



Consumer Price Developments in August 2018

In August 2018, MAS Core Inflation came in at 1.9% on a year-on-year basis (y-o-y), unchanged from the previous month, as higher retail and food inflation offset a moderation in services inflation. Meanwhile, CPI-All Items inflation edged up to 0.7% y-o-y in August, from 0.6% y-o-y in the previous month, due to a smaller decline in accommodation costs.

CPI-All Items inflation increased to 0.7% y-o-y in August

CPI-All Items inflation came in higher at 0.7% y-o-y in August, compared to 0.6% in the preceding month, mainly on account of a more gradual decline in accommodation costs.

Accommodation costs fell by 2.6% y-o-y in August, moderating from the 3.0% decline in July. This reflected a slower pace of decline in housing rentals and a larger increase in the cost of housing maintenance & repairs.

Private road transport costs decreased by 0.2% y-o-y in August, the same pace of decline as in the previous month, as a smaller fall in car prices was offset by a less steep increase in petrol prices.

The overall cost of retail items increased by 2.0% y-o-y in August, larger than the 1.6% rise in July. This mostly reflected a faster pickup in the prices of clothing & footwear, as well as an increase in the prices of personal care products following the decline recorded in July.

Food inflation edged up to 1.7% y-o-y in August from 1.5% in the preceding month, on the back of a faster pace of increase in the prices of non-cooked food items and prepared meals.

Services inflation eased to 1.3% y-o-y in August from 1.5% the month before, mainly reflecting a decline in telecommunication services fees which had more than offset a faster pickup in airfares.

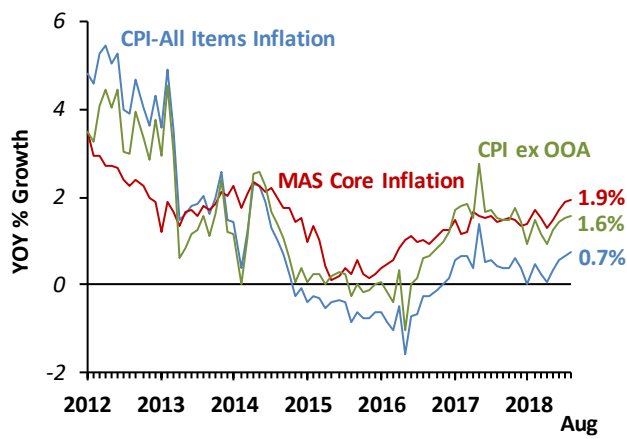
CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation edged up to 1.6% y-o-y in August

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) rose to 1.6% y-o-y in August from 1.5% in the previous month, largely on account of a steeper rise in the cost of housing maintenance & repairs.

MAS Core Inflation came in at 1.9% y-o-y in August

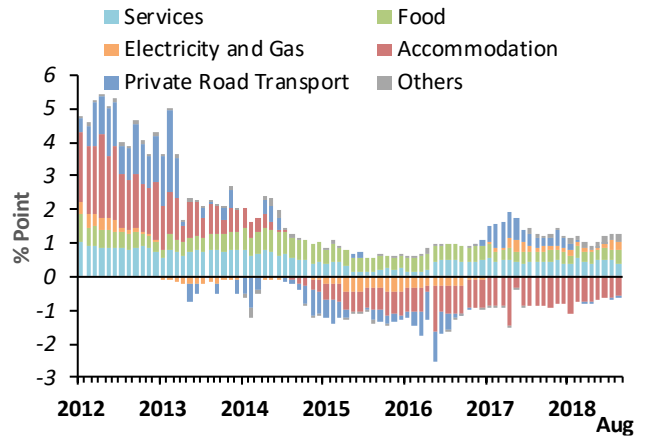
MAS Core Inflation, which excludes the costs of accommodation and private road transport, came in at 1.9% y-o-y in August, unchanged from the previous month, as higher retail and food inflation offset a moderation in services inflation.

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 0.4% in August, reversing the 0.1% decline in July. Meanwhile, MAS Core Inflation eased to 0% in August, from 0.5% in the previous month.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES

% Point Contribution to Month-on-month CPI-All Items Inflation			
<p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>		Accommodation	The cost of accommodation rose by 1.9%, as Service & Conservancy Charges (S&CC) rebates were disbursed to households living in HDB flats in July but not in August. ¹
		Private Road Transport	Private road transport costs picked up by 0.3%, largely due to higher car prices alongside an increase in Certificate of Entitlement premiums.
		Others	The overall cost of retail and other items increased by 0.2%, mainly reflecting a rise in the prices of telecommunication equipment, clothing & footwear, as well as medical products.
		Food	Food prices dipped by 0.1% on account of a fall in the prices of non-cooked food items such as fish & seafood and meat, which outweighed an increase in the costs of hawker and restaurant meals.
		Services	The overall cost of services fell by 0.1%, as a decline in telecommunications services fees more than offset a rise in tuition fees, airfares and holiday expenses.

