



## Consumer Price Developments in March 2018

In March 2018, CPI-All Items inflation and MAS Core Inflation eased to 0.2% and 1.5% respectively, from 0.5% and 1.7% in the previous month. This largely reflected lower services inflation, and in the case of CPI-All Items inflation, a decline in private road transport cost as well.

### ***CPI-All Items inflation fell to 0.2% year-on-year (y-o-y) in March***

CPI-All Items inflation was lower at 0.2% y-o-y in March, compared to 0.5% in the preceding month, mostly due to a smaller increase in the prices of services and a fall in private road transport cost.

The cost of private road transport fell by 0.6% in March, reversing the 0.6% increase in February, due to lower car prices following a decline in Certificate of Entitlement (COE) premiums.

Services inflation slowed to 1.4% in March from 1.9% in the previous month, mainly reflecting smaller year-ago increases in air fares and holiday expenses.

Food inflation dipped to 1.4% in March from 1.5% a month earlier due to a smaller increase in the prices of non-cooked food items and prepared meals.

The cost of accommodation fell by 3.4% in March, moderating slightly from the 3.6% decline in the preceding month, as the fall in housing rentals eased.

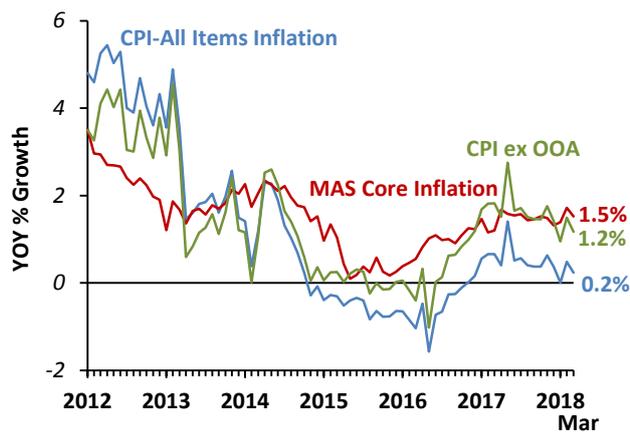
### ***CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation moderated to 1.2% in March***

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was lower at 1.2% in March, compared to 1.5% in the previous month. This was largely on account of lower services and private road transport inflation.

### ***MAS Core Inflation came in lower at 1.5% in March***

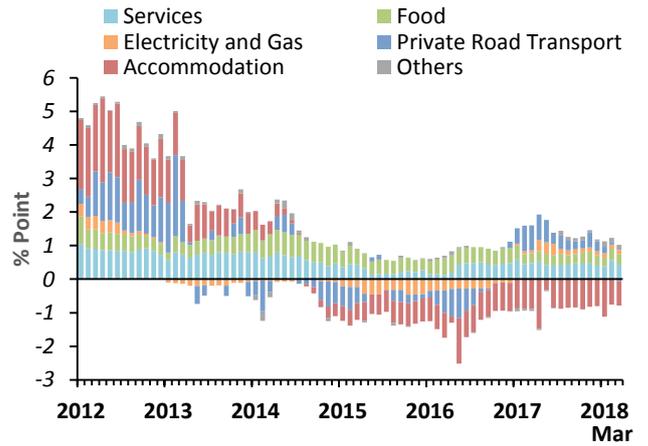
MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased to 1.5% in March from 1.7% in February, reflecting lower services inflation.

