



Consumer Price Developments in May 2018

In May 2018, CPI-All Items inflation and MAS Core Inflation rose to 0.4% and 1.5% respectively, from 0.1% and 1.3% in the previous month. This was largely due to a faster pace of price increases across all the major categories of the CPI basket, except food.

CPI-All Items inflation increased to 0.4% year-on-year (y-o-y) in May

CPI-All Items inflation came in higher at 0.4% y-o-y in May, compared to 0.1% in the preceding month. This reflected a stronger pickup in the prices of private road transport, services and retail items, as well as a smaller year-ago decline in accommodation cost.

The cost of private road transport edged up by 0.1% in May, reversing the 0.8% decline in April. This was due to a faster pace of increase in petrol prices, as well as a smaller year-ago fall in car prices following a rise in Certificate of Entitlement (COE) premiums.

Services inflation rose to 1.6% in May from 1.3% in the previous month, largely due to a stronger pickup in holiday expenses and airfares, as well as a smaller year-ago decline in telecommunications services fees.

The overall cost of retail items registered a larger 1.3% increase in May, compared to the 0.9% rise in April. This mostly reflected a smaller year-ago fall in the prices of personal care products, as well as a rise in the prices of medical products, appliances & equipment, a reversal from the decline in April.

Food inflation slowed to 1.3% in May from 1.4% in April, as price increases for non-cooked food items moderated. Meanwhile, prices of prepared meals rose at a similar pace as in the previous month.

The cost of accommodation fell by 3.2% in May, easing from the 3.6% decline in the preceding month. This reflected a larger year-ago increase in the cost of housing maintenance & repairs, as well as a slower pace of decline in housing rentals.

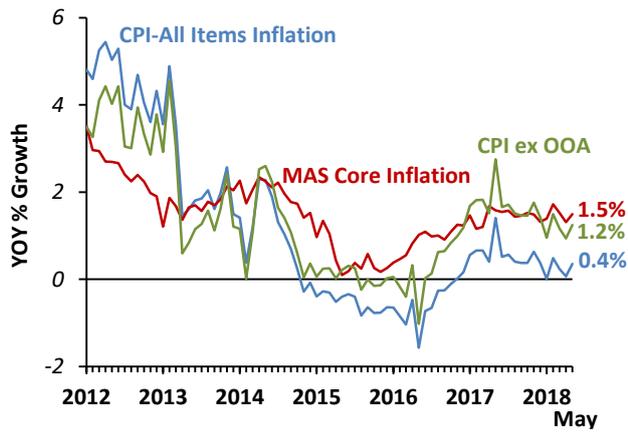
CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation rose to 1.2% in May

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) rose to 1.2% in May from 0.9% in the previous month, on account of higher private road transport, services and retail inflation, as well as a steeper rise in the cost of housing maintenance & repairs.

MAS Core Inflation came in higher at 1.5% in May

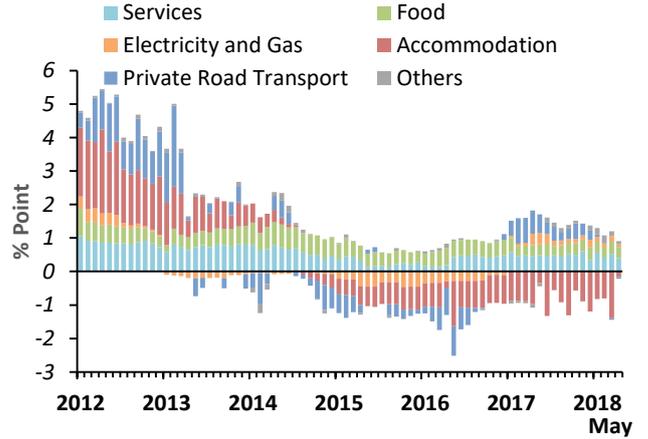
MAS Core Inflation, which excludes the costs of accommodation and private road transport, edged up to 1.5% in May from 1.3% in April, reflecting higher services and retail inflation.