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	1.9	↓ Communication	3.9	-1.7
↑ Other travel & transport ^	1.3	1.0	↓ Oils & Fats	0.2	-1.5
↑ Non-alcoholic beverages	0.5	0.5	↓ Fish & Seafood	1.2	-1.4
↑ Medical products, appliances & equipment	1.4	0.4	↓ Meat	1.2	-1.0
↑ Tuition & other fees	6.1	0.3	↓ Vegetables	1.0	-0.4
↑ Private road transport	11.5	0.3	↓ Other food ~	0.3	-0.3
↑ Sugar, preserves & confectionery	0.3	0.3	↓ Other miscellaneous expenditure *	0.7	-0.1
↑ Fruits	0.8	0.3	↓ Alcoholic drinks & tobacco	1.0	-0.1
↑ Holiday Expenses	3.5	0.3	↓ Bread & Cereals	1.4	-0.1
↑ Clothing & Footwear	2.7	0.3	↓ Personal effects #	0.6	-0.1

^ 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.

* The "other miscellaneous expenditure" group includes social support services, life insurance, etc.

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

¹ In July 2018, 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

On the external front, imported inflation is likely to rise mildly. Global oil prices have rallied since the start of 2018 and are expected to average higher for the full year as compared to 2017. Meanwhile, global food commodity prices are projected to rise slightly as demand strengthens amid ample supply conditions.

Domestic sources of inflation are expected to increase alongside a faster pace of wage growth and a pickup in domestic demand. However, the extent of consumer price increases will remain moderate, as retail rents have stayed relatively subdued and firms' pricing power may be constrained by market competition.

MAS Core Inflation is expected to rise gradually over the course of 2018 to average in the upper half of the 1–2% forecast range for the full year. Similarly, CPI-All Items inflation is projected to be within the upper half of the 0–1% forecast range for the full year. Accommodation costs are forecast to fall by a smaller extent than in 2017, while private road transport inflation should decline in 2018 as the inflationary effects from previous administrative measures dissipate.²

MONETARY AUTHORITY OF SINGAPORE

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² The administrative measures are the expiry of the one-year road tax rebates and the upward revision in parking fees in August and December 2016, respectively.

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 2018”. This release also contains further information on the various price indicators published.

<https://www.singstat.gov.sg/-/media/files/publications/economy/cpiaug18.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)
2017 Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.4
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.4
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.6
Nov	0.6	1.5	0.7	-2.4	1.0	2.0	2.6	1.5	0.8	2.6	-0.4	99.7
Dec	0.4	1.4	-0.2	-2.3	1.1	1.9	1.4	0.5	0.4	2.6	0.1	99.6
2018 Jan	0.0	1.1	1.0	-3.6	1.2	2.3	0.7	0.0	0.8	2.8	0.5	99.5
Feb	0.5	1.5	0.7	-2.1	0.8	2.5	0.6	-0.1	1.6	2.9	0.4	99.7
Mar	0.2	1.4	1.2	-2.0	0.7	2.1	-0.5	-0.3	0.6	3.0	1.0	99.7
Apr	0.1	1.4	0.8	-2.3	0.7	2.0	-0.7	-1.3	0.7	2.9	0.5	99.9
May	0.4	1.3	0.6	-2.0	0.8	2.3	0.0	-0.8	1.2	2.9	1.1	99.8
Jun	0.6	1.5	1.5	-1.8	0.9	2.4	0.3	0.2	1.4	2.9	1.2	99.9
Jul	0.6	1.5	2.3	-1.0	0.5	2.0	-0.3	0.2	1.7	2.4	0.9	100.2
Aug	0.7	1.7	2.8	-0.6	0.7	2.0	-0.2	-1.5	1.6	2.4	1.1	100.1

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	S&P Non-Energy GSCI Index	Brent Crude Spot Prices
	YOY % GROWTH					
2017 Aug	0.4	1.4	1.5	5.0	4.8	51.7
Sep	0.4	1.5	1.5	4.9	7.7	56.2
Oct	0.4	1.5	1.5	3.4	9.1	57.5
Nov	0.6	1.5	1.8	4.1	7.1	62.7
Dec	0.4	1.3	1.4	-0.4	5.8	64.4
2018 Jan	0.0	1.4	1.0	-0.2	5.4	69.1
Feb	0.5	1.7	1.5	-0.1	4.4	65.3
Mar	0.2	1.5	1.2	1.5	5.1	66.0
Apr	0.1	1.3	0.9	1.7	6.7	72.1
May	0.4	1.5	1.2	6.6	6.9	77.0
Jun	0.6	1.7	1.5	9.1	5.6	74.4
Jul	0.6	1.9	1.5	10.2	-2.8	74.3
Aug	0.7	1.9	1.6	N.A.	-1.4	72.5

Source: Singapore Department of Statistics, S&P Dow Jones Indices, U.S. Energy Information Administration

N.A.: Not available