



Consumer Price Developments in August 2016

CPI-All Items inflation was -0.3% year-on-year (y-o-y) in August, compared to -0.7% in July. The smaller decline largely reflected a moderation in the fall in private road transport cost. MAS Core Inflation came in at 1.0%, unchanged from the preceding month, as higher services inflation offset the more modest increase in food prices.

CPI-All Items inflation was -0.3% y-o-y in August

CPI-All Items inflation was -0.3% in August, compared to -0.7% in July. This mainly reflected a smaller decline in private road transport cost, and to a smaller extent, higher services inflation.

Private road transport cost fell by a more modest 1.0%, compared to the 4.4% fall in the preceding month. This was due to the expiry of the one-year road tax rebate for petrol vehicles¹, in addition to a smaller decrease in petrol prices.

Accommodation cost fell by 3.6%, similar to the previous month, reflecting the continued softness in the housing rental market.

Services inflation edged up to 1.7%, from 1.6% in July. Public road transport cost increased by 0.9%, compared to a decline of 0.8% in July, given the low base in August last year.² In comparison, the price of education services rose at a slower pace, reflecting a more moderate increase in university fees compared to last year.

Food inflation eased slightly to 2.0% in August, from 2.1% in July. This was due to a smaller increase in the cost of non-cooked food which more than offset the stronger pickup in the price of restaurant meals.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 0.6% in August

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) rose to 0.6% in August from 0.1% a month earlier, mainly on account of the smaller contraction in private road transport cost.

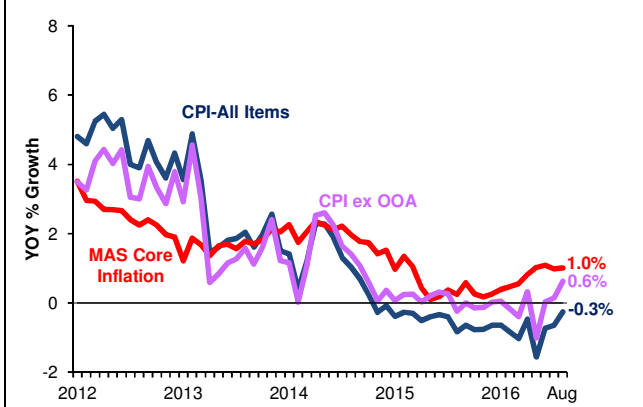
MAS Core Inflation was stable at 1.0% in August

MAS Core Inflation remained at 1.0%, unchanged from the previous month, as the uptick in services inflation was offset by more moderate increases in food prices.

¹ In Budget 2015, a one-year road tax rebate was granted for petrol vehicles to ease the transition towards higher petrol duties. The road tax rebates of 20% for cars, 60% for motorcycles and 100% for commercial vehicles were in effect from 1 August 2015 to 31 July 2016.

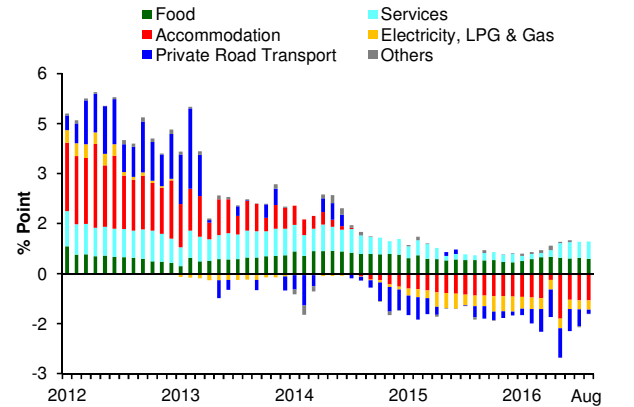
² In conjunction with the SG50 celebrations, public transport operators provided free bus and train services on National Day.

