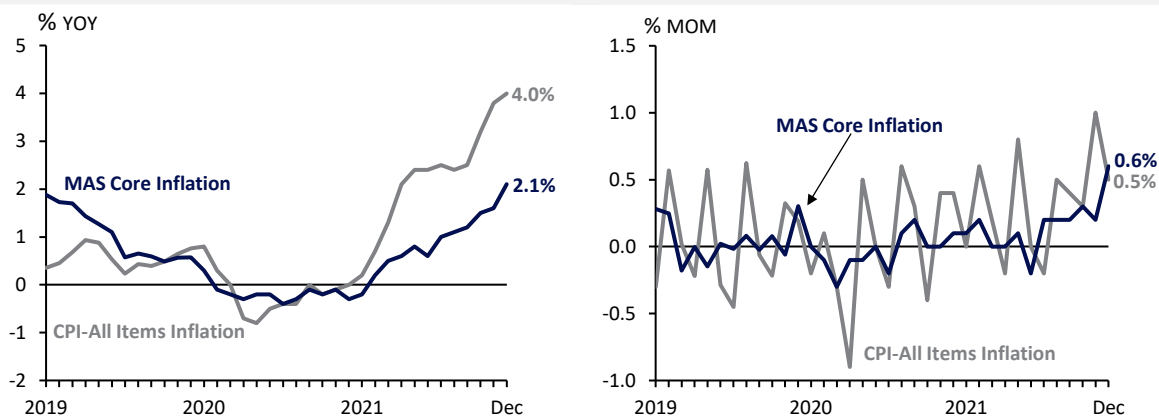


## Consumer Price Developments in December 2021

### Summary

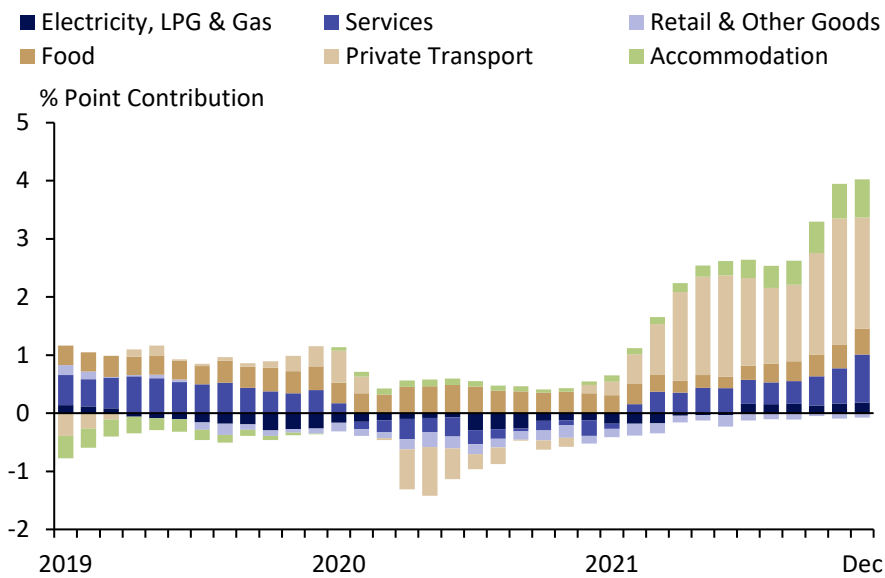
- MAS Core Inflation picked up to **2.1%** on a year-on-year (y-o-y) basis in December, from **1.6%** in November.
  - This was driven by an increase in services inflation, mainly due to a steeper increase in airfares which reflected the higher costs of travel on Vaccinated Travel Lanes (VTLs).<sup>1</sup>
- CPI-All Items inflation rose to **4.0%** y-o-y in December, from **3.8%** in November.
  - This mainly reflected the pickup in core inflation and higher accommodation inflation.
- On a month-on-month (m-o-m) basis, CPI-All Items increased by **0.5%** while core CPI rose by **0.6%** in December.
- For 2021 as a whole, MAS Core Inflation came in at **0.9%**, up from **-0.2%** in 2020. CPI-All Items inflation rose to **2.3%**, from **-0.2%**.

**Chart 1: MAS Core and CPI-All Items Inflation**



<sup>1</sup> See details below.

