



Consumer Price Developments in November 2017

CPI-All Items inflation rose to 0.6% in November from 0.4% in the previous month, while MAS Core Inflation was unchanged from October at 1.5%.

CPI-All Items inflation increased to 0.6% year-on-year (y-o-y) in November

CPI-All Items inflation was higher at 0.6% y-o-y in November, compared to 0.4% in the previous month, largely on account of higher private road transport and accommodation inflation.

Private road transport inflation rose to 4.1% in November from 2.2% a month ago. The pickup in inflation was mainly due to an increase in car prices, a reversal from the decline recorded in October.

Accommodation costs fell by 3.9% in November, moderating from the 4.2% drop in the previous month. The smaller decline reflected the dissipation of the dampening effect of the disbursement of Service & Conservancy Charges (S&CC) rebates on the year-ago change in accommodation costs in October.¹

Services inflation edged up to 1.6% in November from 1.5% in October. This was on account of a rise in airfares, which was a reversal from the decline registered in the previous month, as well as a larger increase in telecommunications services fees and holiday expenses which more than offset the smaller increase in recreational & cultural services fees.

Food inflation was unchanged from the previous month at 1.5%, as the pace of increase in prices for non-cooked food and food services was similar in both months.

The overall cost of retail items registered a smaller 0.5% increase in November compared to the 0.9% increase in October. This largely reflected a fall in the prices of personal care products, as well as a smaller rise in the prices of personal effects.

CPI less imputed rentals on owner-occupied accommodation (CPI-ex OOA) inflation rose to 1.8% in November

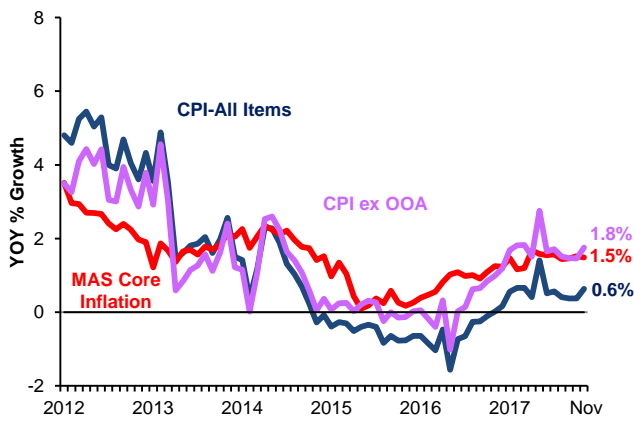
Inflation as measured by CPI less imputed rentals on owner-occupied accommodation (OOA) was 1.8% in November, up from 1.5% in the previous month. This was largely on account of higher private road transport inflation, and a larger year-ago increase in the cost of housing maintenance & repairs due to the dissipation of the effect of the S&CC rebates given in October.

MAS Core Inflation was 1.5% in November

MAS Core Inflation, which excludes the costs of accommodation and private road transport, was unchanged from the previous month at 1.5%, as a slower pace of increase in the prices of retail items offset higher services inflation.

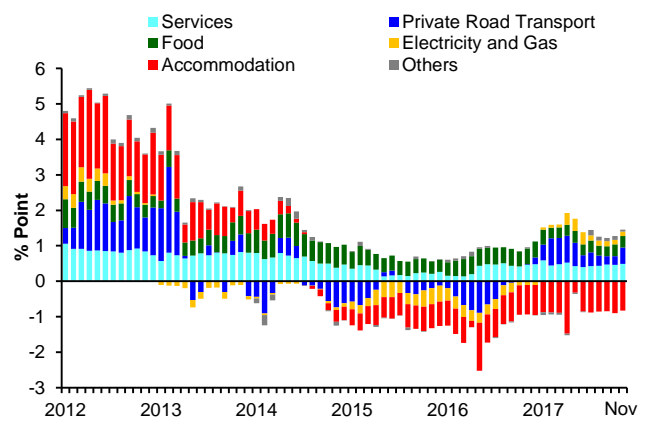
¹ S&CC rebates, which lower the housing maintenance & repair cost component of the accommodation CPI, were disbursed to HDB households in October 2017. While the rebates disbursed to households in most HDB flat types in October 2017 were unchanged from the disbursement in October 2016, households residing in Executive/Multi-Generation flats were given rebates in October 2017 but not in October 2016. This resulted in a negative contribution to the y-o-y change in accommodation costs in October 2017, the effect of which dissipated in November 2017.

