

Chart of the Day: Inflation expectations drop to record lows amid oil rout

By Staff Reporter, Singapore

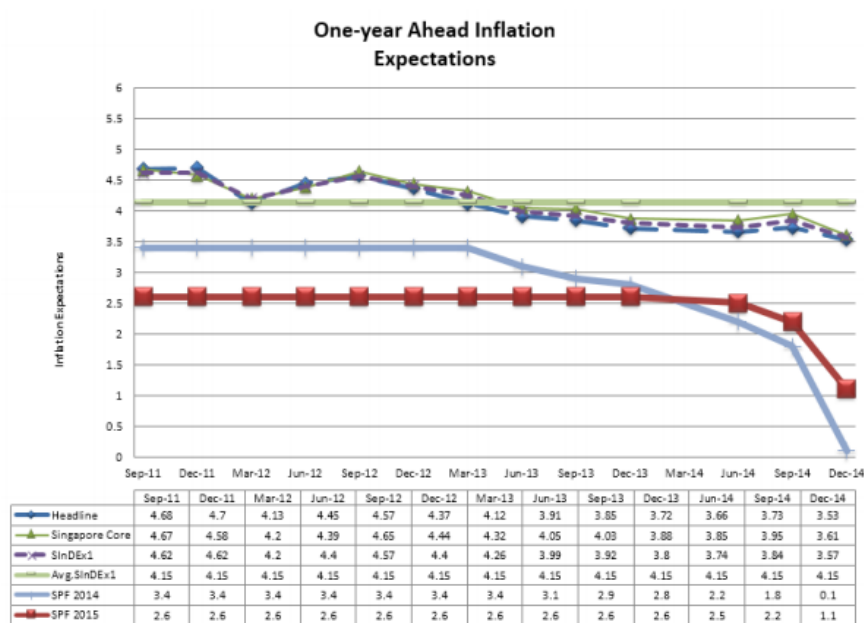


Figure 1: One-year-Ahead Singapore Index of Inflation Expectations

And an expected rise in interest rates.

Lower imported inflation, driven by oil prices near six-year low, seems to have substantive downward impact on reducing the perceptions of future inflation expectations.

According to the research findings of the latest quarterly survey for Singapore Index of Inflation Expectations (SInDEx) by Singapore Management University (SMU), the One-year-Ahead inflation expectations of Singapore households has dropped to 3.53%.

SMU says that owing mainly to precipitous drop in global oil prices, and other signs of weakness in the nascent global recovery, coupled with an expectation of increase in benchmark interest rates, Singaporeans' inflation expectations both in the medium-term (One-year-Ahead) and long-term (Five-year-Ahead) dropped in all categories.

Here's more from SMU:

Despite the presence of significant domestic pass-through costs in a tight labour market and expected stimulus spending in the Eurozone and Japan, weakness in global demand seems to have brought both the overall inflation expectations and the Singapore core inflation expectations to their lowest levels since the SInDEx survey started in September 2011.

The SInDEx, which was originally developed by SMU's Sim Kee Boon Institute for Financial Economics (SKBI) in collaboration with MasterCard International, is derived from an online survey of around 500 randomly selected individuals representing a cross section of Singapore households.