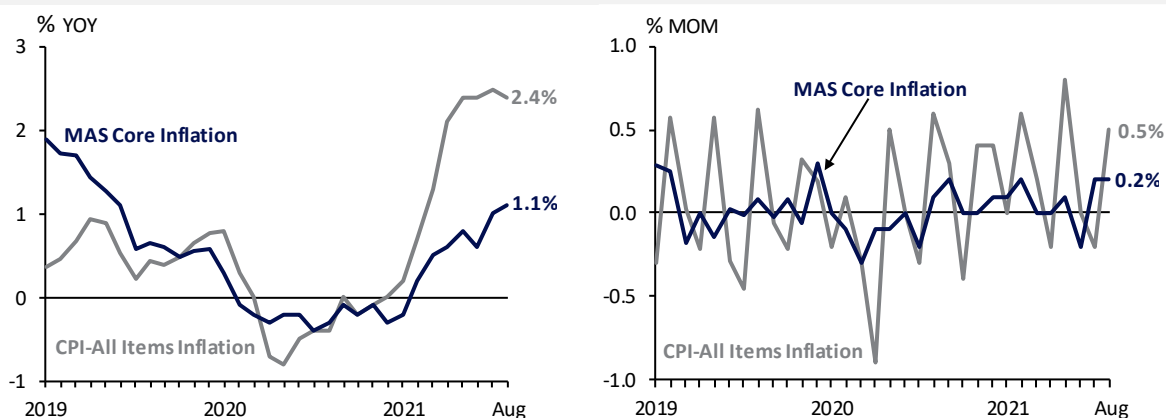


## Consumer Price Developments in August 2021

### Summary

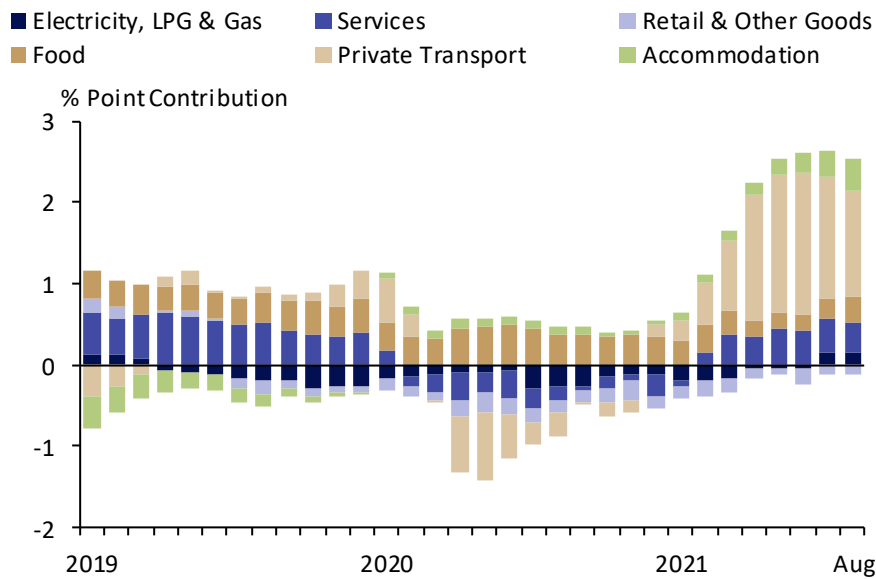
- MAS Core Inflation edged up to **1.1%** on a year-on-year (y-o-y) basis in August, from **1.0%** in July.
  - The increase was largely driven by higher food inflation and the smaller decline in the cost of retail & other goods.
- CPI-All Items inflation eased slightly to **2.4%** y-o-y in August, from **2.5%** in July.
  - The moderation reflected lower private transport inflation, which more than offset the rise in core inflation.
- On a month-on-month (m-o-m) basis, core CPI rose by 0.2% in August, while CPI-All Items picked up by 0.5%.<sup>1</sup>

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



<sup>1</sup> The m-o-m increase in CPI-All Items was primarily driven by a sequential pickup in accommodation costs as rebates for Service & Conservancy Charges (S&CC) were disbursed to households living in HDB flats in July, but not in August.

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

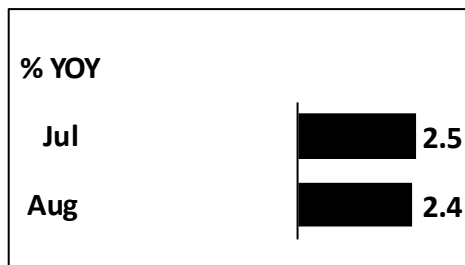


\* Private transport and accommodation are excluded from the MAS Core Inflation measure.

Source: MAS, MTI estimates

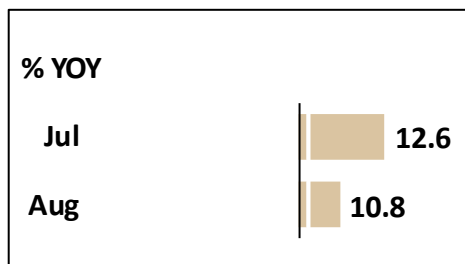
**CPI-All Items inflation eased slightly to 2.4% y-o-y in August.**

CPI-All Items



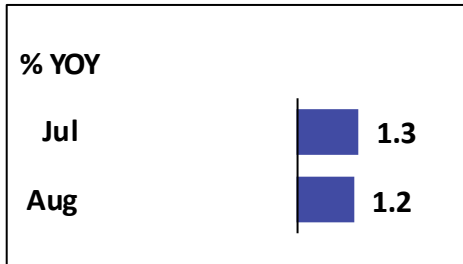
CPI-All Items inflation moderated slightly, mainly on account of lower private transport inflation.

