

## Singapore consumers expect inflation to go down in next 5 years

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Source: Retail In Asia

Singapore consumers are expecting inflation to continue on a downward trend in the next one to five years amid slowdown in big emerging economies like China and Brazil and persistent weakness in the Eurozone, according to the latest findings of the SKBI-MasterCard Singapore Index of Inflation Expectations (SInDEx).



The SInDEx, which was jointly developed by Singapore Management University's Sim Kee Boon Institute for Financial Economics (SKBI) and MasterCard, is derived from an online survey of around 400 randomly selected individuals from Singapore households.

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Comparing the two waves of research conducted in March 2013 and June 2013, consumers expect inflation to continue to decline in the next 12 months. Their perception of the One-year-Ahead headline inflation (CPI-All Items) eased to 3.91 percent in June 2013, down from 4.12 percent in March 2013.

The report noted that this is the lowest it has been since the index was first created in September 2011, and the first time the One-year-Ahead headline inflation (CPI-All Items) has fallen below 4 percent.

Similarly, the forward looking SInDEx1, a composite weighted index of One-year-Ahead inflation expectations decreased to 3.99 percent (from 4.26 percent in March), also its first sub 4 percent value since the survey's inception. The One-year-Ahead Singapore core inflation expectations (excluding accommodation and private transportation) also reached to a new low of 4.05 percent in June (from 4.32 percent in March).

“Better than expected job situation and housing market in the U.S. seem to portend an earlier tapering of the US Federal Reserve's stimulus spending with accommodative monetary policy, and consequent upward pressure on interest rates. Furthermore, Singapore is facing a weakening impact of imported inflation owing to a cyclical slowdown of some of the ASEAN economies, as well as regional economies like China and India,”



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commented Dr. Aurobindo Ghosh, co-creator of SInDEx, and Programme Director of SMU SKBI.

Dr. Ghosh added that macro-prudential policies like cooling measures for the property market and curbs on financing on private transportation, and gradual emphasis on individual deleveraging, seem to have an impact on the public's perception of overall inflation expectations

The long term Five-year-Ahead overall (CPI-All Items) inflation expectations is at 4.99 percent, lower than the 5.2 percent recorded in the March 2013 survey, maintaining the trend of decline across the board.

The Five-year-Ahead Singapore core inflation rate (excluding accommodation and private transportation) decreased to 4.45 percent from 4.82 percent in the March wave, following a consistent downward trend since September 2012.

"There are domestic cost pressures evident in this survey related to a tightening labour market and Singapore's smaller than expected growth figures and forecast cuts in manufacturing and trade. Of bigger concern in Asia, however, is China's slowdown which is causing slower growth and weakening economies across the region," said Dr. Yuwa Hedrick-Wong, global economic advisor, MasterCard.