Publication: The Edge Singapore Online
Date: 16 April 2024
Headline: Singaporean inflation expectation continues to ease to 4.0% despite headwinds to global growth: SInDEx

Singaporean inflation expectation continues to ease to 4.0% despite headwinds to global growth: SInDEx

Singaporeans believe that inflation will continue to drop over the year but at a less rapid pace, according to the Singapore Index of Inflation Expectations (SInDEx) survey.

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.

The quarterly survey, now in its 51st edition, reported that one-year-ahead inflation expectations fell to 4.0% in March 2024 from 4.2% in December 2023. Although inflation is anticipated to fall at a slower pace following headwinds to global growth facilitated by supply chain disruptions, ongoing conflicts in Ukraine, and a strong US economy.

However, the survey finds that this first quarter one-year-ahead inflation expectations continue to be higher than the average one-year-ahead headline inflation expectations of 3.3% since the inception of this index in the third quarter of 2011.

In comparison, data from the Monetary Authority of Singapore Survey of Professional Forecasters (MAS SPF) released in March 2024 showed that the median forecast of the Consumer Price Index (CPI)-All Items inflation for 2024 and 2025 was 3.1% and 2.0% respectively. MAS' core inflation median forecast was recorded at 3.0%.

The latest CPI data release from the Department of Statistics showed that CPI-all Items rose by 3.1% between January and February 2024, compared to the same period in 2023, with the latest February 2024 monthly inflation print coming in at 3.4% y-o-y.

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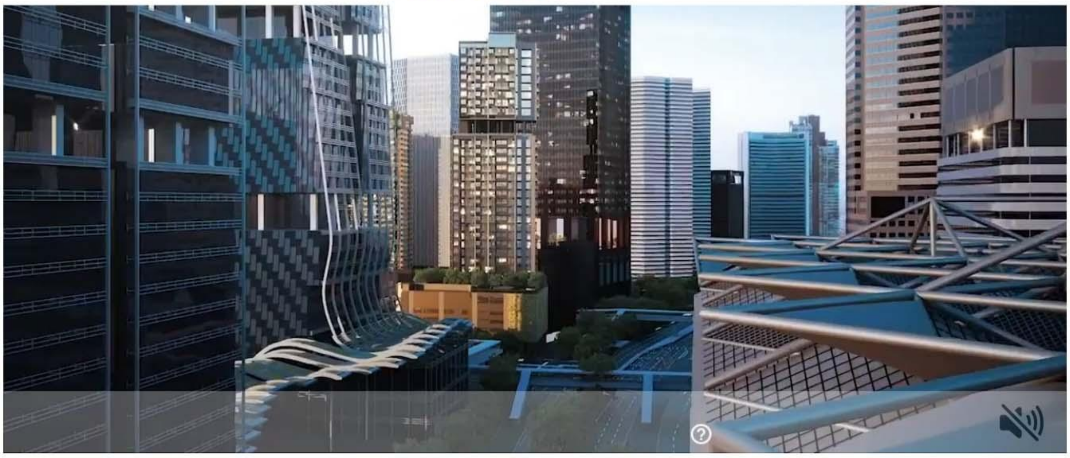

Overall, SInDex found that CPI inflation expectations increased from 4.8% to 4.9% from December 2023 to March 2024. Major CPI components including food, transportation, housing and utilities, healthcare and miscellaneous goods and services remain at an unchanged 5°/0.

Similarly, other segments such as household durables and services, clothing and footwear, and communications also remained steady at 4%. However, the survey found that components like education and recreation and culture increased from 4% to 5% and 4.2% to 5% respectively.

The survey notes that in spite of uncertain geopolitical and socio-economic climates, the increasing demand for travel, food and beverage and accommodation might have met with a commensurate increase in supply, which led to mostly flattening of inflation expectations across the board. Education, as well as recreation and culture, form the exceptions for this due to Singapore becoming a hub for concerts and meetings, incentives, conferences and exhibitions (MICE) events. with the strategic tensions between the world's largest two economies which could result in "higher for longer" global interest rates.

Additionally, the survey finds that Singapore consumers also opine that their overall expenses are expected to grow slightly in the next 12 months due to general cost-of-living pressures.

"Inflation has eased over the past year, but not to the extent of giving policymakers the comfort to ease monetary policy. This is a largely global phenomenon, and for Singapore, it is no exception. Expectations are adjusting to this reality of above-trend inflation," comments Dr Taimur Baig, DBS's chief economist and managing director of group research.

For the longer horizon, the five-year-ahead CPIEx inflation expectations have since declined from 4.8% to 4.5% from December 2023 to March this year, notes Dr Aurobindo Ghosh, creator and founding principal investigator of the quarterly survey. He adds that the current polled number remains slightly higher than the first quarter average of 4.3% polled since the survey's inception in September 2011 up till 2023.