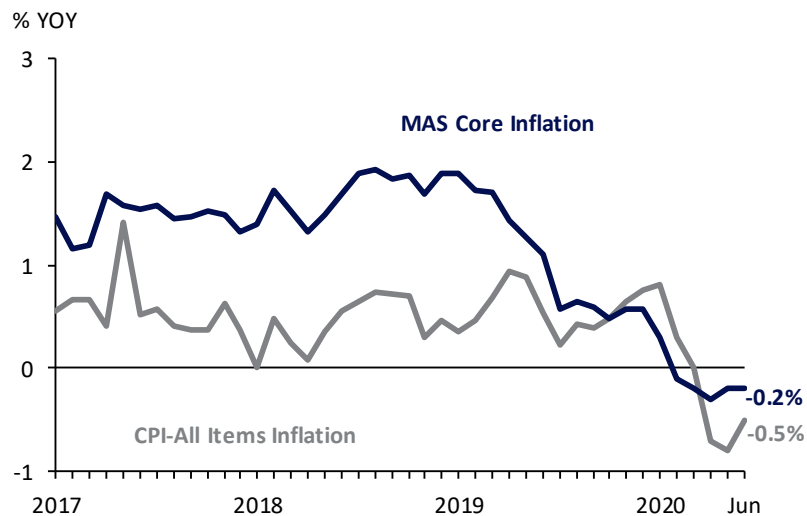


## Consumer Price Developments in June 2020

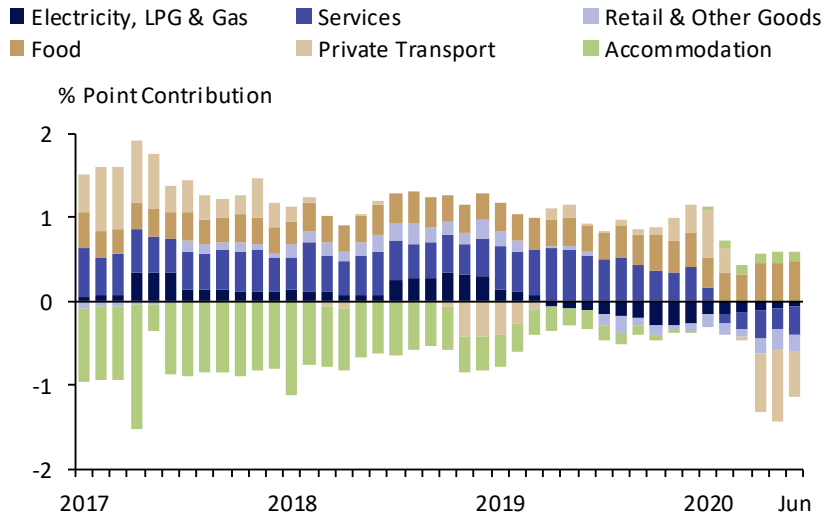
### Summary

- MAS Core Inflation came in at **-0.2%** on a year-on-year (y-o-y) basis in June, unchanged from May.
  - This occurred as a steeper drop in the cost of services was offset by higher food inflation, as well as smaller declines in the costs of retail & other goods and electricity & gas.
- Meanwhile, CPI-All Items inflation was **-0.5%** y-o-y in June, compared to **-0.8%** in the previous month.
  - This mainly reflected a smaller decline in private transport costs.

Chart 1: MAS Core and CPI-All Items Inflation



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

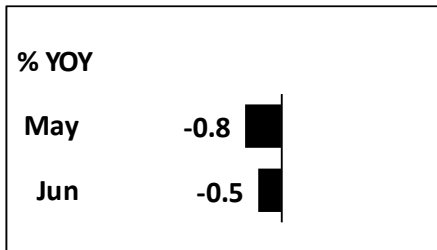


\* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

**CPI-All Items inflation was -0.5% y-o-y in June**

CPI-All Items



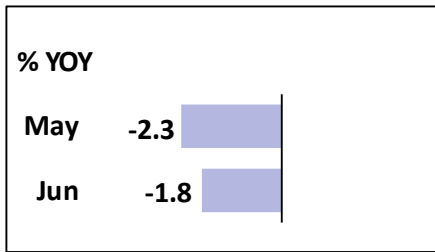
CPI-All Items declined at a more moderate pace in June, on account of a smaller drop in private transport costs.

Private Transport



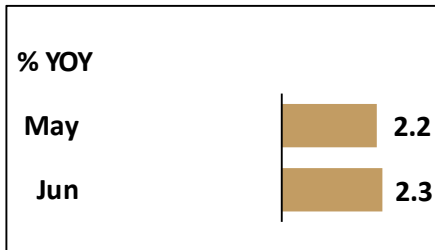
Private transport costs fell at a slower pace due to smaller declines in car and petrol prices.

