

Publication: The Star Online

Date: 17 January 2022

Headline: Singaporeans' expectations of rising inflation ease with policy intervention: Survey

Singaporeans' expectations of rising inflation ease with policy intervention: Survey



Singaporeans' inflation expectations rose slightly for the year ahead, according to a latest poll, after monetary policy was tightened and new property cooling measures were announced.

Singaporeans in the December 2021 survey expect one-year-ahead headline inflation to inch up 0.1 per cent to 3.2 per cent. This compares to the September poll when the rate was expected to jump to 3.1 per cent from 2.7 per cent in the June survey.

The quarterly Singapore Index of Inflation Expectations (SInDEx) survey is published jointly by DBS and the Singapore Management University (SMU). It polls 500 randomly selected individuals that represent a cross section of Singaporean households.

The survey report noted that while headline inflation expectations continued their upward trend since September 2020, the 3.2 per cent rate is the average of what has been expected in the fourth quarter SInDEx survey over the last 10 years.

It also noted that the Monetary Authority of Singapore tightened its monetary policy stance slightly in October 2021 - allowing for faster appreciation of the Singapore dollar - and that a new round of property cooling measures was announced in December.

The overall CPIEx inflation expectations, after adjusting for potential component-wise behavioral biases and re-combining across components, decreased to 3.1 per cent in December from 3.7 per cent in September. Inflation expectations for most components witnessed moderate declines while others were unchanged.

Publication: The Star Online

Date: 17 January 2022

Headline: Singaporeans' expectations of rising inflation ease with policy intervention: Survey

Components that saw a decrease in inflation expectations from the September survey include transportation, housing & utilities, healthcare, recreation & culture, communications, and miscellaneous goods & services.

Expectations for core inflation, which excludes accommodation and private road transportation costs, saw a slight uptick, to 3.1 per cent from 3 per cent in September 2021.

The increase was contrasted by the small decrease noted by respondents who own their accommodation and use public transportation. The core inflation expectation from this group dropped from 3 per cent in September to 2.9 per cent in December.

SMU assistant professor of finance and head of the SInDEx survey, Aurobindo Ghosh, said: "From somewhat divergent beliefs in the September 2021 survey, we observe a broad-based decline in component-wise inflation expectations leading to a convergence of one-year-ahead headline and core inflation expectations closer to a long-term average of about 3 per cent. "This convergence is potentially an effect of proactive policymaking via an unexpected tightening of the monetary policy in October 2021 and property cooling measures in December 2021."

The SinDEx survey also showed that Singaporeans may be getting used to the impact of Covid-19 on their cost of living.

In the December poll, around 59 per cent said the pandemic's impact on inflation would be significant compared to 64 per cent in the September survey.

The share of survey respondents who feel that Covid-19 will have a long-term impact on inflation similarly declined to around 59 per cent, from about 68 per cent in September.

"Both results indicate that despite the pessimistic turn of events with the emergence of the Omicron variant and the renewed restrictions on travel, new waves of infections and continued constraints on normal life are being accepted as "the new normal" of an endemic Covid-19," said the report.

As for the tradeoff between economic growth compared to cost of life - the "livelihood over life debate" - the ratio went up to 2.6 from 2.2 in September. This means that for every person who prioritised life over livelihood, more than two prioritised their livelihood over their lives, indicating shifting attitudes towards the pandemic, said the report.