

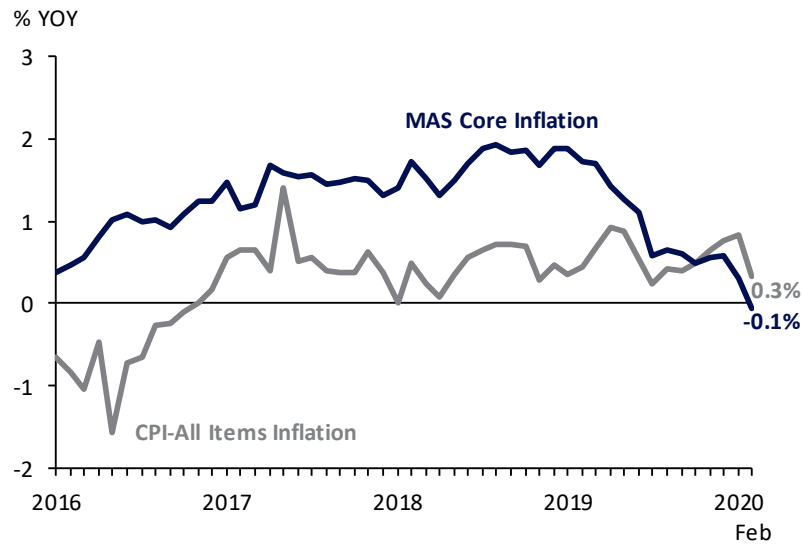


## Consumer Price Developments in February 2020

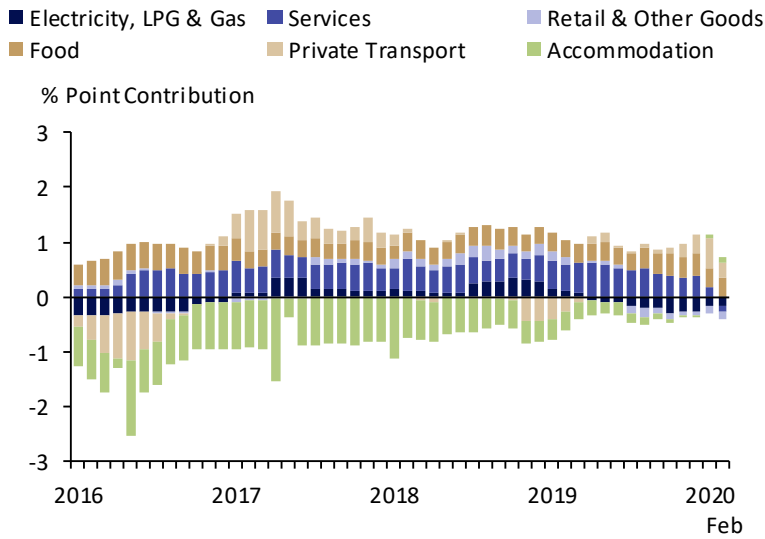
### Summary

- MAS Core Inflation fell to **-0.1%** on a year-on-year (y-o-y) basis in February, from **0.3%** in January.
  - This was largely due to a decline in the cost of services.
- Similarly, CPI-All Items inflation came in lower at **0.3%** y-o-y in February, compared to **0.8%** in the previous month.
  - This occurred mainly due to the fall in core inflation as well as lower private transport inflation.

Chart 1: MAS Core and CPI-All Items Inflation



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

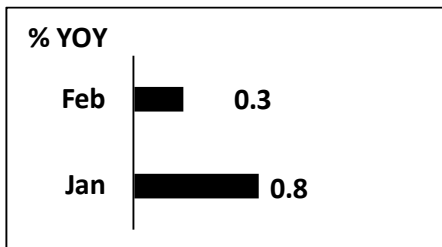


\* Private transport and accommodation are excluded from the MAS Core Inflation series.

Source: MAS, MTI estimates

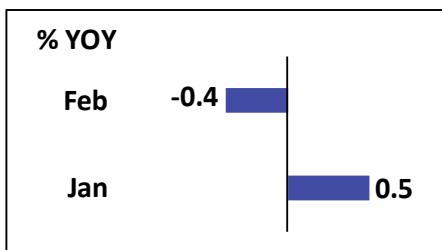
**CPI-All Items inflation fell to 0.3% y-o-y in February**

**CPI-All Items**



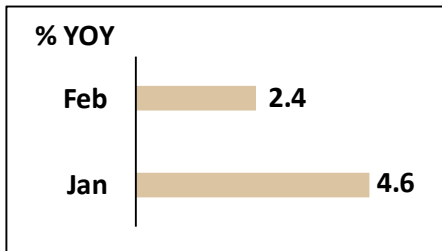
CPI-All Items inflation was lower in February, as the cost of services declined and private transport inflation eased.

