

Inflation Review: November 2017

05TH DECEMBER 2017

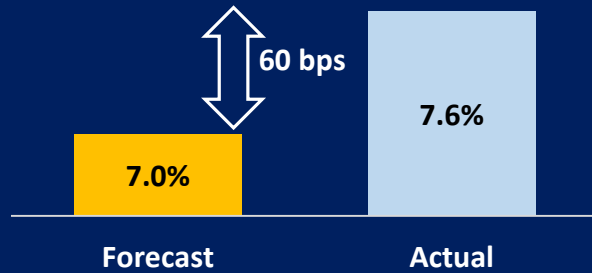
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**ANALYST CERTIFICATIONS AND REQUIRED
DISCLOSURES BEGIN ON PAGE 8**



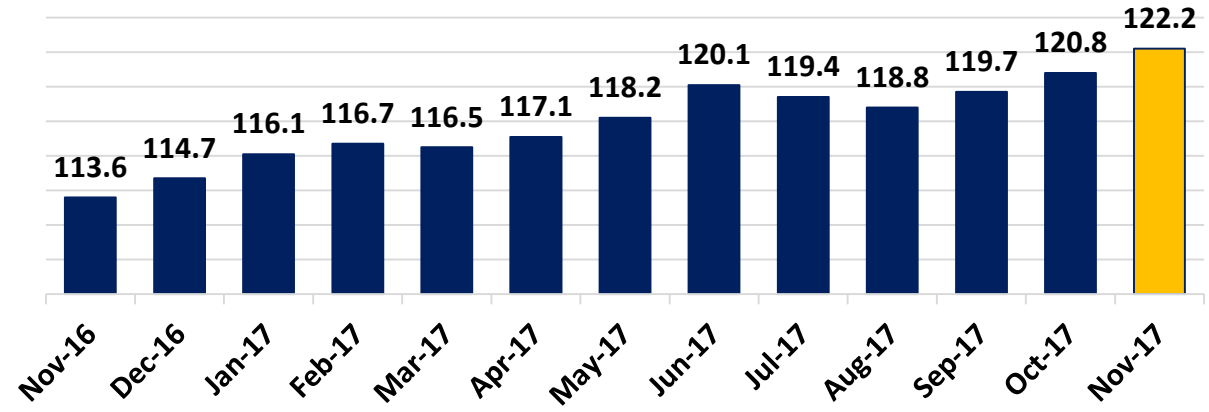
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Inflation [CCPI] dwindles to 7.6%YoY, yet higher than FC Research expectations

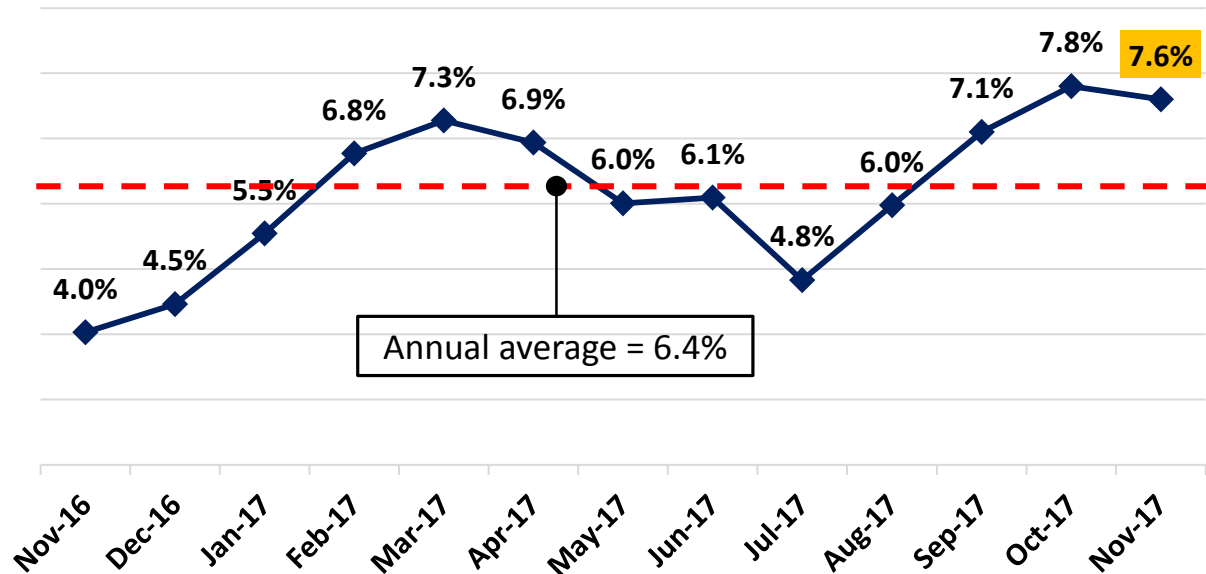


- Inflation marginally dipped to 7.6%YoY in Nov 2017 (7.8%YoY in Oct 2017) exceeding FC Research estimate of 7.0%
- Food prices (+13.8%YoY) drove the YoY inflation while Health Expenses (+7.0%MoM) drove the MoM inflation
- The CCPI index stood at 122.2 in November 2017, up by 1.2% from 120.8 in October 2017 (2013=100)

Monthly CCPI Index



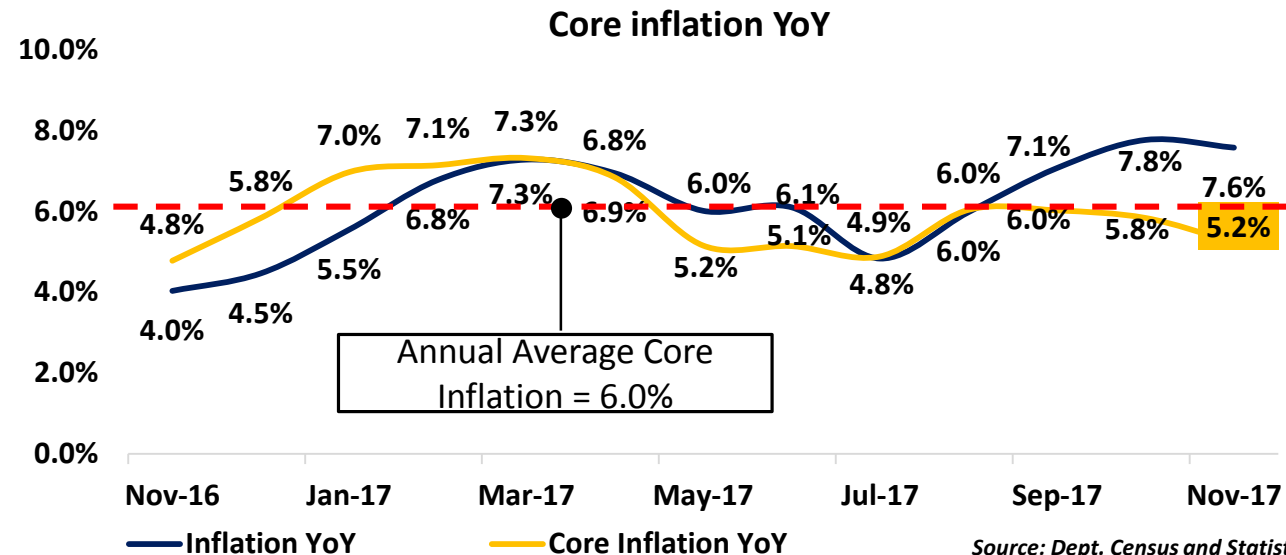
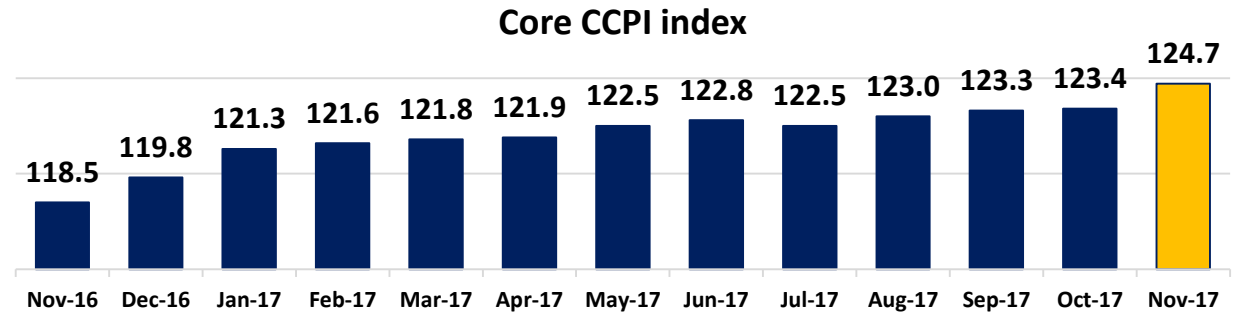
Inflation [CCPI] YoY



Source: Dept. Census and Statistics

Core Inflation for November 2017 further dips to 5.2%YoY

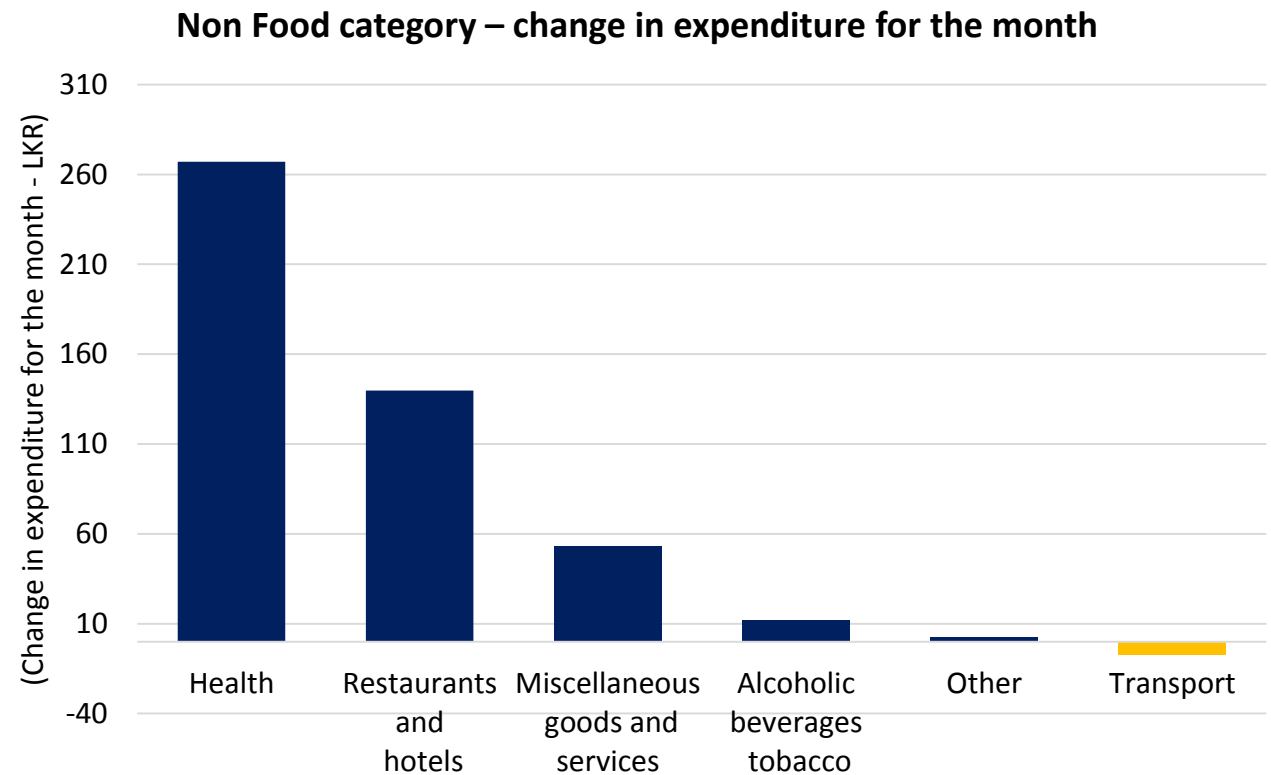
- ❑ Core inflation declined for the second consecutive month to 5.2% in Nov 2017 from 5.8% in Oct 2017
- ❑ The gap between Core inflation and Headline inflation has further increased in the month of November due to the increased expenditure on food category
- ❑ Annual average core inflation was maintained unchanged from Oct 2017 at 6.0%



Source: Dept. Census and Statistics

Increased private hospital charges and effect of gas price increase is visible in November MoM

- ❑ On an MoM basis, increase in expenditure on Health (+7.0 MoM%) which is attributable to increased private hospital charges and blood test charges dominantly contributed to the MoM inflation
- ❑ Restaurants and Hotels (+3.8%MoM) also contributed largely to the Non-food index during the month reflecting the effect of price increase in gas
- ❑ However, on a YoY basis, inflation on Non Food category declined to 5.0%YoY in Nov 2017 from 5.8%YoY in Oct 2017



Source: Dept. Census and Statistics

Non food category driven by Health expenses contributes to MoM change in CCPI

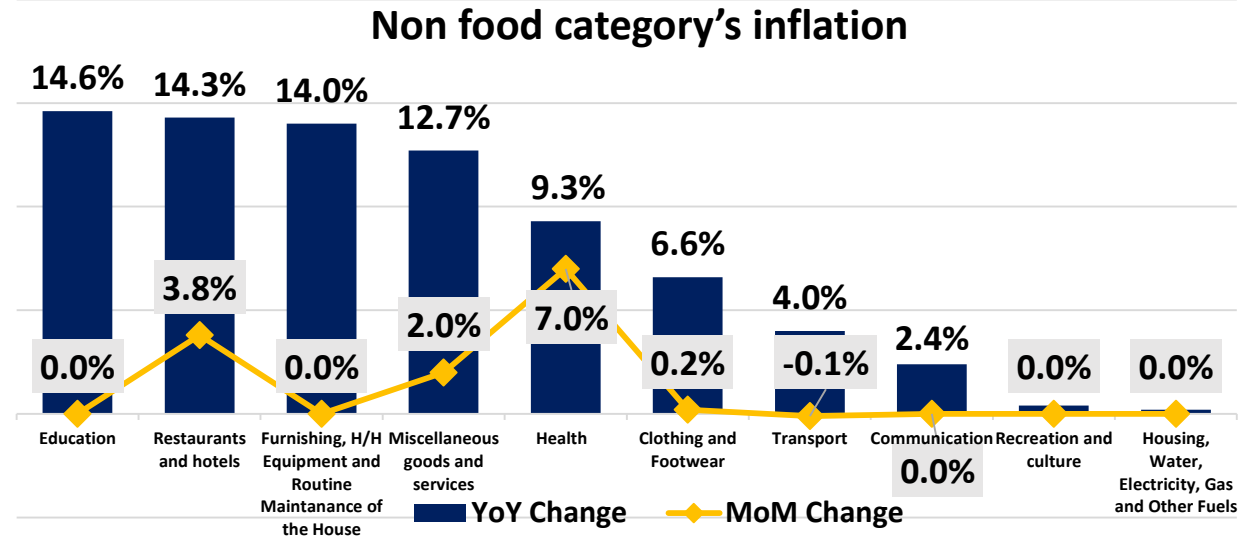
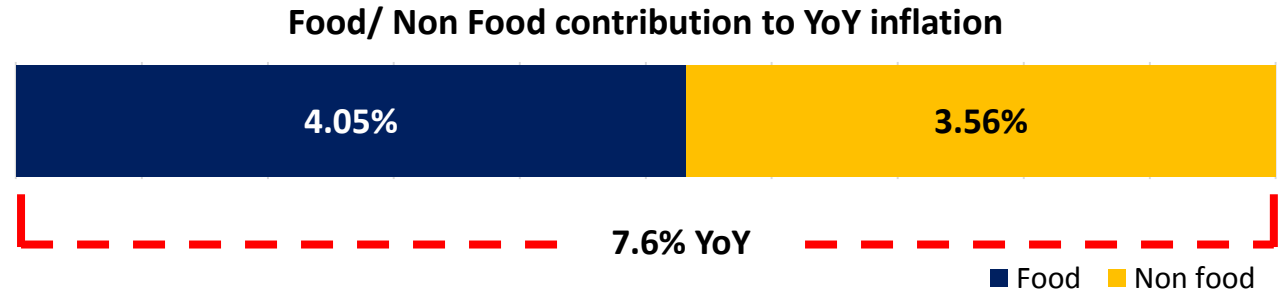
- ❑ Nov 2017 inflation index picked up by 1.2% MoM compared to 0.9% MoM in Oct 2017
- ❑ 55% of the MoM increase in the index was explained by Non food category (+0.9% MoM) which contributed 0.64% to the MoM inflation, primarily driven by Health expenses
- ❑ Food and non alcoholic beverages category (+1.7% MoM) contributed to the MoM increase by 0.52%, explaining the balance 45% of the MoM inflation

	All items	Food	Non food
Index value - Nov 2017	122.20	134.00	117.60
Index value - Oct 2017	120.80	131.70	116.60
MoM Change	1.20%	1.70%	0.90%
Contribution to MoM		0.52%	0.64%
YoY Change	7.60%	13.80%	5.00%
Annual average	6.40%	8.40%	5.50%

Source: Dept. Census and Statistics

Food category (+13.8% YoY) drove YoY inflation in November

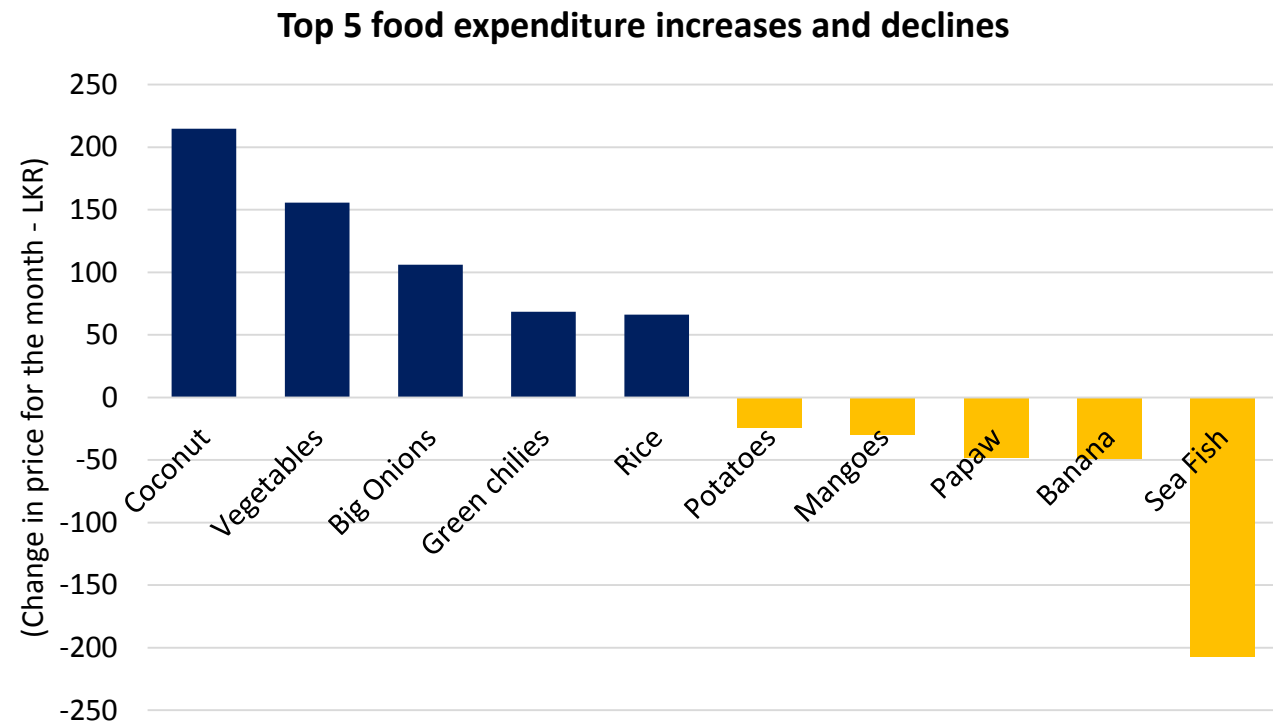
- ❑ Food category (+13.8% YoY) contributed 4.05% to the YoY inflation in Nov 2017, explaining 53% of YoY inflation
- ❑ Non food category (+5.0% YoY) contributed 3.56% to the YoY inflation in Nov 2017
- ❑ The non-food category continued to be driven by Education (+14.6%YoY) reflecting the effect of tuition fee increase since Jan 2017
- ❑ Further, the effect of price increase in gas which is visible in Restaurants and Hotels category (+14.3% YoY) also added to November YoY inflation



Source: Dept. Census and Statistics

Expenditure on coconut continued to drive Food category for the month

- Expenditure on Food and non alcoholic beverages increased by 13.8%YoY in Nov 2017, up from 12.6%YoY in Oct 2017
- On an MoM basis, increase in value changes on coconut (+0.29%), vegetables (+0.21%) and big onions(+0.15%) contributed largely to the index despite a reduction in expenditure on sea fish (-0.28%).



Source: Dept. Census and Statistics

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