



Consumer Price Developments in October 2018

MAS Core Inflation edged up to 1.9% on a year-on-year (y-o-y) basis in October from 1.8% in September, as a larger increase in the cost of electricity & gas¹ more than offset lower food and retail inflation. Despite higher core inflation, CPI-All Items inflation remained at 0.7% y-o-y in October, due to a steeper decline in private road transport costs.

CPI-All Items inflation was unchanged at 0.7% y-o-y in October

CPI-All Items inflation came in at 0.7% y-o-y in October, the same pace of increase as in the previous month, as lower food and retail inflation, in addition to a steeper decline in private road transport costs, were offset by a stronger pickup in the cost of electricity & gas.

The cost of electricity & gas increased by 16.6% y-o-y in October, compared to the 13.0% rise in September. This was due to the upward revision in electricity tariffs on the back of higher oil prices in the preceding months.²

Food inflation eased to 1.4% y-o-y in October, from 1.6% in the preceding month, reflecting smaller price increases for both non-cooked food items and prepared meals.

The overall cost of retail items rose by 1.3% y-o-y in October, easing from the 1.5% increase in September. This mostly reflected lower inflation for clothing & footwear items, personal effects and medical products, which outweighed a smaller drop in the prices of telecommunications equipment as well as an increase in the prices of household durables after several months of decline.

Services inflation came in at 1.4% y-o-y in October, unchanged from the previous month. This was because a larger pickup in education services fees and holiday expenses, as well as a smaller decline in telecommunication services fees, were offset by a slower pace of increase in recreational and domestic services fees and airfares.

Private road transport costs fell by 0.6% y-o-y in October, steeper than the 0.1% decline in September. This was mainly due to a larger fall in car prices, which outweighed a faster pace of increase in petrol prices.

Accommodation costs fell by 2.5% y-o-y in October, the same rate of decline as in September, as a smaller increase in the cost of housing maintenance & repairs offset a more gradual fall in housing rentals.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation was 1.5% y-o-y in October

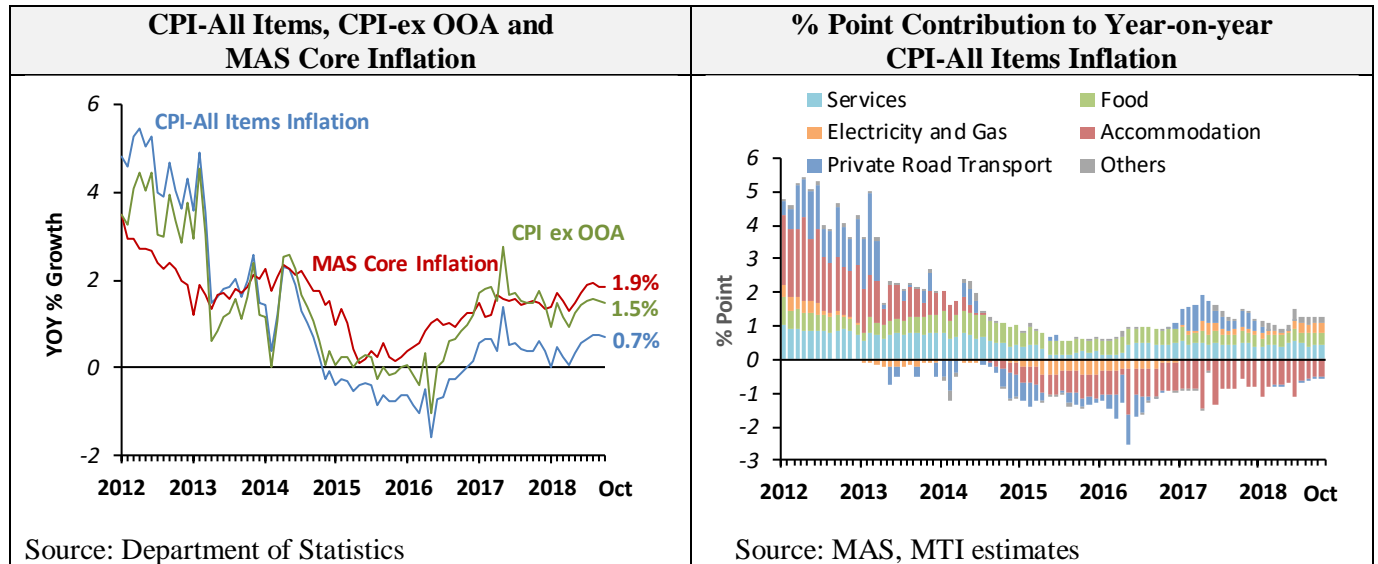
Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.5% y-o-y in October, unchanged from the previous month, as a larger increase in the cost of electricity & gas was offset by lower food and retail inflation, as well as a larger decline in private road transport costs.

¹ Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

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 of the preceding quarter.

MAS Core Inflation picked up to 1.9% y-o-y in October

MAS Core Inflation, which excludes the costs of accommodation and private road transport, rose to 1.9% y-o-y in October from 1.8% in the preceding month. This was mainly due to a stronger pickup in the cost of electricity & gas, which more than offset lower food and retail inflation.



