

Consumer Price Developments in August 2023

Summary

- MAS Core Inflation moderated to **3.4%** on a year-on-year (y-o-y) basis in August, from **3.8%** in July.
 - This reflected lower inflation for services, food and retail & other goods.
- CPI-All Items inflation eased to **4.0%** y-o-y in August, from **4.1%** in July.
 - This was due to declines in core and accommodation inflation, which more than offset an increase in private transport inflation.
- On a month-on-month (m-o-m) basis, core CPI rose by **0.1%** in August, on account of higher costs of food and services. CPI-All Items increased by **0.9%** over the same period as accommodation and private transport costs picked up.

Chart 1: MAS Core and CPI-All Items Inflation

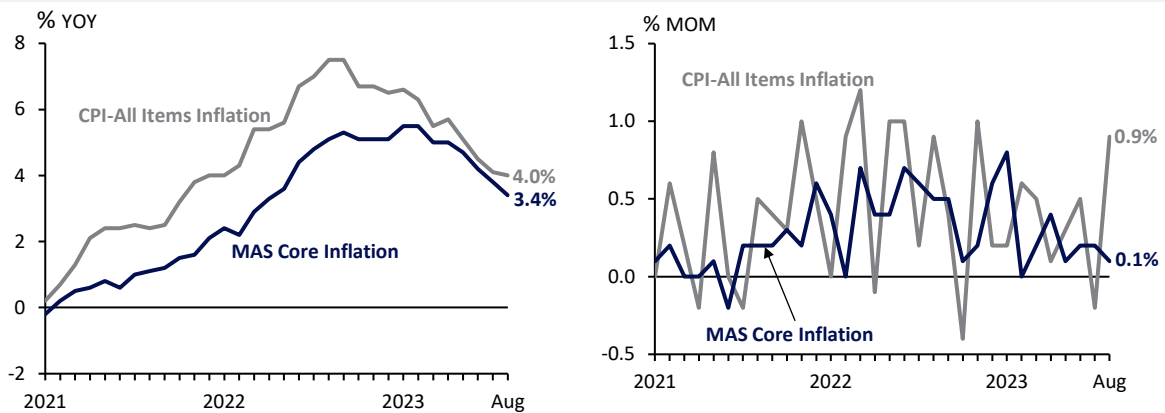
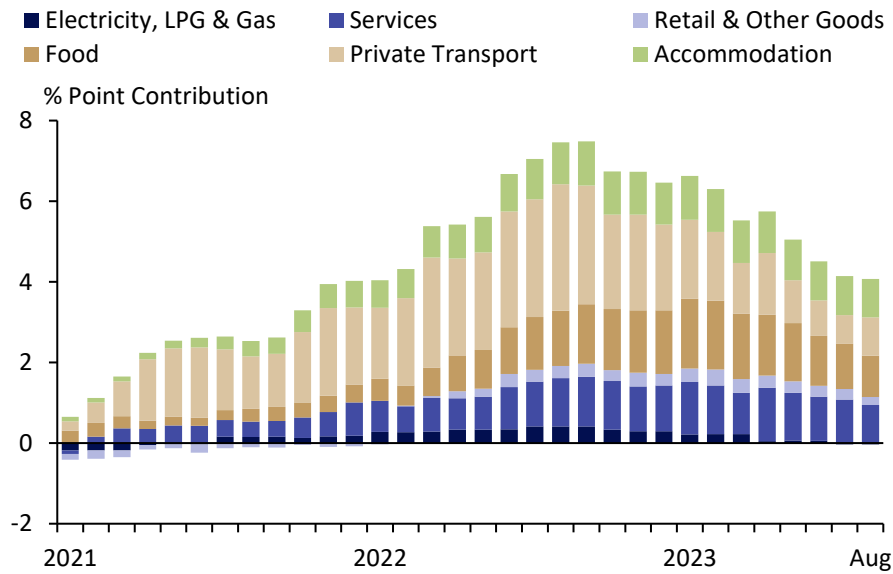


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation

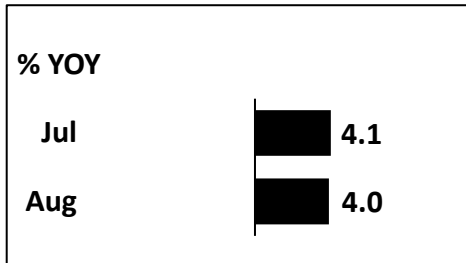


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

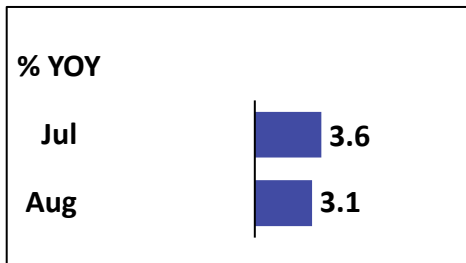
CPI-All Items inflation eased to 4.0% y-o-y in August.