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



Source: Department of Statistics

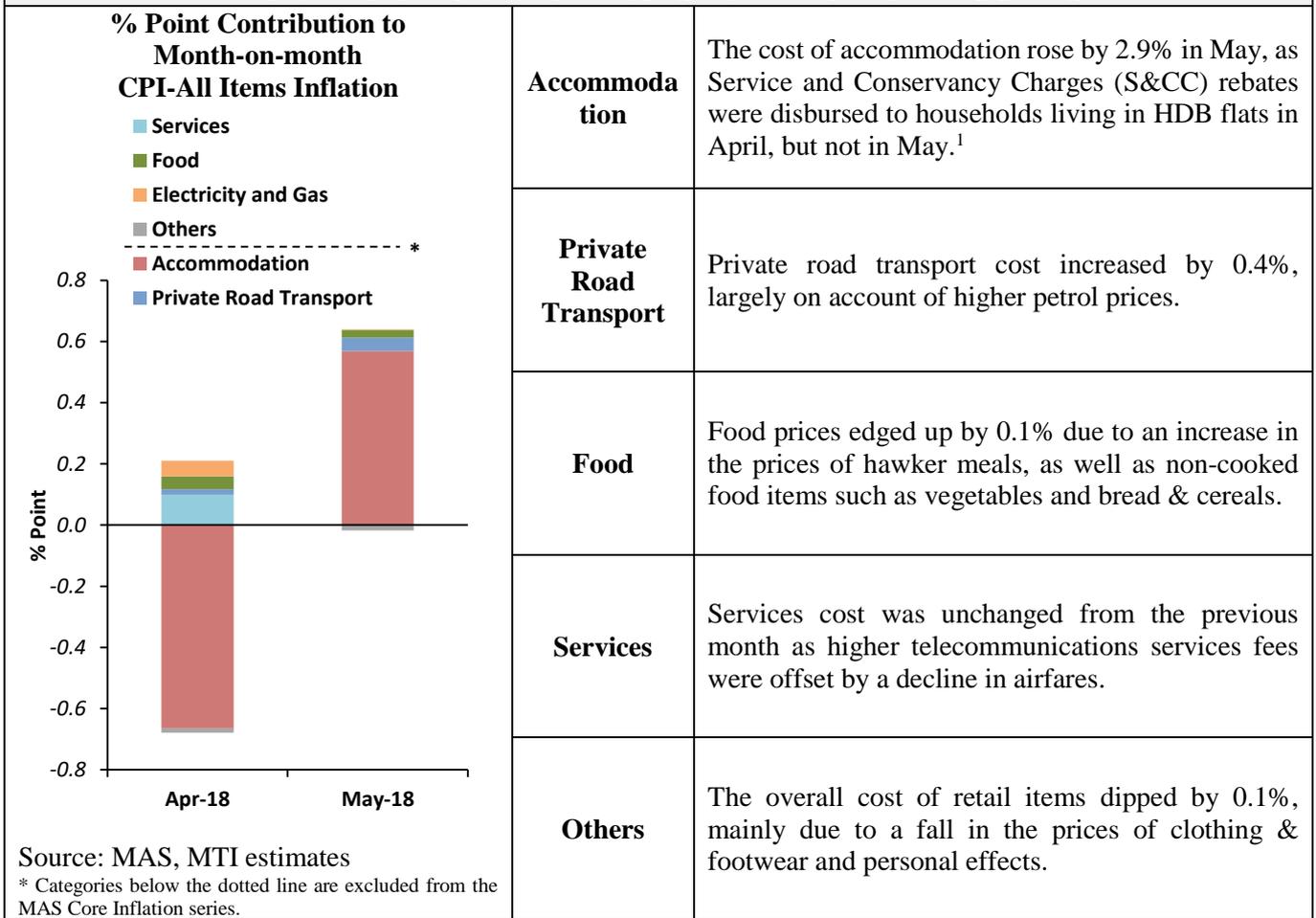
% Point Contribution to Year-on-year CPI-All Items Inflation



