



## Consumer Price Developments in March 2019

MAS Core Inflation eased to 1.4% on a year-on-year (y-o-y) basis in March 2019, from 1.5% in February, as smaller increases in the costs of retail items and electricity & gas more than offset higher services and food inflation.<sup>1</sup> Despite lower core inflation, smaller declines in private road transport and accommodation costs on a y-o-y basis contributed to CPI-All Items rising at a faster pace of 0.6% in March compared to 0.5% in February.

### *CPI-All Items inflation picked up slightly to 0.6% y-o-y in March*

CPI-All Items inflation rose to 0.6% y-o-y in March, from 0.5% in February. The slight uptick in inflation was due to higher services and food inflation, as well as more modest declines in private road transport and accommodation costs, which outweighed the smaller increases in the costs of retail items and electricity & gas.

The overall cost of retail items inched up by 0.1% y-o-y in March, lower than the 1.1% increase in February. The lower rate of inflation was due to smaller increases in the prices of clothing & footwear and personal care products, as well as a decline in the cost of household durables. The effect of the higher tobacco excise duty introduced in February 2018<sup>2</sup> also dissipated in March 2019.

The cost of electricity & gas rose by 3.9% y-o-y in March, lower than the 5.5% increase in February. This reflected the dampening effect of the phased nationwide launch of the Open Electricity Market (OEM) on electricity prices.

Food inflation picked up to 1.6% y-o-y in March, from 1.4% in the preceding month, due to a faster pace of increase in the prices of prepared meals and non-cooked food items.

Services inflation rose to 1.7% y-o-y in March, from 1.5% in February. This was mainly because of higher inflation for holiday expenses, coupled with a smaller decline in telecommunication services fees.

Private road transport costs decreased by 0.9% y-o-y in March, less than the 2.3% drop in the preceding month, on account of a more gradual decline in car prices and also a rise in petrol prices following the decline in the previous month.

Accommodation costs fell at a more moderate pace of 1.4% y-o-y in March, compared to the 1.6% decline in the previous month, as the fall in housing rentals eased.

### *CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation increased slightly to 1.1% y-o-y in March*

Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) edged up to 1.1% y-o-y in March, from 1.0% in February. This was on account of the more gradual pace of decline in

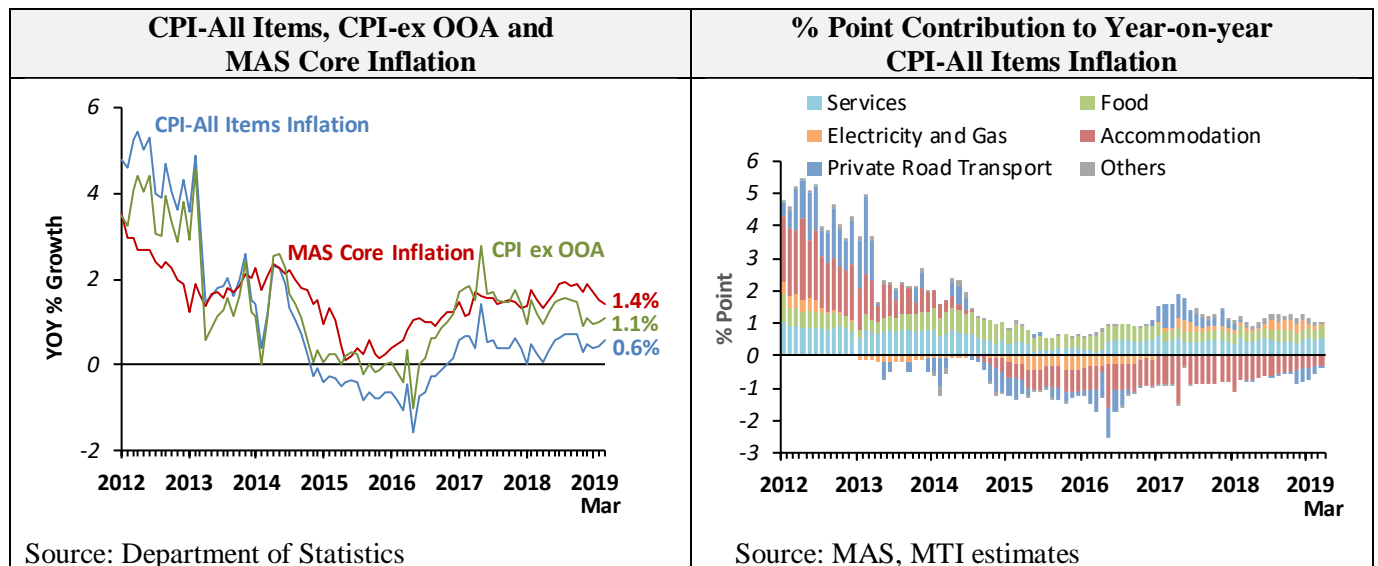
<sup>1</sup> Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

<sup>2</sup> As announced in Budget 2018, excise duty for all tobacco products was raised by 10% with effect from 19 February 2018. The increase in tobacco excise duty contributed to higher year-on-year inflation for tobacco products between February 2018 and February 2019, but no longer had an effect on the year-on-year comparison of the prices of tobacco products in March 2019.

private road transport costs, as well as higher services and food inflation, which more than offset smaller increases in the costs of retail items and electricity & gas.

