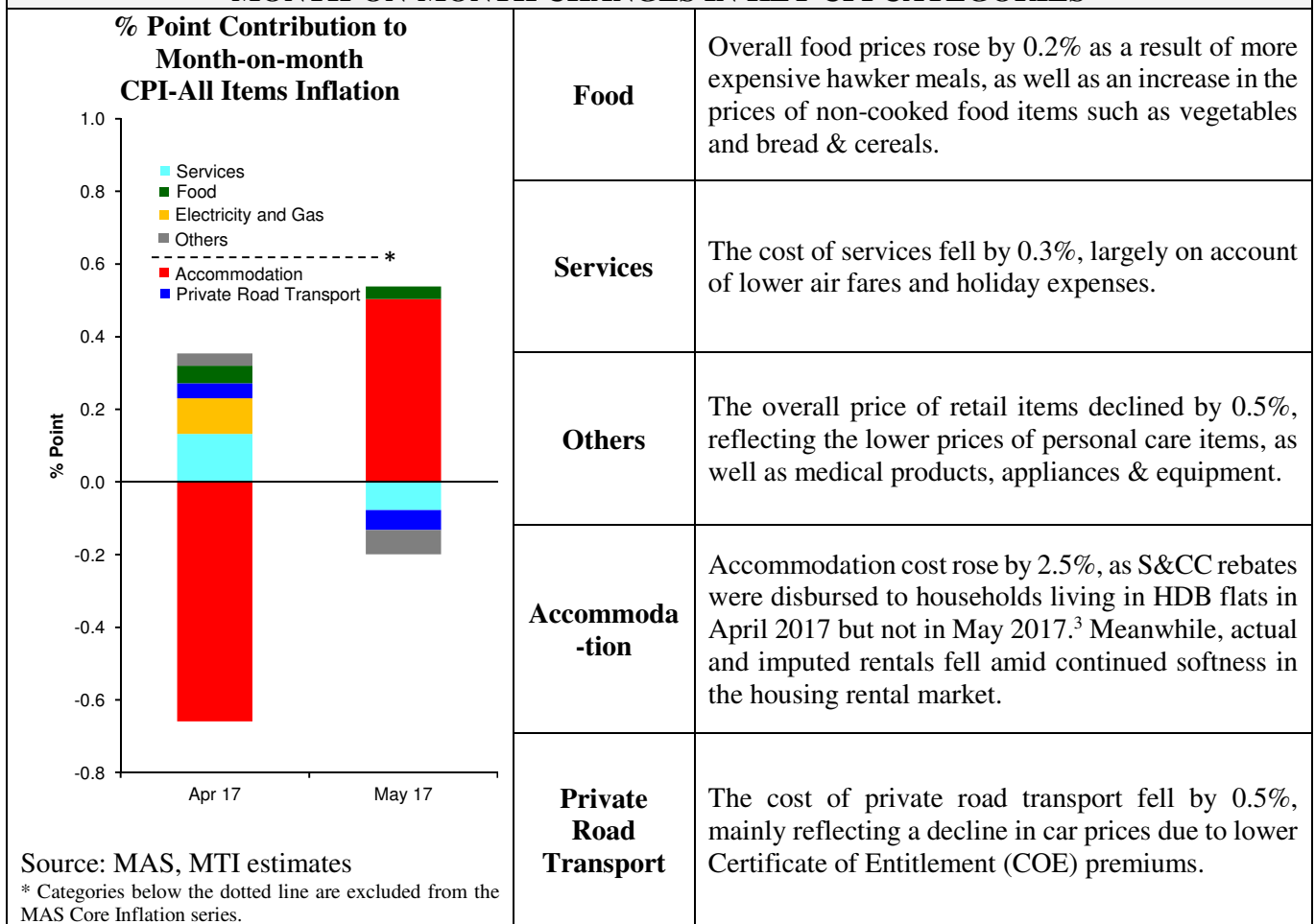
% Point Contribution to Year-on-year CPI-All Items Inflation



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation rose to 0.3% in May, from -0.3% in April, while MAS Core Inflation fell to -0.2% from 0.5% over the same period.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES



Food

Overall food prices rose by 0.2% as a result of more expensive hawker meals, as well as an increase in the prices of non-cooked food items such as vegetables and bread & cereals.