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



Source: Department of Statistics

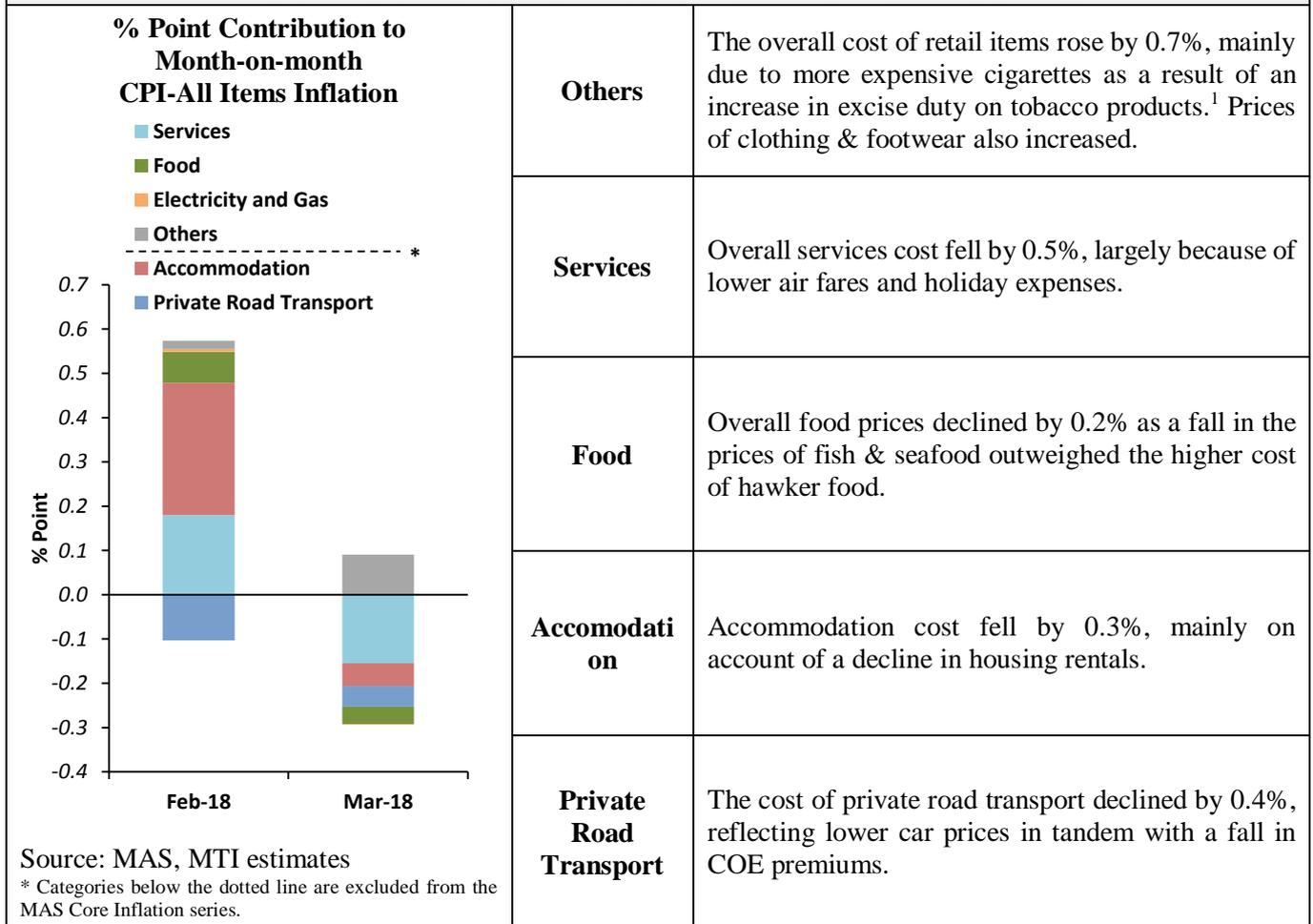
**% Point Contribution to Year-on-year CPI-All Items Inflation**



Source: MAS, MTI estimates

**On a month-on-month basis, both CPI-All Items inflation and MAS Core Inflation came in at -0.2% in March, compared to 0.5% and 0.4% respectively in the previous month.**

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



**Others**

The overall cost of retail items rose by 0.7%, mainly due to more expensive cigarettes as a result of an increase in excise duty on tobacco products.<sup>1</sup> Prices of clothing & footwear also increased.

**Services**

Overall services cost fell by 0.5%, largely because of lower air fares and holiday expenses.

**Food**

Overall food prices declined by 0.2% as a fall in the prices of fish & seafood outweighed the higher cost of hawker food.

**Accommodation**

Accommodation cost fell by 0.3%, mainly on account of a decline in housing rentals.

**Private Road Transport**

The cost of private road transport declined by 0.4%, reflecting lower car prices in tandem with a fall in COE premiums.

