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The latest findings from the quarterly Singapore Index of Inflation Expectations (SInDEX) survey indicate that Singaporeans maintain optimism as inflation expectations show a 4.2% decline.

Global factors, specifically dampening global growth and a moderating inflationary environment, are identified as key contributors to this decline, as highlighted in the survey.

In Dec 2023, headline inflation expectations declined to 4.2%, down from 4.5% in Sept 2023. The Edge Singapore reports that this downward trend has been evident since March of the previous year.

Despite this decrease, the polled inflation expectations for the next year remain higher than the historical average of 3.3% since the index's inception in the third quarter of 2011.

In comparison, data from the Monetary Authority of Singapore Survey of Professional Forecasters (MAS SPF) released in Dec 2023 indicates a median forecast for the consumer price index (CPI) – all Items inflation for 2023 at 4.8%. The MAS's core inflation median forecast for the same period stands at 4.1%.

Conducted by economists from the Singapore Management University (SMU) and partnered with DBS Group Research, the SInDEX survey involves approximately 500 individuals representing a cross-section of Singaporean households and is currently in its 50th edition.

Recent Consumer Price Index (CPI) data from the Department of Statistics reveals a 4.9% rise in CPI – all Items between Jan and Nov 2023 compared to the corresponding period in 2022. The Nov 2023 monthly inflation print recorded a 3.6% year-on-year increase.

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

Meanwhile, expectations for other components like education, recreation and culture, clothing, and footwear experienced a decline.

The prevailing sentiment among Singapore consumers suggests a slight negative impact on the nation's economic growth for the upcoming year.

This sentiment is attributed to uncertainties arising from geopolitical conflicts, strategic tensions, global growth prospects, and major economies' continued monetary policy tightening. A tight domestic job market and general cost-of-living pressures also contribute to this outlook.

According to the survey, Singaporean consumers anticipate a marginal increase in overall expenses over the next 12 months.

Dr Aurobindo Ghosh, creator and founding principal investigator of the quarterly survey, notes that domestic expectations might have been influenced by the 1% increase in goods and services tax (GST) in 2024.

However, "Singaporeans opined that a slowdown in global growth might also limit any significant increase in overall price levels," he said.

The survey findings indicate a decline in medium- and long-term inflation expectations, even after considering behavioural biases.

Dr Ghosh emphasises that the five-year-ahead CPIEx inflation expectations dropped slightly to 4.8% in Dec 2023 from 4.9% in the Sept 2023 survey, maintaining levels higher than the first-quarter average since the survey's inception in 2011 up until 2022. /TISG