



Singapore's Inflation Expectations Remain Stable Amid Mixed Public Sentiments

SINGAPORE, 22 April 2025 (Tuesday) - *These are the research findings of the 55th round of the DBS-SKBI Singapore Index of Inflation Expectations (SInDEx) Survey at the Sim Kee Boon Institute for Financial Economics (SKBI), Singapore Management University (SMU) conducted between 24 and 30 March 2025.*

- One-year-Ahead headline inflation expectations remained unchanged at 3.8% in March 2025 compared to December 2024. Consumers' headline inflation expectations, trending downwards since June 2023, have remained flat since the June 2024 survey. The first quarter One-year-Ahead inflation expectations continue to be slightly elevated compared to the average first quarter One-year-Ahead headline inflation expectations of 3.5% since the inception of this index in the third quarter of 2011.

As a comparison benchmark, data from the Monetary Authority of Singapore Survey of Professional Forecasters (MAS SPF) released in March 2025 (based on Feb 2025 data) showed that the median forecast of the Consumer Price Index (CPI)-All Items inflation for 2025 was 1.7% (1.8% for 2026), while MAS Core Inflation median forecast was 1.5% (1.7% for 2026) (MAS SPF March 2025, Table 2 and Table A.6). The latest CPI data released by the Department of Statistics (DOS) showed that CPI-All Items rose by 1.0% between January and February 2025, compared to the same period in 2024. The latest February 2025 monthly headline or all item inflation print came in at 0.9% year-on-year, while the MAS Core Inflation Measure was 0.6% (DOS CPI, February 2025). The base year was changed to 2024 with the adjustment of the consumption baskets based on the Household Expenditure Survey 2023. Responding to global cues and more than expected drop in the Singapore Core Inflation rate, on 24 January and 14 April 2025. In their first two quarterly policy reviews in 2025, MAS moderated slightly the rate of appreciation of the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) policy band, implementing two consecutive loosening moves following five consecutive tightening moves between October 2021 and October 2022 (MAS Monetary Policy Statements, January 2025 and April 2025). The next monetary policy statement will be announced by July 2025.

- The overall Consumer Price Index Inflation Expectations (CPIEx), after accommodating for potential component-wise behavioural biases and re-combining across components, increased to 5% in March 2025 from 4.4% in December 2024, reflecting a higher level of

uncertainty in the global outlook. One-year-Ahead inflation expectations of major components of CPI mostly increased or remained unchanged, namely in components like Food (4% to 5%), Transportation (4% to 5%), Housing & Utilities (flat at 5%), Healthcare (flat at 5%), Education (4% to 5%), Household Durables & Services (4% to 5%), Recreation, Sport & Culture (4% to 5%), Clothing & Footwear (4% to 5%), Information and Communications (4% to 5%) and Miscellaneous Goods & Services including Personal Care (flat at 5%). The increase in 7 out of 10 categories of component-based inflation expectations signals how geopolitical uncertainty and potential risks of a trade war might be raising inflation expectations in some components.

- The survey team also polled free-response overall inflation expectations, after accommodating for potential behavioural biases by informing respondents of current aggregated economic data. We found that the One-year-Ahead headline inflation expectations increased at 5% in March 2025 compared to 4% in December 2024. These free-response polls help us to gauge perceptions of anchoring of inflation expectations and consumer sentiments in an aggregated sense.
- In the March 2025 survey, continuing since June 2022, we took a more forward-looking approach in analysing the impact of global economic developments on Singapore's economic growth and inflation.
 - Overall, responding to multiple sources of uncertainty and fragilities in the global order, including ongoing conflicts, strategic geopolitical tensions and policy uncertainty affecting global trade, including the potential of a trade war between the two largest economies, Singaporean consumers surveyed in March 2025 expected a slight negative impact on the country's economic growth over the next 12 months.
 - In addition, Singaporean consumers also opined in the March 2025 survey that over the next 12 months, their overall expenses are expected to increase slightly.
 - In the March 2025 survey, around 44.4% (compared to 47.3% in December 2024) Singaporeans surveyed expect inflation to decline in the medium term of one year. This is exactly the same as 44.4% (compared to 43.2% in December 2024) who felt that One-year-Ahead inflation will increase. This perfect cognitive dissonance illustrates the expectations that prices might rise if a trade war happens, but they might go down if a recession follows. These two sets of expectations are pulling in

opposite directions, and which one has a bigger impact will decide what happens to prices.

