

Consumer Price Developments in May 2020

Summary

- MAS Core Inflation came in at **-0.2%** on a year-on-year (y-o-y) basis in May, compared to **-0.3%** in April.
 - This was largely due to smaller declines in the costs of services and electricity, as well as higher food inflation.
- Meanwhile, CPI-All Items inflation fell to **-0.8%** y-o-y in May, from **-0.7%** in the previous month.
 - This was mainly driven by a larger decline in private transport costs.

Chart 1: MAS Core and CPI-All Items Inflation

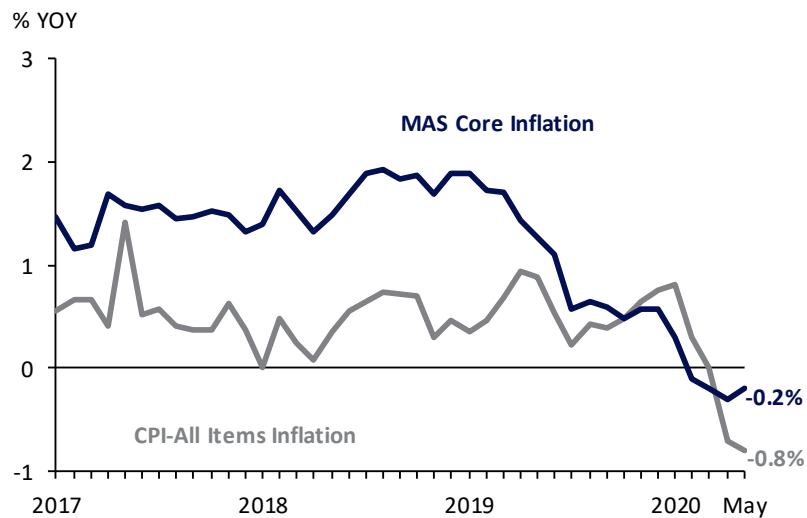
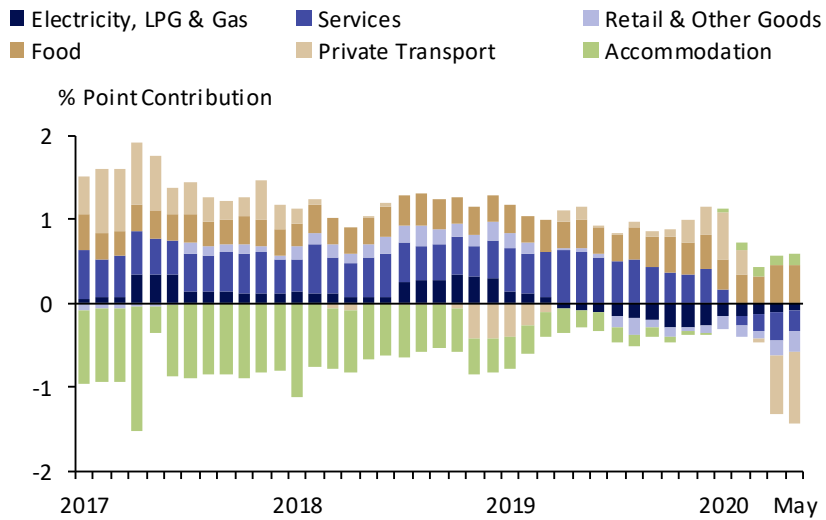


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation

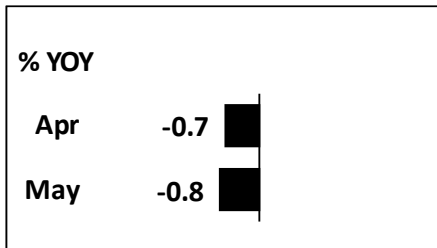


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

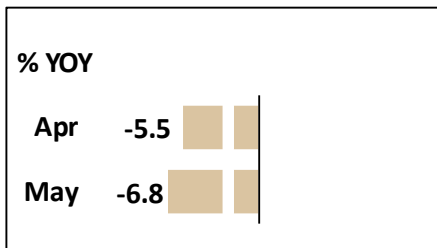
CPI-All Items inflation fell to -0.8% y-o-y in May

