

People's inflation expectations rise to 9-year high: Survey

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The latest quarterly survey from DBS Bank and Singapore Management University (SMU) found that people's expectations of how much prices will rise in the year ahead hit a nine-year high last month.

The findings are in line with another survey by the Monetary Authority of Singapore (MAS), which

indicates inflation remains a challenge this year.

According to the Singapore Index of Inflation Expectations (SInDEX) survey, headline inflation expectations, which include private road transport and accommodation, one year ahead rose to 4.1 per cent in March, up 0.9 percentage point from December.

A more representative measure of inflation expectations in the survey focused on a sub-group of the population who own their accommodation and use public transport.

Core inflation expectations, which exclude private road transport and accommodation, for the year ahead for this group rose to 3.9 per cent.

Taken together, the composite index of inflation expectations for the year ahead (SInDEX1) reached 4 per cent in March from 3.2 per cent in December. The composite index is at its highest since September 2012.

SInDEX1 puts less weight on more volatile components such as accommodation, private road

transport, food and energy-related expenses.

The Covid-19 pandemic and the Russia-Ukraine crisis have dealt a double whammy to global commodity prices and supply chains. SMU Assistant Professor of Finance Aurobindo Ghosh, the founding principal investigator of the survey, said: "Singapore being a small, open economy is vulnerable to all these risk factors."

Prof Ghosh added: "The impact of pass-through costs like rental, distribution and labour costs in a

tight labour market is harder to mitigate even with the appreciating Singapore dollar against a trade-weighted basket of currencies."

Last week, the MAS tightened monetary policy for the third time in the past six months, following moves in October and January.

DBS chief economist and managing director of group research Taimur Baig said: "Under these circumstances of sustained price pressure, further steepening of the nominal exchange rate band by Singapore's central bank

looks justified."

The DBS-SMU SInDEX survey polled around 500 individuals representing a cross-section of Singaporean households.

Another survey of economic indicators, the MAS Survey of Professional Forecasters, shows the median headline inflation – Consumer Price Index (CPI)-All Items inflation – at 3.6 per cent this year, while the median forecast for core inflation is at 2.7 per cent.

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