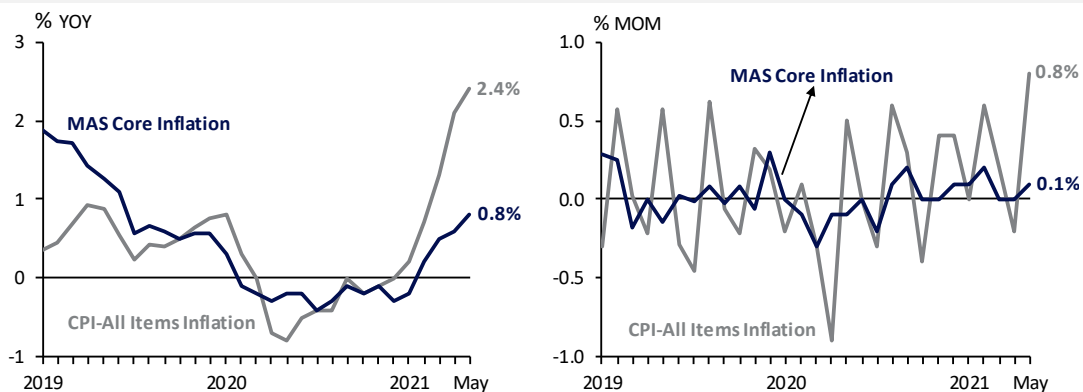


Consumer Price Developments in May 2021

Summary

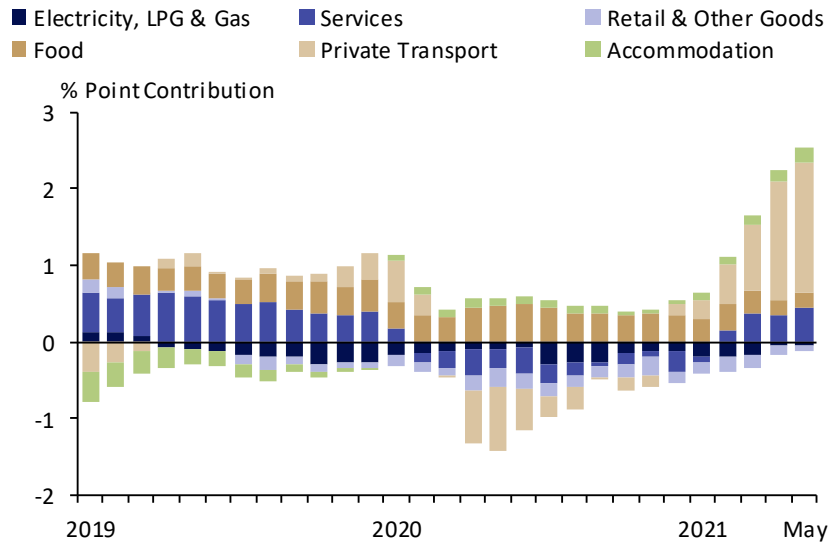
- MAS Core Inflation increased to **0.8%** on a year-on-year (y-o-y) basis in May, from **0.6%** in April.
 - This was mainly driven by higher services inflation and a smaller decline in the cost of retail & other goods.
- CPI-All Items inflation rose to **2.4%** y-o-y in May, from **2.1%** in April.
 - This was on account of higher private transport and accommodation inflation, as well as the increase in core inflation.
- The increase in core and headline y-o-y inflation was partly due to the low base in May last year when the Circuit Breaker measures were in place.
 - On a month-on-month basis, core CPI rose by 0.1% in May, while CPI-All Items increased by 0.8% on the back of a sequential increase in accommodation costs.¹

Chart 1: MAS Core and CPI-All Items Inflation



¹ The month-on-month increase in accommodation costs was largely due to rebates for Service & Conservancy Charges (S&CC) being disbursed to households living in HDB flats in April, but not in May.

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

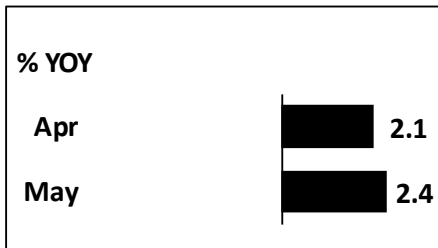


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

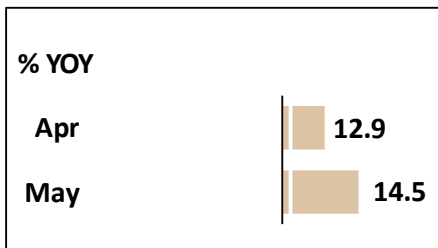
CPI-All Items inflation rose to 2.4% y-o-y in May.

