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The Singapore Index of Inflation Expectations survey had 500 respondents across Singapore.

The one-year-ahead inflation expectations remained unchanged q-o-q at 3.8% in September this year, with consumers' expectations flattening in line with the general global trends in major economies, the Singapore Index of Inflation Expectations (SInDEx) survey led by the Singapore Management University (SMU) and DBS Group Research found. The survey polled 500 respondents across Singapore and was released on Oct 22.

That said, the survey found that one-year-ahead inflation expectations remain elevated with the third quarter one-year-ahead inflation expectations higher than the average of 3.4% since the index was incepted in the third quarter of 2011. In comparison, data from the Monetary Authority of Singapore's survey of professional forecasters (MAS SPF) released in September this year found that the median forecast for headline inflation in 2024 was 2.6%. The median forecast for core inflation in 2024 is 2.9%.

Within the survey by SMU and DBS the overall consumer price index inflation expectations (CPIEx), after adjusting for potential component-wise behavioural biases and re-combining across components, pared to 4.1% in September 2024 from 4.2% in June 2024.

One-year-ahead inflation expectations of major components of the consumer price index (CPI) remained unchanged, namely in food (4%), housing and utilities (4%), healthcare (5%), education (4%), household durables and services (4%), recreation and culture (4%), clothing and footwear (4%).

Conversely, one-year-ahead inflation expectations for miscellaneous goods and services including personal care increased from 4% to 5%, while transportation and communications dipped, from 4.5% to 4% and 4% to 3.2% as compared to June 2024, respectively.

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"This broad-based stability in component-based inflation expectations signals that with a restrictive monetary policy environment in place, perceptions of inflation expectations are largely stabilising or moving down," the survey notes.

With regards to free-response overall inflation expectations, the survey found that the one-year-ahead headline expectations remained unchanged at 4% in September 2024 compared to June 2024.

In the September survey, SMU and DBS also looked at the impact of global economic developments on Singapore's economic growth and inflation.

One of the findings showed that Singaporean consumers expected a slight negative impact on Singapore's economic growth over the next 12 months, in response to expanding conflicts in the Middle East and Ukraine, geo-political tensions and an uncertain policy environment.

Additionally, despite a more broad-based stabilisation in inflation expectations in the face of general cost-of-living pressures, Singaporean consumers expect their overall expenses to increase slightly over the next 12 months.

The survey found that Singaporean consumers expect their budget share of expenses for education, recreation and culture, communications, clothing and footwear and miscellaneous goods and services to remain unchanged over the next 12 months.

However, they expect a slight increase in the budget share of expenses in food, transportation, housing and utilities, healthcare and household durables and services over the next 12 months.

"These results indicate that respondents expect their consumption baskets to change over the next 12 months, with a higher budget share on certain components," the survey notes, adding that this could be due to changes in post-pandemic consumption behaviours such as working from home or ordering groceries online.

Looking ahead, around 44.8% of respondents expect inflation to decline in the medium term of one year, while 44.6% of respondents felt that one-year-ahead inflation will increase.

According to the survey, this shows a "continued cognitive dissonance" and disagreement about inflation, arising from a high level of uncertainty about the global economy and policy environment.

The main reasons cited by respondents who expect a decline in inflation include a slowdown in global growth (37.4%), the role of central banks in keeping interest rates high (30.4%) and the resolution of supply chain disruptions (19.1%).

The common reasons cited by respondents who expect an increase in inflation over the next 12 months include the impact of higher interest rates by central banks of major economies (29.7%), geopolitical uncertainties (24.5%), high demand due to easing pandemic-era measures (14.4%), supply chain disruptions (14%) and fiscal measures such as the GST increase (11.8%).

Additionally, the respondents opined that current economic conditions have no impact on one-year-ahead inflation expectations but believe there would be a slight downward or negative impact on the five-year-ahead inflation expectations.

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Taimur Baig, DBS bank chief economist and managing director of group research, noted that "expectations have adjusted downward somewhat, although the journey toward full normalisation is still ongoing."

"Uncertainty remains about the supply and demand for goods and services, as well as liquidity and central bank signalling around the world. Inflation expectations in Singapore have been steady this year, which is a testament to MAS's credibility," Baig adds.

Aurobindo Ghosh, assistant professor of finance at SMU observed that the quarterly SInDEx survey findings show "steady" headline inflation expectations in comparison to lowered core inflation expectations.

"The strong Singapore dollar has dampened imported inflation of higher US dollar-denominated prices but some passthrough impacts might still be present. Even after addressing behavioural biases in respondents, this gradual decline seems to be broad-based across different components," he says.

"Even after adjusting for behavioural biases, the long-term headline inflation expectations remained flat for the second quarter in a row after declining over the last four quarters. This corroborates with the findings of the importance and accuracy of survey-based measures and reflects the opinion of Singaporean consumers that uncertainty in the short term will reduce in the longer term. Overall, both short-term and long-term inflationary expectations reveal there is a movement towards anchoring of inflation expectations, albeit possibly to a new normal," he adds.