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items rose by 0.6% in May, reversing the 0.5% decline in April, while MAS Core Inflation was 0%, compared to 0.3% in the previous month.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES



Accommodation

The cost of accommodation rose by 2.9% in May, as Service and Conservancy Charges (S&CC) rebates were disbursed to households living in HDB flats in April, but not in May.¹

Private Road Transport

Private road transport cost increased by 0.4%, largely on account of higher petrol prices.

Food

Food prices edged up by 0.1% due to an increase in the prices of hawker meals, as well as non-cooked food items such as vegetables and bread & cereals.

Services

Services cost was unchanged from the previous month as higher telecommunications services fees were offset by a decline in airfares.

Others

The overall cost of retail items dipped by 0.1%, mainly due to a fall in the prices of clothing & footwear and personal effects.

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	2.9		↓ Oils & Fats	0.2	-1.8	
↑ Bread & Cereals	1.4	0.9		↓ Sugar, preserves & confectionery	0.3	-1.6	
↑ Vegetables	1.0	0.9		↓ Other travel & transport ^	1.3	-1.2	
↑ Other food ~	0.3	0.8		↓ Non-alcoholic beverages	0.5	-1.1	
↑ Private road transport	11.5	0.4		↓ Personal effects #	0.6	-0.9	
↑ Communication	3.9	0.3		↓ Meat	1.2	-0.4	
↑ Milk, Cheese & Eggs	0.9	0.3		↓ Clothing & Footwear	2.7	-0.3	
↑ Fish & Seafood	1.2	0.2		↓ Alcoholic drinks & tobacco	1.0	-0.3	
↑ Personal Care	2.4	0.2		↓ Fruits	0.8	-0.2	
↑ Hawker food (incl. food courts)	8.1	0.1		↓ Medical products, appliances & equipment	1.4	-0.1	

~ 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.

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

¹ In April 2018, 1-, 2-, 3- and 4-room HDB households received a 1-month S&CC rebate, while 5-room and Executive/Multi-Generation HDB households received a 0.5-month rebate.

Outlook

On the external front, imported inflation is likely to rise mildly. Global oil prices have rallied since the start of 2018 and are expected to average higher for the full year as compared to 2017. Meanwhile, global food commodity prices are projected to rise slightly as demand strengthens amid ample supply conditions.

Domestic sources of inflation are expected to increase alongside a faster pace of wage growth and a pickup in domestic demand. However, the extent of consumer price increases will remain moderate, as retail rents have stayed 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 average in the upper half of the 1–2% forecast range, should economic conditions evolve as expected. Similarly, CPI-All Items inflation is projected to come within the upper half of the 0–1% forecast range for the full 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.²

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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² 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 May 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/cpimay2018.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)
2017 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
Apr	0.1	1.4	0.8	-2.3	0.7	2.0	-0.7	-1.3	0.7	2.9	0.5	99.9
May	0.4	1.3	0.6	-2.0	0.8	2.3	0.0	-0.8	1.2	2.9	1.1	99.8

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 May	1.4	1.6	2.8	5.6	2.8	13.9
Jun	0.5	1.5	1.7	3.2	-0.7	-1.4
Jul	0.6	1.6	1.7	4.2	1.7	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	6.1	15.9
Nov	0.6	1.5	1.8	4.1	2.8	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	-0.1	3.0	18.9
Mar	0.2	1.5	1.2	1.5	4.2	26.9
Apr	0.1	1.3	0.9	2.0	9.0	33.0
May	0.4	1.5	1.2	N.A.	8.8	50.6

Source: Singapore Department of Statistics, World Bank and Bloomberg

N.A.: Not available