CPI-All Items



The increase in CPI-All Items inflation was mainly driven by higher private transport, services and accommodation inflation.

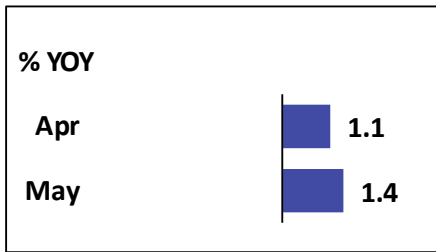
Private Transport



Private transport costs rose more sharply, largely on account of a steeper increase in petrol prices.² Car prices also picked up at a faster pace.

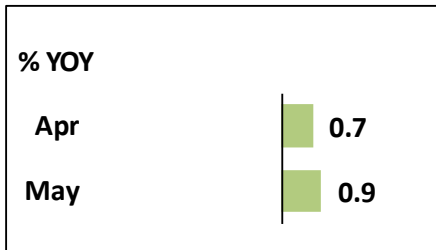
² The steeper y-o-y increase in petrol costs partly reflected the low base in May last year when petrol prices saw a significant decline.

Services



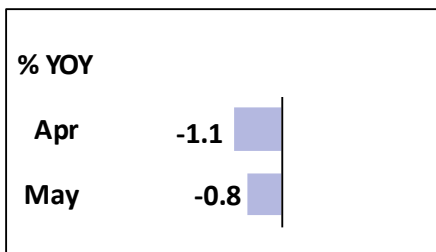
Services inflation picked up on the back of an increase in telecommunication services fees as well as higher point-to-point transport and health insurance inflation.

Accommodation



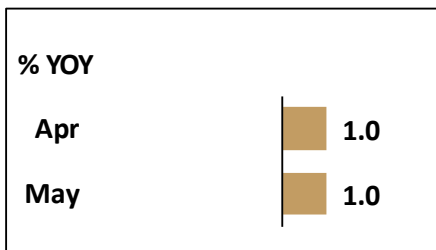
Accommodation inflation edged up as housing rents rose at a faster pace.

Retail & Other Goods



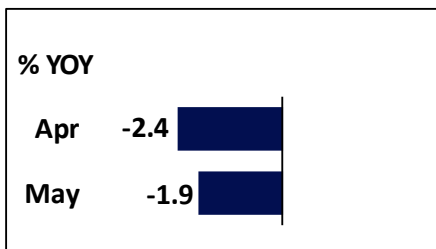
The cost of retail & other goods fell more gradually as the price of household durables registered a larger increase, while that of clothing & footwear fell by a smaller extent.

Food



Food inflation remained unchanged as both non-cooked food and prepared meals inflation were broadly stable.

Electricity & Gas



Electricity & gas prices fell at a slower pace, largely on account of the Open Electricity Market (OEM) having a smaller dampening effect on electricity prices following a slowdown in new take-up rates, as well as a stronger pickup in gas prices.

Outlook

External inflation has risen amid the recovery in global oil prices and turnaround in producer price inflation in the major economies. While there are some upside risks, the upward pressure on global inflation should ease in the latter part of this year. Surplus oil production capacity should cap the extent of oil price increases, while continued negative output gaps in some of Singapore's major trading partners should moderate import price pressures.

On the domestic front, CPI-All Items inflation is expected to remain elevated at around current rates in the near term, and ease in the second half of the year as base effects fade. MAS Core Inflation will continue to gradually increase, although the measures announced under Phase 2 (Heightened Alert) and the continued restrictions under Phase 3 (Heightened Alert) could have an overall dampening effect on the pickup in underlying inflation. In addition, uncertainty in the economic outlook will weigh on consumer sentiment and hence price increases in the near term. For the year as a whole, wage growth is expected to be muted as slack in the labour market will take time to be fully absorbed, while commercial rents are projected to stay low. Meanwhile, private transport and accommodation costs should remain resilient on the back of firm demand for cars and rental accommodation.

In 2021, MAS Core Inflation is expected to average 0–1%, while CPI-All Items inflation is forecast to come in between 0.5 and 1.5%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 June 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 May 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 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
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

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>