Private Transport



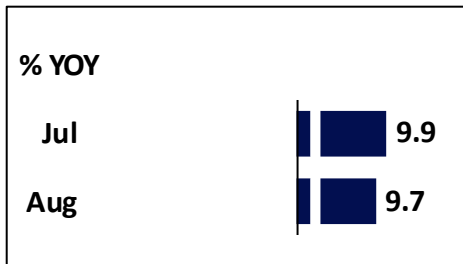
Private transport costs rose at a slower pace, largely due to the smaller increase in car prices and the decline in other private transport services costs.

### Services



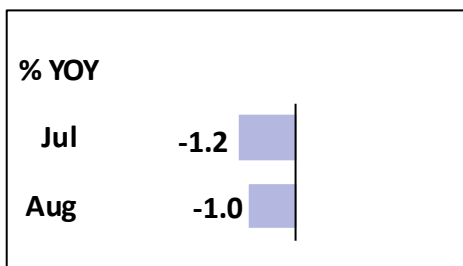
Services inflation edged down, mostly because of the steeper fall in telecommunication services fees.

### Electricity & Gas



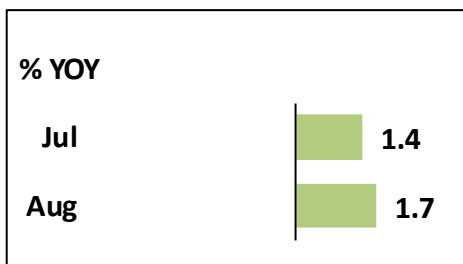
Electricity & gas costs rose at a slower rate, partly due to the smaller increase in gas prices.

### Retail & Other Goods



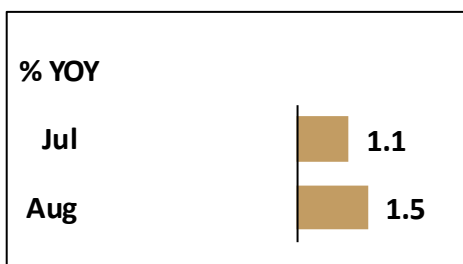
The cost of retail & other goods fell at a more gradual pace, mainly reflecting higher inflation for personal effects and the smaller decline in the cost of personal care products.

### Accommodation



Accommodation costs registered a larger increase, in line with the stronger pickup in housing rents.

### Food



Food inflation rose as the prices of non-cooked food and prepared meals recorded larger increases. The former was mainly due to the cost of fruits rising at a steeper pace.

## Outlook

External inflation remained elevated but has shown signs of moderating as base effects fade. Upward pressures on global inflation should ease further over the course of the year. Crude oil prices have declined recently due to concerns over the prospects for the global economy amid the spread of the more contagious Delta variant. The supply-demand mismatches in some goods markets, as well as bottlenecks in global transportation, are mainly transitory and should ease with the gradual recovery in production and logistics services. At the same time, continued negative output gaps in some of Singapore's key trading partners should help to moderate overall import price inflation this year.

On the domestic front, lingering uncertainty as Singapore transits to a COVID resilient state could weigh on consumer sentiment and hence dampen domestic price increases in the near term. Wage increases should continue to be restrained as the slack in the labour market, while diminishing, will take time to be fully absorbed. Meanwhile, commercial rents are projected to stay low, capping overall business cost pressures. In comparison, private transport inflation is likely to remain resilient due to firm demand for cars. Accommodation inflation could continue to pick up over the course of the year on the back of strong demand for rental accommodation.

MAS Core Inflation is projected to increase gradually in the coming months. Meanwhile, the projected pickup in accommodation inflation would support a modest rise in CPI-All Items inflation in Q4 2021. For 2021 as a whole, MAS Core Inflation is expected to average 0–1%, while CPI-All Items inflation is forecast to come in between 1–2%.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 September 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 August 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/-](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>2020 Aug</b>	99.807	99.654	99.450	99.670	102.001	99.495	98.057	85.432	98.349	101.076
<b>Sep</b>	100.139	99.818	99.867	100.064	102.090	99.651	98.424	85.373	100.132	101.104
<b>Oct</b>	99.711	99.839	99.853	99.535	102.101	99.518	98.184	89.662	99.926	99.207
<b>Nov</b>	100.105	99.873	99.843	99.998	102.226	99.606	97.863	89.855	99.679	101.037
<b>Dec</b>	100.469	99.977	100.286	100.418	102.253	99.743	98.070	89.686	101.949	101.119
<b>2021 Jan</b>	100.440	100.121	100.611	100.354	102.579	99.966	97.934	88.085	103.249	99.834
<b>Feb</b>	101.015	100.321	100.891	101.034	102.900	100.212	97.804	88.085	103.959	101.457
<b>Mar</b>	101.239	100.357	101.138	101.271	102.657	100.319	98.190	87.984	105.350	101.597
<b>Apr</b>	101.070	100.368	101.651	101.021	102.776	100.175	97.756	92.006	108.567	99.007
<b>May</b>	101.883	100.508	101.861	101.962	103.026	100.435	97.372	92.002	109.159	101.960
<b>Jun</b>	101.870	100.314	101.777	101.889	103.104	100.407	96.176	91.921	109.661	102.201
<b>Jul</b>	101.672	100.542	101.940	101.577	103.246	100.476	96.723	93.865	109.477	100.721
<b>Aug</b>	102.231	100.784	102.071	102.190	103.509	100.674	97.113	93.726	109.006	102.801

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>