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Geopolitical uncertainties and higher interest rates are cited as concerns

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[SINGAPORE] The majority of Singaporeans expect headline inflation to rise slightly in 2026 as a result of global trade policies, the Singapore Index of Inflation Expectations survey released on Tuesday (Jan 20) showed.

The percentage of Singaporeans anticipating higher inflation in the year ahead rose to 83.4 in the December 2025 iteration of the quarterly online survey.

That marked an increase from the 47.5 per cent recorded in the previous quarter's survey.

The survey polled around 500 individuals representing a cross-section of Singaporean households.

Conducted on behalf of the Singapore Management University (SMU) and partly funded by DBS, it is a collaboration between DBS Group Research and SMU's Lee Kong Chian School of Business.

Anticipated rises

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Headline inflation expectations for a medium-term period of one year ahead rose to 3.5 per cent in the December survey, from 3.3 per cent in September, before adjusting for behavioural biases.

However, after adjusting for behavioural biases, the expected headline inflation for the year was 3 per cent, down marginally from 3.1 per cent a quarter earlier.

Expectations for core inflation, which excludes accommodation and private transport, for 2026 also increased to 3.6 per cent in December, from 3.2 per cent in September.

“These opinions indicate that there is a clear understanding of the potential for a medium-term increase in one-year-ahead inflation expectations, particularly regarding the impact of global trade policies on price levels,” said the survey.

Meanwhile, only 6 per cent of respondents in December expected inflation to fall in the medium term of one year, down from 37.5 per cent a quarter earlier.

In the December survey, respondents said they expect a slight increase in food and transport, as well as housing and utilities, among others, in the next 12 months.

“Surprisingly resilient” global economy

Among those anticipating higher inflation over the next 12 months, high trade policy uncertainty emerged as the top reason, cited by 28.3 per cent.

This was followed by geopolitical uncertainties (18.5 per cent), higher interest rates (15.8 per cent), supply chain disruptions (15.3 per cent) and fiscal responsibility measures, such as higher value-added taxes (12.2 per cent).

This comes as policy uncertainty remained elevated throughout 2025, said Aurobindo Ghosh, assistant professor of finance at SMU.

“However, the global economy and, in particular, the equity market, has been surprisingly resilient despite the onslaught of conflicts, tariffs and disruptions,” he said.

“Against this backdrop, as part of a small open economy, consumers in Singapore weighed in their opinion that overall inflation (would) be slightly higher across the board in the medium term,” Prof Ghosh added.

The survey found that consumer and business sentiment remained stable in the fourth quarter of 2025.

Notably, respondents did not anticipate changes in business conditions over the next 12 months compared to last year, and only expected overall expenses to rise slightly.

Inflation among CPI categories

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Overall inflation expectations for components of the consumer price index (CPI) dropped to 3.1 per cent in December, from 3.2 per cent in September.

Across the board, inflation expectations for major CPI components over a one-year-ahead period held steady or declined.

“(A) flattening or decline in inflation expectations across most categories (signals) that despite geopolitical and policy uncertainty, consumers expect price increases to be muted over the next 12 months,” said the survey.

Notably, CPI categories of food, transportation and information and communications registered a decline in expected inflation over the quarter.

Categories with unchanged inflation expectations include housing and utilities, education, household durables and services, recreation, sport and culture, as well as clothing and footwear.

The healthcare component defied the trend, recording an increase in expected inflation to 4 per cent in the December survey, from 3.5 per cent a quarter earlier.

Expectations for long-term inflation

Over a long-term period of five years ahead, Singaporeans expected inflation to hit 4.4 per cent in the December survey, compared with 3.9 per cent in September.

After adjusting for behavioural biases, long-term headline inflation expectations appeared to be steady at 4 per cent.

Prof Ghosh noted that this reflected an “element of anchoring of longer-term inflation expectations” in spite of short-term fluctuations due to trade-driven policy uncertainty.