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



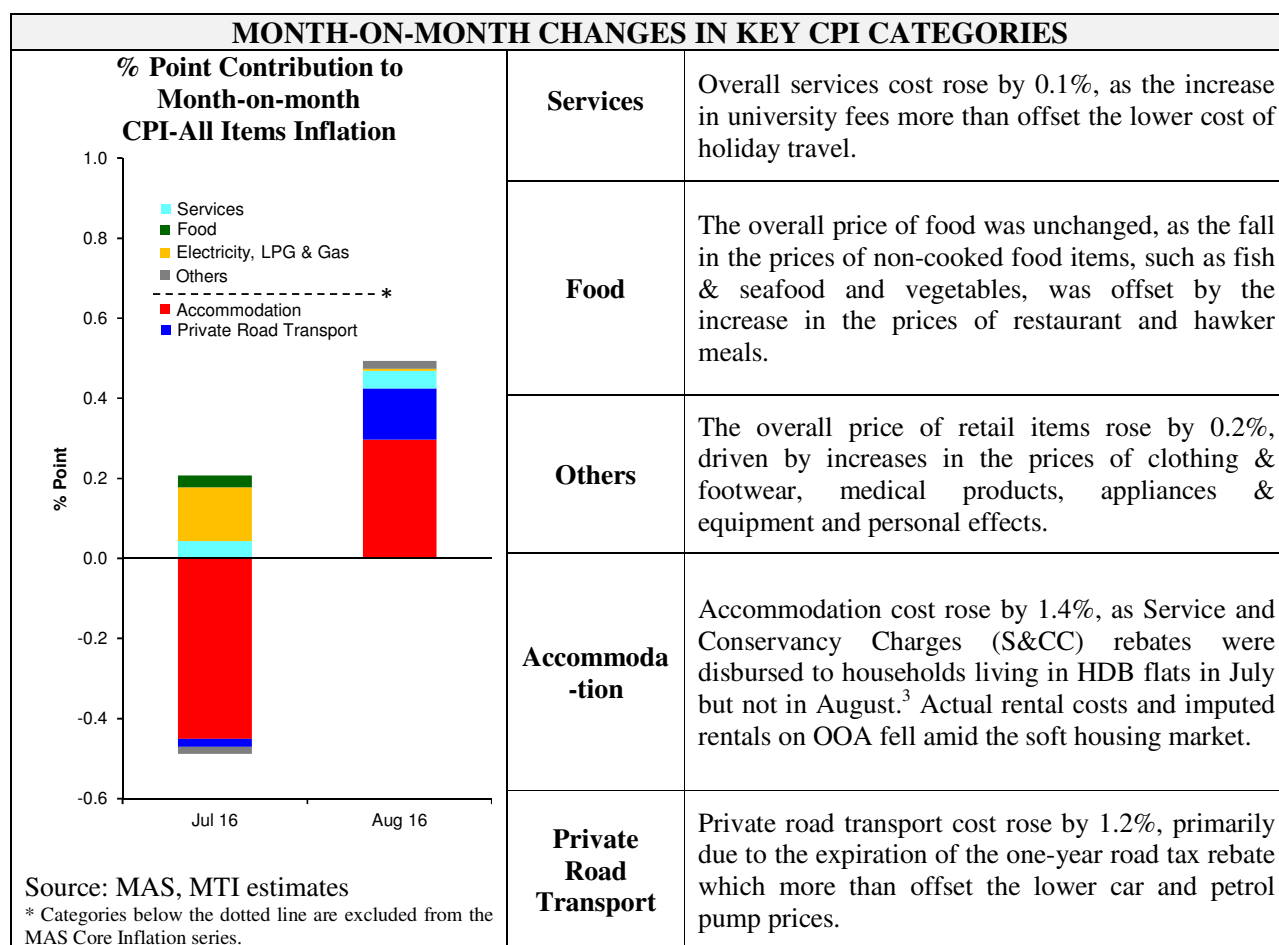
Source: Department of Statistics

% 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 0.5% in August from -0.3% in July, while MAS Core Inflation eased to 0.1% in August from 0.3% in July



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	1.4	↓ Fish & Seafood	1.2	-1.1
↑ Personal effects #	0.6	1.4	↓ Household durables	1.8	-0.6
↑ Private road transport	11.5	1.2	↓ Sugar, preserves & confectionery	0.3	-0.6
↑ Non-alcoholic beverages	0.5	0.8	↓ Vegetables	1.0	-0.5
↑ Other food ~	0.3	0.7	↓ Milk Cheese & Eggs	0.9	-0.3
↑ Medical products, appliances & equipment	1.4	0.7	↓ Holiday Expenses	3.5	-0.3
↑ Clothing & Footwear	2.7	0.7	↓ Other travel & transport ^	1.3	-0.3
↑ Tuition & other fees	6.1	0.5	↓ Bread & Cereals	1.4	-0.3
↑ Restaurant food	4.9	0.3	↓ Oils & Fats	0.2	-0.2
↑ Medical & dental treatment	4.8	0.3	↓ Meat	1.2	-0.1

~ The "other food" group includes food items such as sauces, spices and other condiments.

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

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

³ In July 2016, 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

External sources of inflation are likely to remain muted given ample supply buffers in the major commodity markets and weak global demand conditions. Global oil prices are expected to average lower for the whole of 2016 compared to last year. On the domestic front, tightness in the labour market has eased, with wage growth projected to slow slightly 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 oil⁴ as well as budgetary and other one-off measures ease. However, the pace of increase in MAS Core Inflation will be restrained by the weak external price outlook, subdued economic growth prospects, and the reduction in labour market tightness. For 2016, MAS Core Inflation is likely to average around 1%. CPI-All Items inflation has troughed in Q2, and is projected to rise in the coming months. Private road transport cost⁵ is anticipated to increase, even as housing rentals continue to dampen overall inflationary pressures. For the year as a whole, CPI-All Items Inflation is forecast to come in at -1.0–0.0%.

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23 September 2016

⁴ With global Brent oil prices currently expected to be higher in H2 2016 compared to H1, the year-on-year drag posed by direct oil-related items on core inflation is likely to become smaller in the second half of the year.

⁵ The expiry of the one-year road tax rebate for petrol vehicles, as well as the upward revision of car park charges by HDB and URA with effect from 1 December 2016, are anticipated to contribute to a pickup in private road transport cost in Q4 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 August 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/cpiaug2016.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)
2015 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
Apr	-0.5	2.3	1.8	-1.9	0.2	1.1	-5.4	-1.9	1.0	3.1	0.6	98.9
May	-1.6	2.2	-0.3	-6.4	3.3	1.0	-5.7	-0.1	1.1	3.2	0.2	98.2
Jun	-0.7	2.1	0.2	-4.2	3.4	0.7	-4.3	0.4	1.6	3.2	0.5	98.9
Jul	-0.7	2.1	-1.8	-4.3	3.2	0.4	-3.5	0.9	1.2	3.6	0.2	98.7
Aug	-0.3	2.0	-1.9	-4.3	3.2	0.8	-0.7	1.1	1.0	3.4	0.1	99.2

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 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	-15.0	-46.9
Mar	-1.0	0.6	-0.4	-10.2	-8.3	-33.9
Apr	-0.5	0.8	0.3	-10.2	-5.8	-33.7
May	-1.6	1.0	-1.0	-9.1	-5.6	-30.5
Jun	-0.7	1.1	-	-8.2	-2.4	-23.9
Jul	-0.7	1.0	0.1	-6.7	0.0	-21.2
Aug	-0.3	1.0	0.6	N.A.	2.0	-5.2

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible