



Consumer Price Developments in May 2015

CPI-All Items inflation came in at -0.4% y-o-y in May

CPI-All Items inflation edged up to -0.4% in May, from -0.5% in April, on account of the higher cost of private road transport.

Private road transport cost rose by 1.0%, after falling by 2.1% in April, due to higher Certificate of Entitlement (COE) premiums and a smaller correction in petrol pump prices compared to a year ago.

Accommodation cost fell by 2.5% in May, similar to the previous month, reflecting the soft housing rental market.

Services inflation eased to 0.5%, from 1.1% a month earlier, largely owing to budgetary measures including the reduction in the concessionary foreign domestic worker (FDW) levy¹ and the waiver of national examination fees², as well as a smaller increase in telecommunication services fees.

Food inflation moderated to 1.8% from 2.1% in April, as the slower rise in non-cooked food prices more than offset the sharper price increases for restaurant meals.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 0.2% in May

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) edged up to 0.2% from 0% in April, on account of the increase in private road transport cost.

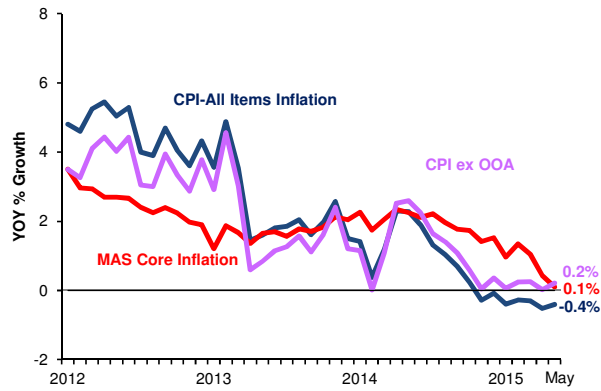
MAS Core Inflation eased to 0.1% in May

MAS Core Inflation, which excludes the costs of accommodation and private road transport, came in at 0.1%, compared to 0.4% in the previous month. This mainly reflected the impact of budgetary measures on services costs, as well as softer food inflation.

¹ From 1 May 2015, households eligible for the Foreign Domestic Worker Levy Concession will pay \$60 for the monthly levy, down from \$120 previously. The concessionary levy is also extended to families with children aged below 16 years, up from below 12 years old.

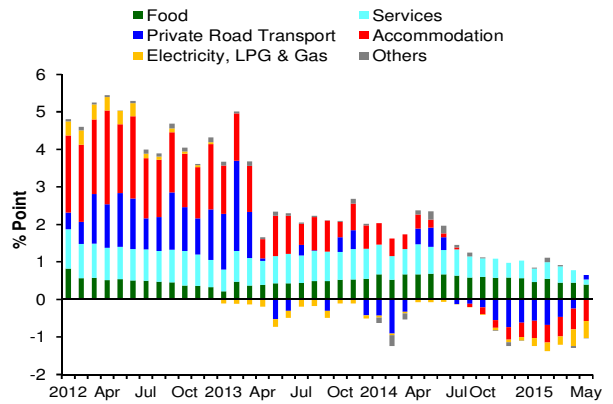
² As announced in Budget 2015, examination fees have been waived for Singaporeans in Government-funded schools taking the GCE 'A' Levels. Fee waivers for students taking the Primary School Leaving Examination (PSLE), GCE 'N' and 'O' levels, as well as for Singaporeans enrolled full-time in polytechnics and Institutes of Technical Education (ITE), were implemented earlier in 2015.

