

Consumer Price Developments in December 2020

Summary

- MAS Core Inflation fell to **-0.3%** on a year-on-year (y-o-y) basis in December, from **-0.1%** in November.
 - The fall in MAS Core Inflation was mainly driven by a larger decline in services costs as well as lower food inflation.
- CPI-All Items inflation came in at **0%** in December, up from **-0.1%** in November.
 - The increase in CPI-All Items inflation was primarily due to a rise in private transport costs.
- For 2020 as a whole, both MAS Core Inflation and CPI-All Items inflation came in at **-0.2%**, lower than their respective outturns of **1.0%** and **0.6%** in 2019.

Chart 1: MAS Core and CPI-All Items Inflation

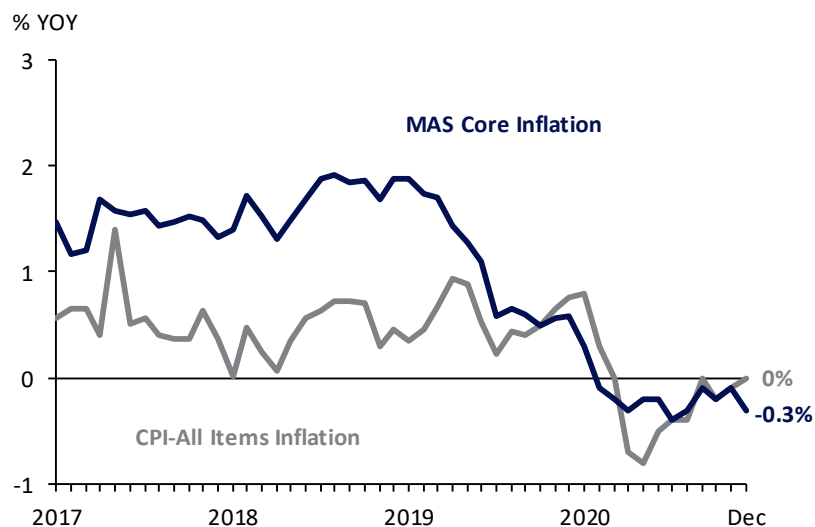
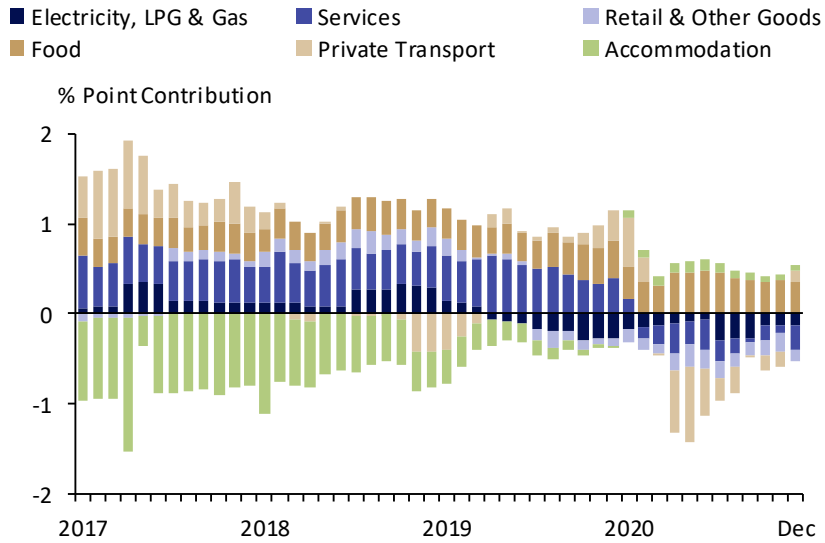


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation

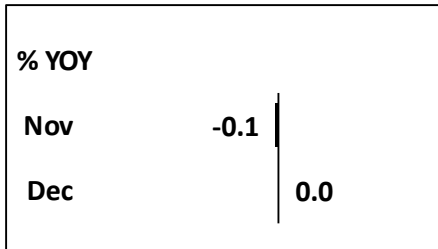


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

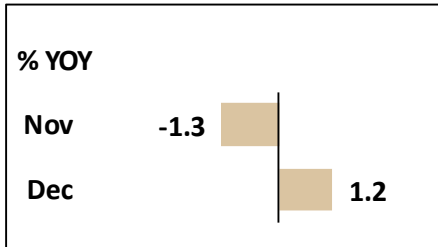
CPI-All Items inflation was 0% y-o-y in December.

CPI-All Items



CPI-All Items inflation edged up on account of higher private transport costs.

