

Consumer Price Developments in February 2021

Summary

- MAS Core Inflation rose to **0.2%** on a year-on-year (y-o-y) basis in February, from **-0.2%** in January.
 - This was due to an increase in services costs as well as higher food inflation.
- CPI-All Items inflation picked up to **0.7%** in February, from **0.2%** in January.
 - The increase was driven by higher private transport inflation, in addition to the rise in core inflation.

Chart 1: MAS Core and CPI-All Items Inflation

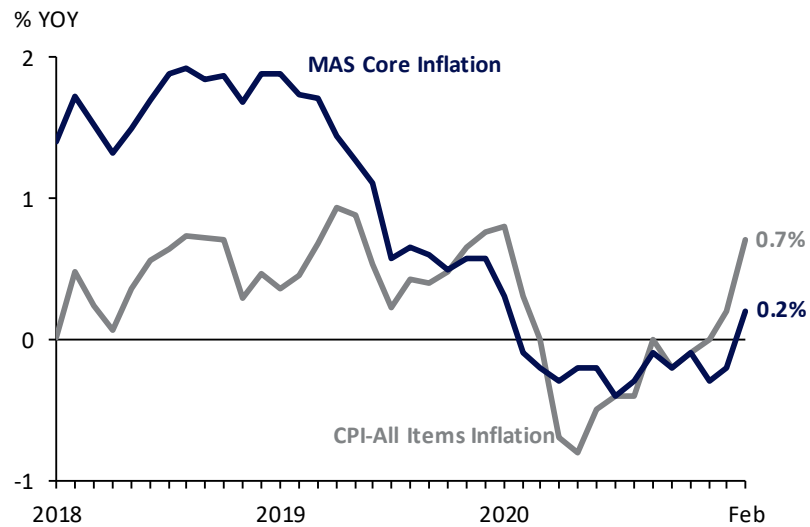
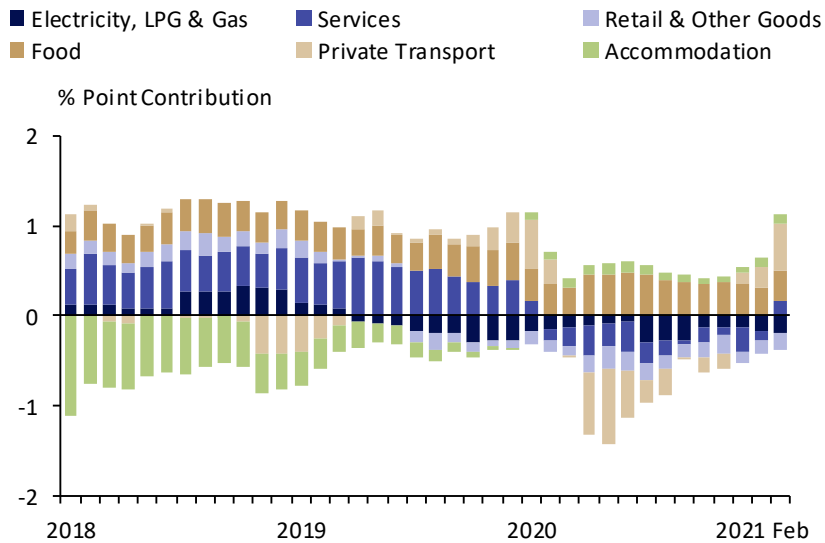


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation

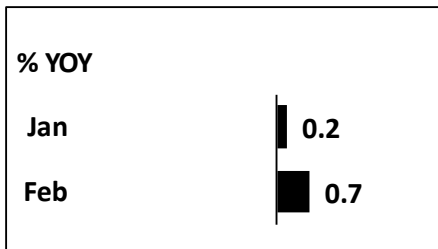


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

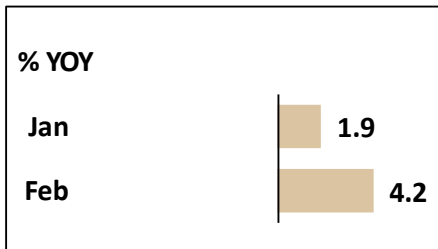
CPI-All Items inflation came in higher at 0.7% y-o-y in February.

CPI-All Items



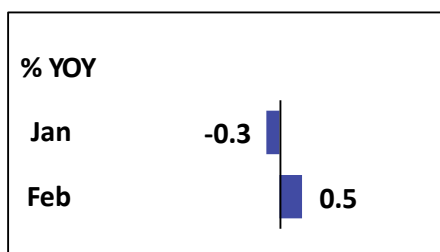
CPI-All Items inflation rose on account of higher private transport inflation, an increase in services costs, as well as a slight uptick in food inflation.

