

Consumers expect inflation to rise: Survey

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Inflation expectations in Singapore have edged up from their lowest level since September 2011, said the Singapore Management University (SMU) yesterday.

Weakness in global growth, exacerbated by political and policy uncertainty, particularly over global trade, in the United States and euro zone, might have prompted Singapore households surveyed last month to believe prices one year on might be inching up, SMU said.

The findings came in the latest quarterly Singapore Index of Inflation Expectations (SinDEX) survey conducted by SMU's Sim Kee Boon Institute for Financial Economics (SKBI).

The results of the survey showed that the median one-year-ahead headline inflation (or CPI-All Item inflation) rose to 2.7 per cent compared with a five-year low of 2.63 per cent recorded in September 2016.

The online poll of about 500 consumers also found that the public now expects core inflation, which excludes accommodation and private transport costs, to rise to 2.82 per cent from 2.47 per cent in September, which was the lowest recorded average since the survey's inception in September 2011.

For those who own their accommodation and use public transport,



Singapore's record two-year spell of negative inflation ended in November when consumer prices stopped falling. Lower oil prices, as well as falling car prices and accommodation costs – partly owing to the soft property market – were the main drivers behind this two-year bout of negative inflation. ST PHOTO: LIM YAOHUI

the median expectation for the core inflation rate one year ahead rose to 2.65 per cent from its record low of 2.3 per cent in September.

"These results indicate that there has been a substantial increase in the perception of future price changes in the Singapore core inflation rate, which excludes housing and private road transportation," said SMU. "This might be attributed to both domestic and global price pressures and expected increase in oil and commodity prices."

Singapore's record two-year spell

of negative inflation ended in November when consumer prices stopped falling. Lower oil prices, and falling car prices and accommodation costs – partly owing to the soft property market – were the main drivers behind this two-year bout of negative inflation. The inflation rate for December will be released on Monday.

Commenting on the SMU survey results, Dr Aurobindo Ghosh, an assistant professor of finance and principal investigator of the SinDEX Project, said: "I think there are

two main challenges that are facing the global economy despite unmistakable signs of recovery.

"First, it is policy uncertainty rather than political uncertainty," he said.

He noted that the markets have recovered somewhat from the fallout of the Brexit referendum and had recorded a nearly euphoric rise in consumer confidence levels.

Still, despite the largely unexpected US presidential election outcome and riding largely on corporate tax cut promises, "the market

exuberance belies the trepidation of the uncertain and largely untested future", he said.

"Second, geopolitically, we can see the Brexit vote and the results of the US presidential election as indicators of a protectionist, populist and possibly anti-trade fervour.

"Against this backdrop, it is to be expected that the consumers of a trade-dependent economy like Singapore would prepare for a possible increase in overall price levels."

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