

Households' inflation expectations fall: Poll

By ANN WILLIAMS

SINGAPORE households' expectations of inflation have dropped to their lowest levels in three years because of plunging oil prices and uncertainty about global economic growth, according to a poll by the Singapore Management University (SMU).

The one-year-ahead inflation expectations of households fell to 3.53 per cent from 3.73 per cent last September, the latest quarterly survey for the Singapore Index of Inflation Expectations (SInDEx) showed yesterday.

Owing mainly to a precipitous

drop in global oil prices, and other signs of weakness in the nascent global recovery, coupled with an expectation of higher interest rates, Singaporeans' inflation expectations both in the medium term (one year ahead) and long term (five years ahead) dropped in all categories.

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

Despite the presence of significant domestic pass-through costs in a tight labour market and expected stimulus spending in the

euro zone and Japan, the weakness in global demand seemed 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, SMU said.

Singapore experienced deflation for the first time in five years when the consumer price index (CPI) for November fell to minus 0.3 per cent year-on-year. Economists have forecast that Singapore could register deflation again in December, in view of plunging oil prices. The December CPI will be out on Friday.

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