Services

The cost of services fell by 0.3%, largely on account of lower air fares and holiday expenses.

Others

The overall price of retail items declined by 0.5%, reflecting the lower prices of personal care items, as well as medical products, appliances & equipment.

Accommodation

Accommodation cost rose by 2.5%, as S&CC rebates were disbursed to households living in HDB flats in April 2017 but not in May 2017.³ Meanwhile, actual and imputed rentals fell amid continued softness in the housing rental market.

Private Road Transport

The cost of private road transport fell by 0.5%, mainly reflecting a decline in car prices due to lower Certificate of Entitlement (COE) premiums.

Price Movements (m-o-m) for Selected CPI Sub-categories

| Sub-categories With Largest Price Increases or No Price Changes | | | Sub-categories With Largest Price Declines | | |
|---|------------|----------------|--|------------|----------------|
| Group | Weight (%) | M-o-M % Growth | Group | Weight (%) | M-o-M % Growth |
| ↑ Accommodation | 22.9 | 2.5 | ↓ Other travel & transport ^ | 1.3 | -2.9 |
| ↑ Vegetables | 1.0 | 1.9 | ↓ Medical products, appliances & equipment | 1.4 | -1.3 |
| ↑ Sugar, preserves & confectionery | 0.3 | 0.6 | ↓ Personal Care | 2.4 | -1.2 |
| ↑ Bread & Cereals | 1.4 | 0.4 | ↓ Holiday Expenses | 3.5 | -1.1 |
| ↑ Fish & Seafood | 1.2 | 0.3 | ↓ Oils & Fats | 0.2 | -0.8 |
| ↑ Hawker food (incl. food courts) | 8.1 | 0.2 | ↓ Personal effects # | 0.6 | -0.7 |
| ↑ Household services & Supplies | 3.0 | 0.1 | ↓ Other food ~ | 0.3 | -0.6 |
| - Restaurant food | 4.9 | 0.0 | ↓ Private road transport | 11.5 | -0.5 |
| - Fuel & utilities | 3.4 | 0.0 | ↓ Fruits | 0.8 | -0.4 |
| - Tuition & other fees | 6.1 | 0.0 | ↓ Non-alcoholic beverages | 0.5 | -0.3 |

^ 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.

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

³ In April 2017, 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 rebates were disbursed in May 2017.

Outlook

External inflationary pressures have picked up amid a turnaround in global commodity markets. 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 adjustments⁴ will also contribute to a temporary increase in inflation this year. Overall, domestic sources of inflation remain relatively muted. Conditions in the labour market have slackened, 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.

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⁴ These include the upward revision in car park charges and household refuse collection fees which took effect from December 2016 and January 2017 respectively, as well as the rise in service & conservancy charges (S&CC) from June 2017 and the upcoming water price increases in July 2017. U-Save rebates, which have also been increased and will partially offset the impact of higher water prices, are not taken into account in the CPI.

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 May 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/cpimay2017.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) |
| 2016 May | -1.6 | 2.2 | -0.3 | -6.4 | 3.3 | 1.0 | -5.7 | -0.1 | 1.1 | 3.2 | 0.2 | 98.8 |
| Jun | -0.7 | 2.1 | 0.2 | -4.2 | 3.4 | 0.7 | -4.3 | 0.4 | 1.6 | 3.2 | 0.5 | 98.8 |
| Jul | -0.7 | 2.1 | -1.8 | -4.3 | 3.2 | 0.4 | -3.5 | 0.9 | 1.2 | 3.6 | 0.2 | 99.0 |
| 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 |

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 May | -1.6 | 1.0 | -1.0 | -9.1 | -5.2 | -30.5 |
| Jun | -0.7 | 1.1 | 0.0 | -8.2 | -1.8 | -23.9 |
| Jul | -0.7 | 1.0 | 0.1 | -6.8 | 0.6 | -21.2 |
| 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 | 9.4 | 5.9 | 35.9 |
| May | 1.4 | 1.6 | 2.8 | N.A. | 5.0 | 13.9 |

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available