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

CPI-All Items

% YOY

<table>
<thead>
<tr>
<th></th>
<th>Jul</th>
<th>Aug</th>
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<tbody>
<tr>
<td>CPI-All Items inflation edged down as lower inflation for services, food, retail &amp; other goods and accommodation more than offset higher private transport inflation.</td>
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Services

% YOY

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<tr>
<th></th>
<th>Jul</th>
<th>Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI-All Items inflation declined on the back of smaller increases in holiday expenses, telecommunication services and recreational &amp; cultural services costs, as well as a larger decline in airfares.</td>
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Food inflation moderated as the prices of prepared meals and non-cooked food rose more slowly.

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

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

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

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.
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.


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>
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<td>Weights</td>
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<td>6,582</td>
<td>7,803</td>
<td>8,250</td>
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<td>3,173</td>
<td>1,111</td>
<td>188</td>
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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)
Table A.2  
YOY Inflation for Key CPI Categories

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