Consumer Price Developments in June 2020

Summary

- MAS Core Inflation came in at -0.2% on a year-on-year (y-o-y) basis in June, unchanged from May.
  - This occurred as a steeper drop in the cost of services was offset by higher food inflation, as well as smaller declines in the costs of retail & other goods and electricity & gas.
- Meanwhile, CPI-All Items inflation was -0.5% y-o-y in June, compared to -0.8% in the previous month.
  - This mainly reflected a smaller decline in private transport costs.

Chart 1: MAS Core and CPI-All Items Inflation
CPI-All Items inflation was -0.5% y-o-y in June

CPI-All Items

<table>
<thead>
<tr>
<th>% YOY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>-0.8</td>
</tr>
<tr>
<td>Jun</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

CPI-All Items declined at a more moderate pace in June, on account of a smaller drop in private transport costs.

Private Transport

<table>
<thead>
<tr>
<th>% YOY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>-6.8</td>
</tr>
<tr>
<td>Jun</td>
<td>-4.4</td>
</tr>
</tbody>
</table>

Private transport costs fell at a slower pace due to smaller declines in car and petrol prices.
Retail & Other Goods

The cost of retail & other goods recorded a smaller decline as prices of clothing & footwear and telecommunications equipment fell at a more gradual pace.

Food

Food inflation edged up due to a larger increase in the prices of non-cooked food items.

Electricity & Gas

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

Accommodation

Accommodation inflation was unchanged as housing rents increased at a steady pace.

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\(^1\) 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, the dampening effect of the OEM on electricity prices declines.
Services costs fell more sharply due to larger declines in holiday expenses and airfares.\(^2\)

\[\begin{array}{|c|c|}
\hline
\text{Month} & \% \text{YOY} \\
\hline
\text{May} & -0.8 \\
\text{Jun} & -1.0 \\
\hline
\end{array}\]
**Outlook**

In the quarters ahead, external sources of inflation are likely to remain benign amid weak global demand conditions. Oil prices should stay low for an extended period and will weigh on the prices of energy-related components in the CPI basket. At the same time, supply chain disruptions associated with international measures to contain the COVID-19 outbreak could continue to put some upward pressure on imported food prices.

Domestically, subdued economic sentiment and weak labour market conditions will dampen consumer demand, thereby capping price increases for discretionary goods and services. Cost pressures are likely to remain low as some degree of spare capacity in the economy emerges.

Inflation is thus expected to remain subdued. Both MAS Core Inflation and CPI-All Items inflation are forecast to average between -1% and 0% in 2020.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 July 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 June 2020”. This release also contains further information on the various price indicators published.*


MAS Core Inflation

*A detailed review of MAS Core Inflation can be found in “A Review of the Core Inflation Measure for Singapore”.*

Table A.1
Consumer Price Index of Key Categories
Index (2019=100)

<table>
<thead>
<tr>
<th></th>
<th>All Items</th>
<th>MAS Core</th>
<th>CPI Less Accommodation</th>
<th>CPI Less OOA</th>
<th>Food</th>
<th>Services</th>
<th>Retail &amp; Other Goods</th>
<th>Electricity &amp; Gas</th>
<th>Private Transport</th>
<th>Accommodation</th>
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</thead>
<tbody>
<tr>
<td>Weights</td>
<td>10,000</td>
<td>6,582</td>
<td>7,803</td>
<td>8,250</td>
<td>2,110</td>
<td>3,173</td>
<td>1,111</td>
<td>188</td>
<td>1,221</td>
<td>2,197</td>
</tr>
<tr>
<td></td>
<td>100.209</td>
<td>99.961</td>
<td>100.079</td>
<td>100.252</td>
<td>100.163</td>
<td>100.021</td>
<td>99.386</td>
<td>100.044</td>
<td>100.715</td>
<td>100.672</td>
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<tr>
<td></td>
<td>100.147</td>
<td>99.936</td>
<td>99.988</td>
<td>100.170</td>
<td>100.297</td>
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<td></td>
<td>99.930</td>
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<td>100.031</td>
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<td></td>
<td>100.254</td>
<td>99.952</td>
<td>100.107</td>
<td>100.285</td>
<td>100.459</td>
<td>99.854</td>
<td>99.872</td>
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<td>100.944</td>
<td>100.775</td>
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<tr>
<td></td>
<td>100.445</td>
<td>100.253</td>
<td>100.333</td>
<td>100.504</td>
<td>100.615</td>
<td>100.591</td>
<td>99.291</td>
<td>96.167</td>
<td>100.765</td>
<td>100.842</td>
</tr>
<tr>
<td>2020 Jan</td>
<td>100.204</td>
<td>100.276</td>
<td>100.446</td>
<td>100.199</td>
<td>101.101</td>
<td>100.259</td>
<td>99.214</td>
<td>97.595</td>
<td>101.359</td>
<td>99.346</td>
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<tr>
<td></td>
<td>100.279</td>
<td>100.142</td>
<td>100.083</td>
<td>100.273</td>
<td>101.259</td>
<td>99.715</td>
<td>99.660</td>
<td>97.648</td>
<td>99.768</td>
<td>100.974</td>
</tr>
</tbody>
</table>

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](https://www.mas.gov.sg/statistics)