- In March 2025, the main reason cited by those expecting inflation to decline is the slowdown in global growth (30.7%), followed by the uncertain impact of trade policies (26.6%) and the role of central banks in keeping interest rates high (14.8%). Among respondents expecting inflation to increase over the next 12 months, there was a greater variety of perceived reasons. The most common one cited was high demand due to the relaxation of pandemic-era measures (23.8%), the impact of higher interest rates by the central banks of major economies (21.7%) and geopolitical uncertainties due to the conflicts involving Hamas and Israel, Ukraine and Russia (20.1%).
- In the March 2025 survey, respondents opined that current economic conditions have no net impact on the One-year-ahead and Five-year-Ahead overall inflation expectations. Component-wise, respondents expect a slight negative impact on inflation related to Food and Housing & Utilities, while they expect no discernible impact on Transport, Healthcare, Education, Household Durables & Services, Recreation, Sport & Culture, Information & Communication, Clothing & Footwear, and Miscellaneous Goods & Services.
- Alberto Cavallo of Harvard Business School (Cavallo, 2020) and European Central Bank (Kouvavas et al., 2020) highlighted potential biases in CPI calculations with fixed baskets as respondents made substantive changes to their consumption baskets owing mainly to the COVID-19 pandemic. In the March 2025 survey, Singaporean consumers polled that in the next 12 months, they expect slight increase in budget share of food, transport, housing and utilities, healthcare, household durables and services and Miscellaneous Goods & Services, while there was no change in budget share of expenses for Education, Recreation, Sport & Culture, Clothes and Footwear and Information and Communications. These results indicate that respondents expect their consumption baskets to change over the next 12 months, with a higher budget share on certain components. These changes in budget share can potentially be due to more permanent changes in consumption behaviour and lifestyle in the post-pandemic era, like the practice of working from home regularly or ordering groceries online, rather than buying them in-store.

Commented [JK1]: Hi Auro, please advise if this rewrite works.

Commented [AG2R1]: Its ok, thanks



- Excluding the volatile components of Accommodation and Private Transportation, the One-year-Ahead CPIEx core inflation expectations in the SInDEx survey remained unchanged at 3.9% in March 2025 compared to December 2024.
- However, for a subgroup of the population who owns their accommodation and uses public transport, the One-year-Ahead CPIEx core inflation expectations increased to 4% in March 2025 compared to 3.7% in December 2024. This sub-sample measurement is potentially more representative and hence more accurate than the full sample measurement, due to high home ownership and public transport ridership in Singapore.
- Unlike the fixed radio-button response which might be susceptible to various behavioural biases, the free-response core CPIEx Inflation Expectations (excluding Accommodation and Private Transportation expenses) rose slightly. After adjusting for potential component-wise behavioural biases and re-combining across components, the core-CPIEx Inflation Expectations (excluding Accommodation and Private Transportation expenses) increased at 5% in March 2025 compared to 4.2% in December 2024. The free-response core CPIEx, also increased to 5% in March 2025 compared to 4% in December 2024. This divergence among these cognitive measures of perception of inflation expectations suggests a heightened sense of uncertainty among the respondents, potentially due to global tensions for a trade-dependent economy like Singapore. We also need to be cognisant that as they address changes in price levels, individual households often adapt to current conditions and update their baskets accordingly. Having said that, we need to be mindful that fixed basket calculations like CPI can give us potentially higher inflation figures. A more representative and less volatile measure might be the core per capita consumption expenditure (core PCE) preferred by central banks like the Federal Reserve Board.
- The One-year-Ahead composite index SInDEx1 that puts less weight on more volatile components like Accommodation, Private Road Transport, Food and Energy-related expenses also increased marginally 3.9% in March 2025 compared to 3.8% in December 2024. It continued to be higher than the first quarter's average of 3.5% since the inception of the survey.
- In addition, in March 2025, 3.8% of Singaporeans polled expect a more than 5.0% reduction in salary in the next 12 months. This is lower than 5.1% in the December 2024 survey, indicating an improvement in the job outlook. The expectation of median salary increments