Private Transport



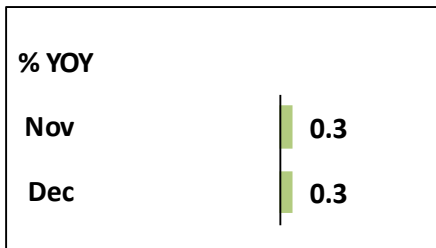
Private transport costs rose in December, primarily because of a sharper increase in car prices.

Retail & Other Goods



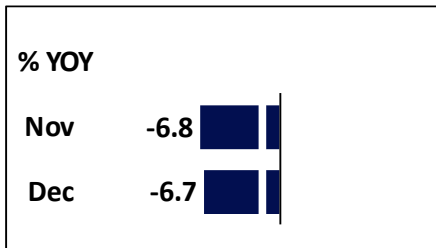
The cost of retail & other goods fell at a slower pace, due to smaller declines in the prices of clothing & footwear and personal care products, as well as an increase in the costs of recreational & cultural goods and telecommunication equipment.

Accommodation



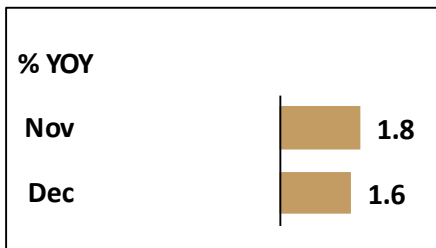
Accommodation inflation remained unchanged in December, as housing rents rose at a similar pace as that recorded in the previous month.

Electricity & Gas



The cost of electricity & gas declined at a slightly slower rate as the take-up of new subscriptions under the Open Electricity Market (OEM) eased.¹

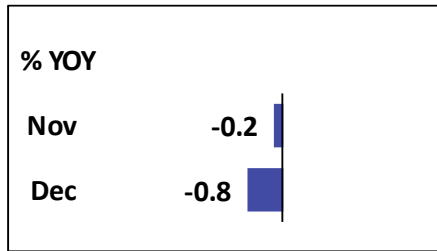
Food



Food inflation dipped on account of smaller increases in the prices of non-cooked food and restaurant meals.

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 on a y-o-y basis, the dampening effect of the OEM on electricity prices also declines.

Services



Services costs fell more sharply on the back of smaller increases in public transport fares and telecommunication services fees, as well as a steeper decline in tuition & other fees.²

² The sharper fall in services costs was also driven by larger declines in airfares and holiday expenses in December. However, airfares (together with most of the components in the holiday expenses CPI) were imputed using the overall change in CPI-All Items as they have not been available since April 2020 due to international travel restrictions. For more details, please refer to the Technical Note in the Department of Statistics' release titled "Singapore Consumer Price Index for December 2020 and Full Year 2020".

Outlook

In the quarters ahead, external inflation is likely to pick up amid the expected recovery in global oil prices. However, the extent of the increase will be capped by persistent negative output gaps in Singapore's major trading partners. On the domestic front, cost pressures are expected to stay low, as wage growth and commercial rents are likely to remain subdued.

Core inflation is forecast to turn mildly positive this year, as the projected rise in oil prices from a year ago leads to a pickup in the oil-related components of the CPI and the disinflationary effects of government subsidies introduced in 2020 fade. Some components of domestic services inflation could also gradually increase, in tandem with the economic recovery.

Meanwhile, accommodation costs are expected to fall as the decline in foreign employment will continue to weigh on rentals. In comparison, private transport costs could rise modestly on the back of improving demand.

Both MAS Core Inflation and CPI-All Items inflation averaged -0.2% in 2020. For 2021, MAS Core Inflation is expected to average 0–1%, while CPI-All Items inflation is projected to be between -0.5 and 0.5%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

25 January 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 December 2020 and Full Year 2020". 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
2019 Dec	100.445	100.253	100.333	100.504	100.615	100.591	99.291	96.167	100.765	100.842
2020 Jan	100.204	100.276	100.446	100.199	101.101	100.259	99.214	97.595	101.359	99.346
Feb	100.279	100.142	100.083	100.273	101.259	99.715	99.660	97.648	99.768	100.974
Mar	99.933	99.865	99.621	99.837	101.225	99.160	99.710	97.399	98.305	101.042
Apr	99.012	99.766	99.208	98.711	101.803	99.076	98.805	94.223	96.200	98.315
May	99.480	99.703	99.024	99.275	101.995	99.065	98.182	93.740	95.363	101.099
Jun	99.500	99.720	99.050	99.299	102.176	99.058	97.976	93.617	95.441	101.097
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

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>