

Consumer Price Developments in September 2020

Summary

- MAS Core Inflation came in at **-0.1%** on a year-on-year (y-o-y) basis in September, compared to **-0.3%** in August.
 - The milder pace of decline was mainly driven by smaller reductions in the costs of services and electricity & gas.
- CPI-All Items inflation was **0%** y-o-y in September, up from **-0.4%** in August.
 - This was largely due to a more gradual decrease in private transport costs.

Chart 1: MAS Core and CPI-All Items Inflation

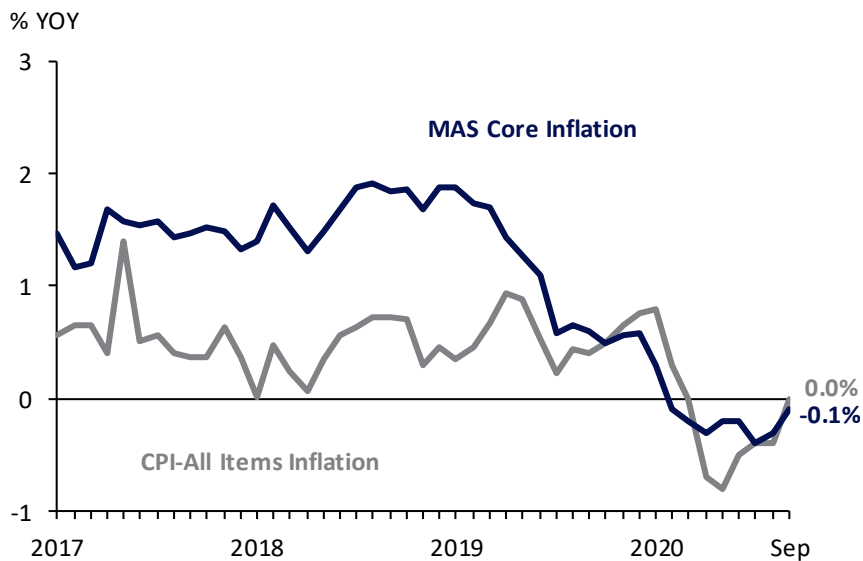
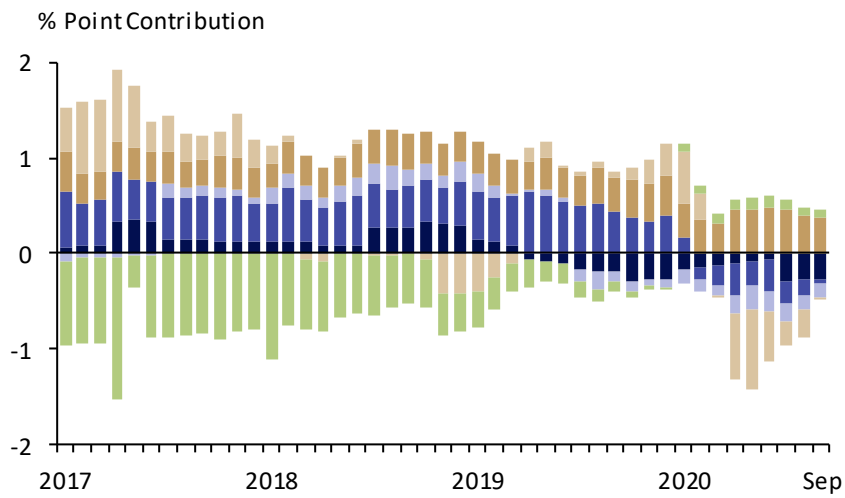


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation

■ Electricity, LPG & Gas ■ Services ■ Retail & Other Goods
■ Food ■ Private Transport ■ Accommodation

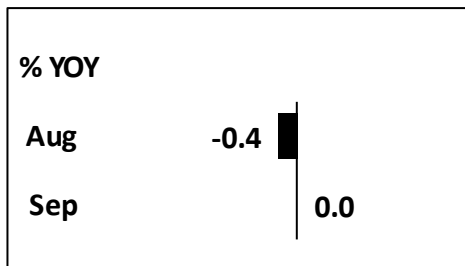


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

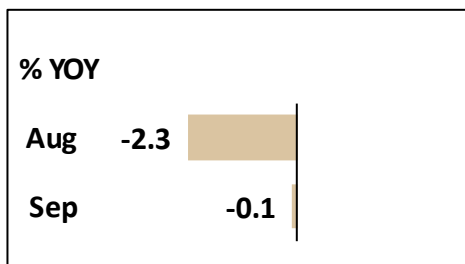
CPI-All Items inflation was 0% y-o-y in September

CPI-All Items



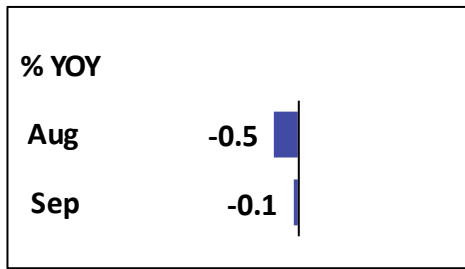
CPI-All Items inflation rose from -0.4% in August to 0% in September as the costs of services, electricity & gas and private transport fell at a more gradual pace.