**MAS Core Inflation was lower at 1.4% y-o-y in March**

MAS Core Inflation, which excludes the costs of accommodation and private road transport, came in lower at 1.4% y-o-y in March, compared to 1.5% in February. This was due to smaller increases in the costs of retail items and electricity & gas, which outweighed higher services and food inflation.



**On a month-on-month basis, CPI-All Items fell by 0.1% in March, a reversal from the 0.5% increase in February. Meanwhile, MAS Core Inflation declined to -0.2% in March, from 0.2% in the previous month.**

### 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>		
	<b>Private Road Transport</b>	Private road transport costs rose by 1.0%, reflecting an increase in car and petrol prices, as well as higher Electronic Road Pricing (ERP) charges.
	<b>Food</b>	The overall price of food was unchanged from February, as an increase in the prices of restaurant and hawker meals was offset by a fall in the prices of non-cooked food items such as fish & seafood, dairy products and vegetables.
	<b>Accommodation</b>	The cost of accommodation dipped by 0.1%, mainly due to a decline in housing rentals.
	<b>Others</b>	The overall cost of retail items fell by 0.3%, largely driven by a fall in the prices of medical products, household durables, recreation & entertainment goods, as well as clothing & footwear.
	<b>Electricity &amp; Gas</b>	The cost of electricity & gas declined by 1.5%, reflecting the dampening effect of the phased nationwide launch of the OEM on electricity prices.
	<b>Services</b>	Services costs dropped by 0.3%, mainly due to lower holiday expenses and airfares.

### 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 food ~	0.3	2.4		↓ Other travel & transport ^	1.3	-5.6	
↑ Fruits	0.8	1.3		↓ Fish & Seafood	1.2	-2.8	
↑ Non-alcoholic beverages	0.5	1.3		↓ Milk, Cheese & Eggs	0.9	-1.4	
↑ Private road transport	11.5	1.0		↓ Fuel & utilities	3.4	-1.0	
↑ Sugar, preserves & confectionery	0.3	0.4		↓ Medical products, appliances & equipment	1.4	-1.0	
↑ Restaurant food	4.9	0.4		↓ Vegetables	1.0	-0.8	
↑ Personal effects #	0.6	0.3		↓ Holiday Expenses	3.5	-0.7	
↑ Communication	3.9	0.2		↓ Household durables	1.8	-0.6	
↑ Oils & Fats	0.2	0.1		↓ Bread & Cereals	1.4	-0.2	
↑ Meat	1.2	0.1		↓ Personal Care	2.4	-0.2	

^ 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

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

## Outlook

In 2019, external sources of inflation are likely to be benign, as global oil prices are expected to come in lower for the year as a whole than in 2018, while food prices should only pick up slightly on average. On the domestic front, labour market conditions remain firm and will support moderate wage increases, such that unit labour costs should continue to rise. However, an acceleration in inflationary pressures is unlikely against the backdrop of slower GDP growth, uncertainties in the global economy, as well as the continuing restraining effects of MAS' monetary policy tightening in 2018.

Reflecting the fall in global oil prices in late 2018 and a sharper-than-anticipated decline in electricity prices following the roll-out of the OEM, the forecast for MAS Core Inflation has been revised to 1–2% in 2019, from 1.5–2.5% previously. Core inflation is likely to come in near the mid-point of the revised forecast range. Meanwhile, CPI-All Items inflation is expected to average 0.5–1.5% in 2019. Private road transport costs are projected to be largely unchanged from 2018, while accommodation costs are likely to decline at a slower pace this year.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

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## **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 2019”. This release also contains further information on the various price indicators published.*

*<https://www.singstat.gov.sg/-/media/files/publications/economy/cpimar19.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)
2018 Mar	0.2	1.4	1.2	-2.0	0.7	2.1	-0.5	-0.3	0.6	3.0	1.0	99.6
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	99.8
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	100.2
Nov	0.3	1.4	0.8	0.0	0.7	1.6	-2.8	-3.0	0.9	3.2	1.4	99.9
Dec	0.5	1.4	2.6	0.1	0.8	1.6	-2.6	-2.7	1.7	3.2	1.4	100.0
2019 Jan	0.4	1.4	2.5	-0.5	0.7	1.7	-1.8	-2.9	0.9	3.2	1.4	100.1
Feb	0.5	1.4	1.2	-0.4	0.8	1.7	-1.2	-2.4	0.7	2.7	1.3	100.3
Mar	0.6	1.6	0.1	-0.3	0.4	1.5	-0.3	-1.0	1.3	2.7	-0.3	100.2

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					
2018 Mar	0.2	1.5	1.2	0.1	5.1	66.0
Apr	0.1	1.3	0.9	0.7	6.7	72.1
May	0.4	1.5	1.2	5.3	6.9	77.0
Jun	0.6	1.7	1.5	8.0	5.6	74.4
Jul	0.6	1.9	1.5	10.1	-2.8	74.3
Aug	0.7	1.9	1.6	10.1	-1.4	72.5
Sep	0.7	1.8	1.5	10.4	-3.4	78.9
Oct	0.7	1.9	1.5	10.4	-2.4	81.0
Nov	0.3	1.7	0.9	5.7	-4.1	64.8
Dec	0.5	1.9	1.1	2.5	-2.2	57.4
2019 Jan	0.4	1.7	0.9	2.2	-5.0	59.4
Feb	0.5	1.5	1.0	4.3	-5.5	64.0
Mar	0.6	1.4	1.1	N.A.	-4.5	66.1

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

N.A.: Not available