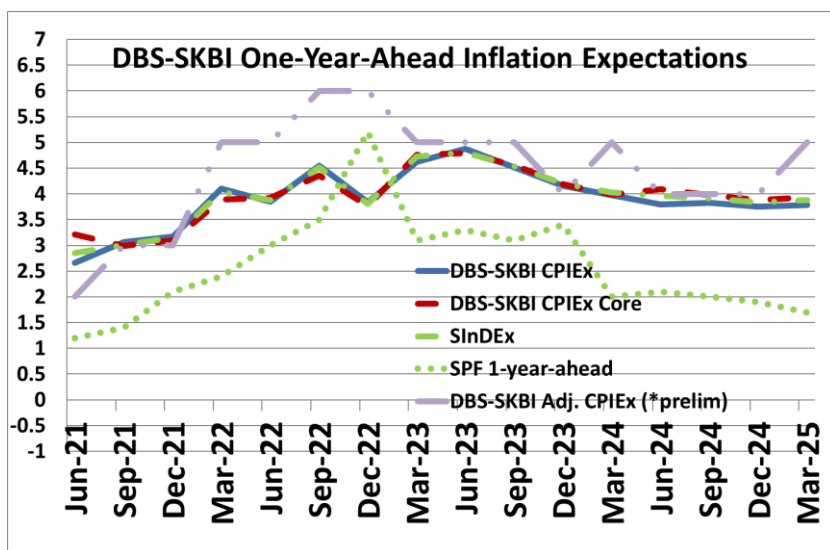
SMU Classification: Restricted



in March 2025 of between 1.0% to 5.0% remained unchanged, compared to the December 2024 survey.



Figure 1: One-year-Ahead inflation expectations: The chart shows the quarterly DBS-SKBI CPIEx (CPI-All Item) and DBS-SKBI CPIEx Core (Excluding Accommodation and Private Transportation components) One-year-Ahead Inflation Expectations polled in the quarterly online Singapore Index of Inflation Expectations (SInDEx) Survey conducted on a representative sample of Singaporean residents between 24 and 30 March 2025.



Source: SKBI, SMU, MAS-MTI, Department of Statistics

DBS Bank Chief Economist and Managing Director of Group Research, Dr Taimur Baig commented, “A US-induced trade shock is creating upward risk to inflation in the US and disinflation risk in the rest of the world. Prices of goods and commodities outside the US would likely ease as global supply adjusts to the US tariff moat. Inflation expectations in Singapore, already flat, are likely to ease, comforted by easing monetary policy and the steady decline in headline inflation since mid-2024.”

Commented [JK3]: Note: Taimur clarified he does not mean to have the word “chains” here.

