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Headline: Singaporeans' expectations of inflation for the year continue to ease to 4.2%: SInDEX

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Singaporeans continue to believe that inflation will drop over the year, according to the quarterly Singapore Index of Inflation Expectations (SInDEX) survey. Headline inflation expectations dipped to 4.2% in December 2023 from 4.5% in September 2023, a downward trend that started in March last year.

This is due to global cues of dampening global growth, and a moderating inflationary environment, the survey finds. However, the inflation expectations for the year ahead polled last quarter stands higher than the average 3.3% since the index was created in 3Q2011.

In comparison, data from the Monetary Authority of Singapore Survey of Professional Forecasters (MAS SPF) released last December found that the median forecast of the consumer price index (CPI)-all Items inflation for 2023 was 4.8%, while the MAS' core inflation median forecast was 4.1%.

SInDEX is conducted by economists from the Singapore Management University (SMU), and partnered by DBS Group Research, and surveys around 500 individuals representing a cross section of Singaporean households. It is now in its 50th edition.

The latest CPI data release from the Department of Statistics showed that CPI-all Items rose by 4.9% between January and November 2023, compared to the same period in 2022, with the latest November 2023 monthly inflation print coming in at 3.6% y-o-y.

The survey's overall CPI expectations (CPIEx) declined to 4.76% in December from 5% in September. Expectations of major components of CPI such as food, transportation, housing and utilities, healthcare and miscellaneous goods and services stayed unchanged.

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Meanwhile, expectations of all other components such as education, recreation and culture, clothing and footwear, among others, declined.

Overall, it found that Singapore consumers expect a slight negative impact on the country's economic growth for the upcoming year. This can be attributed to uncertainties stemming from geo-political conflicts and strategic tensions, global growth prospects and consequently continuation of policy tightening – albeit at a measured pace – of monetary policies by major economies, a tight domestic job market and general cost-of-living pressures.

Singaporean consumers also opined that over the next 12 months, their overall expenses are expected to increase slightly, the survey finds.

Creator and founding principal investigator of the quarterly survey, Dr Aurobindo Ghosh says: "In Singapore domestically, the moderation in expectations might have been slightly dampened by the 1% increase in goods and services tax (GST) in 2024, although Singaporeans opined that a slowdown in global growth might also limit any significant increase in overall price levels. The overall and component-wise inflation expectations of Singaporean consumers have largely declined, even after accommodating behavioural biases, indicating some levels of anchoring of medium-and long-term inflation expectations."

For the longer horizon, the five-year-ahead CPIEx inflation expectations declined slightly to 4.8% in December 2023 from 4.9% in the September 2023 survey, says Ghosh. The current polled number continues to be higher than the first quarter average of 4% polled since the survey's inception in September 2011 up till 2022, he adds.