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Singaporean consumers are expecting a slight negative impact on the country’s economic growth, and an overall slight increase in their expenses over the next 12 months, according to the quarterly Singapore Index of Inflation Expectations (SInDEx) survey by SMU and DBS Group Research.

The survey, now in its 54th edition, finds that one-year-ahead headline inflation expectations remained unmoved at 3.8% in December 2024 compared to September 2024.

It surveys around 500 individuals representing a cross section of Singaporean households. DBS is a co-sponsor and research partner together with the Sim Kee Boon Institute for Financial Economics (SKBI) at SMU.

This is in line with the broader trend of consumers’ headline inflation expectations trending downwards since June 2023. It has remained unchanged since the June 2024 survey, the report adds.

The survey notes that in comparison, data from the Monetary Authority of Singapore’s survey of professional forecasters (MAS SPF) in December 2024 showed the median forecast for Consumer Price Index (CPI)-all items inflation for 2024 was 2.5%, while MAS Core Inflation median forecast was 2.8%.

The overall Consumer Price Index Inflation Expectations (CPIEx), after accommodating potential component-wise behavioural biases and re-combining across components, increased to 4.4% in December 2024 from 4.1% in September 2024, the survey notes.

One-year-ahead inflation expectations of major components of CPI mostly remained unchanged, namely in components like food (at 4%), transportation (at 4%), healthcare (at

5%), education (at 4%), household durables & services (at 4%), recreation & culture (at 4%), clothing & footwear (at 4%).

Expectations in components of CPI that increased include housing & utilities (from 4% to 5%) and miscellaneous goods & services including personal care (from 4% to 5%) and communications (from 3.2% to 4%).

The survey says that these changes in budget share in the above components of CPI indicate more permanent changes in consumption behaviour and lifestyle in the post-pandemic era, like the practice of working from home regularly or ordering groceries online, rather than buying them in-store.

The survey goes on to note that around 47.3% of Singaporeans surveyed expect inflation to decline in the medium term of one year, compared to 44.8% in September 2024. The report notes that this shows some level of uncertainty about global growth and cautious optimism that the tighter monetary policy might be able to rein in inflation.

In December 2024, the main reason cited by those expecting inflation to decline is the slowdown in global growth, followed by the role of central banks in keeping interest rates high. A distant third, given by 15.7% of respondents, was the resolution of supply chain disruptions.

Among respondents expecting inflation to increase over the next 12 months, there was a greater variety of perceived reasons. The most common one cited was the impact of higher interest rates by the central banks of major economies (30.9%).

This was followed by geopolitical uncertainties due to the conflicts between Hamas and Israel, and Ukraine and Russia (17.2%), as well as fiscal measures such as the hike in GST (15%).

“After several years of high inflation, the second half of 2024 brought substantial price relief to Singapore’s residents. With a substantial rally of the US dollar in recent months, Singapore’s inflation outlook might be a bit more challenging on the margin, but there are mitigating circumstances,” says DBS Bank chief economist and managing director of group research, Dr Taimur Baig.

The creator and founding principal investigator of the quarterly DBS-SKBI SInDEx Project, Dr Aurobindo Ghosh, says that the recovery from the pandemic has made some of the vestiges of the pandemic-era measures like lifestyle changes seem to be persistent which might have some lingering impact on cost-of-living.