

Consumers expect lower inflation

By **FIONA CHAN**

SENIOR ECONOMICS CORRESPONDENT

THE recent steps to curb over-borrowing for property and car purchases here and a slowdown in regional economies' growth have led consumers in Singapore to expect lower inflation in the coming years.

An index of inflation expectations found that Singapore consumers think prices of goods and services will rise more slowly over the next one to five years, said the Singapore Management University (SMU) and MasterCard, which jointly developed the index.

This comes as Singapore is due to release today its June inflation data, which economists think will show inflation edging up to 1.8 per cent last month from 1.6 per cent in May, according to a poll of economists by Reuters.

Consumers surveyed for the index last month believe overall inflation a year from now will be 3.91 per cent, down from 4.12 per cent in the March survey and the lowest level since the index was created in September 2011.

They also think core inflation a year from now will reach a new survey low of 4.05 per cent, down from the 4.32 per cent they estimated in March. Core inflation excludes accommodation and private transport costs.

The new loan curbs to prevent borrowers from over-extending themselves for property and car purchases have affected the public's perception of overall inflation expectations, said Dr Aurobindo Ghosh, co-creator of the index and programme director of the SMU's Sim Kee Boon Institute for Financial Economics. At the same time, "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", he added.

In five years' time, consumers expect overall inflation to be 4.99 per cent and core inflation to be 4.45 per cent, down from March's projections of 5.2 per cent and 4.82 per cent respectively.

The index is derived from an online survey of about 400 randomly selected individuals from Singapore households.

✉ fiochan@sph.com.sg