Singapore inflation expectations down to 2.88% for next year: Survey

Food and retail inflation has also picked up slightly year on year.ST PHOTO: LIM YAOHUI

SINGAPORE - Singaporeans' median inflation expectations for one year ahead fell further to 2.88 per cent from last quarter's 3.11 per cent, according to a Singapore Management University (SMU) think tank released on Monday (Oct 15).

The results of the Singapore Index of Inflation Expectations (SInDEx) by the university's Sim Kee Boon Institute for Financial Economics (SKB Institute) came in days after the Monetary Authority of Singapore (MAS) said it would increase the pace of the Singapore dollar's appreciation, its second consecutive tightening.

The report said the strength of the US economy, normalisation of its monetary policy and the new trade deal between the US, Canada and Mexico appear to have outweighed concerns of a trade war between the US and China.

Locally, researchers noted that services inflation has eased, although the year-on-year decline in accommodation related expenses have moderated and there is stabilisation in the decline in private road transport costs. Food and retail inflation has also picked up slightly year on year.

The quarterly survey also found that while the median headline (CPI-All Items) inflation expectations for five years ahead increased slightly to 3.81 per cent from 3.77 per cent in June 2018, that still stands below the historical average of 4.23 per cent since the survey started in September 2011.

SMU assistant professor of finance Aurobindo Ghosh, the project's principal investigator, said that central banks around the world may tighten their monetary policy following the run-up of the US dollar from its own policy normalisation, while others may keep their policy more accommodative.