



## Consumer Price Developments in December 2017

Both CPI-All Items inflation and MAS Core Inflation were lower in December, at 0.4% and 1.3% respectively, compared to 0.6% and 1.5% in November. This mainly reflected lower services inflation, and in the case of CPI-All Items inflation, a smaller year-ago increase in the cost of private road transport as well.

For the whole of 2017, CPI-All Items inflation came in at 0.6%, reversing two consecutive years of negative inflation, while MAS Core Inflation rose to 1.5% from 0.9% the year before.

### ***CPI-All Items inflation eased to 0.4% year-on-year (y-o-y) in December***

CPI-All Items inflation moderated to 0.4% y-o-y in December from 0.6% in the previous month, largely on account of lower private road transport and services inflation.

Private road transport inflation slowed to 2.6% in December from 4.1% the month before. This was mainly due to the dissipation of base effects associated with the increase in parking fees in December 2016<sup>1</sup>, as well as a smaller year-ago increase in petrol prices.

Services inflation fell to 1.3% in December from 1.6% in November, largely reflecting a decline in airfares and holiday expenses, in addition to a smaller year-ago increase in telecommunication services fees.

Food inflation dipped to 1.4% in December from 1.5% in the preceding month, as a smaller increase in the prices of non-cooked food items more than offset slightly higher food services inflation.

The cost of accommodation fell by 3.8% in December, moderating from the 3.9% decline in the previous month, as the fall in housing rentals eased.

### ***CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation fell to 1.4% in December***

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was lower at 1.4% in December, compared to 1.8% in November. This was largely on account of slower private road transport and services inflation.

For the full year, CPI less imputed rentals on OOA rose by 1.7%, higher than the 0.3% increase in 2016.

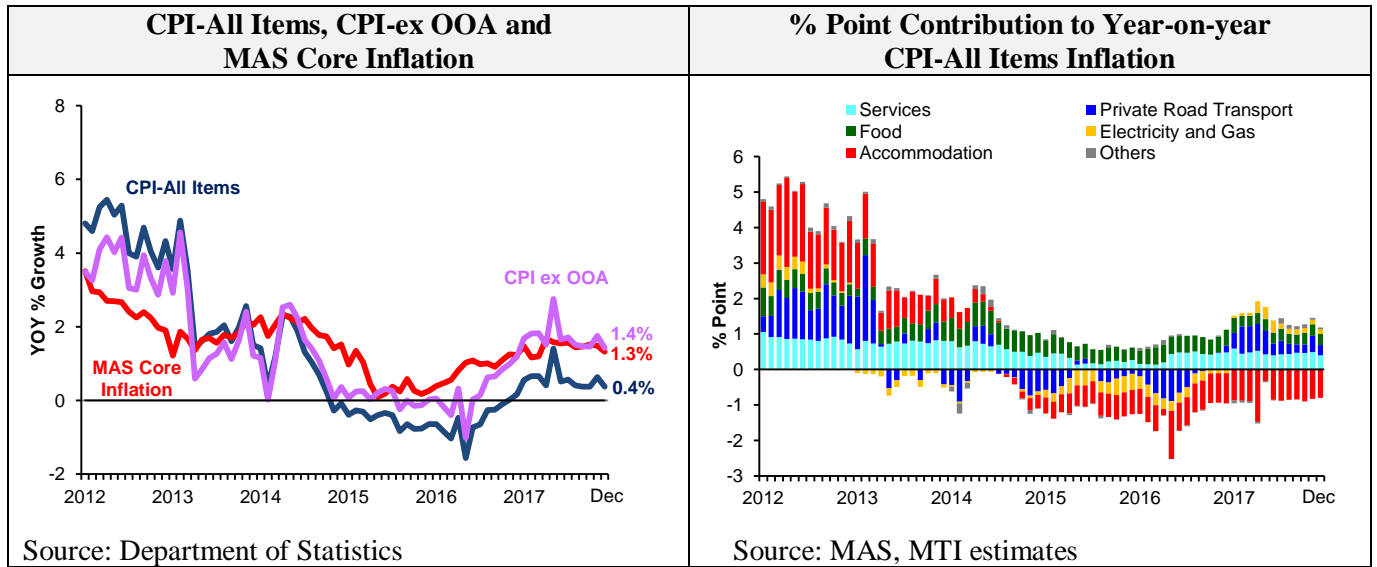
### ***MAS Core Inflation came in lower at 1.3% in December***

MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased to 1.3% in December from 1.5% in the previous month, mainly due to lower services inflation.

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<sup>1</sup> The Housing Development Board (HBD) and Urban Redevelopment Authority (URA) raised public car park charges for short-term and season parking schemes with effect from 1 December 2016. This resulted in a positive contribution to year-on-year private road transport inflation from December 2016 to November 2017.

[Detailed CPI statistics can be found in the Department of Statistics’ release on “Singapore Consumer Price Index for December 2017 and Year 2017”.<sup>2</sup>]



<sup>2</sup> [http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press\\_releases/cpidec2017.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpidec2017.pdf)

**On a month-on-month basis, CPI-All Items inflation fell to -0.1% in December from 0.6% the month before. Meanwhile, MAS Core Inflation edged up to 0.1% in December from 0% in November.**

### MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES

% Point Contribution to Month-on-month CPI-All Items Inflation			
<p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	Services	<b>Services</b>	Overall services cost increased by 0.4%, as a rise in holiday expenses and air fares more than offset a fall in telecommunication services fees.
	Food	<b>Food</b>	Food prices edged up by 0.1% due to more expensive restaurant meals, while the prices of non-cooked food items were broadly unchanged from the previous month.
	Electricity and Gas	<b>Others</b>	Overall prices of retail items fell by 0.6%, largely reflecting lower clothing & footwear prices.
	Others	<b>Accommodation</b>	Accommodation costs fell by 0.3%, mainly on account of a decline in both actual and imputed rentals.
	Accommodation	<b>Private Road Transport</b>	The cost of private road transport declined by 0.9%, reflecting lower car prices following a fall in Certificate of Entitlement (COE) premiums and, to a smaller extent, cheaper petrol.