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



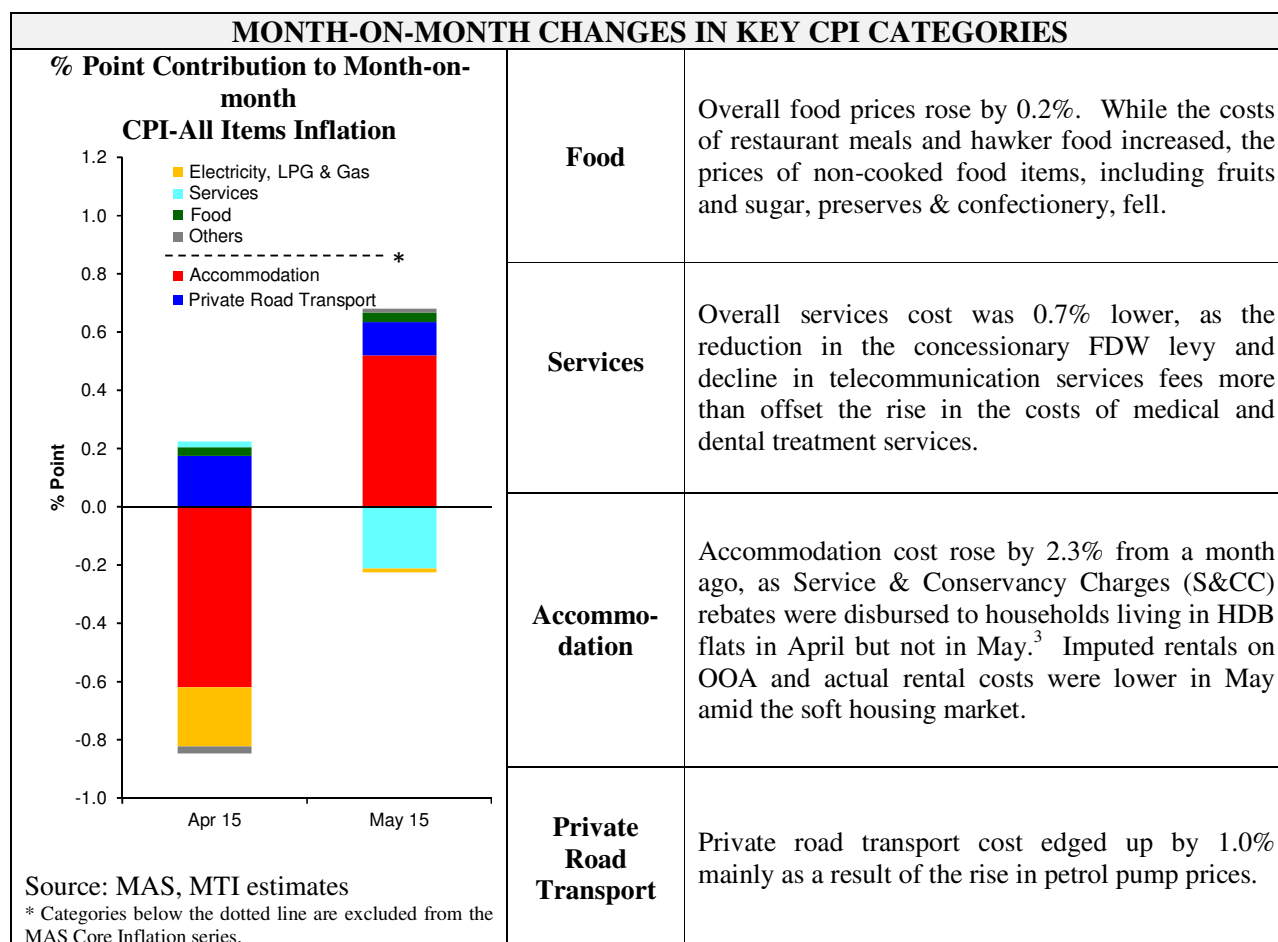
Source: Department of Statistics

% 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 0.5% in May, after falling by 0.6% in April. MAS Core Inflation was unchanged at -0.3%.



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	2.3	↓	Household services & Supplies	3.0	-4.1
↑	Private road transport	11.5	1.0	↓	Fruits	0.8	-2.0
↑	Restaurant food	4.9	0.7	↓	Communication	3.9	-1.8
↑	Clothing & Footwear	2.7	0.6	↓	Other travel & transport ^	1.3	-1.3
↑	Medical products, appliances & equipment	1.4	0.6	↓	Sugar, preserves & confectionery	0.3	-1.1
↑	Vegetables	1.0	0.6	↓	Oils & Fats	0.2	-0.8
↑	Medical & dental treatment	4.8	0.3	↓	Household durables	1.8	-0.7
↑	Meat	1.2	0.3	↓	Fuel & utilities	3.4	-0.4
↑	Public road transport	3.0	0.2	↓	Holiday Expenses	3.5	-0.4
↑	Hawker food (incl. food courts)	8.1	0.2	↓	Milk Cheese & Eggs	0.9	-0.3

^ The "other travel & transport" group includes air transport, sea transport, travel insurance, etc.

³ As announced in Budget 2015, 1-, 2-, 3- and 4-room HDB households received 1-month S&CC rebates in April 2015, while 5-room and Executive/Multi-Generation HDB households received 0.5-month rebates. No rebates were disbursed in May 2015.