**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

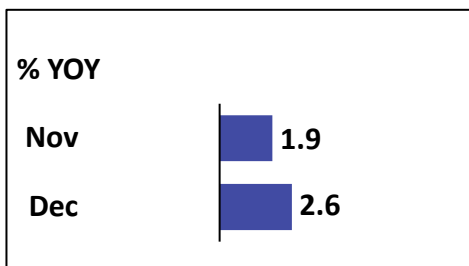
**CPI-All Items inflation rose to 4.0% y-o-y in December.**

CPI-All Items



CPI-All Items inflation edged up, largely due to higher services and accommodation inflation.

Services

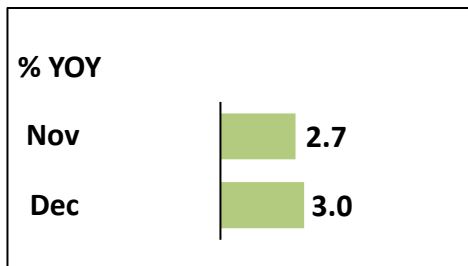


Services inflation rose, driven primarily by a steeper increase in airfares. With the introduction of more VTL flights, actual airfares are progressively incorporated into the CPI, compared to the previous approach of imputing them using the overall change in non-imputed CPI-All Items when there were no flights due to COVID-19.<sup>2</sup> The steeper increase in airfares in

<sup>2</sup> Nonetheless, as overseas travel was still limited, the airfares CPI for December remained largely imputed. For more details, please refer to the Technical Note in the Department of Statistics’ release titled “Singapore Consumer Price Index for December 2021 and Full Year 2021”.

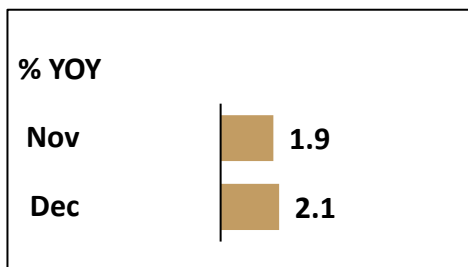
December reflected both higher base fares as well as the additional costs of mandatory COVID-19 tests for the newly-introduced VTL flights. Apart from airfares, point-to-point transport services costs, and tuition & other fees also rose at a faster pace.

#### Accommodation



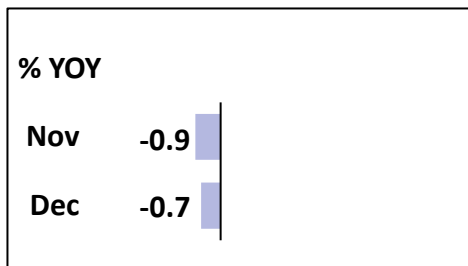
Accommodation inflation picked up as housing rents increased more rapidly.

#### Food



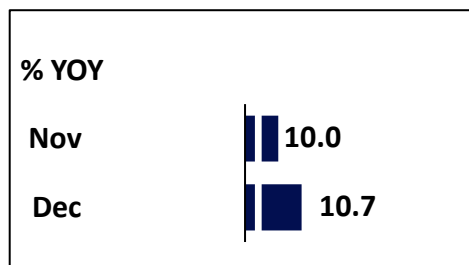
Food inflation edged up as non-cooked food inflation rose, while the inflation of prepared meals remained unchanged.

#### Retail & Other Goods



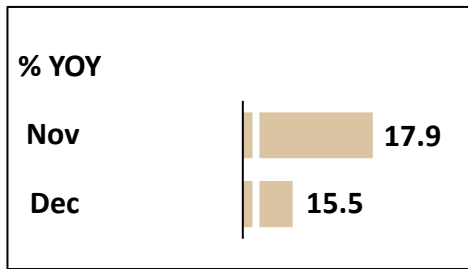
The cost of retail & other goods fell at a slower pace on account of smaller price declines for telecommunication equipment and clothing & footwear, as well as larger price increases for personal effects.

#### Electricity & Gas



Electricity & gas inflation increased due to a steeper rise in average electricity prices paid by households.

### Private Transport



Private transport inflation fell as the pace of increase in car prices and petrol costs eased.

## Outlook

Global inflation remains elevated and this is likely to persist for some time before easing gradually towards the end of the year. Notably, crude oil prices are currently supported by tight supply conditions, as well as firm demand. The supply-demand mismatch in various commodities and goods markets, as well as bottlenecks in global transportation, are likely to continue in the near term. As the global economic recovery progresses, underlying inflation in Singapore's major trading partners is also projected to increase.