### 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	
↑ Alcoholic drinks & tobacco	1.0	5.9		↓ Fish & Seafood	1.2	-5.8	
↑ Other food ~	0.3	3.2		↓ Other travel & transport ^	1.3	-4.0	
↑ Non-alcoholic beverages	0.5	2.9		↓ Holiday Expenses	3.5	-1.7	
↑ Oils & Fats	0.2	2.2		↓ Meat	1.2	-1.2	
↑ Fruits	0.8	1.5		↓ Communication	3.9	-1.1	
↑ Clothing & Footwear	2.7	0.9		↓ Vegetables	1.0	-1.1	
↑ Bread & Cereals	1.4	0.7		↓ Milk, Cheese & Eggs	0.9	-0.9	
↑ Sugar, preserves & confectionery	0.3	0.5		↓ Private road transport	11.5	-0.4	
↑ Household services & Supplies	3.0	0.4		↓ Recreation & entertainment	3.9	-0.4	
↑ Personal Care	2.4	0.4		↓ Accommodation	22.9	-0.3	

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

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

<sup>1</sup> As announced in Budget 2018, excise duty for all tobacco products was raised by 10% with effect from 19 February 2018.

## Outlook

On the external front, imported inflation is likely to rise mildly, as global demand strengthens amid ample supply in key commodity markets. Although global oil prices had experienced sporadic spikes in Q1 2018, they should ease in the quarters ahead as supply remains responsive. For the full year, oil prices should increase moderately compared to 2017. Global food commodity prices are also projected to rise slightly.

Domestic sources of inflation are expected to increase alongside a faster pace of wage growth and pickup in domestic demand. However, the extent of consumer price increases will remain moderate, as retail rents stay relatively subdued and firms' pricing power may be constrained by market competition.

MAS Core Inflation is expected to rise gradually over the course of 2018 to come in at the upper half of the 1–2% forecast range, should economic conditions evolve as expected. Similarly, CPI-All Items inflation is projected to be in the upper half of the 0–1% forecast range this year. Accommodation costs are forecast to fall by a smaller extent than in 2017, while private road transport inflation should decline in 2018 as the inflationary effects from previous administrative measures dissipate.<sup>2</sup>

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<sup>2</sup> The administrative measures are the expiry of the one-year road tax rebates and the upward revision in parking fees in August and December 2016, respectively.

## **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 2018”. 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/cpimar2018.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/cpimar2018.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)
2017 Mar	0.7	1.3	-0.9	-3.2	1.6	2.8	4.5	-0.4	0.3	3.6	0.2	99.4
Apr	0.4	1.3	0.5	-4.6	0.8	3.0	4.7	1.0	0.3	3.2	0.1	99.9
May	1.4	1.5	1.9	0.1	0.7	2.4	3.8	0.8	-0.2	3.2	-0.1	99.4
Jun	0.5	1.4	1.9	-2.0	0.3	2.5	1.8	-0.6	-0.1	3.2	0.2	99.3
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.6
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.4
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.4
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.6
Nov	0.6	1.5	0.7	-2.4	1.0	2.0	2.6	1.5	0.8	2.6	-0.4	99.7
Dec	0.4	1.4	-0.2	-2.3	1.1	1.9	1.4	0.5	0.4	2.6	0.1	99.6
2018 Jan	0.0	1.1	1.0	-3.6	1.2	2.3	0.7	0.0	0.8	2.8	0.5	99.5
Feb	0.5	1.5	0.7	-2.1	0.8	2.5	0.6	-0.1	1.6	2.9	0.4	99.7
Mar	0.2	1.4	1.2	-2.0	0.7	2.1	-0.5	-0.3	0.6	3.0	1.0	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					
2017 Mar	0.7	1.2	1.8	8.6	9.7	45.2
Apr	0.4	1.7	1.5	9.5	4.4	35.9
May	1.4	1.6	2.8	5.6	3.0	13.9
Jun	0.5	1.5	1.7	3.2	-0.6	-1.4
Jul	0.6	1.6	1.7	4.2	1.9	10.0
Aug	0.4	1.4	1.5	5.0	3.6	15.1
Sep	0.4	1.5	1.5	4.9	5.9	24.6
Oct	0.4	1.5	1.5	3.4	6.2	15.9
Nov	0.6	1.5	1.8	4.1	2.7	40.5
Dec	0.4	1.3	1.4	-0.4	2.0	20.0
2018 Jan	0.0	1.4	1.0	-0.2	3.1	27.3
Feb	0.5	1.7	1.5	0.0	3.1	18.9
Mar	0.2	1.5	1.2	N.A.	4.1	26.9

Source: Singapore Department of Statistics, World Bank and Bloomberg

N.A.: Not available