

# S'poreans expect headline inflation to rise to 2.7%: Poll

Singaporean households surveyed last month see overall or headline inflation rising to 2.7 per cent in the year ahead, from 2.2 per cent in a December poll.

The latest quarterly survey for the Singapore Index of Inflation Expectations (SInDEx), released by DBS Bank and Singapore Management University (SMU), polled 500 individuals representing a cross-section of Singaporean households.

Last month's reading is still lower than the historical first-quarter average of 3.3 per cent from 2012 to last year.

However, it shows an upward trend from last December's 2.2 per cent and September's 1.9 per cent, which is the lowest polled since the survey's inception in 2011.

Excluding costs related to accommodation and private road transportation, the one-year-ahead core inflation expectations edged up to 2.7 per cent.

DBS and SMU said in a joint statement that some semblance of normalisation and global cues of recovery with the massive roll-out of various vaccines might have buoyed inflation expectations.

Singapore's central bank kept monetary policy steady last week on expectations that core inflation – which excludes accommodation and private road transport costs – will remain low this year.

It maintained its prediction for core inflation this year at 0 per cent to 1 per cent, but raised its forecast for headline inflation to 0.5 per cent to 1.5 per cent, up from minus 0.5 per cent to 0.5 per cent previously.

"A cyclical rise in commodity prices, including oil price, the pace of recovery, along with record-low interest rates globally have trig-

gered a debate on increased inflation risk among practitioners, academics and policymakers," said assistant professor of finance (education) Aurobindo Ghosh at SMU's Lee Kong Chian School of Business and the founding principal investigator of the SInDEx project.

He added that the survey found consumer sentiments seemed to have been buoyed by the record-breaking financial markets rather than the more uncertain and divergent growth in jobs and trade.

After adjusting for behavioural biases, SInDEx inflation expecta-

tions edged down to 3.1 per cent last month from 3.2 per cent in December last year.

The latest survey found that consumption patterns are continuing at pre-pandemic norms.

Meanwhile, inflation expectations for most components, such as food, transport, healthcare, education, recreation, apparel, household durables and communication, are unchanged.

Those for housing and utilities have come down marginally, while those for miscellaneous goods and services, such as personal care,

have risen slightly.

Around 13.4 per cent of Singaporeans polled expect a more than 5 per cent reduction in salary in the next 12 months, compared with 18.1 per cent in December.

"We expect to see strong growth out-turns worldwide in the second half of the year as pandemic management turns a corner, which should also be marked by further, but modest, increases in inflation expectations," said DBS chief economist and managing director of group research Taimur Baig.

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