

Publication: The Business Times Online

Date: 19 April 2021

Headline: Singaporeans' headline inflation expectations continue upwards: poll

Singaporeans' headline inflation expectations continue upwards: poll



HEADLINE inflation expectations have been recovering since September 2020, rising to 2.7 per cent in March's poll. This is according to the latest quarterly survey results of the Singapore Index of Inflation Expectations (SInDEX) released by DBS and the Singapore Management University (SMU), which polled 500 individuals that represent a cross-section of Singaporean households.

March's reading is still lower than the historical first quarter average of 3.3 per cent from 2012 to 2020. However, it shows an upward trend from December 2020's 2.2 per cent and September 2020's 1.9 per cent, which is the lowest polled since the survey's inception in 2011.

In a joint statement, DBS and SMU said some semblance of normalisation and global cues of recovery with the massive roll-out of various vaccines might have buoyed inflation expectations.

This comes after the Monetary Authority of Singapore's survey of professional forecasters data released in March 2021 showed forecast headline inflation of 0.9 per cent, up from an estimate of 0.6 per cent in December 2020.

After adjusting for behavioural biases, SInDEX inflation expectations edged down to 3.1 per cent in March 2021 from 3.2 per cent in December 2020.

Following the trend in December, the survey found that consumption patterns are continuing at pre-Covid norms. This comes after the moderate decline in spending on clothing and footwear, transportation, and recreational and cultural activities in September.

The poll also noted that inflation expectations for the majority of the components like food, transport, healthcare, education, recreation, apparel, household durables and communication have remained unchanged. That for housing and utilities have come down marginally, while miscellaneous goods and services like personal care and personal effects have gone up slightly.

Publication: The Business Times Online

Date: 19 April 2021

Headline: Singaporeans' headline inflation expectations continue upwards: poll

A lower proportion - around 13.4 per cent - of Singaporeans polled in March expect a more than 5 per cent reduction in salary in the next 12 months, compared with 18.1 per cent in December. The median salary increment expectations stayed between -1 per cent and 1 per cent.

The SInDEX survey also found that 67 per cent of survey respondents feel that Covid-19 will have long-term impact on inflation, a decline from nearly 72 per cent in December 2020. The researchers believe this indicates that more respondents feel the end of the pandemic is drawing near.

"We expect to see strong growth out-turns worldwide in the second half of the year as pandemic management turns a corner, which should also be marked by further but modest increases in inflation expectations," said Taimur Baig, DBS chief economist and managing director of group research.

Excluding accommodation and private road transportation related costs, the one-year-ahead and five-year-ahead core inflation expectations edged up to 2.7 per cent and 3.3 per cent respectively.

According to the statement, this increase possibly reflects renewed economic activities, as well as the recovery of global inflation alongside an upswing in world commodity prices such as oil.

Five-year-ahead headline inflation expectations in the March survey also edged up to 3.4 per cent in March from 3.2 per cent in December last year. However, the number is still "significantly lower" than the first quarter average of 4.2 per cent from 2012 to 2020.

"A cyclical rise in commodity prices including oil price, the pace of recovery, along with record low interest rates globally have triggered a debate on increased inflation risk among practitioners, academics and policymakers.

"In the survey conducted in March 2021, we find an uptick in inflation expectations across the board even though the signal is less clear among the components of inflation as consumption basket patterns seem to have reverted to pre-pandemic levels. Consumer sentiments seem to have been buoyed by the record-breaking financial markets rather than the more uncertain and divergent growth in jobs and trade," said Aurobindo Ghosh, assistant professor of finance (education) at SMU's Lee Kong Chian School of Business and founding principal investigator of the SInDEX project.