CPI-All Items



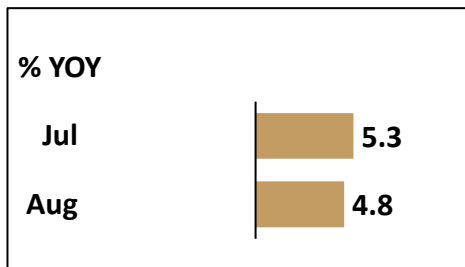
CPI-All Items inflation edged down as lower inflation for services, food, retail & other goods and accommodation more than offset higher private transport inflation.

Services



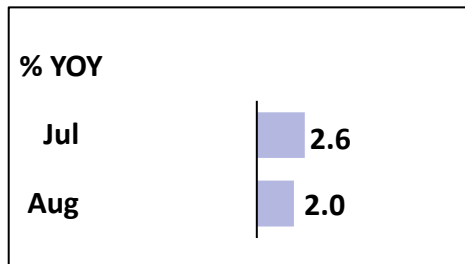
Services inflation declined on the back of smaller increases in holiday expenses, telecommunication services and recreational & cultural services costs, as well as a larger decline in airfares.

Food



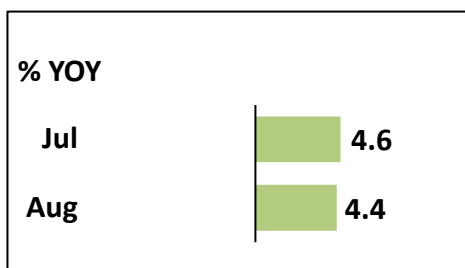
Food inflation moderated as the prices of prepared meals and non-cooked food rose more slowly.

Retail



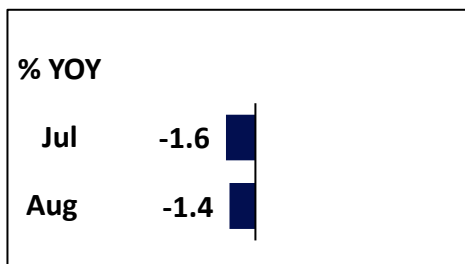
Retail & other goods inflation eased due to smaller price increases for household durables, and a fall in the prices of clothing & footwear.

Accommodation



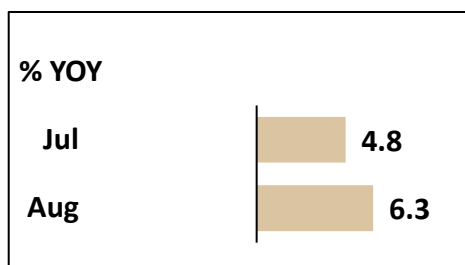
Accommodation inflation edged down as the pace of increase in housing rents eased.

Electricity & Gas



Electricity & gas costs continued to fall, albeit at a slower pace.

Private transport



Private transport inflation picked up as car prices saw a steeper increase while petrol prices recorded a smaller decline.

Outlook

Global supply chain frictions have largely eased, and food commodity prices remain below year-ago levels. Consumer price inflation in Singapore's major trading partners has also been on a gradual moderating trend. Thus, the prices of Singapore's imported goods overall have continued to decline in year-on-year terms, notwithstanding increases in oil prices since July.

On the domestic front, unit labour costs are expected to rise further in the near term, though at a slower pace. 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, private transport inflation is expected to pick up in the near term, in view of sustained strong demand for cars. Accommodation inflation should continue to moderate over the course of the year, given the ramp-up in the supply of housing units available for rental.

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 energy and 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 greater easing of inflationary pressures.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

25 September 2023

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 August 2023". 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
Weights	10,000	6,582	7,803	8,250	2,110	3,173	1,111	188	1,221	2,197
2022 Aug	109.863	105.891	110.488	110.329	110.164	104.544	99.899	116.090	135.265	107.644
Sep	110.339	106.387	110.976	110.804	110.889	104.872	100.495	116.254	135.717	108.075
Oct	109.893	106.496	110.791	110.170	111.255	105.007	100.265	115.020	133.947	106.702
Nov	110.959	106.719	111.575	111.393	111.759	105.128	100.221	115.380	137.755	108.770
Dec	111.186	107.316	111.790	111.609	112.182	106.111	100.103	115.666	135.911	109.040
2023 Jan	111.397	108.195	112.313	111.733	113.743	106.669	100.861	115.037	134.513	108.142
Feb	112.019	108.173	112.622	112.444	113.818	106.270	101.676	115.321	136.608	109.876
Mar	112.583	108.441	113.233	113.035	114.243	106.424	101.858	116.237	139.066	110.274
Apr	112.669	108.856	114.019	113.058	114.636	107.085	102.214	113.105	141.854	107.873
May	113.034	108.957	113.615	113.422	115.061	107.072	101.918	113.890	138.723	110.971
Jun	113.576	109.163	114.219	114.002	115.101	107.513	101.811	113.784	141.475	111.293
Jul	113.309	109.383	114.202	113.562	115.293	107.744	101.976	114.494	140.174	110.139
Aug	114.303	109.465	114.845	114.685	115.479	107.829	101.874	114.415	143.849	112.378

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
Weights	10,000	6,582	7,803	8,250	2,110	3,173	1,111	188	1,221	2,197
2022 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
Aug	4.0	3.4	3.9	3.9	4.8	3.1	2.0	-1.4	6.3	4.4