**Services**



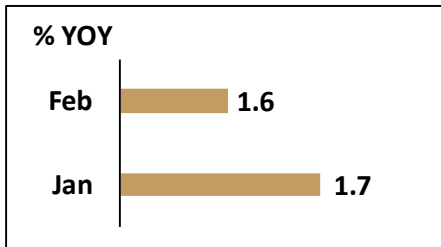
The decline in the cost of services was driven by a fall in airfares and holiday expenses.

### Private Transport



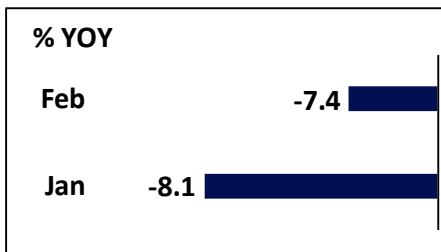
Private transport inflation was lower due to a smaller increase in car and petrol prices.

### Food



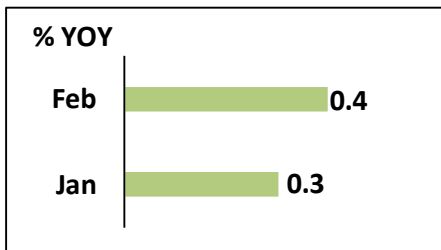
Food inflation edged down as the prices of prepared meals recorded smaller increases, while non-cooked food inflation was broadly unchanged.

### Electricity & Gas



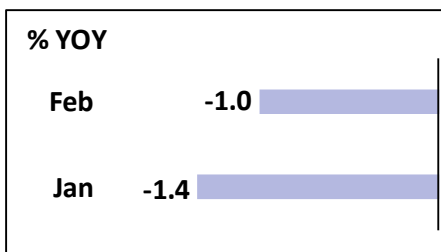
The cost of electricity & gas fell at a slower pace as the Open Electricity Market (OEM) had a smaller dampening effect on electricity prices, following a slowdown in new take-up rates.

### Accommodation



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

### Retail & Other Goods



The cost of retail & other goods fell at a more gradual pace as clothing & footwear items and medicines & health products recorded smaller price declines.

## Outlook

In the quarters ahead, external sources of inflation are likely to remain benign, amid weak demand conditions and generally well-supplied food and oil commodity markets. Oil prices declined sharply in March and could stay depressed for an extended period amid the global economic slowdown and an anticipated rise in oil supply. However, international measures to contain the COVID-19 outbreak have led to supply chain disruptions, which could put some upward pressure on imported food prices.

The COVID-19 outbreak has weighed heavily on the aviation and tourism industries, which could in turn lower the prices of travel-related items in the CPI basket. In addition, the implementation of safe distancing measures and fall in tourist arrivals have dampened consumer demand, and will cap any price increases for discretionary goods and services. Meanwhile, labour market conditions will continue to soften and dampen wage growth this year. The economic uncertainty from the outbreak is also likely to discourage firms from passing on any cost increases to consumers.

Inflationary pressures are thus expected to remain subdued in the near term. MAS and MTI will closely monitor price trends and assess the impact of the COVID-19 outbreak on inflation. The MAS Core Inflation and CPI-All Items inflation forecast ranges will be released in MAS' upcoming Monetary Policy Statement.

MONETARY AUTHORITY OF SINGAPORE

MINISTRY OF TRADE AND INDUSTRY

23 March 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 February 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 Feb</b> | 99.953        | 100.210      | 99.775                 | 99.956       | 99.631       | 100.117      | 100.681              | 105.469           | 97.433            | 100.585       |
| <b>Mar</b>      | 99.972        | 100.030      | 99.801                 | 99.980       | 99.700       | 99.820       | 100.616              | 103.846           | 98.564            | 100.580       |
| <b>Apr</b>      | 99.753        | 100.027      | 100.302                | 99.717       | 99.667       | 100.171      | 100.413              | 99.372            | 101.788           | 97.802        |
| <b>May</b>      | 100.325       | 99.879       | 100.255                | 100.410      | 99.779       | 99.838       | 100.468              | 98.223            | 102.282           | 100.574       |
| <b>Jun</b>      | 100.038       | 99.899       | 99.881                 | 100.058      | 99.862       | 100.104      | 99.799               | 97.430            | 99.787            | 100.595       |
| <b>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       |

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>