

Singaporeans' Inflation Expectations Declined with Global Growth Headwinds

SINGAPORE, 21 October 2025 (Tuesday) - *These are the research findings of the 57th 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 8th and 16th of September 2025.*

- One-year-Ahead headline inflation expectations dipped to 3.3% in September 2025 from 3.5% in June 2025, their lowest level since December 2021, continuing their downward trend. The third quarter One-year-Ahead inflation expectations were below the average third quarter One-year-Ahead headline inflation expectations of 3.5% recorded since the inception of this index in the third quarter of 2011.

As a comparison, data from the Monetary Authority of Singapore Survey of Professional Forecasters (MAS SPF) released in September 2025 (based on Aug 2025 data) showed that the median forecast of the Consumer Price Index (CPI)-All Items inflation for 2025 (quarterly) was 0.9% (1.4% for 2026), while MAS Core Inflation median forecast was 0.7% (1.3% for 2026) (MAS SPF June 2026, Table 2 and Table A.5). The latest CPI data released by the Department of Statistics (DOS) showed that CPI-All Items rose by 0.8% between January and August 2025, compared to the same period in 2024. The latest August 2025 monthly headline or all item inflation print came at 0.5% year-on-year, while the MAS Core Inflation Measure was 0.3% (DOS CPI, August 2025). The base year was changed to 2024 with the adjustment of the consumption baskets based on the Household Expenditure Survey 2023. In their first two quarterly reviews of 2025, MAS reduced slightly the rate of appreciation of the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) policy band, implementing two consecutive loosening moves after having kept the rate of appreciation unchanged since October 2022. MAS has since maintained the prevailing rate of appreciation of the S\$NEER policy band in the July 2025 and October 2025 policy meetings (MAS Monetary Policy Statements, July 2025 and October 2025). The next monetary policy statement will be released by end-January 2026.

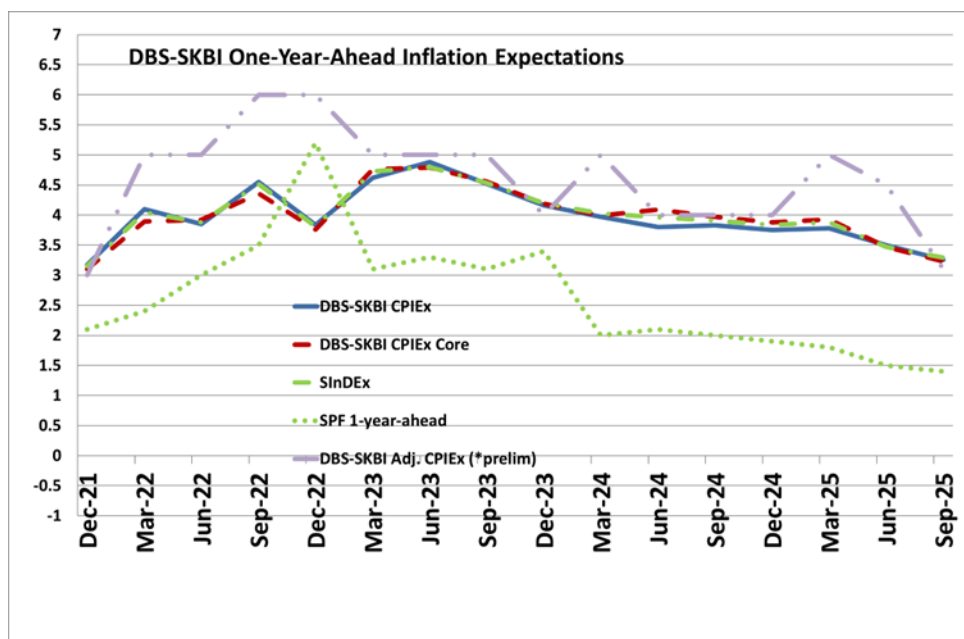
- The overall aggregated CPI Inflation Expectations, re-combining across components after addressing potential component-wise behavioural biases, also declined substantially to 3.2% in September 2025 from 4.9% in June 2025. One-year-Ahead inflation expectations of major components of CPI declined across the board, across all components, namely Food (5% to 3.5%), Transportation (5% to 3.3%), Housing & Utilities (5% to 3%), Healthcare (5% to 3.5%), Education (5% to 3%), Household Durables & Services (5% to 3%), Recreation, Sport & Culture

(4% from 3%), Clothing & Footwear (4.3% from 3%), Information and Communications (4% to 2.7%) and Miscellaneous Goods & Services including Personal Care (5% to 3%). The decline in inflation expectations across all categories signals that despite geopolitical and policy uncertainty, consumers expect price increases to be muted over the next 12 months.