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



Source: Department of Statistics

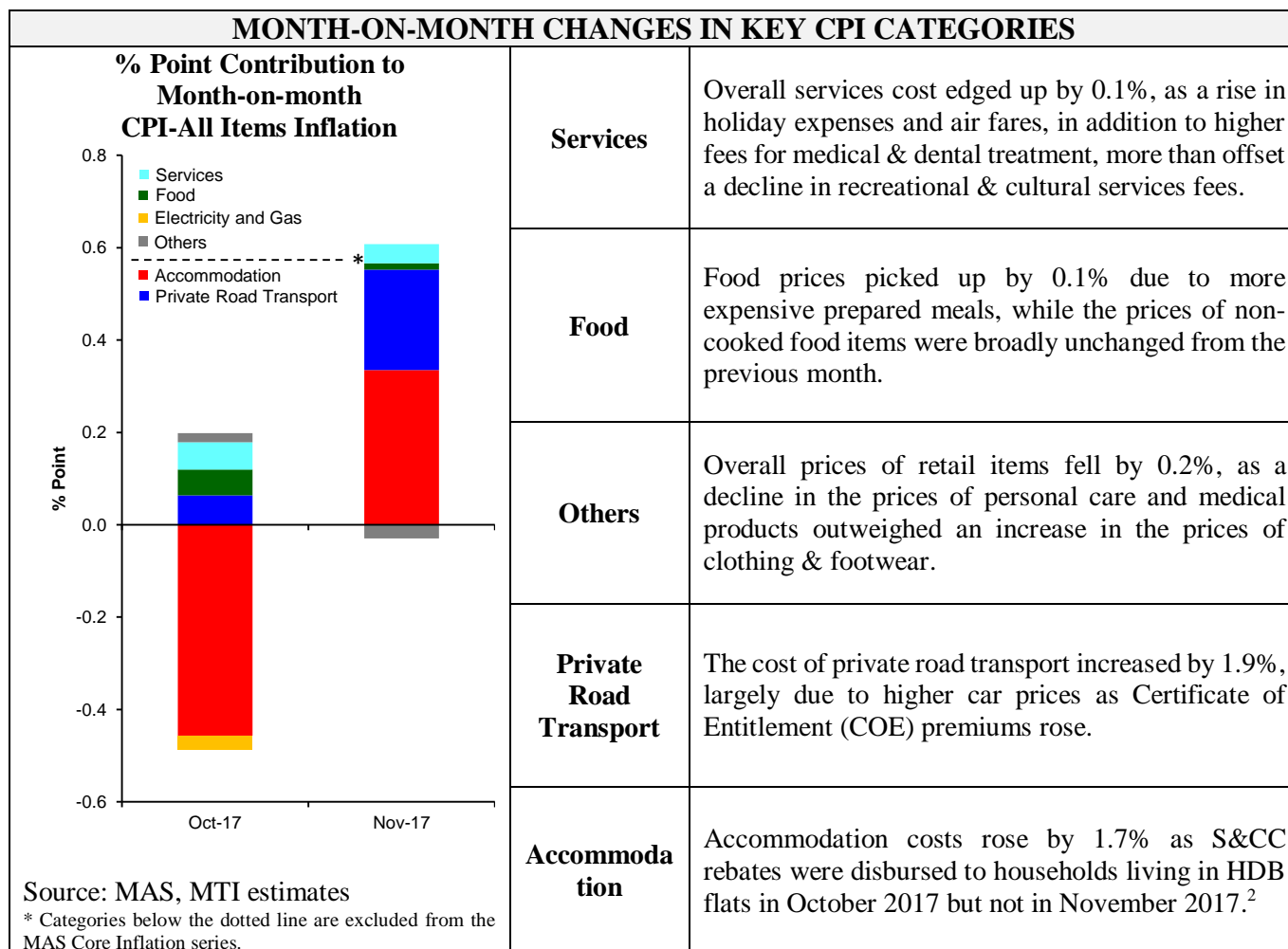
% Point Contribution to Year-on-year CPI-All Items Inflation



Source: MAS, MTI estimates

On a month-on-month basis, CPI-All Items inflation rose to 0.6% in November from -0.3% in the previous month. Meanwhile, MAS Core Inflation eased to 0% from 0.2% in October.

MONTH-ON-MONTH CHANGES IN KEY CPI CATEGORIES



Services

Overall services cost edged up by 0.1%, as a rise in holiday expenses and air fares, in addition to higher fees for medical & dental treatment, more than offset a decline in recreational & cultural services fees.

Food

Food prices picked up by 0.1% due to more expensive prepared meals, while the prices of non-cooked food items were broadly unchanged from the previous month.

Others

Overall prices of retail items fell by 0.2%, as a decline in the prices of personal care and medical products outweighed an increase in the prices of clothing & footwear.

Private Road Transport

The cost of private road transport increased by 1.9%, largely due to higher car prices as Certificate of Entitlement (COE) premiums rose.