On the domestic front, the labour market recovery is expected to become more entrenched with the easing of COVID-19 restrictions and a pickup in economic activity. Wages have increased and are anticipated to continue to rise at a steady pace as slack in the labour market dissipates. As the domestic COVID-19 situation stabilises, consumer demand should strengthen, with the possibility of a greater pass-through of accumulating business costs to consumer prices.

Recent CPI data saw an upside surprise in airfares. The progressive establishment of VTLs has allowed the inclusion of some airfares in the CPI and these have come in higher mainly due to mandatory COVID-related testing in the VTL countries and Singapore. There remains significant uncertainty surrounding the outlook for inflation in the near term, including from the costs of air travel and commodity prices such as for food and oil. Given the recent stronger-than-projected inflation outturns, including the sharp uptick in airfares, MAS and MTI are reviewing the current forecast ranges for CPI-All Items inflation and MAS Core Inflation in 2022.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

24 January 2022

## **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 December 2021 and Full Year 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/-](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>2020 Dec</b>	100.469	99.977	100.286	100.418	102.253	99.743	98.070	89.686	101.949	101.119
<b>2021 Jan</b>	100.440	100.121	100.611	100.354	102.579	99.966	97.934	88.085	103.249	99.834
<b>Feb</b>	101.015	100.321	100.891	101.034	102.900	100.212	97.804	88.085	103.959	101.457
<b>Mar</b>	101.239	100.357	101.138	101.271	102.657	100.319	98.190	87.984	105.350	101.597
<b>Apr</b>	101.070	100.368	101.651	101.021	102.776	100.175	97.756	92.006	108.567	99.007
<b>May</b>	101.883	100.508	101.861	101.962	103.026	100.435	97.372	92.002	109.159	101.960
<b>Jun</b>	101.870	100.314	101.777	101.889	103.104	100.407	96.176	91.921	109.661	102.201
<b>Jul</b>	101.672	100.542	101.940	101.577	103.246	100.476	96.723	93.865	109.477	100.721
<b>Aug</b>	102.231	100.784	102.071	102.190	103.509	100.674	97.113	93.726	109.006	102.801
<b>Sep</b>	102.657	101.012	102.566	102.663	103.725	100.886	97.433	93.844	110.944	102.979
<b>Oct</b>	102.950	101.296	103.310	102.927	103.874	101.102	97.745	96.638	114.168	101.670
<b>Nov</b>	103.959	101.516	104.021	104.079	104.147	101.505	97.011	98.834	117.520	103.740
<b>Dec</b>	104.439	102.084	104.529	104.569	104.373	102.368	97.392	99.326	117.712	104.119

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>



**Table A.2**  
**YOY Inflation for Key CPI Categories**

	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>2020 Dec</b>	0.0	-0.3	0.0	-0.1	1.6	-0.8	-1.2	-6.7	1.2	0.3
<b>2021 Jan</b>	0.2	-0.2	0.2	0.2	1.5	-0.3	-1.3	-9.7	1.9	0.5
<b>Feb</b>	0.7	0.2	0.8	0.8	1.6	0.5	-1.9	-9.8	4.2	0.5
<b>Mar</b>	1.3	0.5	1.5	1.4	1.4	1.2	-1.5	-9.7	7.2	0.5
<b>Apr</b>	2.1	0.6	2.5	2.3	1.0	1.1	-1.1	-2.4	12.9	0.7
<b>May</b>	2.4	0.8	2.9	2.7	1.0	1.4	-0.8	-1.9	14.5	0.9
<b>Jun</b>	2.4	0.6	2.8	2.6	0.9	1.4	-1.8	-1.8	14.9	1.1
<b>Jul</b>	2.5	1.0	2.8	2.7	1.1	1.3	-1.2	9.9	12.6	1.4
<b>Aug</b>	2.4	1.1	2.6	2.5	1.5	1.2	-1.0	9.7	10.8	1.7
<b>Sep</b>	2.5	1.2	2.7	2.6	1.6	1.2	-1.0	9.9	10.8	1.9
<b>Oct</b>	3.2	1.5	3.5	3.4	1.7	1.6	-0.4	7.8	14.3	2.5
<b>Nov</b>	3.8	1.6	4.2	4.1	1.9	1.9	-0.9	10.0	17.9	2.7
<b>Dec</b>	4.0	2.1	4.2	4.1	2.1	2.6	-0.7	10.7	15.5	3.0