

S'pore consumers expect inflation to trend downwards: SMU

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File photo: Pedestrians cross the street along the Orchard Road shopping area in Singapore. (AFP/Roslan Rahman)

SINGAPORE: Singapore consumers expect inflation to trend downwards, according to the latest poll conducted by the Singapore Management University (SMU).

The survey of 400 respondents was conducted online in December 2013 by SMU's Sim Kee Boon Institute for Financial Economics (SMU SKBI) and sponsored by MasterCard.

The SKBI-MasterCard Singapore Index of Inflation Expectations (SInDEx) report attributed the decline to property loan curbs, macro-prudential policies as well as weaker imported inflation from ASEAN countries.

Consumer expectations of headline inflation over the next one year fell to 3.72 per cent -- the lowest expected level since the survey's launch in September 2011.

This is down from 3.85 per cent recorded in September 2013.

Consumers' expectations for core inflation, which excludes accommodation and private transportation, also moderated from 3.88 per cent in September to 3.7 per cent in the December survey.

Both estimates from the survey are higher than government projections. The Monetary Authority of Singapore expects both headline and core inflation to be in the 2 per cent and 3 per cent range for 2014.

Assistant Professor Aurobindo Ghosh, co-creator of SInDEx, and project director of SMU SKBI, said: "While policymakers and economists are more concerned with the macroeconomic outlook and conditions, individual households base their decisions on past experience and their expectations of possible escalating cost of living, particularly for commonly purchased items."



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He added that macro-prudential policies of the regulators, such as cooling measures in property and private transportation, are having an effect in controlling price rises.

This might also have an impact on reducing pass-through costs, although the tight labour market might continue to pose some challenges in terms of domestic wage rises, he said.

But concerns remain in the interim over the potential implications of the unwinding in US monetary stimulus which started in January 2014.

- CNA/nd