

Understanding Inflation

Accurate as of 24 January 2022

Why are prices going up?

Like many economies around the world, Singapore is seeing higher inflation¹ lately. Inflation in recent months has been driven by both external and domestic factors.



External Factors



Global energy prices have increased because the economic recovery has raised demand for energy while supply remains tight.



Global food commodity prices have increased due to supply constraints and rising global demand.



Prices of imports have gone up because of bottlenecks in supply chains and transportation globally due to the impact of COVID-19.

Domestic Factors



Car prices have increased due to a fall in COE quotas and firm car demand.



Accommodation costs have picked up as construction delays have led to more demand for rental housing.



Airfares have increased due to higher base fares, as well as the additional costs of mandatory COVID-related testing.²

Impact of prices on households

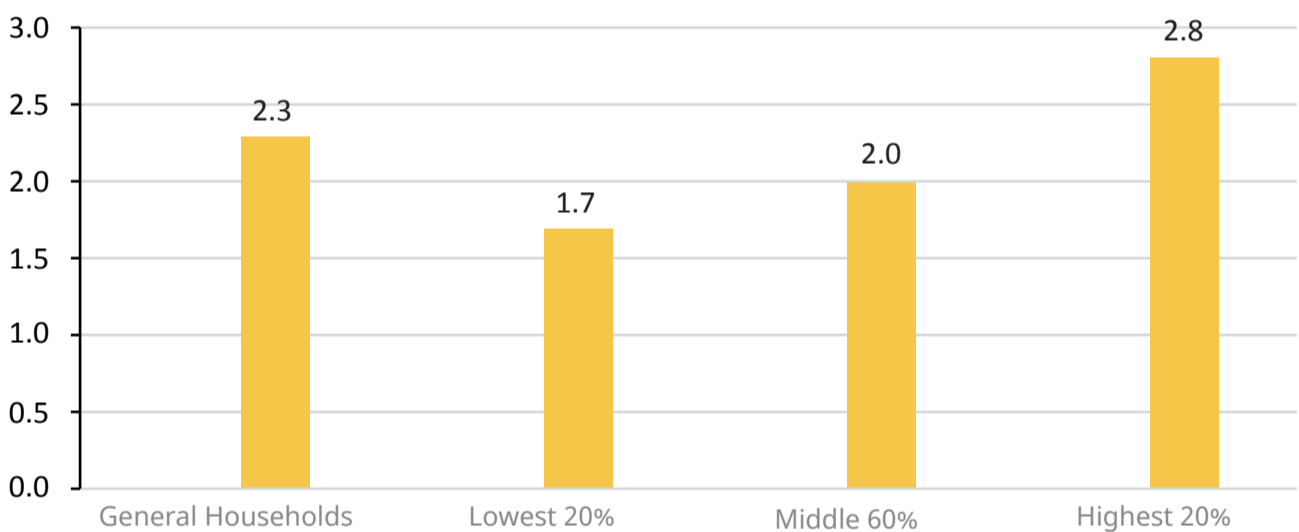
The Consumer Price Index³ (CPI) showed that prices rose by 4.0% in December 2021. For the full year, prices increased by 2.3% on average.

By household income groups, the lowest 20% income group saw prices rise by 1.7% in 2021. This was lower than the price increases of 2.0% and 2.8% observed for the middle 60% and highest 20% income groups respectively.



%year-on-year

CPI-All Items Inflation in 2021



Continued Government support for those in need



GST Voucher - Cash

Eligible lower-income Singaporeans received up to \$300 in cash for immediate needs.



Top-ups to Child Development Account, Edusave Account, and Post-Secondary Education Account

Singaporean children below age 21 in 2021 received an additional one-off top-up of \$200.



GST Voucher - MediSave

Singaporeans, aged 65 and above in 2021, received a top-up to their CPF MediSave Accounts of up to \$450 each.



Public Transport Vouchers

600,000 Public Transport Vouchers of \$30 each are being disbursed to help lower-income households.



GST Voucher - U-Save Rebates

About 950,000 Singaporean HDB households received rebates on their utility bills based on their flat types.



Grocery Vouchers

Eligible Singaporeans aged 21 and above in 2021 who live in 1- and 2-room HDB flats, and do not own more than one property, received \$100 worth of Grocery Vouchers each.

[1] Inflation refers to the change in prices over time.

[2] Before the establishment of Vaccinated Travel Lanes (VTLs), airfares were imputed using the overall change in the CPI as there were no flights due to COVID-19. The progressive opening of VTLs in recent months has allowed actual airfares to be incorporated in the CPI. As these airfares have come in higher due to an increase in base fares and COVID-related testing costs, their inclusion has contributed to the recent pickup in inflation.

[3] The CPI is an indicator that measures the average change in prices of a fixed basket of goods and services commonly purchased by resident households.



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