### Retail & Other Goods



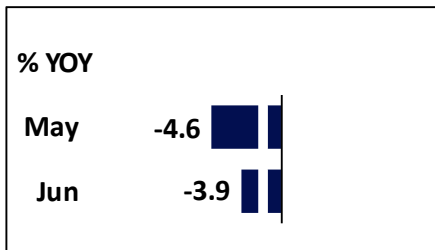
The cost of retail & other goods recorded a smaller decline as prices of clothing & footwear and telecommunications equipment fell at a more gradual pace.

### Food



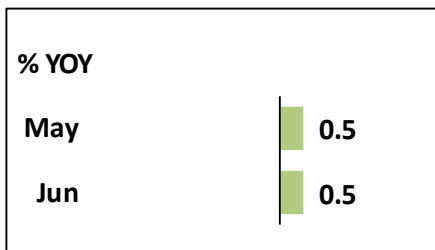
Food inflation edged up due to a larger increase in the prices of non-cooked food items.

### Electricity & Gas



The cost of electricity & gas fell at a slower rate as the take-up of new subscriptions under the Open Electricity Market (OEM) slowed.<sup>1</sup>

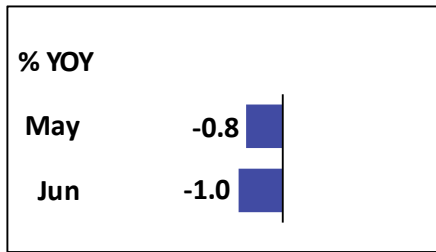
### Accommodation



Accommodation inflation was unchanged as housing rents increased at a steady pace.

<sup>1</sup> Retail electricity price plans under the OEM generally charge a rate that is lower than SP Group's electricity tariff. Hence, as the take-up of OEM plans slows, the dampening effect of the OEM on electricity prices declines.

## Services



Services costs fell more sharply due to larger declines in holiday expenses and airfares.<sup>2</sup>

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<sup>2</sup> Due to international measures to contain the COVID-19 outbreak, the prices of holiday expenses and airfares were not available in June 2020. Hence, changes in the prices of these components were imputed using the overall change in the CPI-All Items, in line with international guidelines. For more details, please refer to the Technical Note in the Department of Statistics' release titled "Singapore Consumer Price Index for June 2020".

## Outlook

In the quarters ahead, external sources of inflation are likely to remain benign amid weak global demand conditions. Oil prices should stay low for an extended period and will weigh on the prices of energy-related components in the CPI basket. At the same time, supply chain disruptions associated with international measures to contain the COVID-19 outbreak could continue to put some upward pressure on imported food prices.

Domestically, subdued economic sentiment and weak labour market conditions will dampen consumer demand, thereby capping price increases for discretionary goods and services. Cost pressures are likely to remain low as some degree of spare capacity in the economy emerges.

Inflation is thus expected to remain subdued. Both MAS Core Inflation and CPI-All Items inflation are forecast to average between -1% and 0% in 2020.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 July 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 June 2020". This release also contains further information on the various price indicators published.*

<https://www.singstat.gov.sg/whats-new/latest-news/cpi-highlights>

**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 Accommodation	CPI Less OOA	Food	Services	Retail & Other Goods	Electricity & Gas	Private Transport	Accommodation
<b>Weights</b>	<b>10,000</b>	<b>6,582</b>	<b>7,803</b>	<b>8,250</b>	<b>2,110</b>	<b>3,173</b>	<b>1,111</b>	<b>188</b>	<b>1,221</b>	<b>2,197</b>
<b>2019 Jun</b>	100.038	99.899	99.881	100.058	99.862	100.104	99.799	97.430	99.787	100.595
<b>Jul</b>	99.587	99.881	99.794	99.503	99.947	99.944	99.433	100.718	99.325	98.853
<b>Aug</b>	100.209	99.961	100.079	100.252	100.163	100.021	99.386	100.044	100.715	100.672
<b>Sep</b>	100.147	99.936	99.988	100.170	100.297	99.795	99.719	99.540	100.272	100.711
<b>Oct</b>	99.930	100.013	100.204	99.901	100.433	100.031	99.732	96.636	101.236	98.957
<b>Nov</b>	100.254	99.952	100.107	100.285	100.459	99.854	99.872	96.387	100.944	100.775
<b>Dec</b>	100.445	100.253	100.333	100.504	100.615	100.591	99.291	96.167	100.765	100.842
<b>2020 Jan</b>	100.204	100.276	100.446	100.199	101.101	100.259	99.214	97.595	101.359	99.346
<b>Feb</b>	100.279	100.142	100.083	100.273	101.259	99.715	99.660	97.648	99.768	100.974
<b>Mar</b>	99.933	99.865	99.621	99.837	101.225	99.160	99.710	97.399	98.305	101.042
<b>Apr</b>	99.012	99.766	99.208	98.711	101.803	99.076	98.805	94.223	96.200	98.315
<b>May</b>	99.480	99.703	99.024	99.275	101.995	99.065	98.182	93.740	95.363	101.099
<b>Jun</b>	99.500	99.720	99.050	99.299	102.176	99.058	97.976	93.617	95.441	101.097

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>