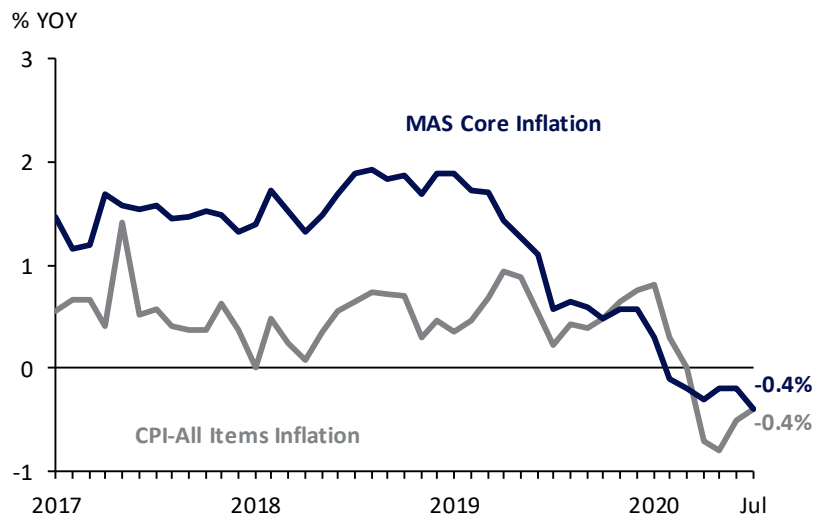


## Consumer Price Developments in July 2020

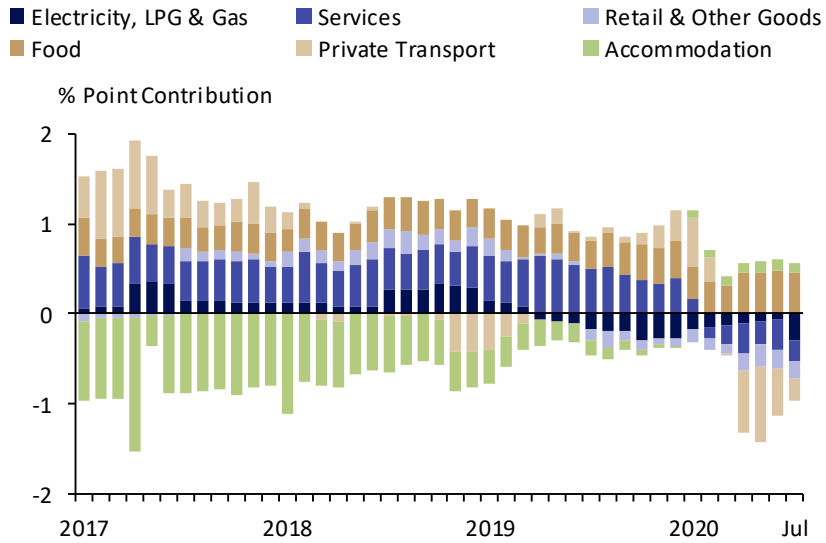
### Summary

- MAS Core Inflation fell to **-0.4%** on a year-on-year (y-o-y) basis in July, from **-0.2%** in June.
  - This was mainly driven by a steeper decline in the cost of electricity & gas, as well as lower food inflation.
- CPI-All Items inflation also came in at **-0.4%** y-o-y in July, edging up slightly from **-0.5%** in the previous month.
  - This was largely due to a smaller decline in the cost of private transport.

**Chart 1: MAS Core and CPI-All Items Inflation**



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

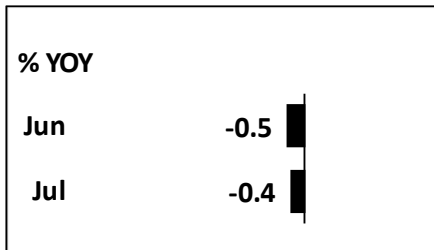


\* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

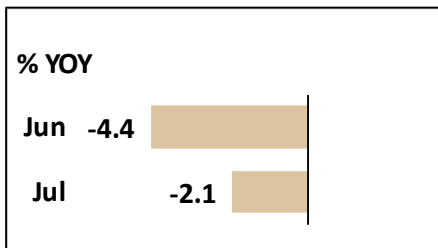
**CPI-All Items inflation was -0.4% y-o-y in July**

CPI-All Items



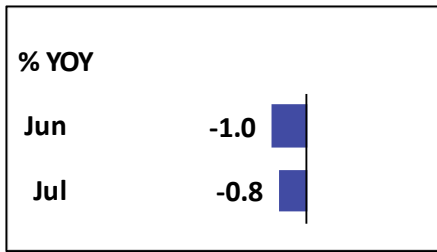
CPI-All Items fell at a more moderate pace in July, on account of a smaller drop in private transport costs.

