

Inflation expectations ease among S'poreans after policy moves: Poll

It also shows citizens may be getting used to impact of Covid-19 pandemic on cost of living

Ann Williams

Singaporeans' inflation expectations for the year ahead eased after monetary policy was tightened and new property cooling measures were announced, according to a survey last month.

Respondents in the December poll see headline inflation at 3.2 per cent, up slightly from the 3.1

per cent expected in September.

The 3.1 per cent figure in September had in turn been a jump from the 2.7 per cent expected in June.

The quarterly Singapore Index of Inflation Expectations (SInDEX) survey is published jointly by DBS Bank and Singapore Management University (SMU).

It polls 500 randomly selected individuals who represent a cross-section of Singapore households.

The report noted that while

headline inflation expectations have continued their upward trend since September 2020, the 3.2 per cent rate is the average of what has been expected in the fourth-quarter SInDEX survey over the past 10 years.

It also noted that the Monetary Authority of Singapore (MAS) tightened its monetary policy stance last October, allowing for faster appreciation of the Singapore dollar, as well as a new round of property cooling measures was announced last month.

Overall inflation expectations, after adjusting for potential component-wise behavioural biases

and recombining across components, decreased to 3.1 per cent last month from 3.7 per cent last September. Inflation expectations for most components saw moderate declines while others were unchanged.

Components that saw a decrease in inflation expectations include transport, housing and utilities, healthcare, recreation and culture, communications, and miscellaneous goods and services.

Expectations for core inflation, which excludes accommodation and private road transport costs, saw a slight uptick to 3.1 per cent, from 3 per cent last September.

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

SMU assistant professor of finance and head of the SInDEX survey Aurobindo Ghosh said: "From somewhat divergent beliefs in the September 2021 survey, we observe a broad-based decline in component-wise inflation expectations leading to a convergence of one-year-ahead headline and core inflation expectations closer to a long-term aver-

age of about 3 per cent.

"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."

The survey also showed that Singaporeans may be getting used to the impact of Covid-19 on their cost of living. In last month's poll, about 59 per cent said the pandemic's impact on inflation would be significant, compared with 64 per cent in last September's survey.

The share of respondents who feel that Covid-19 will have a long-term impact on inflation similarly declined to about 59 per cent, from about 68 per cent.

"Both results indicate that, despite the pessimistic turn of events with the emergence of the Omicron variant and the renewed restrictions on travel, new waves of infections and continued constraints on normal life are being accepted as "the new normal" of an endemic Covid-19," said the report.

ann@sph.com.sg