

Consumer Price Developments in March 2021

Summary

- MAS Core Inflation rose to **0.5%** on a year-on-year (y-o-y) basis in March, from **0.2%** in February.
 - This increase was driven by higher services inflation, as well as smaller declines in the costs of retail & other goods and electricity & gas.
- CPI-All Items inflation increased to **1.3%** in March, from **0.7%** in February.
 - The uptick reflected higher private transport inflation, in addition to the rise in core inflation.

Chart 1: MAS Core and CPI-All Items Inflation

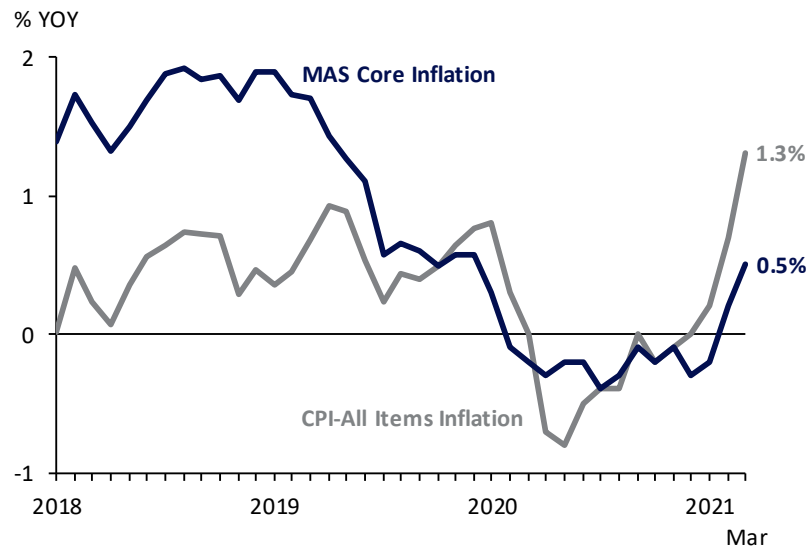
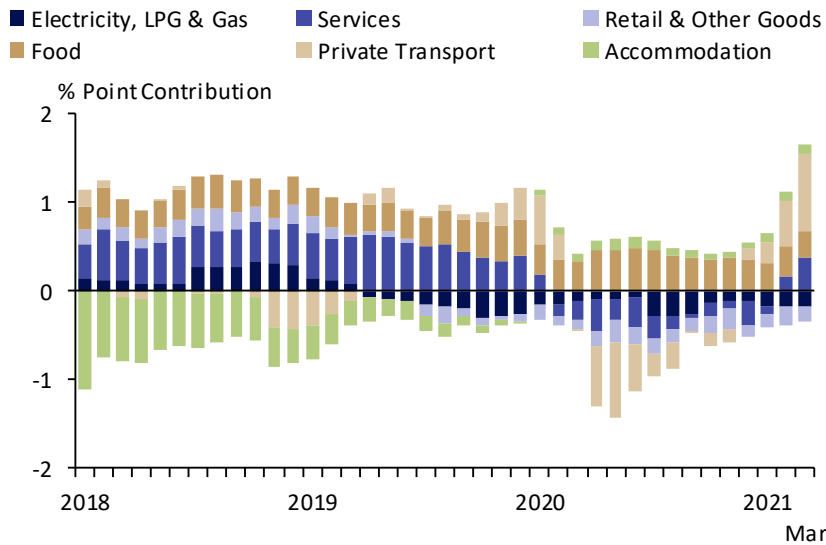


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation

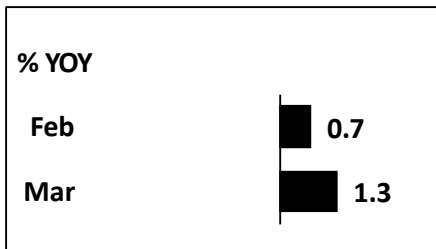


* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

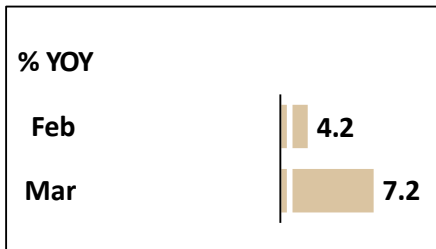
CPI-All Items inflation rose to 1.3% y-o-y in March.

