

INDEX DERIVED FROM ONLINE SURVEY OF AROUND 500 RANDOMLY-SELECTED CONSUMERS

Singapore households expect rise in inflation rate

Singapore Management University says this is due to domestic pass-through price pressures

SINGAPORE – For the first time in two years, households in the Republic expect the inflation rate to rise in the short term, a survey from the Singa-

pore Management University (SMU) shows. This indicates that Singapore households are wary of possible price increases on essential items, the varsity said.

The one-year-ahead inflation expectations of Singapore households for all items rose to 3.73 per cent in



The survey from the Singapore Management University showed that households in Singapore are wary of possible price increases on essential items. TODAY FILE PHOTO

September from 3.66 per cent in June, SMU announced yesterday, based on the latest quarterly survey for the Singapore Index of Inflation Expectations (SInDEx).

The rise in expectation was mainly due to domestic pass-through price pressures, such as rental and tight labour conditions, added SMU.

For core inflation, expectations increased to 3.95 per cent in September from 3.85 per cent in June.

In a press release, SMU said this was the first rise in expectations for both the headline inflation rate and the core inflation rate, which excludes accommodation and private transportation expenses, since September 2012.

The five-year-ahead overall inflation expectations in September remained at 4.72 per cent — unchanged since December last year — while the core inflation rate inched down to 4.45 per cent in September from 4.5 per cent in June.

“Recent moderation in accommodation prices and private car prices in Singapore, together with subdued global and regional economic conditions, seem to have brought down the current CPI-All inflation rates to very low levels,” said SMU assistant professor Aurobindo Ghosh.

“However, the Monetary Authority of Singapore recently projected that

there might be an upward pressure on the Republic’s core inflation, possibly from the tight labour market and other pass-through costs.

The elevated inflation expectations, including the headline inflation rate, is likely due to behavioural biases in survey based data which might cause respondents to over emphasise price rise in everyday items, while ignoring big ticket items,” he added.

The index is derived from an online survey of around 500 randomly-selected consumers, and aims to help researchers understand the behaviour and sentiments of decision makers in Singapore households, said SMU.

Meanwhile, a Reuters poll showed that Singapore’s all-items inflation probably was 1.0 per cent in September from a year earlier. In August, headline inflation stood at 0.9 per cent, the lowest since February.

Core inflation probably held steady at 2.1 per cent in September, according to the survey of 12 economists.

Some economists said a recent rise in prices of the Certificates of Entitlements could give the headline inflation rate a slight lift in September.

The MAS’ core inflation measure is the focus of its monetary policy. Singapore’s consumer price index for September will be released on Thursday.

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