Outlook

External sources of inflation should remain generally benign, given ample supply buffers in the major commodity markets. Notably, global oil prices are likely to be much lower for the whole of 2015 compared to the US\$93 average⁴ recorded last year. Although underlying cost pressures stemming from the tight labour market remain, the pass-through to consumer prices is expected to be tempered in the near term by the moderate growth environment. At the same time, the suite of budgetary measures will help to alleviate some of the price pressures faced by consumers.⁵ As a result, MAS Core Inflation could remain subdued at around the current rate in the next few months. CPI All-Items inflation could ease further given the additional dampening effects of car prices and imputed rentals on owner-occupied accommodation, amid the expected increase in the supply of COEs and newly-completed housing units.

MAS Core Inflation and CPI-All Items inflation could subsequently rise towards the end of the year and into 2016, on account of higher global oil prices and as the effects of the budgetary measures dissipate. For 2015, MAS Core Inflation and CPI-All Items inflation are projected to average 0.5–1.5% and -0.5–0.5% respectively.

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⁴ This refers to the West Texas Intermediate (WTI) benchmark oil price.

⁵ The budgetary measures include the reduction in the concessionary FDW levy, the one-year road tax rebates, and the abolition of national examination fees for Singaporeans. These are on top of the increase in medical subsidies, which will continue to dampen inflation on a year ago basis until early 2016.

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 2015”. 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/cpimay2015.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)
2014 May	2.3	3.2	-0.2	0.5	2.1	3.0	4.0	-0.5	3.1	3.6	1.2	100.1
Jun	1.9	3.1	0.1	0.2	1.6	2.9	2.9	-0.9	2.5	3.5	1.1	99.9
Jul	1.3	3.0	-1.6	0.2	1.7	3.1	-0.4	-0.7	2.8	3.7	1.9	100.0
Aug	1.0	2.7	-0.2	-0.3	1.7	3.1	-0.4	-0.6	1.4	3.2	1.7	100.1
Sep	0.7	2.8	-1.3	-0.7	1.6	2.0	-1.1	0.8	0.5	3.4	1.1	99.9
Oct	0.2	2.7	-1.2	-1.0	1.3	2.0	-3.2	0.9	1.1	3.1	1.6	100.0
Nov	-0.3	2.8	-2.8	-1.5	0.9	1.9	-4.5	0.8	-0.2	3.1	1.3	99.8
Dec	-0.1	2.7	-1.7	-1.8	1.0	1.7	-3.0	1.3	-0.5	3.1	1.4	99.7
2015 Jan	-0.4	2.2	-2.3	-2.4	1.4	0.6	-3.1	1.1	-0.5	3.0	0.8	99.8
Feb	-0.3	2.5	-	-2.6	1.9	0.2	-3.7	1.1	0.3	3.6	1.4	99.5
Mar	-0.3	2.1	-0.8	-2.7	1.6	-0.2	-2.7	2.5	0.5	3.5	0.2	99.9
Apr	-0.5	2.1	-2.0	-3.7	1.7	-0.4	-1.4	2.1	-0.3	3.2	-0.4	99.3
May	-0.4	1.8	-	-3.8	-2.0	-0.2	0.9	0.3	-0.1	3.1	-0.3	99.8

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					
2014 May	2.3	2.2	2.6	0.8	-1.2	4.8
Jun	1.9	2.1	2.2	-0.2	-2.9	6.8
Jul	1.3	2.2	1.6	-1.2	-2.2	1.1
Aug	1.0	2.0	1.4	-3.0	-2.9	-6.3
Sep	0.7	1.8	1.1	-3.5	-4.3	-11.7
Oct	0.2	1.7	0.6	-5.4	-6.4	-20.3
Nov	-0.3	1.4	0.1	-7.7	-6.1	-28.0
Dec	-0.1	1.5	0.4	-13.1	-9.8	-44.9
2015 Jan	-0.4	1.0	0.1	-17.4	-11.7	-57.3
Feb	-0.3	1.3	0.2	-13.6	-14.6	-48.7
Mar	-0.3	1.0	0.3	-13.2	-18.2	-49.6
Apr	-0.5	0.4	-	-12.7	-19.8	-45.3
May	-0.4	0.1	0.2	N.A.	-17.4	-41.1

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible