

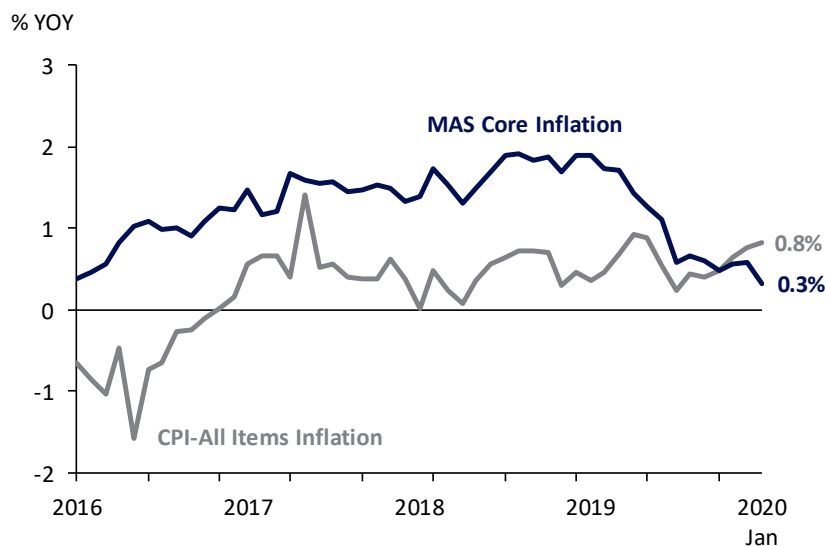
Consumer Price Developments in January 2020

Summary

- MAS Core Inflation came in at 0.3% on a year-on-year (y-o-y) basis in January, lower than the 0.6% recorded in December last year.
 - Largely due to lower services inflation and a steeper drop in the cost of retail & other goods.
 - Part of the fall in core inflation also reflected the impact of the rebasing of the CPI to 2019 as the base year.¹

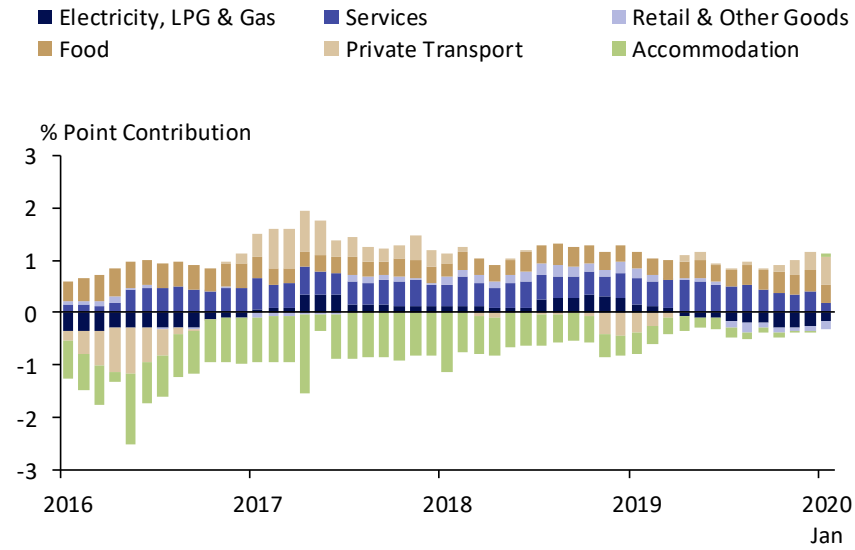
- CPI-All Items inflation was 0.8% y-o-y in January, unchanged from the previous month.
 - This occurred as the fall in core inflation was offset by higher private transport inflation and an increase in accommodation cost.

Chart 1: MAS Core and CPI-All Items Inflation



¹ The monthly CPI data for 2019 have been revised following the rebasing of the CPI from base year of 2014 to base year of 2019. The rebasing exercise included changes to the weights as well as the sample of items and outlets selected for the compilation of the CPI. A detailed discussion of the key changes due to the rebasing can be found in the Department of Statistics (DOS) Information Paper on “Rebasing of the Consumer Price Index (2019 as base year)”. The paper can be downloaded from DOS’ website (www.singstat.gov.sg).

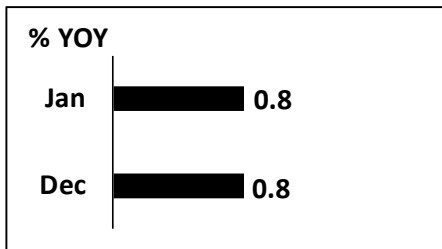
Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation



* Private transport and accommodation are excluded from the MAS Core Inflation series.
Source: MAS, MTI estimates

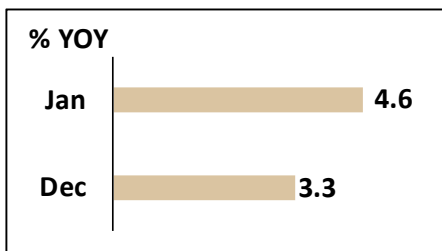
CPI-All Items inflation was unchanged at 0.8% y-o-y in January

CPI-All Items



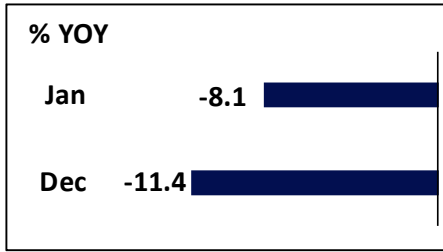
CPI-All Items inflation was unchanged as higher private transport inflation and an increase in accommodation cost was offset by lower inflation in the remaining core CPI basket.

Private Transport



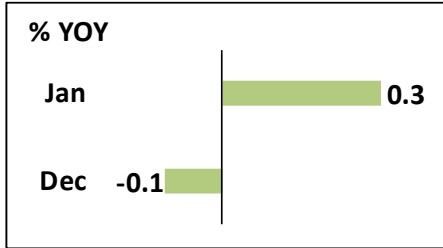
Private transport inflation was higher due to a steeper rise in car prices.

Electricity & Gas



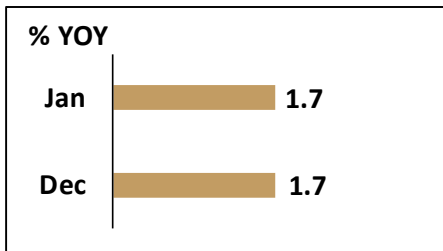
The cost of electricity & gas fell at a slower pace as regulated electricity tariffs increased, even as the Open Electricity Market (OEM) continued to have a dampening effect on overall electricity prices.

Accommodation



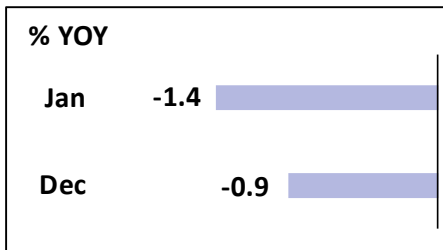
Accommodation costs rose in line with a pickup in housing rentals, which saw a turnaround in January after more than five years of decline.

Food



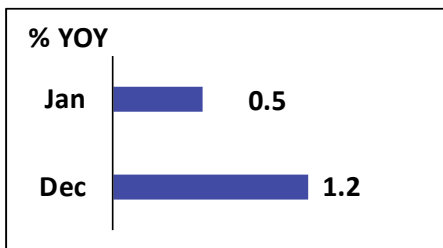
Food inflation was unchanged as a larger increase in the prices of non-cooked food was offset by a smaller increase in the prices of prepared meals.

Retail & Other Goods



The cost of retail & other goods recorded a steeper drop as the prices of medical products and clothing & footwear registered larger declines.

Services



Services inflation was lower mainly on account of a decline in tuition & other fees, reflecting the effect of enhanced pre-school subsidies. There was also a smaller increase in telecommunication services fees, as well as a larger fall in the cost of healthcare services.

Outlook

In the quarters ahead, external sources of inflation are likely to remain benign, amid weak demand conditions, and generally well-supplied food and oil commodity markets. On the domestic front, labour market conditions continued to soften slightly, which could lead to a moderation in unit labour cost growth this year. At the same time, economic uncertainty, including the effects of the COVID-19 outbreak, will likely discourage firms from passing on any cost increases to consumers.

Inflationary pressures are expected to remain subdued in the near term. MAS and MTI will closely monitor price trends in the coming months, including the impact of the rebasing of the CPI on inflation rates. At this stage, the 2020 forecasts for MAS Core Inflation and CPI-All Items inflation remain at 0.5–1.5%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

24 February 2020

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.

MAS Core Inflation

The Monetary Authority of Singapore (MAS) monitors a core inflation measure that excludes the components of “Accommodation” and “Private 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 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.

CPI Statistics

Detailed CPI statistics can be found in the Department of Statistics' release titled "Singapore Consumer Price Index for January 2020". This release also contains further information on the various price indicators published.

<https://www.singstat.gov.sg/-/media/files/publications/economy/cpijan20.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](https://www.mas.gov.sg/-/media/MAS/resource/publications/staff_papers/StaffPaperNo51.pdf)

Table A.1
Consumer Price Index of Key Categories
Index (2019=100)

	All Items	MAS Core	CPI Less Accommo dation	CPI-ex OOA	Food	Services	Retail & Other Goods	Electricity & Gas	Private Transport	Accommo dation
Weights	10,000	6,582	7,803	8,250	2,110	3,173	1,111	188	1,221	2,197
2019 Jan	99.387	99.961	99.480	99.264	99.447	99.716	100.591	106.170	96.888	99.055
Feb	99.953	100.210	99.775	99.956	99.631	100.117	100.681	105.469	97.433	100.585
Mar	99.972	100.030	99.801	99.980	99.700	99.820	100.616	103.846	98.564	100.580
Apr	99.753	100.027	100.302	99.717	99.667	100.171	100.413	99.372	101.788	97.802
May	100.325	99.879	100.255	100.410	99.779	99.838	100.468	98.223	102.282	100.574
Jun	100.038	99.899	99.881	100.058	99.862	100.104	99.799	97.430	99.787	100.595
Jul	99.587	99.881	99.794	99.503	99.947	99.944	99.433	100.718	99.325	98.853
Aug	100.209	99.961	100.079	100.252	100.163	100.021	99.386	100.044	100.715	100.672
Sep	100.147	99.936	99.988	100.170	100.297	99.795	99.719	99.540	100.272	100.711
Oct	99.930	100.013	100.204	99.901	100.433	100.031	99.732	96.636	101.236	98.957
Nov	100.254	99.952	100.107	100.285	100.459	99.854	99.872	96.387	100.944	100.775
Dec	100.445	100.253	100.333	100.504	100.615	100.591	99.291	96.167	100.765	100.842
2020 Jan	100.204	100.276	100.446	100.199	101.101	100.259	99.214	97.595	101.359	99.346

Note: For more information on the CPI items in the “Services” and “Retail & Other Goods” categories in this report, please refer to “MAS Core Inflation and Notes to Selected CPI Categories”. <https://www.mas.gov.sg/statistics>