



Consumer Price Developments in July 2016

CPI-All Items inflation came in at -0.7% year-on-year (y-o-y) in July, the same pace as in June. MAS Core Inflation eased slightly to 1.0% in July, from 1.1% in the preceding month, due to a fall in the prices of retail items.

CPI-All Items inflation was -0.7% y-o-y in July

CPI-All Items inflation was -0.7% in July, unchanged from the previous month, as a smaller decline in the cost of private road transport offset the impact of lower retail goods prices.

Private road transport cost fell by a more modest 4.4%, compared to the 5.7% decrease a month earlier. This was largely attributable to a smaller decline in car prices from a year ago, given the relatively low base in July last year.¹

The overall price of retail items registered a decline of 0.2%, compared to an increase of 0.5% in June, largely due to steeper discounts on clothing and footwear during the Great Singapore Sale.

Services inflation was 1.6%, unchanged from the previous month. While the cost of education services rose more sharply, this was offset by a slower pace of increase in holiday travel expenses.

Food inflation was stable at 2.1%. Although there was a stronger pickup in the cost of non-cooked food items, it was offset by a smaller increase in the price of restaurant food.

The cost of electricity, liquefied petroleum gas & gas fell by a more moderate 12.7% compared to the 13.7% decline in June. This was due to a smaller decrease in electricity tariffs on a year-ago basis.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 0.1% in July

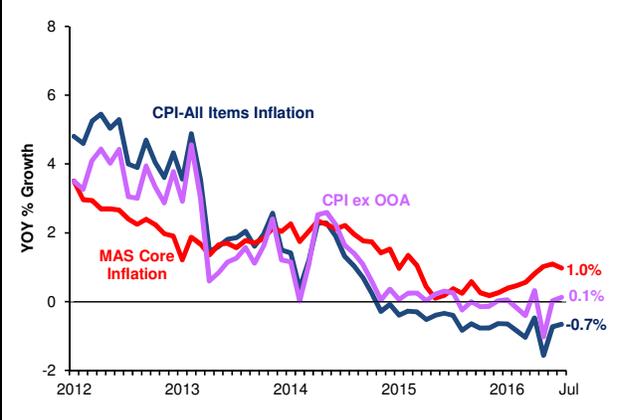
Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) edged up to 0.1% in July, from 0% a month earlier. This was largely on account of a more moderate contraction in private road transport cost.

MAS Core Inflation moderated to 1.0% in July

MAS Core Inflation, which excludes the costs of accommodation and private road transport, fell slightly to 1.0% from 1.1% in June, owing to the fall in the overall price of retail items.

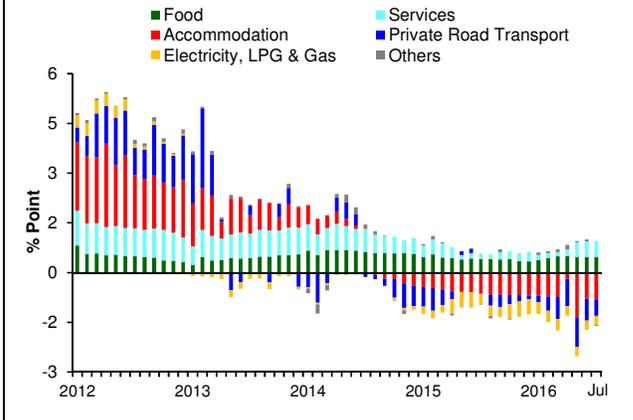
¹ Private road transport cost fell by 1.5% month-on-month in July 2015, following the 13% decline in average car Certificate of Entitlement (COE) premiums from June 2015.

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 inflation fell to -0.3% in July from 0.7% in June. MAS Core Inflation was 0.3% in July, compared to 0% in the previous month.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES	
<p>% Point Contribution to Month-on-month CPI-All Items Inflation</p> <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p>Services</p> <p>Overall services cost rose by 0.1%, as the pickup in education and healthcare services costs more than offset the lower cost of holiday travel.</p>
	<p>Food</p> <p>The overall price of food increased by 0.1%, mainly due to more expensive hawker, fast food, and restaurant meals. The cost of non-cooked food items also edged up, as the increase in the prices of fish & seafood and sugar, preserves & confectionery more than offset the fall in the prices of vegetables.</p>
	<p>Electricity, LPG and Gas</p> <p>Electricity tariffs rose by 9.0%, given the increase in global oil prices in the previous quarter.²</p>
	<p>Others</p> <p>The overall price of retail items fell by 0.1%, largely reflecting a decline in the prices of clothing & footwear during the Great Singapore Sale.</p>
	<p>Accommodation</p> <p>Accommodation cost decreased by 2.1%, as Service and Conservancy Charges (S&CC) rebates were disbursed to households living in HDB flats in July.³ Actual rental costs and imputed rentals on OOA also fell amid the soft housing market.</p>
	<p>Private Road Transport</p> <p>Private road transport cost fell by 0.2%, reflecting a reduction in petrol pump prices as a result of lower global oil prices in July.</p>

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	4.9	↓ Accommodation	22.9	-2.1
↑ Sugar, preserves & confectionery	0.3	1.1	↓ Oils & Fats	0.2	-1.5
↑ Tuition & other fees	6.1	1.1	↓ Other food ~	0.3	-1.0
↑ Fish & Seafood	1.2	0.7	↓ Holiday Expenses	3.5	-0.9
↑ Personal effects #	0.6	0.7	↓ Clothing & Footwear	2.7	-0.7
↑ Medical products, appliances & equipment	1.4	0.5	↓ Vegetables	1.0	-0.5
↑ Medical & dental treatment	4.8	0.3	↓ Private road transport	11.5	-0.2
↑ Other travel & transport ^	1.3	0.2	↓ Alcoholic drinks & tobacco	1.0	-0.2
↑ Fast food	0.9	0.2	↓ Recreation & entertainment	3.9	-0.1
↑ Milk Cheese & Eggs	0.9	0.2	↓ Other miscellaneous expenditure *	0.7	-0.1

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

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

^ 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.

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.

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%. Meanwhile, housing rentals will continue to dampen overall inflationary pressures, given the large supply of residential units coming on stream this year. CPI-All Items inflation has likely troughed in Q2, and is projected to rise in the coming months. For the year as a whole, CPI-All Items Inflation is forecast to come in at -1.0–0.0%.

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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.

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 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/cpijul2016.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 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
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

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 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	-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	-2.5	-23.9
Jul	-0.7	1.0	0.1	N.A.	0.0	-21.2

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available

- : Nil or negligible