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The Ngee Ann City mall in Singapore.ST PHOTO: DESMOND WEE

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Ann Williams

SINGAPORE - Singaporeans' inflation expectations have hit five-year lows, fuelled by Brexit uncertainty and global economic headwinds.

Consumers' one-year-ahead median inflation expectations fell to 2.63 per cent, its lowest level since September 2011, according to a quarterly survey by Singapore Management University (SMU).

In the latest Singapore Index of Inflation Expectations (SInDex) poll conducted in June, consumers shared their views on expectations of inflation-related variables over the medium term (one-year-ahead) to long term (five-year-ahead).

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The survey showed that compared to March, the median one-year-ahead headline inflation (or CPI-All Item inflation) dropped to 2.63 per cent from 2.79 per cent in March - its lowest level since the survey's inception in September 2011.

As a comparison benchmark, the mean one-year-ahead headline inflation rate, moderated down to its new low of 2.86 per cent in the June survey compared to 2.94 per cent in the March 2016 survey, continuing its sub 3 per cent value since December 2015.

Compared to the historical median headline inflation expectations (since September 2011) average of 3.58 per cent and the more recent second quarter average of 2.89 per cent, the current one-year-ahead median headline inflation is significantly lower, SMU noted.

Given the uncertain and weak global growth climate, Singaporean households surveyed believe that one-year-ahead expected price changes seem to continue its downward trend.

However, unlike the overall headline inflation, the one-year-ahead median Singapore core inflation expectations (excluding accommodation and private road transportation related costs) inched up to 3 per cent in June from 2.91 per cent in March. This increase seems to be anchored or well-grounded in line with the policy guidance from MAS about slow increase in the core inflation expectations over 2016, said SMU.

However, for a group of the population who own their accommodation and use public transport, the one-year-ahead median Singapore core inflation rate for the subgroup stayed almost the same at 2.9 per cent in the June survey compared to 2.91 per cent in March 2016, its lowest level since June 2013.

This group's expectations of inflation closely track the Singapore core inflation expectations, as they are not exposed to private transport or private accommodation expenses.

One-year-ahead Median Singapore Index of Inflation Expectations (Median SInDEx1), a composite weighted index of one-year-ahead median inflation expectations, attained its lowest level of 2.76 per cent in June from 2.82 per cent recorded in March. This is markedly lower than the historical average value of 3.59 per cent since its inception in September 2011.

SInDEx1 is constructed as an alternative and more stable measure of inflation expectations by putting lower weightage on the more volatile and policy-sensitive components like accommodation, private transportation, food and energy. Median SinDEx1 is less adversely affected by outliers, unlike the original mean SInDEx1.

For the longer horizon, the five-year-ahead median headline (CPI-All Items) inflation expectations in the June survey moderated down to 3.48 per cent from 3.58 er cent in March, also hitting the survey's lowest-ever point.