### 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
↑	Other travel & transport ^	1.3	4.4	↓	Sugar, preserves & confectionery	0.3	-2.4
↑	Holiday Expenses	3.5	1.6	↓	Clothing & Footwear	2.7	-1.8
↑	Fish & Seafood	1.2	1.2	↓	Bread & Cereals	1.4	-0.9
↑	Fruits	0.8	1.0	↓	Private road transport	11.5	-0.9
↑	Medical products, appliances & equipment	1.4	0.9	↓	Household durables	1.8	-0.7
↑	Fast food	0.9	0.5	↓	Vegetables	1.0	-0.6
↑	Meat	1.2	0.4	↓	Non-alcoholic beverages	0.5	-0.6
↑	Restaurant food	4.9	0.3	↓	Communication	3.9	-0.6
↑	Personal Care	2.4	0.2	↓	Alcoholic drinks & tobacco	1.0	-0.4
↑	Medical & dental treatment	4.8	0.1	↓	Oils & Fats	0.2	-0.4

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

## Outlook

On the external front, imported inflation is likely to rise mildly, as global demand improves amid ample supply in key commodity markets. Notwithstanding recent volatility, global oil prices are expected to increase only slightly in 2018 as compared to 2017. Global food commodity prices are also expected to rise modestly, even as localised shocks in regional supply sources could lead to transitory fluctuations in domestic food prices.

Overall, cost pressures in the economy should remain relatively restrained. Although labour market conditions have improved recently, the gradual absorption of previously accumulated slack will temper wage pressures in the near term. Meanwhile, other non-labour costs such as commercial and retail rentals continue to be subdued.

MAS Core Inflation averaged 1.5% in 2017 and is expected to stay in the 1–2% range in 2018. Meanwhile, CPI-All Items inflation came in at 0.6% in 2017 and is projected to be 0–1% this year. Accommodation costs will continue to dampen CPI-All Items inflation in 2018, albeit to a lesser extent than last year, while the positive contribution of private road transport costs will fall, in part reflecting the dissipation of inflationary effects from previous administrative measures.<sup>3</sup>

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<sup>3</sup> The administrative measures associated with higher private road transport inflation in 2017 include the expiry of the one-year road tax rebates and the upward revision in parking fees in August and December 2016, respectively. As for other administrative measures, water price increases in 2018 will add temporarily to inflation. U-Save rebates, which were increased from July 2017 to partially offset the impact of higher water prices for eligible households, are not taken into account in the CPI.

## **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 December 2017”. 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/cpidec2017.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpidec2017.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)
2016 Dec	0.2	2.0	-0.1	-3.8	2.1	2.9	0.8	-0.8	0.9	3.2	0.0	99.2
2017 Jan	0.6	1.9	-1.5	-3.2	2.1	2.5	2.8	0.4	0.5	3.5	0.0	99.4
Feb	0.7	1.3	-0.2	-3.1	1.5	2.6	4.2	0.7	0.5	3.6	-0.6	99.6
Mar	0.7	1.3	-0.9	-3.2	1.6	2.8	4.5	-0.4	0.3	3.6	0.2	99.6
Apr	0.4	1.3	0.5	-4.6	0.8	3.0	4.7	1.0	0.3	3.2	0.1	99.3
May	1.4	1.5	1.9	0.1	0.7	2.4	3.8	0.8	-0.2	3.2	-0.1	99.6
Jun	0.5	1.4	1.9	-2.0	0.3	2.5	1.8	-0.6	-0.1	3.2	0.2	99.5
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.2
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.6
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.5
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.2
Nov	0.6	1.5	0.7	-2.4	1.0	2.0	2.6	1.5	0.8	2.6	-0.4	99.8
Dec	0.4	1.4	-0.2	-2.3	1.1	1.9	1.4	0.5	0.4	2.6	0.1	99.7

Source: Singapore Department of Statistics

S.A.: Seasonally Adjusted

**Table A.2****Selected Inflation Indicators**

	CPI	MAS Core Inflation	CPI Less Imputed Rental on OOA	Import Price Index	World Bank Non-Energy Commodity Index	OPEC Oil Price
	YOY % GROWTH					
2016 Dec	0.2	1.2	1.2	8.8	9.7	53.9
2017 Jan	0.6	1.5	1.7	11.3	14.5	96.2
Feb	0.7	1.2	1.8	11.9	14.4	85.8
Mar	0.7	1.2	1.8	8.6	9.2	45.2
Apr	0.4	1.7	1.5	9.5	4.0	35.9
May	1.4	1.6	2.8	5.6	2.6	13.9
Jun	0.5	1.5	1.7	3.2	-1.0	-1.4
Jul	0.6	1.6	1.7	4.2	1.4	10.0
Aug	0.4	1.4	1.5	5.0	3.0	15.1
Sep	0.4	1.5	1.5	4.9	5.3	24.6
Oct	0.4	1.5	1.5	3.4	5.7	15.9
Nov	0.6	1.5	1.8	4.0	2.7	40.5
Dec	0.4	1.3	1.4	N.A.	1.9	20.0

Source: Singapore Department of Statistics, World Bank and Bloomberg

N.A.: Not available