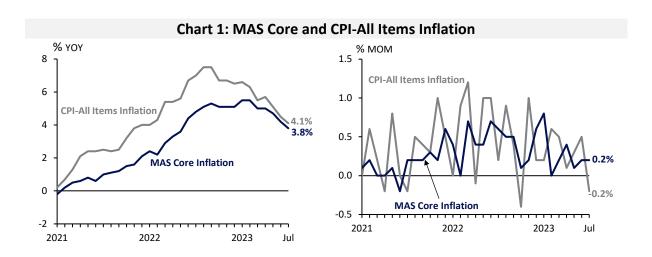




Consumer Price Developments in July 2023

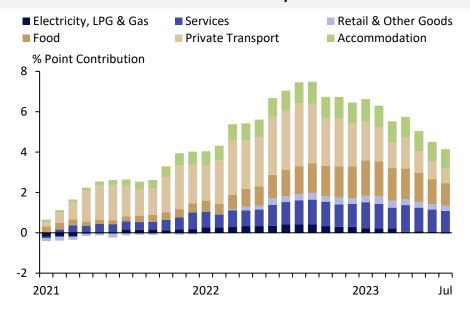
Summary

- MAS Core Inflation fell to **3.8**% on a year-on-year (y-o-y) basis in July, from **4.2**% in lune.
 - The decline was mainly due to a smaller increase in food prices and a fall in electricity & gas costs.
- CPI-All Items inflation eased to **4.1%** y-o-y in July, from **4.5%** in June.
 - This reflected lower private transport inflation, in addition to the decline in core inflation.
- On a month-on-month (m-o-m) basis, core CPI rose by 0.2% in July, largely due to an increase in the costs of services and food. Meanwhile, CPI-All Items decreased by 0.2% over the same period on account of lower accommodation¹ and private transport costs.



The m-o-m decline in accommodation costs was primarily due to the disbursement of rebates for Service & Conservancy Charges to households living in HDB flats in July.

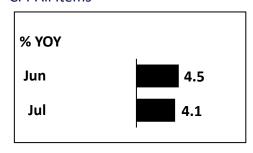
Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation



^{*} Private transport and accommodation are excluded from the MAS Core Inflation measure. Source: MAS, MTI estimates

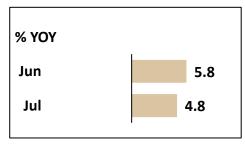
CPI-All Items inflation eased to 4.1% y-o-y in July.

CPI-All Items



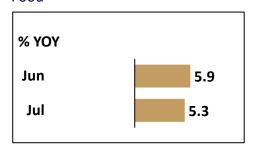
CPI-All Items inflation fell, mainly on account of lower inflation for private transport and food, as well as a decline in the cost of electricity & gas.

Private Transport



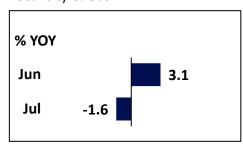
Private transport inflation declined as car prices rose more slowly.

Food



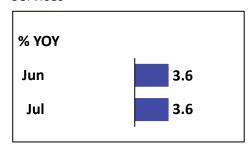
Food inflation eased as the pace of increase in the prices of prepared meals and non-cooked food moderated.

Electricity & Gas



Electricity & gas costs fell due to lower electricity and gas tariffs compared to a year ago.²

Services



Services inflation was broadly unchanged as a smaller increase in the cost of outpatient services and a decline in airfares were offset by a larger increase in holiday expenses.

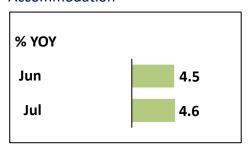
Retail



Retail & other goods inflation edged down on the back of a smaller increase in the prices of clothing & footwear.

The regulated electricity tariff for households (inclusive of GST) fell at a steeper pace of 7.2% y-o-y in Q3, compared to the 0.9% decline in Q2. At the same time, the gas tariff for households (inclusive of GST) dropped by 4.2% y-o-y in Q3, a reversal from the 1.0% increase in Q2.

Accommodation



Accommodation inflation inched up due to an increase in Service & Conservancy Charges (S&CC) from a year ago.³

On 1 June 2023, it was announced that 15 town councils would raise their S&CC over two years, on 1 July 2023 and 1 July 2024. Eligible households would continue to receive their usual S&CC rebates.

Outlook

Global supply chain frictions have largely eased, and energy and food commodity prices

remain below year-ago levels. Consumer price inflation in Singapore's major trading partners

has also been on an easing trend. As a result, the prices of Singapore's imported goods have

continued to decline in year-on-year terms.