Private Transport



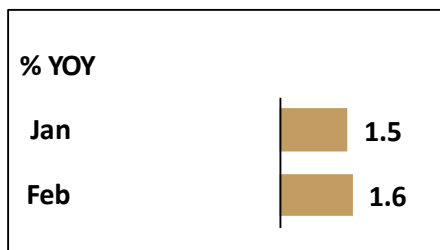
Private transport costs registered a larger increase as a result of a stronger pickup in car prices and a smaller decline in petrol prices.

Services



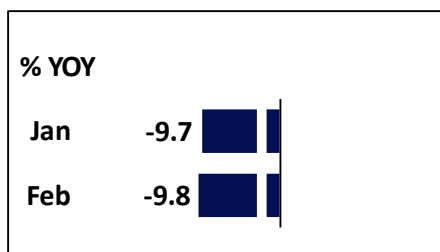
Services costs¹ rose, reversing the decline in January, on the back of higher inflation for tuition & other fees, as well as a smaller decline in outpatient services costs².

Food



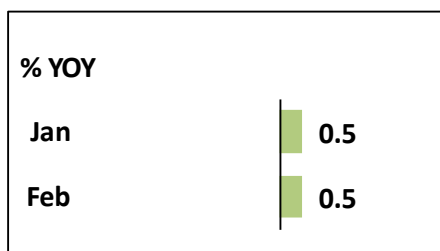
Food inflation edged up as the price of non-cooked food registered a steeper increase. Prices of prepared meals rose at a pace similar to that in January.

Electricity & Gas



The cost of electricity & gas declined at a slightly faster rate on the back of a smaller increase in gas prices.

Accommodation

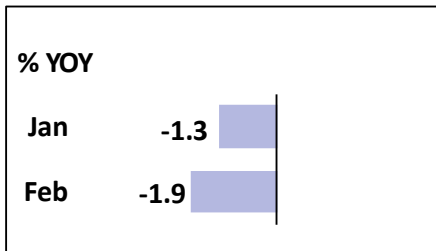


Accommodation inflation was unchanged as housing rents continued to rise at a steady pace.

¹ Holiday expenses saw a milder pace of decline while airfares rose in February. However, in line with international practice, airfares and most of the components in the holiday expenses CPI were imputed using the overall change in CPI-All Items as they remain unavailable for consumption due to international travel restrictions. Hence, the CPI for airfares and holiday expenses do not fully reflect the actual price changes for these components. For more details, please refer to the Technical Note in the Department of Statistics' release titled "Singapore Consumer Price Index for February 2021".

² As part of the COVID-19 response measures, the government introduced subsidies for the treatment of respiratory illnesses at public health preparedness clinics and polyclinics from 18 February 2020. These subsidies exerted a smaller downward drag on the y-o-y inflation of outpatient services in February 2021 compared to previous months and should completely cease to weigh on y-o-y inflation from March 2021.

Retail & Other Goods



The cost of retail & other goods saw a faster rate of decline, mainly due to sharper reductions in the prices of clothing & footwear and personal effects. Prices of medicines & health products fell in February as well.

Outlook

In the quarters ahead, external inflation is likely to pick up amid the recovery in global oil prices. Notably, Brent crude oil prices have risen further since Q4 2020, supported by output cuts among OPEC+ members. However, continuing negative output gaps in Singapore's major trading partners should cap the extent of the increase in underlying global inflation. On the domestic front, cost pressures are expected to stay low, as wage growth and commercial rents are likely to remain subdued.

Core inflation is forecast to be mildly positive this year, as higher oil prices lead to a pickup in electricity and gas tariffs, and the disinflationary effects of government subsidies introduced in 2020 fade. Some components of domestic services inflation are projected to continue to increase, in tandem with the economic recovery.

Meanwhile, accommodation costs have picked up slightly, with housing rents in some areas registering increases. In addition, private transport costs have risen further on the back of firm demand for cars and higher petrol costs.

For 2021, MAS Core Inflation is expected to average 0–1%. The forecast range for CPI-All Items inflation is being reviewed given the recent sharper-than-expected increases in the prices of the non-core items. A revised forecast range will be released in MAS' upcoming Monetary Policy Statement in April.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 March 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 February 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 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
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

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>