



## Consumer Price Developments in March 2016

### *CPI-All Items inflation eased to -1.0% year-on-year (y-o-y) in March*

CPI-All Items inflation eased to -1.0% in March from -0.8% in February, due primarily to a significant decline in private road transport cost.

Private road transport cost fell at a faster pace of 5.9% in March, compared to the 3.9% decline a month earlier. This was mainly due to a large drop in petrol pump prices on a year-ago basis, reflecting the higher base in March 2015 following the hike in petrol duties. Car prices also saw a sharper decline due to lower Certificate of Entitlement (COE) premiums compared to the same period last year.

Accommodation cost decreased by 3.2%, similar to the previous month, reflecting the soft housing rental market.

Overall services inflation moderated to 0.4% from 0.5% a month earlier. While domestic services cost<sup>1</sup> experienced a stronger pickup and air fares fell at a slower rate, this was more than offset by a larger decline in telecommunication services fees.

Food inflation rose to 2.2% from 2.0% in February, driven by a larger increase in the prices of non-cooked food items, including fish & seafood, vegetables and meat. The higher prices were partly due to weather-related supply disruptions in neighbouring countries. Hawker food prices also rose at a slightly faster pace.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) fell by 0.4%*

CPI less imputed rentals on owner-occupied accommodation (OOA) was 0.4% lower in March, after falling by 0.2% in February, due to the decline in private road transport cost.

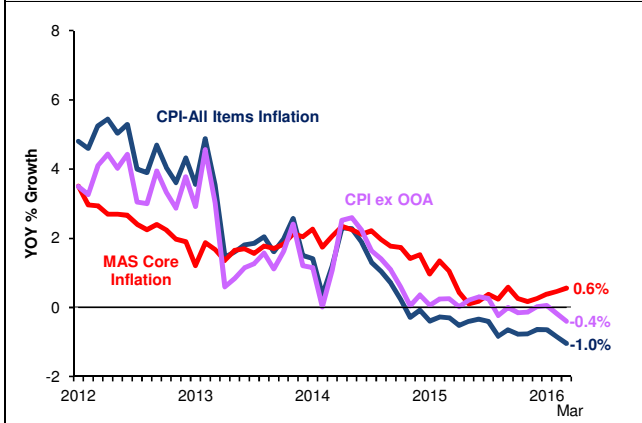
### *MAS Core Inflation edged up to 0.6% in March*

MAS Core Inflation, which excludes the costs of accommodation and private road transport, edged up to 0.6% in March from 0.5% a month ago, mostly on account of higher food inflation.

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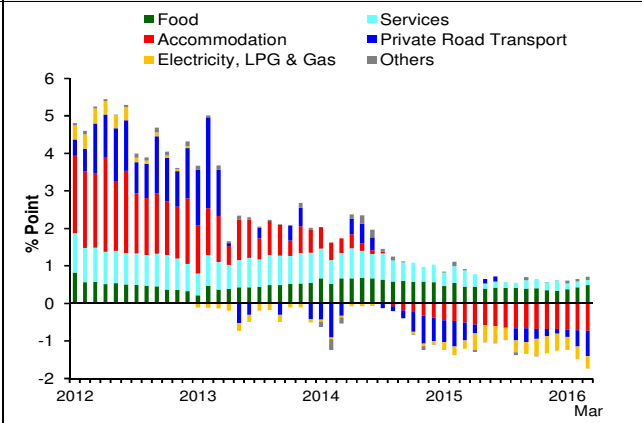
<sup>1</sup> Includes salaries and government levies for foreign domestic workers, the costs of other domestic house cleaning services, etc.

**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, both CPI-All Items inflation and MAS Core Inflation came in at 0% in March, compared to -0.1% and 0.4% respectively in February.**

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES		
<p><b>% Point Contribution to Month-on-month CPI-All Items Inflation</b></p> <p>Legend: Services (light blue), Food (green), Electricity, LPG &amp; Gas (yellow), Others (grey), Private Road Transport (dark blue), Accommodation (red). A dotted line with an asterisk (*) indicates the MAS Core Inflation series.</p> <p>Feb 16: Services (+0.1), Food (+0.1), Electricity, LPG &amp; Gas (+0.1), Others (+0.1), Private Road Transport (-0.4), Accommodation (-0.1). Total: 0.0.</p> <p>Mar 16: Services (+0.1), Food (+0.1), Electricity, LPG &amp; Gas (+0.1), Others (+0.1), Private Road Transport (+0.1), Accommodation (-0.1). Total: 0.0.</p>	<p><b>Services</b></p> <p>Overall services cost fell by 0.2%, as lower air fares and holiday expenses more than offset the higher cost of domestic services.</p>	
	<p><b>Food</b></p> <p>The overall price of food edged down by 0.1% on account of cheaper non-cooked food items, such as fish &amp; seafood, fruits and meat, after Chinese New Year.</p>	
	<p><b>Others</b></p> <p>The overall cost of retail goods increased by 0.5%, mainly due to a hike in newspaper cover charges and subscription fees, as well as more expensive clothing &amp; footwear.</p>	
	<p><b>Private Road Transport</b></p> <p>Private road transport cost rose by 1.0%, as car and petrol pump prices edged up alongside a recovery in COE premiums and global oil prices from the previous month.</p>	
	<p><b>Accommodation</b></p> <p>Accommodation cost declined by 0.3%, reflecting lower actual and imputed rentals amid the soft housing market.</p>	
<p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>		

