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**Headline: Singapore households' inflation expectations inch up to 2.97% in December: SMU survey**

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Inflation expectations in Singapore stayed tame as geopolitical uncertainties cooled the euphoria from global economic growth, a survey by the Singapore Management University (SMU) showed on Tuesday. PHOTO: ST FILE

INFLATION expectations in Singapore stayed tame as geopolitical uncertainties cooled the euphoria from global economic growth, a survey by the Singapore Management University (SMU) showed on Tuesday.

The results of the survey last month showed that Singapore households expect the median one-year-ahead headline inflation (or CPI-All Item inflation) to inch up to 2.97 per cent from their forecast of 2.93 per cent recorded in September 2017.

This figure is still lower when compared to the average historical median headline inflation expectations, since September 2011, of 3.44 per cent.

The findings come in the latest quarterly Singapore Index of Inflation Expectations (SInDEX) survey conducted by SMU's Sim Kee Boon Institute for Financial Economics (SKBI).

While there has been sustained broad-based recovery in the G3 (US, Eurozone and Japan) and major developing economies, including the recovery of commodities and oil prices, stock markets reaching new highs and long awaited US corporate tax reforms, this has come against a backdrop of elevated levels of geopolitical uncertainty particularly in the Korean peninsula and the Middle East, continued uncertainty surrounding Britain's exit from the Eurozone, as well as heightened protectionism by the US including challenges to existing multilateral trade pacts such as Nafta, SKBI noted.

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Said SMU Assistant Professor of Finance Aurobindo Ghosh, principal investigator of the SInDEX Project, "Global policy uncertainty impacts Singapore inordinately as we are a small open economy. This is especially so for policies that might be detrimental to multilateral trade, including the imposition of higher trade barriers with the ensuing volatile global prices and fluctuating currencies.

"Having said that, a strong Singapore dollar and global market conditions seems to have kept a lid on unhinged inflation expectations both in the medium and long term."

SMU's online poll of about 500 consumers, randomly selected to represent a cross section of households, also found that the public now expects core inflation, which excludes accommodation and private transport costs, to rise to 2.91 per cent, slightly higher than 2.89 per cent in September.

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It noted that for a subgroup of the population who own their accommodation and use public transport, expectations are that the one-year-ahead median core inflation rate will edge up to 2.92 per cent - lower than the overall 2.97 per cent polled - compared to 2.88 per cent in September.

"These results indicate that there seems to be a fairly stable perception of future overall price changes representing the Singapore core inflation rate that excludes housing and private road transportation," said the report.