Private Transport



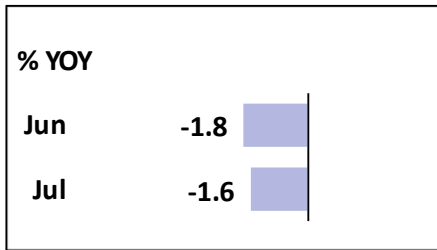
Private transport costs registered a smaller decline in July on the back of an increase in car prices.

### Services



The decline in services cost eased in July as holiday expenses and airfares fell at a slower pace<sup>1</sup> while telecommunication services cost rose more rapidly.

### Retail & Other Goods



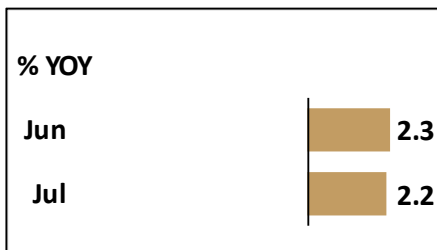
The cost of retail & other goods recorded a smaller decline in July as the prices of telecommunication equipment rose. The fall in prices of household durables and personal care products also moderated.

### Accommodation



Accommodation inflation eased marginally in July due to a slower pace of increase in housing rents.

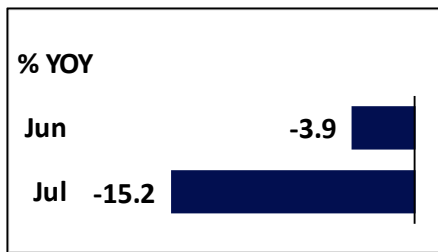
### Food



Food inflation edged down as inflation for non-cooked food fell, even as food services inflation remained broadly unchanged.

<sup>1</sup> Due to international measures to contain the COVID-19 outbreak, the prices of holiday expenses and airfares, which are components of services costs, were not available in July 2020, similar to the case in April, May and June 2020. Hence, changes in the prices of these components were imputed using the overall change in 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 July 2020".

## Electricity & Gas



The cost of electricity & gas saw a much sharper drop in July, mainly due to a steeper decline in electricity prices as the electricity tariff was revised downwards.<sup>2</sup>

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<sup>2</sup> For the period 1 July to 30 September 2020, the electricity tariff for households (inclusive of GST) has been lowered to 20.97 cents per kilowatt hour (kWh), from 24.63 cents per kWh in the previous quarter due to lower energy costs. On a year-on-year basis, the electricity tariff declined by 19.1% in July, a reversal from the 1.0% increase in June.

## Outlook

In the quarters ahead, external sources of inflation are likely to remain benign amid weak global demand conditions. Oil prices are expected to stay low for an extended period, while international food commodity prices have also declined. However, supply chain disruptions associated with international measures to contain the COVID-19 outbreak could continue to keep imported food prices elevated.

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 overall. 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

24 August 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 July 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
<b>Weights</b>	<b>10,000</b>	<b>6,582</b>	<b>7,803</b>	<b>8,250</b>	<b>2,110</b>	<b>3,173</b>	<b>1,111</b>	<b>188</b>	<b>1,221</b>	<b>2,197</b>
<b>2019 Jul</b>	99.587	99.881	99.794	99.503	99.947	99.944	99.433	100.718	99.325	98.853
<b>Aug</b>	100.209	99.961	100.079	100.252	100.163	100.021	99.386	100.044	100.715	100.672
<b>Sep</b>	100.147	99.936	99.988	100.170	100.297	99.795	99.719	99.540	100.272	100.711
<b>Oct</b>	99.930	100.013	100.204	99.901	100.433	100.031	99.732	96.636	101.236	98.957
<b>Nov</b>	100.254	99.952	100.107	100.285	100.459	99.854	99.872	96.387	100.944	100.775
<b>Dec</b>	100.445	100.253	100.333	100.504	100.615	100.591	99.291	96.167	100.765	100.842
<b>2020 Jan</b>	100.204	100.276	100.446	100.199	101.101	100.259	99.214	97.595	101.359	99.346
<b>Feb</b>	100.279	100.142	100.083	100.273	101.259	99.715	99.660	97.648	99.768	100.974
<b>Mar</b>	99.933	99.865	99.621	99.837	101.225	99.160	99.710	97.399	98.305	101.042
<b>Apr</b>	99.012	99.766	99.208	98.711	101.803	99.076	98.805	94.223	96.200	98.315
<b>May</b>	99.480	99.703	99.024	99.275	101.995	99.065	98.182	93.740	95.363	101.099
<b>Jun</b>	99.500	99.720	99.050	99.299	102.176	99.058	97.976	93.617	95.441	101.097
<b>Jul</b>	99.178	99.505	99.148	98.911	102.111	99.179	97.869	85.429	97.221	99.286

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>