



Consumer Price Developments in October 2016

In October, both CPI-All Items inflation and MAS Core Inflation came in higher at -0.1% and 1.1% respectively compared to -0.2% and 0.9% in the previous month, reflecting a smaller decline in the cost of oil-related items.¹

CPI-All Items inflation was -0.1% y-o-y in October

CPI-All Items inflation came in at -0.1% in October compared to the -0.2% recorded in September, as a smaller drag from the cost of oil-related items more than offset lower food and services inflation.

The cost of oil-related items fell at a slower rate of 3.7% in October, compared to the 8.4% drop in the previous month, owing to a smaller decline in electricity tariffs and petrol prices.

Food inflation moderated to 1.9% from 2.2% in the previous month, due to a slower pace of increase in the cost of non-cooked food items and restaurant meals.

Overall services inflation eased slightly to 1.4% in October from 1.5% a month earlier, as lower telecommunications services fees more than offset a stronger pickup in the cost of medical & dental services.

Private road transport cost was unchanged on a year-ago basis, following the 0.4% fall in the preceding month. This largely reflected a smaller drop in petrol prices and a moderation in the decline of car prices.

Accommodation cost remained on a downtrend, falling by 3.8% in October, following the 3.7% decline in the previous month, amid continued softness in the housing rental market.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) rose by 0.8% in October

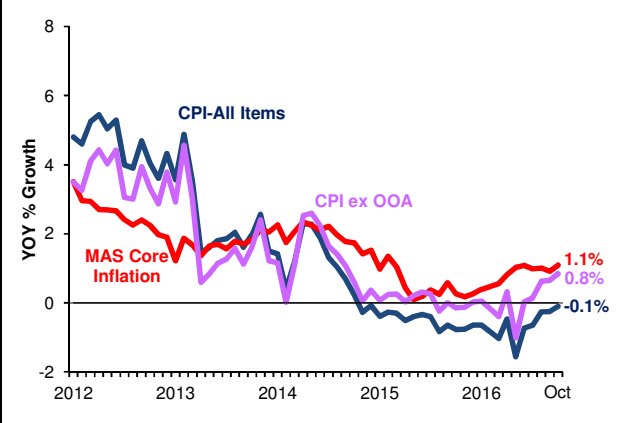
Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 0.8% in October, higher than the 0.6% in the preceding month, largely reflecting a smaller decline in the cost of oil-related items.

MAS Core Inflation rose to 1.1% in October

MAS Core Inflation rose to 1.1% in October from 0.9% in September, largely on account of the smaller decline in the cost of electricity, liquefied petroleum gas (LPG) & gas, which more than offset lower food and services inflation.

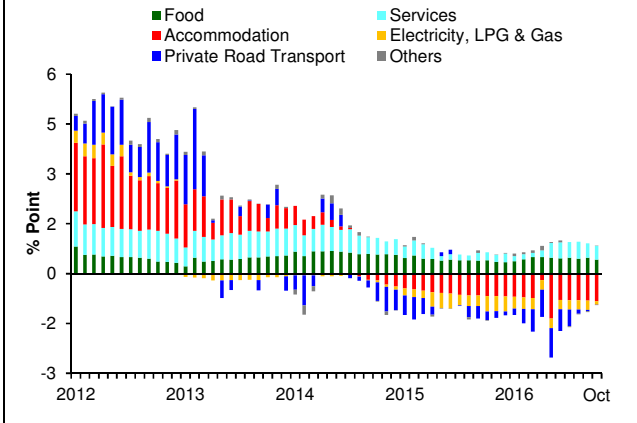
¹ Oil-related items include electricity, liquefied petroleum gas (LPG) & gas (for domestic use), as well as fuels & lubricants (including petrol).

