

Inflation expectations here at 'lowest since late 2011'

SINGAPOREANS continue to expect inflation to slide because of both domestic and global factors, going by the latest findings of the Singapore Index of Inflation Expectations (Sindex).

The online survey of 500 people last month showed that consumers now expect a headline inflation rate of 3.05 per cent for the year ahead, down from the previous survey's 3.52 per cent in December last year.

This is the lowest rate recorded since the quarterly survey was started by the Singapore Management University's (SMU's) Sim Kee Boon Institute for Financial Economics in September 2011.

Singapore experienced a



OUTLOOK: Consumers now expect a headline inflation rate of 3.05 per cent for the year ahead, according to the Sindex online survey by SMU. ST FILE PHOTO

fourth month of deflation after consumer prices fell 0.3 per cent in February, the longest slide in more than five years.

SMU said persistent weakness in oil prices, accentuated by the uneven global recovery and trepidations on exchange

rate fluctuations, have led to a significant drop in headline inflation rates across several influential economies, including China, India and the Group of Three (G-3) economies of the United States, euro zone and Japan.

"Reacting to global cues, both the one-year and the five-year ahead, Singaporeans' inflation expectations saw the largest quarterly drop in headline inflation expectations despite an unscheduled loosening of the monetary policy in Singapore in January," SMU noted.

Consumers also factored in domestic issues including the tight labour market and consequent pass-through of higher business costs to prices.

The latest quarterly online poll also found that the public now expects a lower rate of core inflation, which excludes accommodation and private transport costs.

Expectations for core inflation in the year ahead have dropped to 3.44 per cent, from 3.6 per cent last September – also a new low.

Aurobindo Ghosh, assistant professor of finance from the Lee Kong Chian School of Business, who co-created Sindex, said that "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 over, including the G-3 economies. Singapore is no different," he added.

Singapore's inflation rate for last month will be released on Thursday.

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