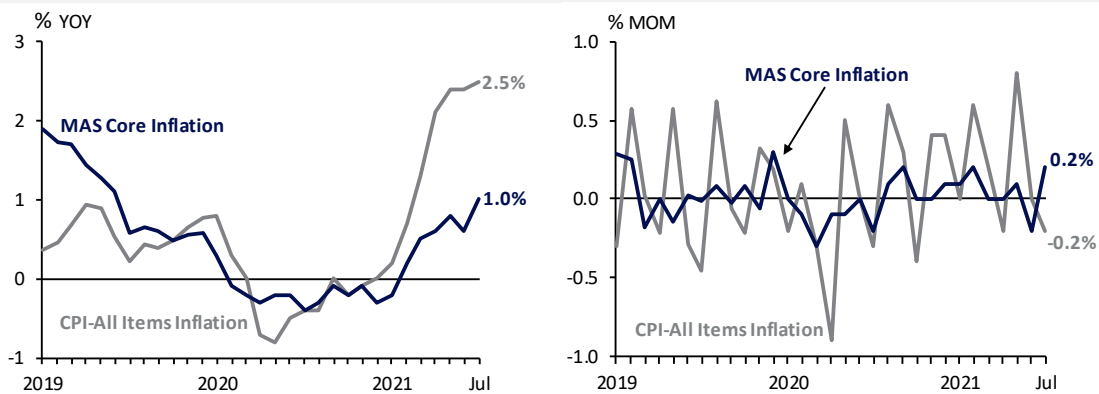


Consumer Price Developments in July 2021

Summary

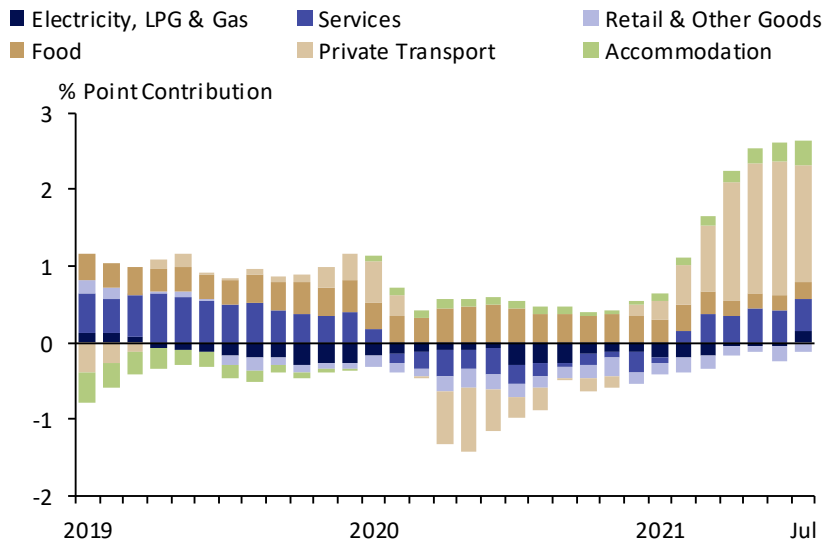
- MAS Core Inflation increased to **1.0%** on a year-on-year (y-o-y) basis in July, from **0.6%** in June.
 - This was mainly driven by higher electricity & gas costs.
- CPI-All Items inflation edged up to **2.5%** y-o-y in July, from **2.4%** in June.
 - The slight increase was due to the pickup in 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%.¹

Chart 1: MAS Core and CPI-All Items Inflation



¹ 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

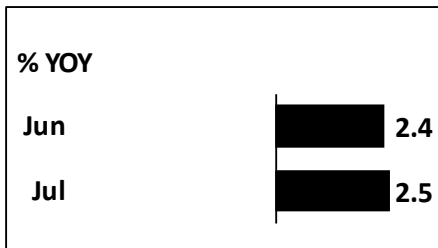


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

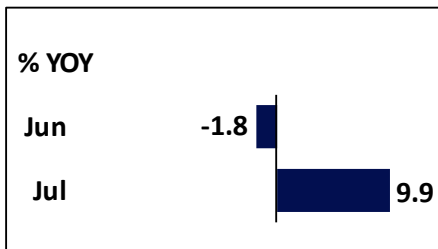
CPI-All Items inflation rose to 2.5% y-o-y in July.

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.

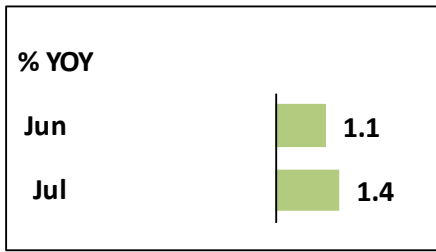
Electricity & Gas



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.²

² 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



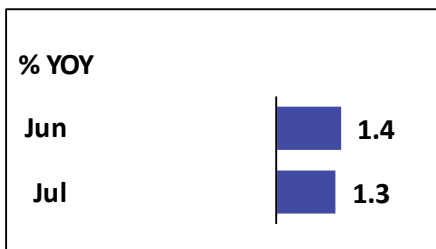
The cost of retail & other goods fell at a slower pace, mainly due to the smaller decline in the price of clothing & footwear.

Food



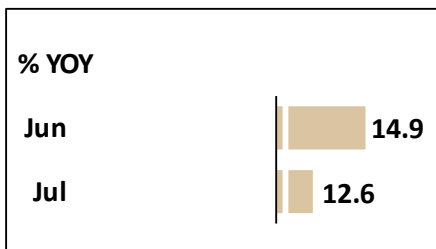
Food inflation rose on the back of higher non-cooked food inflation.

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.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
2020 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
Oct	99.711	99.839	99.853	99.535	102.101	99.518	98.184	89.662	99.926	99.207
Nov	100.105	99.873	99.843	99.998	102.226	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
2021 Jan	100.440	100.121	100.611	100.354	102.579	99.966	97.934	88.085	103.249	99.834
Feb	101.015	100.321	100.891	101.034	102.900	100.212	97.804	88.085	103.959	101.457
Mar	101.239	100.357	101.138	101.271	102.657	100.319	98.190	87.984	105.350	101.597
Apr	101.070	100.368	101.651	101.021	102.776	100.175	97.756	92.006	108.567	99.007
May	101.883	100.508	101.861	101.962	103.026	100.435	97.372	92.002	109.159	101.960
Jun	101.870	100.314	101.777	101.889	103.104	100.407	96.176	91.921	109.661	102.201
Jul	101.672	100.542	101.940	101.577	103.246	100.476	96.723	93.865	109.477	100.721

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>