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Headline: Inflation expectations at 3.5-year low

Inflation expectations at 3.5-year low

SINGAPORE – Singapore consumer prices in the year ahead are expected to climb at their slowest pace in three and a half years, as a large number of Certificates of Entitlement for cars and a surge in housing supply keep inflation in check, a survey of households by the Singapore Management University (SMU) showed yesterday.

In its latest quarterly Singapore Index of Inflation Expectations (SInDEx) survey, the SMU said households in Singapore expect consumer prices to rise 3.05 per cent in the year ahead, down from 3.52 per cent in the December poll. It was the lowest headline inflation expectation reading since the survey was launched in September 2011 despite the unscheduled easing of monetary policy by the Monetary Authority of Singapore in January.

The survey, published ahead of Thursday's release of inflation data for March, polled a total of 500 consumers randomly selected from a cross section of Singapore households.

"Domestic factors such as the impending supply glut in COE quotas and upcoming additional supply of accommodation, lower than expected pass-through costs despite the tight labour market, and medical subsidies have brought down the inflation expectations by Singaporeans in the current quarterly SInDEx survey," said SMU Assistant Professor of Finance Aurobindo Ghosh.

Meanwhile, external factors such as persistently weak oil prices, an uneven global recovery and currency fluctuations driven by United States rate hike fears have led to a significant drop in headline inflation rates across several influential economies, including China, India and the G3 economies of the US, the eurozone and Japan.

"The current one-year-ahead headline inflation expectations show that Singapore households are well aware of the slump in oil prices and its overall impact on general price levels together with possible tightening of monetary policy," SMU said.

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