On the domestic front, unit labour costs are expected to rise further in the near term, though

at a slower pace. At the same time, businesses are likely to continue passing through higher

labour costs to consumer prices, albeit more gradually amid the slowdown in domestic

economic activity.

Taking into account all factors, MAS Core Inflation is expected to moderate further over the

next few months as imported costs stay low compared to year-ago levels and the current

tightness in the domestic labour market eases.

Meanwhile, with the increase in COE quota and ramp-up in the supply of housing units

available for rental, private transport and accommodation inflation are expected to moderate

over the course of the year.

For 2023 as a whole, headline and core inflation are projected to average 4.5-5.5% and

3.5–4.5%, respectively. Excluding the transitory effects of the 1%-point increase in the GST to

8%, headline and core inflation are expected to come in at 3.5-4.5% and 2.5-3.5%,

respectively. Upside risks remain, including from fresh shocks to global food commodity prices

and more persistent-than-expected tightness in the domestic labour market. At the same

time, there are also downside risks such as a sharper-than-projected slowdown in the global

economy which could induce a general easing of inflationary pressures.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 August 2023

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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 2023". This release also contains further information on the various price indicators published.

https://www.singstat.gov.sq/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)

All Items MAS Core CPI Less CPI Less Food **Services** Retail & **Electricity Private** Accommo **Accommo** OOA Other & Gas dation **Transport** dation Goods Weights 10,000 6,582 7,803 8,250 2,110 3,173 1,111 188 1,221 2,197 109.819 109.205 109.535 2022 Jul 108.836 105.370 104.033 99.414 116.394 133.799 105.345 109.863 105.891 110.488 110.329 110.164 104.544 99.899 107.644 Aug 116.090 135.265 Sep 110.339 106.387 110.976 110.804 110.889 104.872 100.495 116.254 135.717 108.075 109.893 110.791 111.255 Oct 106.496 110.170 105.007 100.265 115.020 133.947 106.702 110.959 106.719 111.575 111.393 111.759 105.128 100.221 137.755 108.770 Nov 115.380 111.186 107.316 111.790 111.609 112.182 106.111 100.103 115.666 135.911 109.040 Dec 108.195 112.313 111.733 113.743 106.669 2023 Jan 111.397 100.861 115.037 134.513 108.142 108.173 112.622 113.818 109.876 Feb 112.019 112.444 106.270 101.676 115.321 136.608 113.233 112.583 108.441 113.035 114.243 106.424 101.858 116.237 139.066 110.274 Mar 108.856 114.019 113.058 114.636 107.085 112.669 102.214 113.105 141.854 107.873 Apr 108.957 113.422 113.615 115.061 107.072 138.723 110.971 May 113.034 101.918 113.890 113.576 109.163 114.219 114.002 115.101 107.513 101.811 113.784 141.475 111.293 Jun 113.309 109.383 114.202 113.562 115.293 107.744 101.976 140.174 Jul 114.494 110.139

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 Accommo dation	CPI Less OOA	Food	Services	Retail & Other Goods	Electricity & Gas	Private Transport	Accommo dation
Weights	10,000	6,582	7,803	8,250	2,110	3,173	1,111	188	1,221	2,197
2022 Jul	7.0	4.8	7.7	7.5	6.1	3.5	2.8	24.0	22.2	4.6
Aug	7.5	5.1	8.2	8.0	6.4	3.8	2.9	23.9	24.1	4.7
Sep	7.5	5.3	8.2	7.9	6.9	4.0	3.1	23.9	22.3	4.9
Oct	6.7	5.1	7.2	7.0	7.1	3.9	2.6	19.0	17.3	4.9
Nov	6.7	5.1	7.3	7.0	7.3	3.6	3.3	16.7	17.2	4.8
Dec	6.5	5.1	6.9	6.7	7.5	3.7	2.8	16.5	15.5	4.7
2023 Jan	6.6	5.5	7.1	6.9	8.1	4.2	3.3	11.5	14.3	5.0
Feb	6.3	5.5	6.7	6.5	8.1	3.9	3.8	12.1	12.1	4.9
Mar	5.5	5.0	5.7	5.6	7.7	3.4	3.3	12.2	8.6	4.8
Apr	5.7	5.0	6.0	5.9	7.1	4.3	2.9	2.7	10.4	4.9
May	5.1	4.7	5.2	5.1	6.8	3.9	2.8	3.3	7.2	4.7
Jun	4.5	4.2	4.5	4.5	5.9	3.6	2.7	3.1	5.8	4.5
Jul	4.1	3.8	4.0	4.0	5.3	3.6	2.6	-1.6	4.8	4.6