



Consumption patterns seem to have picked up, appearing to have reverted to pre-Covid-19 norms, with an uptick in consumer spending and economic activity. ST PHOTO: LIM YAOHUI

S'poreans expect inflation to hit 2.2% this year: Poll

Semblance of normalisation and cues of recovery with advent of vaccines may have buoyed forecast: DBS, SMU

Local households reckon headline inflation will hit 2.2 per cent this year, according to a poll last month – up from the 1.9 per cent estimate in a September poll.

The September figure was the lowest point polled since the survey began in 2011. It is also lower than the fourth-quarter average of 3.2 per cent from 2012 until 2019.

The economic hit from the pandemic left headline inflation trending negative for most of last year.

The decline eased to minus 0.1 per cent in November, from minus 0.2 per cent in October. The Government expects headline inflation to

range between minus 0.5 per cent and 0.5 per cent this year.

Some semblance of normalisation and global cues of recovery with the advent of vaccines might have buoyed inflation expectations, noted DBS Bank and the Singapore Management University (SMU), which conducted the survey.

Assistant professor of finance Aurobindo Ghosh at SMU's Lee Kong Chian School of Business and head of the survey, said the availability of vaccines has led to a belief that the end of the pandemic could be drawing near.

He added that the Brexit deal, a

SURVEY FINDINGS

71%

Proportion of respondents who felt that Covid-19 would have a significant impact on inflation, down from 77 per cent in September.

72%

Those who felt that the pandemic would have a long-term impact.

change in regime in the United States and the Regional Comprehensive Economic Partnership treaty have resulted in renewed prospects of global recovery.

After adjusting for behavioural biases, inflation expectations edged up from 2.8 per cent in September to 3.2 per cent last month.

Consumption patterns also seemed to have picked up, appearing to have reverted to pre-Covid-19 norms, with an uptick in consumer spending and economic activity.

This came after the moderate decline in spending on clothing and footwear, transport, and recreational and cultural activities in September.

The survey found that 71 per cent of the respondents felt that Covid-19 would have a significant

impact on inflation, down from 77 per cent in September, while 72 per cent felt that the pandemic would have a long-term impact.

Around 18 per cent also felt that they would experience a salary cut of more than 5 per cent in the next 12 months.

Median salary increment expectations remained between minus 1 per cent and 1 per cent.

As a measure of the trade-off between prioritising economic growth compared with the cost of life, the survey found that for every person who wanted to prioritise life over livelihood, there were three who prioritised livelihood over life.

“These observations signal a higher public appetite of normalisation of economic activities that governments are paying heed to globally,” said SMU's Prof Ghosh.

DBS chief economist and managing director of group research Taimur Baig said Singapore's inflation expectations appeared to be responding to global cues, and seemed to be improving, although not particularly strong.

“With the depth of the pandemic hopefully behind and supportive policies still in place, some pickup in food, energy, manufactured goods and services prices can be expected,” he said. THE BUSINESS TIMES