



Consumer Price Developments in July 2019

MAS Core Inflation eased to 0.8% on a year-on-year (y-o-y) basis in July, from 1.2% in June, mainly on account of a fall in the prices of retail & other goods¹, a larger decline in the cost of electricity & gas², as well as lower services inflation. CPI-All Items inflation moderated to 0.4% y-o-y in July, from 0.6% in the previous month, due to lower core inflation, even as accommodation costs registered a smaller decline and private road transport inflation rose.

CPI-All Items inflation came in lower at 0.4% y-o-y in July

CPI-All Items inflation moderated to 0.4% y-o-y in July, from 0.6% in June, largely due to a fall in the cost of retail & other goods, and a steeper decline in the cost of electricity & gas. These changes, together with lower services inflation, more than offset higher private road transport inflation, as well as a smaller decline in accommodation costs.

The cost of retail & other goods fell by 1.0% y-o-y in July, reversing the increase of 0.4% in the previous month. This mainly reflected a dissipation of the effect of previous increases in water prices³, as well as a larger drop in the prices of clothing & footwear.

The cost of electricity & gas declined by 7.0% y-o-y in July, steeper than the 4.8% drop in the preceding month, due to a smaller increase in electricity tariffs compared to a year ago, as well as the dampening effect of the nationwide launch of the Open Electricity Market (OEM) on electricity prices.

Services inflation edged down to 1.6% y-o-y in July, from 1.7% in June, largely on account of a slower pace of increase in holiday expenses and a larger fall in telecommunication services fees, which outweighed a stronger pickup in airfares.

Food inflation was 1.4% y-o-y in July, unchanged from the previous month, as an uptick in food services inflation broadly offset a smaller increase in the prices of non-cooked food items.

The cost of private road transport rose by 0.3% y-o-y in July, slightly higher than the 0.2% rise in the preceding month, mainly on account of a stronger increase in the cost of general repair and maintenance of personal transport equipment.

Accommodation costs fell at a slower pace of 0.9% y-o-y in July compared to the 1.1% decline in June, due to a more gradual decline in housing rentals.

¹ Retail items include items such as clothing, footwear and household durables. Water supply is classified under the “other goods” category.

² Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

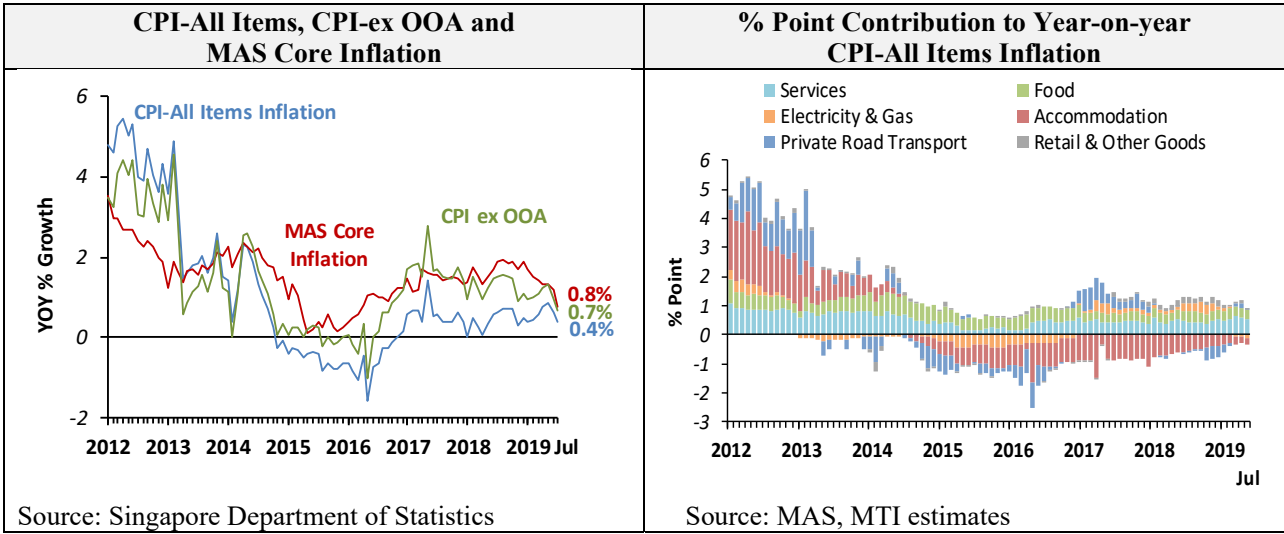
³ The two rounds of water price increases in July 2017 and July 2018 contributed to a rise in the cost of water supply on a y-o-y basis between July 2017 and June 2019, but no longer had an effect on the y-o-y comparison of the cost of water supply in July 2019.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation fell to 0.7% y-o-y in July