Accommodation

Accommodation costs rose by 1.7% as S&CC rebates were disbursed to households living in HDB flats in October 2017 but not in November 2017.²

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	
↑ Sugar, preserves & confectionery	0.3	2.2		↓ Fruits	0.8	-1.0	
↑ Private road transport	11.5	1.9		↓ Personal Care	2.4	-0.8	
↑ Accommodation	22.9	1.7		↓ Medical products, appliances & equipment	1.4	-0.7	
↑ Other travel & transport ^	1.3	0.9		↓ Personal effects #	0.6	-0.7	
↑ Holiday Expenses	3.5	0.6		↓ Other food ~	0.3	-0.5	
↑ Non-alcoholic beverages	0.5	0.5		↓ Oils & Fats	0.2	-0.4	
↑ Clothing & Footwear	2.7	0.5		↓ Vegetables	1.0	-0.3	
↑ Medical & dental treatment	4.8	0.3		↓ Household durables	1.8	-0.3	
↑ Bread & Cereals	1.4	0.3		↓ Recreation & entertainment	3.9	-0.3	
↑ Hawker food (incl. food courts)	8.1	0.1		↓ Fish & Seafood	1.2	-0.2	

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

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

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

² In October 2017, 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

On the external front, imported inflation is likely to rise mildly, as global demand improves amid ample supply in key commodity markets. Notwithstanding recent volatility, global oil prices are expected to increase only slightly for 2018 as a whole compared to 2017. Global food commodity prices are also expected to rise modestly, even as localised shocks in regional supply sources could lead to transitory fluctuations in domestic food prices.

Overall, cost pressures in the economy should remain relatively restrained. Although labour market conditions have improved recently, the gradual absorption of previously accumulated slack will temper wage pressures in the near term. Meanwhile, other non-labour costs such as commercial and retail rentals continue to be subdued.

MAS Core Inflation is expected to be around 1.5% in 2017 and average 1–2% in 2018, while CPI-All Items inflation is projected to come in at around 0.5% this year and stay in the range of 0–1% next year. Accommodation costs will continue to dampen CPI-All Items inflation in 2018, albeit to a lesser extent than this year, while the positive contribution of private road transport costs will fall, in part reflecting the dissipation of inflationary effects from previous administrative measures.³

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³ The administrative measures associated with higher private road transport inflation in 2017 include the expiry of the one-year road tax rebates and the upward revision in parking fees in August and December 2016, respectively. As for other administrative measures, water price increases in 2017–18 will add temporarily to inflation. U-Save rebates, which were increased from July 2017 to partially offset the impact of higher water prices for eligible households, are not taken into account in the CPI.

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 November 2017”. 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/cpinov2017.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)
2016 Nov	0.0	2.0	-0.2	-3.7	2.6	2.4	-0.3	-0.6	0.8	3.2	0.8	99.1
Dec	0.2	2.0	-0.1	-3.8	2.1	2.9	0.8	-0.8	0.9	3.2	0.0	99.2
2017 Jan	0.6	1.9	-1.5	-3.2	2.1	2.5	2.8	0.4	0.5	3.5	0.0	99.4
Feb	0.7	1.3	-0.2	-3.1	1.5	2.6	4.2	0.7	0.5	3.6	-0.6	99.6
Mar	0.7	1.3	-0.9	-3.2	1.6	2.8	4.5	-0.4	0.3	3.6	0.2	99.6
Apr	0.4	1.3	0.5	-4.6	0.8	3.0	4.7	1.0	0.3	3.2	0.1	99.3
May	1.4	1.5	1.9	0.1	0.7	2.4	3.8	0.8	-0.2	3.2	-0.1	99.6
Jun	0.5	1.4	1.9	-2.0	0.3	2.5	1.8	-0.6	-0.1	3.2	0.2	99.5
Jul	0.6	1.4	2.6	-2.5	1.0	2.9	2.0	0.3	-0.1	2.8	0.5	99.2
Aug	0.4	1.2	1.6	-2.3	1.2	2.5	1.4	0.1	0.3	2.7	0.1	99.6
Sep	0.4	1.2	0.5	-2.3	0.8	2.5	1.1	1.3	0.4	2.7	0.7	99.5
Oct	0.4	1.5	0.7	-2.7	0.7	2.2	1.1	1.0	0.7	2.6	0.9	99.2
Nov	0.6	1.5	0.7	-2.4	1.0	2.0	2.6	1.5	0.8	2.6	-0.4	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					
2016 Nov	0.0	1.3	1.0	0.9	8.2	6.7
Dec	0.2	1.2	1.2	8.8	9.7	53.9
2017 Jan	0.6	1.5	1.7	11.3	14.5	96.2
Feb	0.7	1.2	1.8	11.9	14.4	85.8
Mar	0.7	1.2	1.8	8.6	9.2	45.2
Apr	0.4	1.7	1.5	9.5	4.0	35.9
May	1.4	1.6	2.8	5.6	2.6	13.9
Jun	0.5	1.5	1.7	3.2	-1.0	-1.4
Jul	0.6	1.6	1.7	4.2	1.4	10.0
Aug	0.4	1.4	1.5	5.0	3.0	15.1
Sep	0.4	1.5	1.5	4.9	5.3	24.6
Oct	0.4	1.5	1.5	3.2	5.9	15.9
Nov	0.6	1.5	1.8	N.A.	2.7	40.5

Source: Singapore Department of Statistics, IMF and Bloomberg

N.A.: Not available