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Singaporeans believe that inflation will continue to maintain a downward trajectory over the year but at a slower rate, according to the Singapore Index of Inflation Expectations (SInDEx) survey.

The quarterly survey is conducted by economists from the Singapore Management University (SMU), in partnership with DBS Group Research, and consists of a study of around 500 individuals representing a cross-section of Singaporean households.
SInDEx, now in its 52nd edition, reported that one-year-ahead headline inflation expectations fell to 3.8% in June from 4.0% in March previously. This downward trajectory comes on the back of general global trends in major economies, and the continued but circumspect restrictive monetary policy.

However, the survey finds that one-year-ahead inflation expectations for the second quarter continue to be higher than the average one-year-ahead headline inflation expectations of 3.4% since the inception of this index in the third quarter of 2011.

In comparison, data from the Monetary Authority of Singapore (MAS) survey of professional forecasters released in June showed that the median forecast of the consumer price index (CPI)-All Items inflation for 2024 and 2025 was 2.8% and 2.1%, respectively. Meanwhile, the MAS core inflation median forecast for 2024 and 2025 stands at 3.0% and 2.0% respectively.

The latest CPI data release from the Department of Statistics (SingStat) showed that CPI-All Items rose by 3.0% between January and May 2024, compared to the same period in 2023, with the latest May 2024 monthly inflation print coming in at 3.1% y-o-y.

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Following five consecutive tightening moves between October 2021 and October 2022, MAS maintained the rate of appreciation of the Singapore dollar nominal effective exchange rate (S$NEER) policy band in their second quarterly policy review in 2024, as at April 12.
The current appreciating path of the S$NEER policy band is intended to maintain a reduction in imported inflation and help curb domestic cost pressures, which ensures medium-term price stability.

The next monetary policy statement is set to be announced by end July 2024.
Overall, SInDEx found that CPI inflation expectations dropped significantly from 4.9% to 4.2% from March 2024 to June 2024. Major CPI components including food, transportation, housing and utilities, education, recreation and culture and miscellaneous goods and services have fallen to 4% from 5%.
Meanwhile, components such as healthcare, household durables and communication remain at an unchanged 4%.

The survey notes that this broad-based decline in component-based inflation expectations reflects an ongoing restrictive monetary policy environment, alongside an uneven global growth outlook, as reflected in perceptions of inflation expectations.
Additionally, the survey also included free-response overall inflation expectations after accommodating potential behavioural biases after informing respondents of current aggregated economic data.

It found that one-year-ahead headline inflation expectations declined from 5% in March 2024 to 4% in June 2024. After stripping out accommodation and private transportation, the Singapore core inflation expectations also fell from 5% in March 2024 to 4% in June 2024.
In its latest edition, the survey took on a more forward-looking approach in analysing the impact of global economic developments on Singapore's economic growth and inflation.

Overall, Singaporean consumers expect a slight downward trend on the country's economic growth over the next 12 months following geo-political tensions in a largely bifurcated global order, fallout from ongoing conflicts between Hamas and Israel and Ukraine and Russia, and 'higher for longer' global interest rates.

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

The June 2024 survey saw Singaporean consumers equally split on how they felt the overall one-year-ahead inflation scenario would unfold in the next 12 months.

Around 45.2% of those surveyed expect inflation to decline in the medium term of one year while 45.4% felt that one-year-ahead inflation is set to increase. This result reflects the cognitive dissonance and disagreements resulting from the high level of uncertainty that is currently experienced by the global economy, policy environment and fallout of ongoing conflicts in the medium term of one year.

The role of central banks in keeping interest rates high was cited as the main reason for 36% of those expecting inflation to decline, while 32% cited the slowdown of global growth and 22% responded that the resolution of supply chain disruptions is also expected to relieve price pressures.

That said, respondents expecting inflation to increase over the next 12 months were more diverse in opinion. The most common reason cited was the impact of higher interest rates by the central banks of major economies at 29% of respondents, while 16% cited high demand due to the easing of pandemic-era measures. Fiscal measures such as the hike in GST and supply chain disruptions were cited as other possible major reasons at 14% and 13.5% respectively.

“A combination of tight monetary policy and favourable supply-side conditions have brought down headline and core inflation appreciably over the past year, and expectations have begun to adjust accordingly. We welcome these favourable developments, as they help mitigate the cost-of-living difficulties faced by the population in recent years,” comments Dr Taimur Baig, DBS Bank’s chief economist and managing director of group research.

For the longer horizon, the five-year-Ahead CPIEx inflation expectations remain unchanged in June 2024 at 4.5% compared to March 2024. The current polled number continues to be slightly higher than the second quarter average of 4.2% polled since the survey’s inception in September 2011 up till 2023.