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



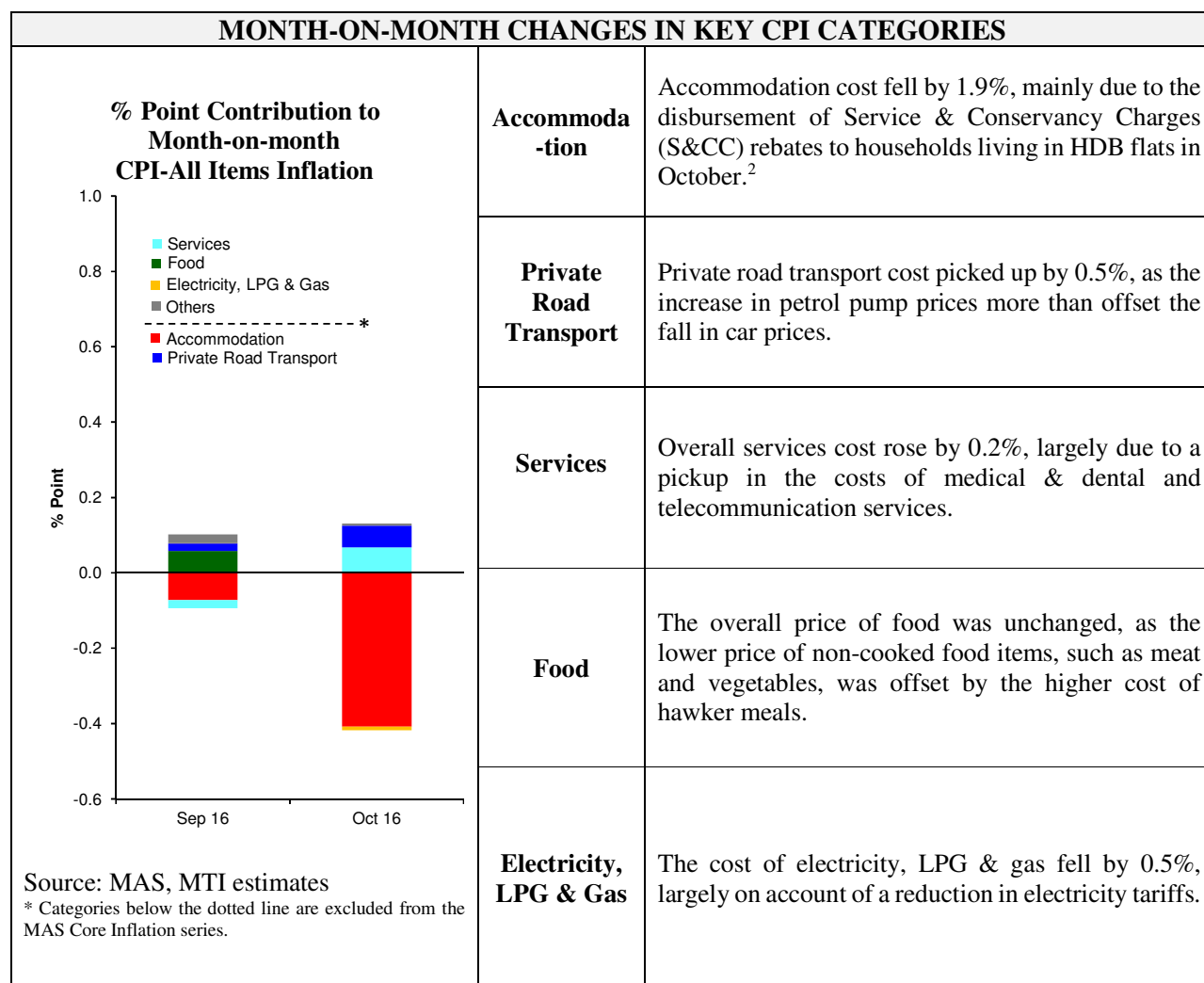
Source: Department of Statistics

% Point Contribution to Year-on-year CPI-All Items Inflation



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation fell to -0.3% in October from 0% in September, while MAS Core Inflation remained unchanged from the previous month at 0.1%.



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
↑ Personal effects #	0.6	1.3	↓ Accommodation	22.9	-1.9
↑ Fish & Seafood	1.2	0.8	↓ Vegetables	1.0	-1.0
↑ Communication	3.9	0.6	↓ Meat	1.2	-0.7
↑ Medical & dental treatment	4.8	0.6	↓ Personal Care	2.4	-0.7
↑ Catered food	0.2	0.6	↓ Non-alcoholic beverages	0.5	-0.5
↑ Private road transport	11.5	0.5	↓ Other food ~	0.3	-0.4
↑ Clothing & Footwear	2.7	0.5	↓ Other miscellaneous expenditure *	0.7	-0.4
↑ Holiday Expenses	3.5	0.4	↓ Fuel & utilities	3.4	-0.4
↑ Oils & Fats	0.2	0.3	↓ Medical products, appliances & equipment	1.4	-0.3
↑ Other travel & transport ^	1.3	0.2	↓ Milk, Cheese & Eggs	0.9	-0.3

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

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

²

In October 2016, 1- and 2-room HDB households received a 1-month S&CC rebate, while 3-, 4- and 5-room HDB households received a 0.5-month rebate.

Outlook

On the external front, imported inflation is likely to rise mildly given ample supply buffers in the commodity markets and soft global demand conditions. Notwithstanding continued short-term volatility, global oil prices are expected to increase in 2017 from its trough this year. Domestically, overall cost pressures should be muted. Amid a pullback in hiring, conditions in the labour market have slackened. This will cap underlying wage growth, even as non-labour business costs have eased. The subdued growth environment will also constrain the extent of cost pass-through to consumer prices.

MAS Core Inflation is expected to average around 1% in 2016 before rising to 1–2% next year, as energy-related components begin to contribute positively to inflation and temporary disinflationary effects from budgetary measures fade.³ However, the increase in core inflation will be gradual, given the absence of more generalised demand-induced price pressures. CPI-All Items inflation has troughed and is projected to pick up to 0.5–1.5% next year, from around -0.5% in 2016, largely reflecting the rise in private road transport cost.⁴

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³ The budgetary measures include the abolition of national examination fees for Singaporeans, the reduction in the concessionary foreign domestic worker (FDW) levy, and government subsidies and support for MediShield Life premiums.

⁴ The cost of private road transport is projected to rise in 2017, largely as a result of the expiry of the road tax rebate for petrol vehicles, the upward revision of car park charges with effect from 1 December 2016 and higher petrol prices.

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 October 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/cpioc2016.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 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	0.0	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
Sep	-0.2	2.2	-1.2	-4.3	3.1	0.6	-0.5	0.2	1.2	3.3	-0.3	99.2
Oct	-0.1	1.9	-0.2	-3.8	3.2	0.9	-0.2	-0.3	1.0	3.2	-0.4	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 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	0.0	-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	0.0	-8.2	-2.4	-23.9
Jul	-0.7	1.0	0.1	-6.8	0.0	-21.2
Aug	-0.3	1.0	0.6	-5.2	1.9	-5.2
Sep	-0.2	0.9	0.6	-4.2	2.1	-4.3
Oct	-0.1	1.1	0.8	N.A.	3.7	6.3

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available