CPI-All Items



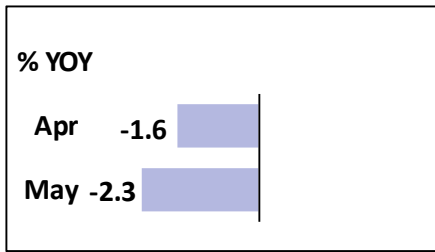
CPI-All Items inflation was slightly more negative in May, mainly due to a larger decline in private transport costs.

Private Transport



Private transport costs declined more steeply, primarily due to a larger fall in car and petrol prices. The continued suspension of Electronic Road Pricing (ERP) charges also lowered private transport costs.

Retail & Other Goods



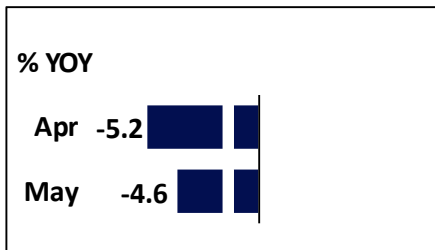
The cost of retail & other goods fell more sharply, mainly due to steeper declines in the prices of clothing & footwear, medical products and household durables. Inflation in personal care products also turned negative.

Accommodation



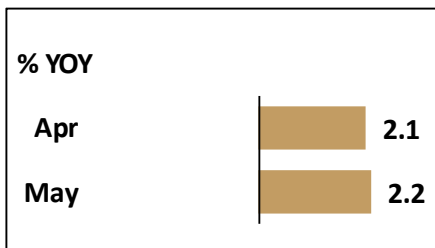
Accommodation inflation was unchanged as housing rents rose at a steady pace.

Electricity & Gas



The pace of decline in the cost of electricity & gas eased as new subscriptions under the Open Electricity Market (OEM) slowed.¹

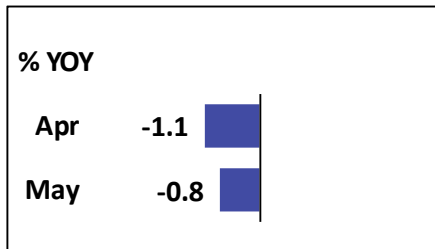
Food



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

¹ Retail electricity price plans under the Open Electricity Market (OEM) generally charge a lower rate than the SP Group electricity tariff. The slower rate of increase in new subscriptions to OEM plans would therefore have a smaller dampening effect on electricity prices.

Services



Services costs fell at a more gradual pace due to smaller declines in holiday expenses and air fares.²

² Due to international measures to contain the COVID-19 outbreak, the prices of holiday expenses and airfares were not available in May 2020. Hence, changes in the prices of these components were imputed using the overall change in the CPI-All Items, in line with international guidelines. For more details, please refer to the Technical Note in the Department of Statistics' release titled "Singapore Consumer Price Index for May 2020".

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 June 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 May 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 May	100.325	99.879	100.255	100.410	99.779	99.838	100.468	98.223	102.282	100.574
Jun	100.038	99.899	99.881	100.058	99.862	100.104	99.799	97.430	99.787	100.595
Jul	99.587	99.881	99.794	99.503	99.947	99.944	99.433	100.718	99.325	98.853
Aug	100.209	99.961	100.079	100.252	100.163	100.021	99.386	100.044	100.715	100.672
Sep	100.147	99.936	99.988	100.170	100.297	99.795	99.719	99.540	100.272	100.711
Oct	99.930	100.013	100.204	99.901	100.433	100.031	99.732	96.636	101.236	98.957
Nov	100.254	99.952	100.107	100.285	100.459	99.854	99.872	96.387	100.944	100.775
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

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>