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Headline: Singaporeans' year-ahead inflation expectations down slightly to 3.2%: poll

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SINGAPOREANS' inflation expectations remained largely unchanged for the year ahead due to policy intervention, according to the latest quarterly survey results of the Singapore Index of Inflation Expectations (SInDEX).

Published jointly by DBS and the Singapore Management University (SMU), the survey polls 500 randomly selected individuals that represent a cross section of Singaporean households.

The expected headline inflation inched up 0.1 per cent to 3.2 per cent in December 2021, as compared to 3.1 per cent in September 2021's poll.

This is on par with the average 10-year fourth quarter expectation of 3.2 per cent and continues the upwards trend recorded since September 2020.

The slower growth in expectations is due to the Monetary Authority of Singapore tightening its policy stance slightly in October 2021. This was to "ensure price stability over the medium term", the Singapore central bank had said.

The overall consumer price index (CPI) inflation expectations decreased to 3.1 per cent in December from 3.7 per cent the quarter before.

Individually, areas that had decreasing expectations included transportation, housing and utilities, healthcare, recreation and culture, communications, and miscellaneous goods and services.

Core inflation expectations, which removes accommodation and private road transportation costs, also saw a slight uptick to 3.1 per cent, compared to 3 per cent in September 2021.

The increase was contrasted by the small decrease noted by respondents who own their accommodation and use public transportation. The core inflation expectation from this group dropped from 3 per cent in September to 2.9 per cent in December.

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The December SinDEX survey also polled Covid-19's impact on inflation. Some 59 per cent of the respondents believed that the pandemic's impact would be significant, down from 64 per cent in September.

DBS and SMU said the results show new waves of infections and continued constraints on normal life are being accepted as "the new normal" of Covid-19 becoming endemic, despite the emergence of the Omicron variant.

As for the tradeoff between economic growth compared to cost of life - the "livelihood over life debate" - the ratio went up to 2.6 from 2.2 in September. This means that for every person who prioritised life over livelihood, more than 2 prioritised their livelihood over their lives, indicating shifting attitudes towards the pandemic.

The slightly lower 1-year inflation expectations were echoed by the 5-year CPI inflation expectations, which decreased moderately to 3.8 per cent from September's 3.9 per cent.

Assistant professor of finance (education) at SMU's Lee Kong Chian School of Business and head of the SinDEX survey, Aurobindo Ghosh, observed that the broad-based decline in inflation expectations is closer to the average of about 3 per cent, compared to the more "divergent beliefs" in September's findings.

"This convergence is potentially an effect of proactive policymaking via an unexpected tightening of the monetary policy in October 2021 and property cooling measures in December 2021 to promote a stable and sustainable property market," he said.

The SinDEX survey was led by Prof Ghosh. DBS Group Research is a co-sponsor and research partner, together with SMU's Sim Kee Boon Institute for Financial Economics.