

**Publication: The Business Times Online**

**Date: 21 January 2019**

**Headline: Singaporeans' inflation expectations stand pat at end-2018: poll**

## **Singaporeans' inflation expectations stand pat at end-2018: poll**



Singaporeans don't expect overall consumer costs to budge much in the next 12 months, but think that core inflation - that is, price hikes outside of housing and private transport - could still inch up. ST PHOTO: KUA CHEE SIONG

SINGAPOREANS don't expect overall consumer costs to budge much in the next 12 months, but think that core inflation - that is, price hikes outside of housing and private transport - could still inch up.

People here figured that inflation would hit 2.85 per cent in the year ahead, the quarterly DBS-SMU Singapore Index of Inflation Expectations (SInDEX) poll found in December. This was the third straight quarterly drop and a dip from the 2.88 per cent pinged by the previous survey three months prior.

Meanwhile, core inflation expectations for the year ahead rose from 2.92 per cent in September to 2.99 per cent in December, according to results released on Monday.

Singapore Management University (SMU) researchers, who have started tracking consumers' inflation expectations for key components of the price basket, found the expectation of cost increases unchanged at 3 per cent for healthcare and 2 per cent for food and utilities.

Expectations for education were logged for the first time at 3 per cent, and for recreation at 2 per cent.

Altogether, the results suggest an expectation of higher cost increases outside of private road transport and housing segments - "possibly as a reaction to expectation of stronger US dollar if US interest rate keeps rising, and higher domestic wages", the survey providers noted in a summary of the report.

Still, the weighted composite for inflation expectations was 2.9 per cent in December, against 2.91 per cent in September. The research team also noted that, after adjustments for potential behavioural biases, overall inflation expectations were stable in 2018 at 2 per cent.

This could mean that expectations were "anchored" fairly well despite various short-term uncertainties of the global economy", the researchers wrote, pointing to factors such as the US-China trade war and rate hikes at the United States Federal Reserve.

Taimur Baig, chief economist and managing director of group research at DBS, said: "Understanding the sentiment and expectations of Singaporeans with regard to inflation is critical for policymakers, analysts, companies, academics, and financial sector participants..."

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"As per the latest results, at 2.9 per cent, the one-year-ahead inflation expectations of Singaporeans were broadly unchanged in December, compared (with) the September 2018 survey.

"Given that the historical median has been 3.4 per cent since the inception of the survey in September 2011, this reflects a gradual downtrend in inflation expectations."

The survey's principal investigator, SMU assistant professor Aurobindo Ghosh, added: "Further tightening of the monetary policy in October 2018 seems to have lowered overall inflation expectations both in the medium and long term, and bodes well for the future effectiveness of the monetary policy regime."

The Monetary Authority of Singapore adjusted Singapore's monetary policy to allow for the "modest and gradual" appreciation of the Singapore dollar at both its meetings in 2018, after six years without tightening.

The central bank's official outlook is for overall inflation to stand at between 1 per cent and 2 per cent in 2019, with core inflation forecast to come in at between 1.5 per cent and 2.5 per cent.

The SInDEx survey was an online poll of some 500 people, backed by the Sim Kee Boon Institute for Financial Economics at SMU. DBS came on board for the first time as a co-sponsor and research partner, with bank economists joining their academic counterparts to analyse and interpret responses.

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