CPI-All Items



CPI-All Items inflation picked up on the back of higher private transport and services inflation, as well as smaller reductions in the costs of retail & other goods and electricity & gas.

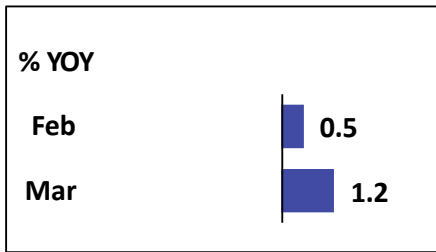
Private Transport



Private transport inflation rose due to a larger increase in car prices and a turnaround in petrol costs¹.

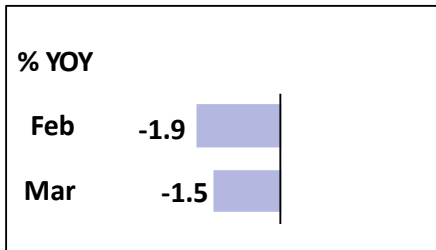
¹ The y-o-y increase in petrol costs in March was partly on account of low base effects as petrol costs fell in March last year amid the plunge in global oil prices.

Services



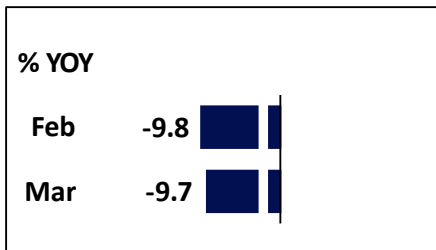
Services inflation picked up, reflecting steeper increases in point-to-point transport services fees² and health insurance costs. Outpatient services fees rose in March as well.³

Retail & Other Goods



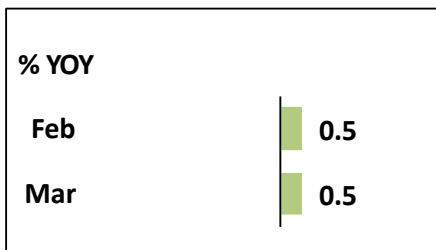
The cost of retail & other goods fell at a more gradual pace as the prices of clothing & footwear and personal effects saw smaller declines. At the same time, the cost of household durables rose more strongly.

Electricity & Gas



Electricity & gas prices declined at a slightly slower rate as the Open Electricity Market (OEM) had a smaller dampening effect on electricity prices following a slowdown in new take-up rates.

Accommodation

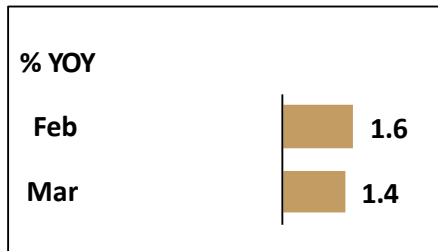


Accommodation inflation was unchanged as housing rents continued to rise at a steady pace.

² Higher inflation for point-to-point transport services fees was partly due to low base effects.

³ 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. While the subsidies exerted a smaller drag on the y-o-y inflation of outpatient services in February 2021 compared to the previous months, they ceased to weigh on y-o-y inflation in March 2021.

Food



Food inflation dipped as the prices of both non-cooked food and prepared meals rose at a more moderate pace.

Outlook

External inflation is expected to continue rising in the near term amid the recovery in global oil prices and the turnaround in producer price inflation in a number of major economies. While there are some upside risks, the upward pressure on global inflation should ease in the latter part of 2021. Surplus oil production capacity should cap the increase in oil prices, while lingering negative output gaps in some of Singapore's major trading partners should keep a lid on import price pressures.

On the domestic front, price pressures are likely to gradually pick up and broaden across the CPI basket as labour market conditions improve and private consumption recovers. CPI-All Items inflation and MAS Core Inflation are both forecast to step up in the months ahead, reflecting in part low base effects from last year and the effects of stronger domestic demand. However, inflation is unlikely to accelerate in the second half of 2021 as business cost pressures are contained. Wage growth is expected to be muted as the slack in the labour market will take time to be fully absorbed while commercial rents are projected to stay low.

Meanwhile, private transport and accommodation costs could remain elevated on the back of firm demand for cars and rental accommodation. For 2021, MAS Core Inflation is expected to average 0–1% while CPI-All Items inflation is forecast to come in between 0.5 and 1.5%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 April 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 March 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 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
Mar	101.239	100.357	101.138	101.271	102.657	100.319	98.190	87.984	105.350	101.597

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>