On a month-on-month basis, CPI-All Items inflation was -0.3% in October, compared to 0% in the previous month. In comparison, MAS Core Inflation rose to 0.2%, from 0% in September.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES	
<p>% Point Contribution to Month-on-month CPI-All Items Inflation</p> <p>Legend:</p> <ul style="list-style-type: none"> Services (Light Blue) Food (Green) Electricity and Gas (Orange) Others (Grey) Accommodation (Red) Private Road Transport (Dark Blue) <p>Source: MAS, MTI estimates * Categories below the dotted line are excluded from the MAS Core Inflation series.</p>	<p>Electricity & Gas</p> <p>The cost of electricity & gas rose by 1.7%, reflecting an increase in electricity tariffs on the back of higher oil prices in the previous quarter.</p>
	<p>Services</p> <p>The overall cost of services increased by 0.2%, mostly due to a rise in holiday expenses as well as higher telecommunication and education services fees.</p>
	<p>Others</p> <p>The overall cost of retail items rose by 0.1% on account of an increase in the prices of telecommunication equipment and household durables, which outweighed a decline in the prices of recreational goods and medical products.</p>
	<p>Food</p> <p>Overall food prices were the same as in the previous month, with the prices of both prepared meals and non-cooked food items remaining broadly unchanged.</p>
	<p>Private Road Transport</p> <p>Private road transport costs edged up by 0.1% as higher petrol prices more than offset lower car prices amid a fall in Certificate of Entitlement (COE) premiums.</p>
	<p>Accommodation</p> <p>Accommodation costs fell by 2.2% as Service & Conservancy Charges (S&CC) rebates were disbursed to households living in HDB flats in October, but not in September.³</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	
↑ Oils & Fats	0.2	1.2		↓ Accommodation	22.9	-2.2	
↑ Fuel & utilities	3.4	1.1		↓ Catered food	0.2	-0.7	
↑ Holiday Expenses	3.5	1.0		↓ Sugar, preserves & confectionery	0.3	-0.7	
↑ Fruits	0.8	0.7		↓ Vegetables	1.0	-0.5	
↑ Communication	3.9	0.7		↓ Medical products, appliances & equipment	1.4	-0.5	
↑ Other food ~	0.3	0.6		↓ Personal effects #	0.6	-0.5	
↑ Household durables	1.8	0.4		↓ Fish & Seafood	1.2	-0.3	
↑ Tuition & other fees	6.1	0.3		↓ Recreation & entertainment	3.9	-0.3	
↑ Alcoholic drinks & tobacco	1.0	0.2		↓ Personal Care	2.4	-0.1	
↑ Non-alcoholic beverages	0.5	0.2					

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

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

³ In October 2018, 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 have increased in recent quarters. Notwithstanding recent volatility, global oil prices have come in higher on a year-on-year basis, and inflation for non-oil imports has also picked up. On the domestic front, the improving labour market should underpin a faster pace of wage growth in 2018 and 2019, compared to 2017. Growth in the unit labour cost for services has picked up recently. As domestic demand strengthens further, there could be a greater pass-through of higher import and labour costs to consumer prices. However, the extent of overall price increases will be capped by greater market competition in several consumer segments, such as telecommunications, electricity and retail.

Inflation for the non-core components of the CPI is expected to increase in 2019. Private road transport costs are expected to rise due to higher COE premiums amid an anticipated tapering in supply, while imputed rentals on owner-occupied accommodation will fall by a lesser extent than in 2018 as rental demand gradually picks up.

MAS Core Inflation is expected to rise modestly in the months ahead, and come in within the forecast range of 1.5–2% in 2018 and 1.5–2.5% in 2019. CPI-All Items inflation is projected to be about 0.5% in 2018, before picking up to 1–2% in 2019.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 November 2018

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 2018”. This release also contains further information on the various price indicators published.

<https://www.singstat.gov.sg/-/media/files/publications/economy/cpioct18.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 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
Jun	0.6	1.5	1.5	-1.8	0.9	2.4	0.3	0.2	1.4	2.9	1.2	99.9
Jul	0.6	1.5	2.3	-1.0	0.5	2.0	-0.3	0.2	1.7	2.4	0.9	100.2
Aug	0.7	1.7	2.8	-0.6	0.7	2.0	-0.2	-1.5	1.6	2.4	1.1	100.1
Sep	0.7	1.6	1.8	-0.5	0.8	2.0	-0.1	-1.6	1.2	2.9	1.1	100.1
Oct	0.7	1.4	1.2	-0.2	0.9	1.8	-0.5	-1.2	1.0	3.2	1.1	100.3

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	S&P Non-Energy GSCI Index	Brent Crude Spot Prices
	YOY % GROWTH					
2017 Oct	0.4	1.5	1.5	3.4	9.1	57.5
Nov	0.6	1.5	1.8	4.1	7.1	62.7
Dec	0.4	1.3	1.4	-0.4	5.8	64.4
2018 Jan	0.0	1.4	1.0	-0.2	5.4	69.1
Feb	0.5	1.7	1.5	-0.1	4.4	65.3
Mar	0.2	1.5	1.2	1.5	5.1	66.0
Apr	0.1	1.3	0.9	1.7	6.7	72.1
May	0.4	1.5	1.2	6.6	6.9	77.0
Jun	0.6	1.7	1.5	9.1	5.6	74.4
Jul	0.6	1.9	1.5	10.0	-2.8	74.3
Aug	0.7	1.9	1.6	9.2	-1.4	72.5
Sep	0.7	1.8	1.5	9.2	-3.4	78.9
Oct	0.7	1.9	1.5	N.A.	-2.4	81.0

Source: Singapore Department of Statistics, S&P Dow Jones Indices, U.S. Energy Information Administration

N.A.: Not available