

Singapore inflation expectations hit all-time low: SMU

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Singaporeans lower their inflation expectations amid low oil prices and fluctuating exchange rates, according to a Singapore Management University survey.



A shopper picks up necessities at a market stall in Singapore. (File image/AFP/ROSLAN RAHMAN)

SINGAPORE: Singapore's inflation expectations have fallen due to global and domestic factors, according to the results of a Singapore Management University survey released on Monday (Apr 20).

The Singapore Index of Inflation Expectations (SInDEx), which examines the behaviour and sentiments of decision makers in Singapore households, revealed that expectations for headline inflation for one year ahead fell to an all-time low of 3.05 per cent since its launch in September 2011, said SMU in a news release.

“Low oil prices and fluctuating exchange rates are probably here to stay in the medium term. These phenomena have had a significant negative impact on expectations of inflation the world

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over, including the G3 economies,” explained Assistant Professor of Finance Aurobindo Ghosh from the Lee Kong Chian School of Business.

“Domestic factors such as the impending supply glut in COE quota and upcoming additional supply of accommodation, lower than expected pass-through costs despite tight labour market and medical subsidies have brought down the inflation expectations by Singaporeans,” he added.

LOWERED EXPECTATIONS IN MEDIUM AND LONG TERM

Consumers lowered their expectations for inflation over the medium term and long term, the survey among 500 individuals revealed.

The SInDEx1, a composite index of inflation expectations for one year ahead, maintained an overall downward trend to 3.26 per cent, significantly lower than the historical average of 4.08 per cent.

The one-year-ahead core inflation expectations also fell to 3.44 per cent in March, from 3.6 per cent in December.

Similarly, the SInDEx5, a composite of inflation expectations for five years ahead, came in at 4.05 per cent in March, down from 4.26 per cent in December 2014.

The five-year-ahead overall inflation expectations fell to 4.16 per cent in March, down from 4.48 per cent in December. The core inflation rate expectations for the five years ahead also fell to 3.94 per cent, down from 4.12 per cent.