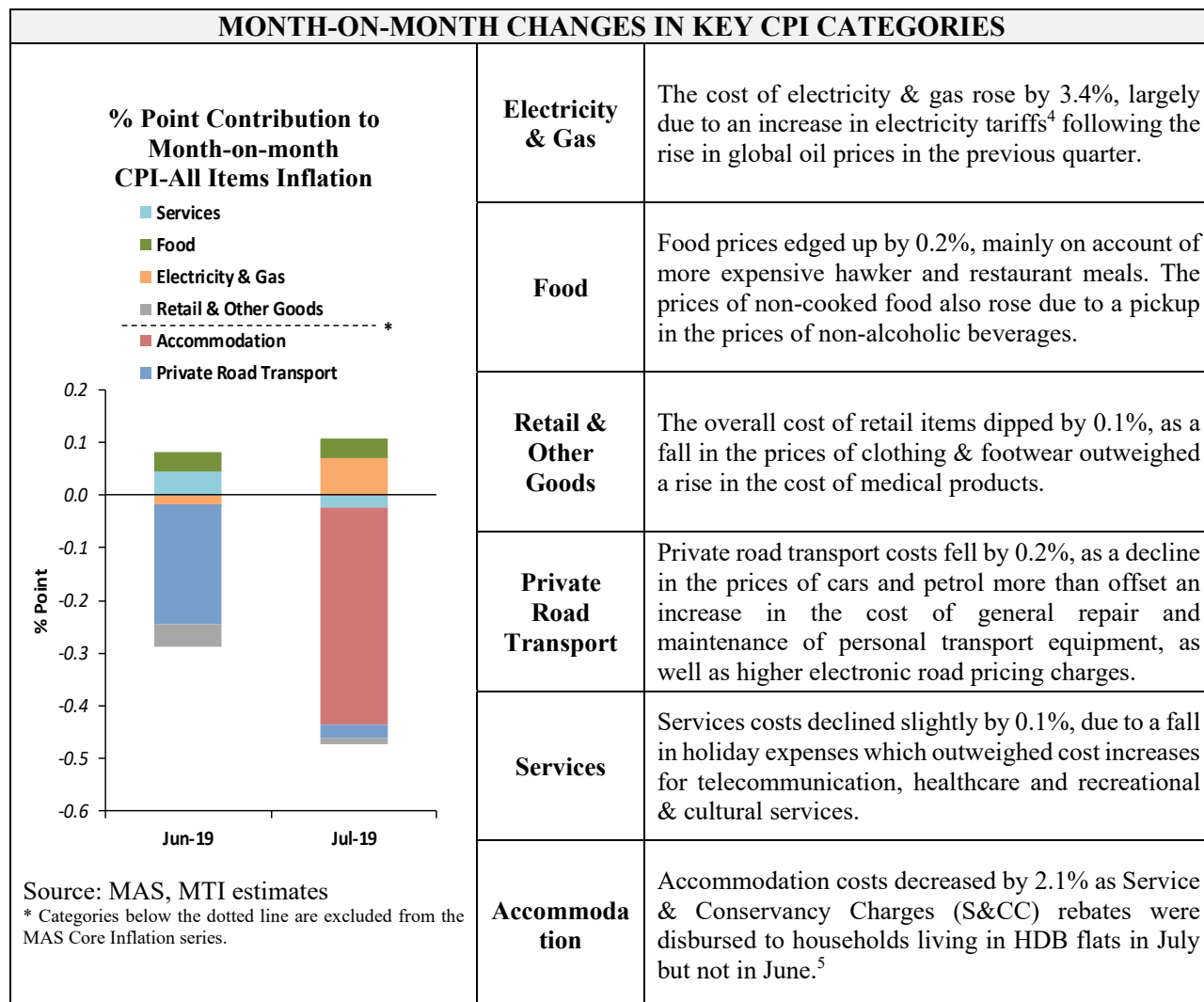
Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) moderated to 0.7% y-o-y in July, from 1.0% in the previous month. This was largely on account of a decline in the cost of retail & other goods, a steeper fall in the cost of electricity & gas, as well as lower services inflation.

