

## Households here expect inflation to inch up to 2.97%: Poll

Inflation expectations in Singapore stay tame as geopolitical uncertainties cool the euphoria from global economic growth, a survey by the Singapore Management University (SMU) showed yesterday.

The results of the survey last month showed that Singapore households expect the median one-year-ahead headline inflation to inch up to 2.97 per cent from their forecast of 2.93 per cent recorded in September last year. This is still lower than 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 survey conducted by SMU's Sim Kee Boon Institute for Financial Economics (SKBI).

Good news are aplenty.

There has been sustained broad-based recovery in the G3 (US, euro zone and Japan) and major developing economies, including a recovery of commodities and oil prices. Global stock markets have hit new highs, partially led by the long-awaited US corporate tax reforms.

However, this has come against a backdrop of elevated levels of geopolitical uncertainty, particularly in the Korean peninsula and the Middle East, continued uncertainty surrounding Brexit, and heightened protectionism by the US, including challenges to existing multilateral trade pacts such as the North American Free Trade Agreement, SKBI noted.

"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," said SMU assistant professor of finance Aurobindo Ghosh, the survey's principal investigator. "Having said that, a strong Singapore dollar and global market conditions seem 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 marginally from the previous survey in September.

It noted that for a sub-group 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 with 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.