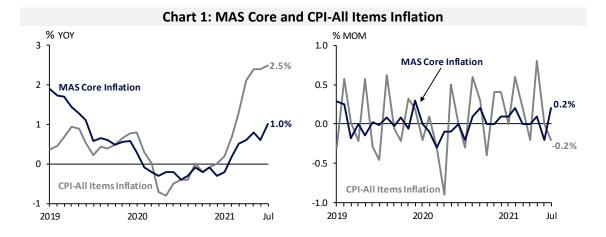




# **Consumer Price Developments in July 2021**

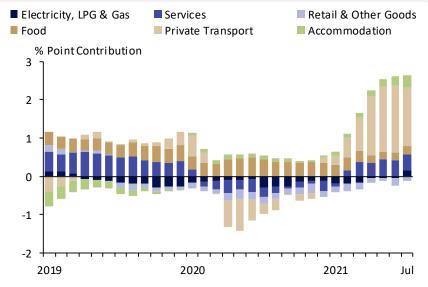
# **Summary**

- MAS Core Inflation increased to 1.0% on a year-on-year (y-o-y) basis in July, from
   0.6% in June.
  - o This was mainly driven by higher electricity & gas costs.
- CPI-All Items inflation edged up to **2.5%** y-o-y in July, from **2.4%** in June.
  - The slight increase was due to the pickup in core inflation as well as higher accommodation inflation.
- On a month-on-month basis, core CPI rose by 0.2% in July, while CPI-All Items fell by 0.2%.<sup>1</sup>



The month-on-month decline in CPI-All Items was mainly due to the sequential drop in accommodation costs as rebates for Service & Conservancy Charges (S&CC) were disbursed to households living in HDB flats in July, but not in June.

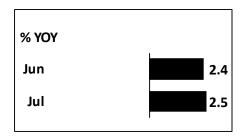
Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation



<sup>\*</sup> Private transport and accommodation are excluded from the MAS Core Inflation measure. Source: MAS, MTI estimates

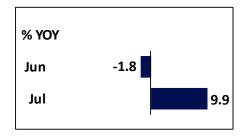
# CPI-All Items inflation rose to 2.5% y-o-y in July.

#### **CPI-All Items**



CPI-All Items inflation edged up, on account of the increase in electricity & gas costs, higher accommodation and food inflation, as well as the smaller decline in the cost of retail & other goods.

# **Electricity & Gas**



Electricity & gas costs rose, due to the increase in electricity and gas tariffs on the back of the hike in global oil prices from a low base last year.<sup>2</sup>

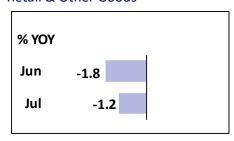
Due to higher energy import costs, the electricity tariff for households (inclusive of GST) was raised to 25.02 cents per kilowatt hour (kWh) for Q3 2021, from 24.13 cents per kWh in the preceding quarter. Similarly, the gas tariff for households (inclusive of GST) was revised upwards to 19.76 cents per kWh from 19.33 cents per kWh over the same period. On a y-o-y basis, the electricity tariff rose by 19.3% in July, while the gas tariff increased by 12.9%. The large y-o-y increases in electricity and gas tariffs were partly due to the low base in Q3 last year when energy tariffs had fallen sharply following the collapse in global oil prices.

#### Accommodation



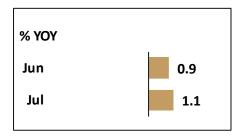
Accommodation inflation picked up, driven by the larger increase in housing rents.

# **Retail & Other Goods**



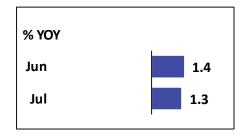
The cost of retail & other goods fell at a slower pace, mainly due to the smaller decline in the price of clothing & footwear.

# Food



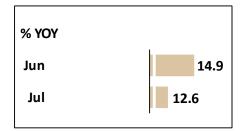
Food inflation rose on the back of higher noncooked food inflation.

#### Services



Services inflation edged down, largely on account of the decline in telecommunication services fees.

# **Private Transport**



Private transport inflation fell, primarily driven by the smaller increase in car prices.

#### Outlook

External inflation has remained elevated amid the passthrough of higher oil prices and cost of intermediate goods to final consumer prices. These upward pressures on global inflation should ease over the course of the year. Crude oil prices have moderated recently alongside higher oil production. The supply-demand mismatches in some goods markets, as well as bottlenecks in global transportation, are mainly transitory and should ease with the gradual normalisation of production. At the same time, continued negative output gaps in some of Singapore's key trading partners should help to moderate Singapore's overall import price inflation.

On the domestic front, lingering uncertainty as Singapore transits to a virus-endemic state could weigh on consumer sentiment and hence dampen domestic price increases in the near term. Wage increases should continue to be restrained as the slack in the labour market, while diminishing, will take time to be fully absorbed. Meanwhile, commercial rents are projected to stay low, capping overall business cost pressures. In comparison, private transport and accommodation costs should remain resilient on the back of firm demand for cars and rental accommodation.

MAS Core Inflation is projected to increase gradually in the coming quarters, while CPI-All Items inflation should ease in the latter part of the year as base effects fade. For 2021 as a whole, MAS Core Inflation is expected to average 0–1%, while CPI-All Items inflation is forecast to come in between 1–2%.

MONETARY AUTHORITY OF SINGAPORE
MINISTRY OF TRADE AND INDUSTRY
23 August 2021

# **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 July 2021". 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.sq/-

/media/MAS/resource/publications/staff\_papers/StaffPaperNo51.pdf

Table A.1

Consumer Price Index of Key Categories
Index (2019=100)

**MAS Core Electricity All Items CPI Less CPI Less** Food **Services** Retail & **Private** Accommo **Accommo** OOA Other & Gas **Transport** dation dation Goods 7,803 8,250 188 Weights 10,000 6,582 2,110 3,173 1,111 1,221 2,197 85.429 99.178 99.505 99.148 98.911 102.111 99.179 97.869 97.221 99.286 2020 Jul 99.807 99.654 99.450 99.670 102.001 99.495 98.057 85.432 98.349 101.076 Aug 99.818 99.867 100.064 102.090 85.373 100.139 99.651 98.424 100.132 101.104 Sep 99.711 99.839 99.853 99.535 102.101 99.518 98.184 89.662 99.926 99.207 Oct 99.843 99.998 102.226 Nov 100.105 99.873 99.606 97.863 89.855 99.679 101.037 Dec 100.469 99.977 100.286 100.418 102.253 99.743 98.070 89.686 101.949 101.119 100.440 100.121 100.611 100.354 102.579 99.966 97.934 88.085 103.249 99.834 2021 Jan Feb 101.015 100.321 100.891 101.034 102.900 100.212 97.804 88.085 103.959 101.457 101.239 100.357 101.138 101.271 102.657 100.319 98.190 87.984 105.350 101.597 Mar 101.070 100.368 101.651 101.021 102.776 100.175 97.756 92.006 108.567 99.007 Apr 101.883 100.508 101.861 101.962 103.026 100.435 97.372 92.002 109.159 101.960 May 101.870 100.314 101.777 101.889 103.104 100.407 96.176 91.921 109.661 102.201 Jun Jul 100.542 101.940 101.577 103.246 100.476 96.723 93.865 109.477 100.721 101.672

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