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Dr Aurobindo Ghosh, Assistant Professor of Finance at Singapore Management University (SMU), the creator and the founding Principal Investigator of the Quarterly DBS-SKBI SInDEx Project, observed, “The global order is in a different place than when we conducted the DBS-SKBI SInDEx Survey. Inward looking protectionist policies of the largest economy in the world, and the prospect of an all-out trade war in this bifurcated global economy weighs heavily on a small open, trade-dependent economy like Singapore. The survey respondents were evenly split on the prospect of inflation expectations going up or down, evaluating the relative impact of the tariffs increasing the cost of essential items, while such trade barriers might precipitate a downturn. The quarterly SInDEx survey among a representative sample of Singapore consumers reveals that Headline Inflation Expectations seem to be holding steady since June 2024 after gradually declining. The Singapore Core Inflation expectations also seem to have moderated, prompting the Monetary Authority of Singapore to conduct two consecutive rounds of policy loosening to boost the growth prospect of the economy with inflation more under control. However, the heightened policy uncertainty, particularly the prospect of a trade war, and global economic outlook seem to have marginally increased free response median inflation expectations, even after accommodating for behavioural biases in survey-based instruments (Clark, Ghosh and Hanes, 2018).”

“We also observe expected changes in CPI consumption basket, opined by survey respondents, particularly on higher weighted items like Accommodation, Food, Transportation among others (Cavallo, 2020, Kouvavas et. al., 2020, Weber et. al., 2022). Some of these weights might have changed permanently, as we have observed in the recent Household Expenditure Survey 2023. We also notice there was significant changes in consumption basket according to the Household Expenditure Survey 2023 results, as we suspected, hence having a base change to 2024 was an expected and welcome move to reflect a more current consumption basket,” Dr Ghosh noted.

For the longer horizon, the Five-year-Ahead CPIEx inflation expectations inched up to 4.6% in March 2025 compared to 4.5% December 2024. The current polled number continues to be slightly higher than the first quarter average of 4.3% polled since the survey’s inception in September 2011 up till 2024.

The Five-year-Ahead CPIEx core inflation expectations (excluding costs related to Accommodation and Private Transportation) inched up to 4.5 in March 2025 compared to 4.4% in December 2024. Overall, the composite Five-year-Ahead SInDEx5 also increased slightly to 4.6% in March 2025



from 4.5% in December 2024. In comparison, the first quarter average value of the composite Five-year-Ahead SInDEx5 is 4.2%, from the survey's inception in September 2011 up till 2024.

After adjusting for potential behavioural biases, the free-response Five-year-Ahead Headline Inflation Expectations remained unchanged at 5% in March 2025 compared to December 2024, while the free-response Core Five-year-Ahead Inflation Expectations remained unchanged at 5% in March 2025 compared to December 2024. However, we observe that long-term headline inflation expectations remained largely constant despite global uncertainty, signalling movement towards anchoring of long-term inflation expectations.

Dr Aurobindo Ghosh added, "In March 2025, SInDEx survey respondents polled long-term inflation expectations for the Five-year-Ahead Headline and Core Inflation Expectations have stayed largely unchanged compared to the December 2024 survey. Even after adjusting for behavioural biases, the long-term headline inflation expectations remained flat for fourth quarter in a row after declining over the previous last four quarters. This reflects some element of anchoring of longer-term inflation expectations, and therefore corroborates academic findings of the importance and accuracy of survey-based measures (Ang, Baekert and Wei, 2007)."

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Methodology

DBS-SKBI SInDEx survey yields CPIEx Inflation Expectations (estimating headline inflation expectations) and related indices are products of the online quarterly survey of around 500 randomly selected individuals representing a cross section of Singaporean households. The survey is led by Principal Investigator Dr Aurobindo Ghosh, Assistant Professor of Finance (Education) at Lee Kong Chian School of Business of the Singapore management University. The online survey, powered by Agility Research and Strategy, helps researchers understand the behavior and sentiments of decision makers in Singaporean households. DBS Group Research is a co-sponsor and research partner with the Sim Kee Boon Institute for Financial Economics (SKBI) at SMU.

