



Consumer Price Developments in July 2018

In July 2018, MAS Core Inflation rose to 1.9% from 1.7% in the previous month, due to a larger increase in the cost of electricity & gas.¹ Despite higher core inflation, CPI-All Items inflation was unchanged from June, at 0.6%, as private road transport costs declined.

CPI-All Items inflation was 0.6% year-on-year (y-o-y) in July

CPI-All Items inflation came in at 0.6% y-o-y in July, the same pace of increase as in the preceding month, as a decline in private road transport costs and lower services inflation offset a larger increase in the cost of electricity & gas.

The cost of electricity & gas registered a steeper 12.7% rise in July as compared to the 3.7% increase in June. This reflects an upward revision in electricity tariffs in July following the pickup in global oil prices in the preceding quarter.²

Food inflation came in at 1.5% in July, unchanged from June, as the prices of both non-cooked food items and prepared meals rose at a similar pace as in the previous month.

Services inflation moderated to 1.5% in July, from 1.7% the month before. This was on account of smaller year-ago increases in the cost of education and healthcare services, as well as airfares and domestic services fees.

Private road transport costs fell by 0.2% in July, reversing the 0.4% increase in June. This was due to a steeper year-ago drop in car prices alongside a decline in Certificate of Entitlement (COE) premiums.

The cost of accommodation slid by 3.0% in July, the same rate as in June. Although the pace of decline in housing rentals moderated, the effect was offset by a smaller year-ago increase in the cost of housing maintenance & repairs.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation came in at 1.5% in July

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.5% in July, unchanged from the preceding month, as a decline in private road transport costs and lower services inflation offset a steeper increase in the cost of electricity & gas.

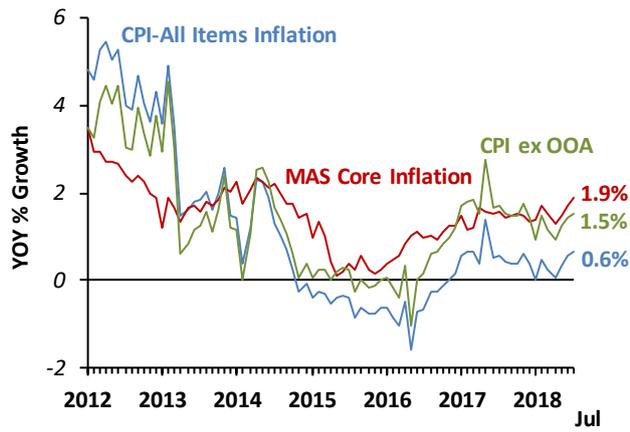
MAS Core Inflation rose to 1.9% in July

MAS Core Inflation, which excludes the costs of accommodation and private road transport, picked up to 1.9% in July from 1.7% in June, driven by a larger increase in the cost of electricity & gas.

¹ Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

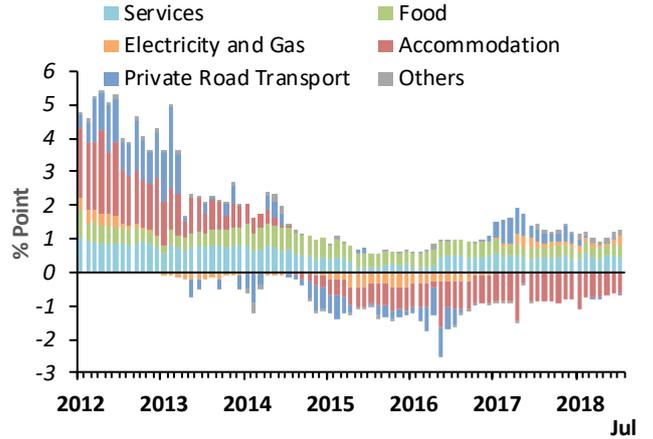
² The fuel cost component of the electricity tariff for each quarter is calculated based on the average forward fuel oil and dated Brent oil prices in the first two-and-a-half month period in the preceding quarter.

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 edged down by 0.1% in July, reversing the 0.1% increase in June. Meanwhile, MAS Core Inflation rose to 0.5% in July, from 0.2% 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>		Electricity & Gas	The cost of electricity & gas rose by 5.8%, largely due to an increase in electricity tariffs following the rise in global oil prices in the previous quarter.
		Others	The overall cost of retail and other items increased by 1.3%, mainly reflecting the upward revision in fees related to water supply. ³
		Food	Food prices rose by 0.2% on account of an increase in the prices for non-cooked food items such as fish & seafood and non-alcoholic beverages, as well as for prepared meals.
		Services	The overall cost of services edged up by 0.1%, as a rise in telecommunications services and tuition fees more than offset a fall in airfares and holiday expenses.
		Private Road Transport	Private road transport costs fell by 0.3%, reflecting a decline in car prices on the back of lower COE premiums.
		Accommodation	Accommodation costs fell by 2.3% as Service & Conservancy Charges (S&CC) rebates were disbursed to households living in HDB flats in July, but not in June. ⁴

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
↑	Fuel & utilities	3.4	7.8	↓	Other travel & transport ^	1.3	-2.7
↑	Non-alcoholic beverages	0.5	1.7	↓	Accommodation	22.9	-2.3
↑	Fish & Seafood	1.2	1.4	↓	Holiday Expenses	3.5	-1.0
↑	Catered food	0.2	1.4	↓	Other food ~	0.3	-0.7
↑	Communication	3.9	1.0	↓	Personal effects #	0.6	-0.5
↑	Medical products, appliances & equipment	1.4	0.7	↓	Oils & Fats	0.2	-0.4
↑	Clothing & Footwear	2.7	0.7	↓	Sugar, preserves & confectionery	0.3	-0.4
↑	Vegetables	1.0	0.5	↓	Fruits	0.8	-0.4
↑	Recreation & entertainment	3.9	0.4	↓	Private road transport	11.5	-0.3
↑	Household durables	1.8	0.4	↓	Milk, Cheese & Eggs	0.9	-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 "personal effects" sub-group includes travel goods, handbags and wallets as well as "accessories" such as watches and costume jewellery.

³ Fees related to water supply for domestic users (comprising water tariffs, water conservation tax, waterborne fee and sanitary appliance fee) were revised upwards by 15% with effect from 1 July 2018 as part of the phased 30% increase in water prices over two years as announced in the FY2017 Budget. U-Save rebates, which have been increased and will partially offset the impact of higher water prices on households, are not taken into account in the CPI.

⁴ 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 come 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.⁵

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⁵ 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 July 2018”. 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/cpijul2018.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 Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.6
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

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 Jul	0.6	1.6	1.7	4.2	4.7	48.5
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	9.0	5.6	74.4
Jul	0.6	1.9	1.5	N.A.	-2.8	74.3

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

N.A.: Not available