

# What is Consumer Price Index (CPI)?

The CPI is designed to measure the **average price changes** of a **fixed basket** of consumption goods and services **commonly purchased** by resident households over time.

## Prices of 6,800 goods & services are collected from 4,500 outlets

Prices are collected from a **wide range of retailers and service providers** commonly patronised by households.

- Prices are obtained via
- ▶ **postal/ email enquiries**
  - ▶ **electronic returns**
  - ▶ **web-scraping/ application programming interfaces (APIs)**
  - ▶ **administrative data**

Prices of goods and services that **are more prone to fluctuations** (e.g., perishable food items such as fish, seafood and vegetables) are collected more frequently to obtain more reliable estimates of price changes.

Prices of perishable food items are collected by field interviewers.

Other items are surveyed **monthly, quarterly, half-yearly, yearly** or as and when prices change.



## The CPI accounts for 'Shrinkflation'

Products priced in the CPI basket may change in terms of quantity or packaging size over time. When a **smaller quantity of a product is sold for the same price**, there is an implicit price increase. This is known as **'Shrinkflation'**, where consumers are paying the same amount but getting less.

In compiling the CPI, **changes in product size** are systematically tracked and adjusted for wherever feasible, by computing the prices of the items based on a **fixed unit of measurement, e.g., price per kilogram**.

The resulting price movement is reflected in the CPI as a **pure price change**.

Example:



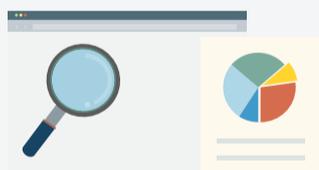
A price change of **25%** will be reflected in the CPI.

## The CPI weights are derived from the Household Expenditure Survey

The **Household Expenditure Survey** collects information on the consumption expenditure of resident households.



Household spending on goods & services varies. The CPI weights reflect the **relative importance** of each item, averaged across all households.



**Every five years**, the CPI basket and weights are updated, and the CPI methodology is reviewed based on **international recommendations**.

## Interpreting the CPI and Inflation

**CPI measures price movements, not absolute price level**

E.g., if the CPI for bread is **135** points, it means that price of bread has **risen 35%** since the base year.

**Lower inflation rate does not imply that prices have declined**

Inflation reflects the change in average prices over a specific period. A lower inflation rate means prices are still rising, but more slowly than before.

Example:



In 2024, though the annual inflation rate for fishball noodles has **slowed**, its price level is still **higher** compared to previous years

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The CPI for general households is released on the **23rd of every month**, or on the following day if the 23rd falls on a weekend or public holiday.

Check out the [infographic on Why does the Reported Inflation Differ from My Personal Experience](#) and watch the [video on Price Changes and the CPI](#).

Explore inflation trends via the [interactive dashboard on CPI](#).