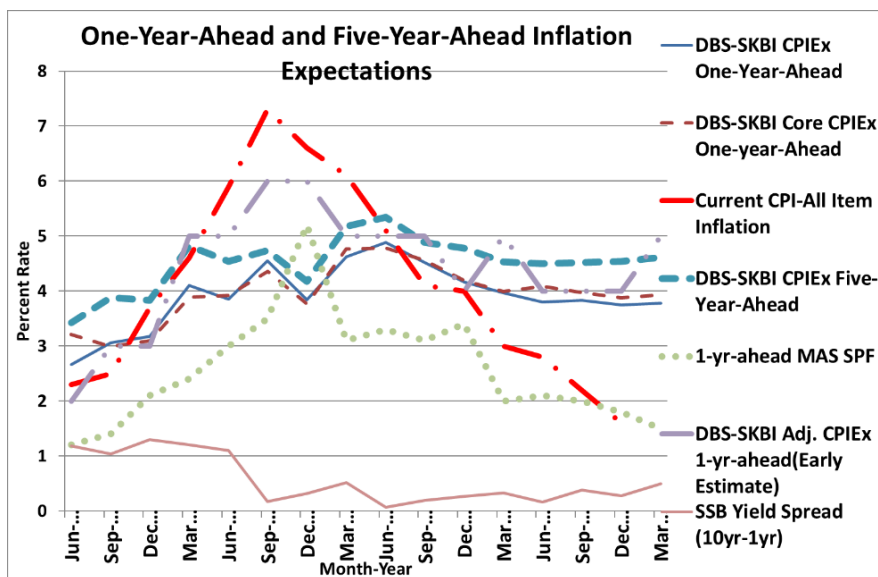
The quarterly DBS-SKBI SInDEx survey has also yielded two composite indices, SInDEx1 and SInDEx5. SInDEx1 and SInDEx5 measure the One-year inflation expectations and the Five-year inflation expectations, respectively. The sampling was done using a quota sample over gender, age and residency status to ensure representativeness of the sample. Employees in some sectors like journalism and marketing were excluded as that might have an effect on their responses to questions on consumption behavior and expectations.

The DBS-SKBI SInDEx survey was augmented in June 2018, based on a joint research study conducted by SMU researchers in collaboration with MAS and the Behavioural Insights Team, where respondents were polled on their perceptions of components of the Consumers Price Index (CPI) and adjusted for possible behavioural biases prevalent in online surveys.

Based on the recommendations of the joint study, since March 2019 the research team has polled the One-year-Ahead inflation expectations of all of the major components of CPI-All Items inflation. For March survey, DBS-SKBI CPIEx one-year-ahead headline inflation expectations indices remained unchanged from December 2024. The core inflation expectations also remained unchanged. The behaviourally adjusted component-wise and recombined inflation expectations increased slightly signaling some heightened uncertainty. In free-response answers, compared to December 2024 survey, responses in the March 2025 survey polled for One-year-Ahead Headline remained increased, so did Core Inflation Expectations. Overall, the results indicate continued slowdown in the medium term and flattening of long inflation expectations, though with some short term uncertainty.



Figure 2: Five-year-Ahead-Inflation Expectations in Singapore: The chart shows the quarterly DBS-SKBI CPIEx (CPI-All Item), DBS-SKBI CPIEx Core (excluding Accommodation and Private Road Transportation components), SInDEx (Composite index with lower weights on volatile components like Food, Energy, Accommodation and Private Transportation) One-year and Five-year-Ahead Inflation Expectations polled online quarterly for the Singapore Index of Inflation Expectations (SInDEx) Survey conducted from 24 to 30 March, 2025. The chart shows a preliminary estimate of Behaviourally Adjusted One-year-Ahead overall DBS-SKBI Adjusted CPIEx. As comparison benchmarks, the chart provides the most recent quarterly CPI-All Items Inflation, MAS Survey of Professional Forecasters median One-year-Ahead CPI-All Items inflation forecasts and the yield spread of 10-year and 1-year Singapore Savings Bonds (SSB).



Source: SKBI, SMU, MAS-MTI, Department of Statistics



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