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

Sub-categories With Largest Price Increases				Sub-categories With Largest Price Declines or No Price Changes			
	Group	Weight (%)	M-o-M % Growth		Group	Weight (%)	M-o-M % Growth
↑	Newspapers, books & stationery	0.5	5.7	↓	Other travel & transport ^	1.3	-5.6
↑	Other food ~	0.3	1.7	↓	Fish & Seafood	1.2	-3.6
↑	Oils & Fats	0.2	1.7	↓	Fruits	0.8	-1.5
↑	Clothing & Footwear	2.7	1.1	↓	Other miscellaneous expenditure *	0.7	-0.7
↑	Non-alcoholic beverages	0.5	1.1	↓	Accommodation	22.9	-0.3
↑	Private road transport	11.5	1.0	↓	Public road transport	3.0	-0.1
↑	Personal effects #	0.6	1.0	↓	Meat	1.2	-0.1
↑	Milk Cheese & Eggs	0.9	0.5	↓	Medical products, appliances & equipment	1.4	-0.1
↑	Bread & Cereals	1.4	0.5	↓	Holiday Expenses	3.5	-0.1
↑	Household services & Supplies	3.0	0.4	-	Restaurant food	4.9	-

~ 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.

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

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

## Outlook

External sources of inflation are likely to remain muted given ample supply buffers in the major commodity markets and weak global demand conditions. Notably, global oil prices are expected to average lower for the whole of 2016 compared to last year. On the domestic front, the labour market is expected to see slightly reduced tightness, with wage growth projected to slow further over the course of 2016. The pass-through of wage costs to consumer prices will also be constrained by the subdued economic growth environment.

MAS Core Inflation is expected to pick up gradually over the course of the year, as the disinflationary effects of oil<sup>2</sup> as well as budgetary<sup>3</sup> and other one-off measures ease. However, the increase in core inflation will be milder than earlier expected, given the weaker external price outlook, subdued growth prospects, and a reduction in labour market tightness. For the whole of 2016, MAS Core Inflation is likely to be in the lower half of the 0.5–1.5% forecast range, barring a sharp rise in global oil prices. Meanwhile, car prices and housing rentals will continue to dampen overall inflationary pressures, as a large supply of car COEs and residential units come on-stream this year. CPI-All Items inflation is projected to remain negative throughout 2016, and average -1.0–0.0% for the whole year.

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<sup>2</sup> With global Brent oil prices currently expected to be slightly higher in H2 2016 compared to H1, the year-on-year drag of direct oil-related items on core inflation is likely to become smaller towards the end of the year.

<sup>3</sup> The budgetary measures include medical subsidies under the Pioneer Generation Package, the reduction in the concessionary foreign domestic worker levy, as well as the abolition of national examination fees for Singaporeans implemented last year.

## **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 March 2016”. 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/cpimar2016.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpimar2016.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)
2015 Mar	-0.3	2.1	-0.8	-2.7	1.6	-0.2	-2.7	2.5	0.5	3.5	0.2	99.8
Apr	-0.5	2.1	-2.0	-3.7	1.7	-0.4	-1.4	2.1	-0.3	3.2	-0.4	99.9
May	-0.4	1.8	-	-3.8	-2.0	-0.2	0.9	0.3	-0.1	3.1	-0.3	99.6
Jun	-0.3	2.0	0.2	-3.9	-1.8	-0.3	0.9	0.5	0.1	3.1	-0.1	99.5
Jul	-0.4	1.9	0.8	-3.5	-2.0	-0.4	0.1	-0.2	0.3	3.6	-0.7	99.7
Aug	-0.8	1.9	-0.9	-3.6	-2.2	-0.5	-2.3	-0.2	0.4	3.7	-0.4	99.3
Sep	-0.6	1.8	2.3	-3.6	-1.5	0.7	-2.2	-1.5	0.7	3.5	0.1	99.3
Oct	-0.8	1.8	1.0	-4.3	-1.6	0.6	-1.7	-0.6	0.4	3.7	-0.5	99.3
Nov	-0.8	1.6	1.4	-4.2	-1.3	-0.5	-1.1	-0.9	0.8	3.7	-0.5	99.0
Dec	-0.6	1.5	1.2	-4.2	-1.3	-0.7	-0.9	-0.1	1.4	3.7	-	99.1
2016 Jan	-0.6	1.7	2.6	-4.0	-1.4	0.7	-1.5	-0.7	0.8	2.6	0.3	99.0
Feb	-0.8	2.0	2.5	-4.1	-0.6	0.7	-2.9	-0.9	0.1	2.4	0.5	98.8
Mar	-1.0	2.2	1.3	-4.2	-0.3	0.7	-4.3	-1.8	0.4	2.4	0.6	98.9

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					
2015 Mar	-0.3	1.0	0.3	-13.2	-18.1	-49.6
Apr	-0.5	0.4	-	-12.5	-19.5	-45.3
May	-0.4	0.1	0.2	-11.1	-17.3	-41.1
Jun	-0.3	0.2	0.3	-11.6	-16.1	-44.2
Jul	-0.4	0.4	0.3	-13.5	-18.0	-48.7
Aug	-0.8	0.2	-0.2	-14.2	-19.7	-54.9
Sep	-0.6	0.6	-	-13.6	-18.0	-53.3
Oct	-0.8	0.3	-0.2	-11.2	-17.5	-47.1
Nov	-0.8	0.2	-0.1	-10.2	-20.5	-46.4
Dec	-0.6	0.3	-	-8.7	-19.3	-43.4
2016 Jan	-0.6	0.4	0.1	-5.9	-16.7	-40.2
Feb	-0.8	0.5	-0.2	-11.0	-13.5	-46.9
Mar	-1.0	0.6	-0.4	N.A.	-8.3	-33.9

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible