

Singapore households' inflation expectations hit 3-year low in June

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Consumers are hoping for overall price stability.

Expectations of inflation over one and five year horizons dipped moderately in June, according to the research findings of the latest survey for Singapore Index of Inflation Expectations (SInDEx) by Singapore Management University (SMU).

The results of the June 2014 wave of the SInDEx survey showed that compared to December 2013, the One-year-Ahead headline inflation (or CPI-All Item inflation) has inched down to 3.66% from 3.72%.

“Although the decrease in inflation expectations for headline inflation is flattening, this is the lowest since the survey’s inception in September 2011. This significant downward trend has continued since September 2012. Compared to the historical average of 4.2% and the second quarter average of 3.79%, the current One-year-Ahead inflation expectations shows that Singapore households perceive improving overall price stability and the moderation of inflation following global cues,” noted the report.

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Here's more from SMU:

Following the overall headline inflation, the One-year-Ahead Singapore core inflation expectations (excluding accommodation and private transportation related costs) also inched down to 3.85% in June 2014 (from 3.88% in December 2013), maintaining a slowing but downward trend since September 2012.

For a subgroup of the population who own their accommodation and use public transport, the One-year-Ahead Singapore core inflation rate was 3.81% in the June 2014 survey compared to 3.7% in December 2013.

These respondents in reality face the Singapore core inflation as they don't have to face changes on accommodation or private transportation costs directly.

Assistant Professor Aurobindo Ghosh, co-creator and Director of the SInDEx Project at SKBI said, "Closer to home, property prices in Singapore have reacted to curbs in debt servicing ratios, and slight temporary increase in vehicle quota have dampened car prices. We see this reflected in the moderation of overall inflation expectations.

However, the Monetary Authority of Singapore recently projected that there is an upward pressure on the Singapore core inflation without accommodation and private transportation, possibly from the tight labor market and other pass-through costs.

In summary, although we see some anchoring in public perception of inflation expectations, continued uncertainty in global economic outlook might adversely affect long term inflation expectation."

For the longer horizon, the Five-year-Ahead overall (CPI-All Items) inflation expectations in the June 2014 survey stood flat at 4.72% (unchanged from December 2013). This is the lowest since inception, maintaining a slowing trend of decline since September 2012.

The Five-year-Ahead Singapore core inflation rate (excluding accommodation and private transportation related costs) inched up to 4.5% from 4.4% in the December 2013 wave.