Private Transport



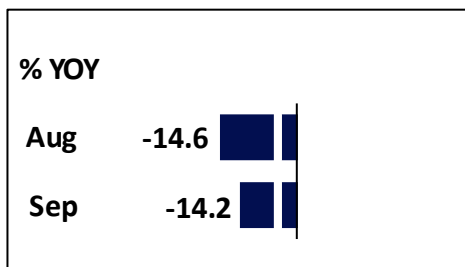
Private transport costs registered a much smaller decline on the back of a larger increase in car prices.

Services



Services costs fell more modestly due to a steeper increase in telecommunication services fees, as well as a smaller drop in tuition & other fees.

Electricity & Gas



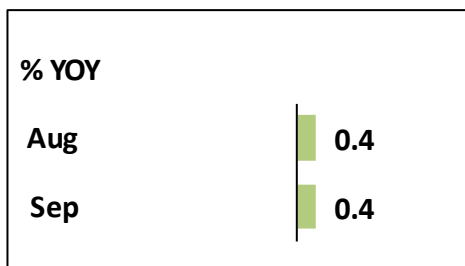
The cost of electricity & gas declined at a slightly slower rate as the take-up of new subscriptions under the Open Electricity Market (OEM) slowed.¹

Retail & Other Goods



The price of retail & other goods fell at the same rate as in August, as a larger decline in the price of clothing & footwear and a drop in the cost of telecommunication equipment were broadly offset by a larger increase in the cost of household durables and a smaller decline in the price of personal care products.

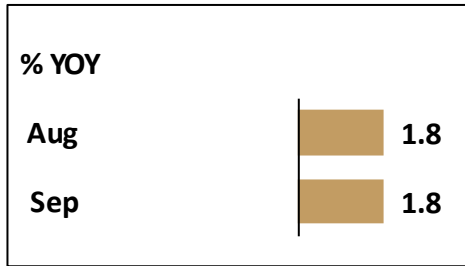
Accommodation



Accommodation inflation was unchanged as housing rents saw a similar pace of increase as in August.

¹ 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 on a y-o-y basis, the dampening effect of the OEM on electricity prices also declines.

Food



Food inflation was unchanged as the prices of non-cooked food and food services rose at a similar pace as in August.

Outlook

In the quarters ahead, external inflation is likely to remain low amid weak demand conditions in key commodity markets and the persistence of negative output gaps in Singapore's major trading partners. On the domestic front, cost pressures are expected to stay subdued. The accumulated slack in the labour market will weigh on wages. Nevertheless, core inflation is forecast to turn mildly positive in 2021, as the disinflationary effects of government subsidies introduced this year fade and demand for some domestic services gradually picks up.

Meanwhile, accommodation costs are expected to fall, due in part to the decline in foreign employment. On the other hand, private transport costs should rise modestly amid an anticipated reduction in the supply of COEs.

All in, both MAS Core Inflation and CPI-All Items inflation are forecast to come in between -0.5 and 0% in 2020. In 2021, MAS Core Inflation is expected to average 0–1%, while CPI-All Items inflation is projected to be between -0.5 and 0.5%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 October 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 September 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/-](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
Weights	10,000	6,582	7,803	8,250	2,110	3,173	1,111	188	1,221	2,197
2019 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
Feb	100.279	100.142	100.083	100.273	101.259	99.715	99.660	97.648	99.768	100.974
Mar	99.933	99.865	99.621	99.837	101.225	99.160	99.710	97.399	98.305	101.042
Apr	99.012	99.766	99.208	98.711	101.803	99.076	98.805	94.223	96.200	98.315
May	99.480	99.703	99.024	99.275	101.995	99.065	98.182	93.740	95.363	101.099
Jun	99.500	99.720	99.050	99.299	102.176	99.058	97.976	93.617	95.441	101.097
Jul	99.178	99.505	99.148	98.911	102.111	99.179	97.869	85.429	97.221	99.286
Aug	99.807	99.654	99.450	99.670	102.001	99.495	98.057	85.432	98.349	101.076
Sep	100.139	99.818	99.867	100.064	102.090	99.651	98.424	85.373	100.132	101.104

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>