MAS Core Inflation eased to 0.8% y-o-y in July

MAS Core Inflation, which excludes the costs of accommodation and private road transport, eased to 0.8% y-o-y in July, from 1.2% in June. This was due to a drop in the prices of retail & other goods, a larger fall in the cost of electricity & gas, as well as lower services inflation.



On a month-on-month basis, CPI-All Items fell by 0.4% in July, extending the 0.2% decline in June. MAS Core Inflation came in at 0.1% in July, up marginally from 0% in the previous month.



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		
↑ Fuel & utilities	3.4	2.1	↓ Accommodation	22.9	-2.1		
↑ Non-alcoholic beverages	0.5	1.4	↓ Holiday Expenses	3.5	-1.8		
↑ Medical products, appliances & equipment	1.4	1.2	↓ Other food ~	0.3	-1.6		
↑ Catered food	0.2	0.9	↓ Oils & Fats	0.2	-1.0		
↑ Communication	3.9	0.5	↓ Other travel & transport ^	1.3	-0.9		
↑ Fast food	0.9	0.4	↓ Clothing & Footwear	2.7	-0.8		
↑ Meat	1.2	0.3	↓ Private road transport	11.5	-0.2		
↑ Milk, Cheese & Eggs	0.9	0.3	↓ Fish & Seafood	1.2	-0.2		
↑ Recreation & entertainment	3.9	0.3	↓ Alcoholic drinks & tobacco	1.0	-0.1		
↑ Medical & dental treatment	4.8	0.3	↑ Public road transport	3.0	-		

~ 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.

⁴ 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 in the preceding quarter.

⁵ In July 2019, 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

For the rest of 2019, external sources of inflation are likely to be benign. Global oil prices for the full year are currently not expected to exceed last year's average. On the domestic front, labour market conditions have largely held up, contributing to moderate wage increases and higher unit labour costs. 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.

MAS Core Inflation is expected to come in within the lower half of the 1–2% forecast range in 2019. Meanwhile, CPI-All Items inflation is expected to average 0.5–1.5% in 2019. Private road transport costs could pick up slightly this year as compared to 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 July 2019”. This release also contains further information on the various price indicators published.

<https://www.singstat.gov.sg/-/media/files/publications/economy/cpijul19.pdf>

MAS Core Inflation

A detailed review of MAS Core Inflation can be found in “A Review of the Core Inflation Measure for Singapore”

https://www.mas.gov.sg/-/media/MAS/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 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
Apr	0.8	1.3	-1.3	-1.0	1.4	1.2	1.4	-0.5	2.1	2.6	0.0	100.6
May	0.9	1.4	-0.9	-0.7	1.1	1.4	1.6	-1.1	2.3	2.6	0.3	100.7
Jun	0.6	1.4	-0.6	-0.8	1.1	1.1	0.6	-1.7	1.8	2.5	0.4	100.4
Jul	0.4	1.4	-2.1	-1.5	0.9	1.3	0.9	-2.2	1.3	2.4	0.3	100.5

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 Jul	0.6	1.9	1.5	10.1	-2.6	74.3
Aug	0.7	1.9	1.6	10.2	-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	2.3	-2.2	57.4
2019 Jan	0.4	1.7	0.9	1.9	-5.0	59.4
Feb	0.5	1.5	1.0	3.8	-5.5	64.0
Mar	0.6	1.4	1.1	5.2	-4.5	66.1
Apr	0.8	1.3	1.2	4.5	-4.5	71.2
May	0.9	1.3	1.3	1.2	-8.8	71.3
Jun	0.6	1.2	1.0	-1.2	-4.3	64.2
Jul	0.4	0.8	0.7	N.A.	1.9	63.9

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

N.A.: Not available