- The survey team also polled free-response overall inflation expectations, after reducing potential behavioural biases by informing respondents of current aggregated economic data. We found that the One-year-Ahead headline inflation expectations pared down to 3.1% in September 2025 from 4.5% in June 2025. These free-response polls help us gauge perceptions of the anchoring of inflation expectations and consumer sentiments in an aggregated sense, after accommodating for changes in respondents' personal consumption expenditure.
- In the September 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 fragilities in the global order, including ongoing conflicts, strategic geopolitical tensions and policy uncertainty affecting global trade, Singaporean consumers surveyed in September 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 September 2025 survey that over the next 12 months, their overall expenses are expected to increase slightly. Nonetheless, in response to new question added in the September 2025 survey, respondents believe that their household situation is expected to remain unchanged economically and financially in the next 12 months. They also opined that they do not expect any changes in the business conditions in the next 12 months, compared to last year. Respondents polled found conditions for buying bigger ticket items like household appliances or furniture are expected to remain unchanged in the next 12 months.
 - In the September 2025 survey, around 37.5% (compared to 50.3% in March 2025) of Singaporeans surveyed expect inflation to decline in the medium term of one year. On the other hand, 47.5% (compared to 42.4% in June 2025) felt that One-year-Ahead inflation will increase. These opinions suggest that there is still a substantial amount of uncertainty about the medium-term of one year about global trade policies and price levels.

- In September 2025, the main reason cited by those expecting inflation to decline is the uncertain impact of global trade policies (30.6%), followed by the slowdown in global growth (28.6%). This is followed by the role of central banks in keeping interest rates high (17.5%). 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 also higher trade policy uncertainty like tariffs (27.7%), followed by higher demand due to relaxation of travel restrictions (20.2%), higher interest rates (19.7%) as well as geopolitical uncertainties and the conflicts involving Hamas and Israel, Ukraine and Russia and Iran and Israel (17.6%).
- In the September 2025 survey, respondents opined that under current economic conditions, they expect the One-year-Ahead and Five-year-Ahead overall inflation expectations to remain mostly unchanged. Component-wise, respondents expect no discernible impact on inflation related to Food, Transport, Housing & Utilities, 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 September 2025 survey, Singaporean consumers polled that in the next 12 months, they expect a slight increase in the budget share of Food, Housing and Utilities and Healthcare costs, but no change in budget share of Transport, Household Durables and Services, Education, Recreation, Sport & Culture, Clothes and Footwear, Information and Communications and Miscellaneous Goods & Services. This change 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. Also, the base year was changed to 2024 with the adjustment of the consumption baskets to consider the Household Expenditure Survey 2023. This might have addressed some of these changes.
- Excluding the volatile components of Accommodation and Private Transportation, the One-year-Ahead CPIEx core inflation expectations in the SInDEx survey dropped to 3.2% in September 2025 compared to 3.5% in June 2025.

- For a subgroup of the population who owns their accommodation and uses public transport, the One-year-Ahead CPIEx core inflation expectations also dropped from 3.4% in June 2025 to 3.3 % in September 2025 survey, corroborating the findings. 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) also declined substantially. After adjusting for potential component-wise behavioural biases and re-combining across components, the core-CPIEx Inflation Expectations (excluding Accommodation and Private Transportation expenses) pared to 3.2% compared to 4.8% in June 2025. The free-response core CPIEx also dropped to 3% in September 2025 from 5% in June 2025. Despite having made accommodations for some behavioural bias, free responses are susceptible to higher fluctuations during higher levels of uncertainty. A more representative and responsive measure of household cost experiences might be the core per capita consumption expenditure (core PCE) preferred by central banks like the US 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 declined in September 2025 to 3.3% from 3.5% in June 2025. It is slightly lower than the third quarter's average of 3.5% since the inception of the survey in September 2011.
- In addition, 5% of Singaporeans in the September 2025 survey expect a more than 10% reduction in salary in the next 12 months, which is unchanged from the June 2025 survey. The expectation of median salary increments in September 2025 of between 1.0% and 5% remained unchanged, compared to June 2025 survey.



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

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 latest round conducted on a representative sample of Singaporean residents between 8th and 16th September 2025. (Source: SKBI, SMU, MAS-MTI, Department of Statistics)

DBS Bank Chief Economist and Managing Director of Group Research, Dr Taimur Baig commented, “Cost of living has been a source of heightened concern locally and globally in recent years. Steady and sustained easing of inflation expectations, therefore, is a welcome respite for Singaporeans. There are plenty of uncertainties and disruptions at play with respect to the outlook for jobs and incomes, but it is heartening to see that inflation is a receding factor in that context.”

Dr Aurobindo Ghosh, Assistant Professor of Finance at Singapore Management University (SMU), the creator and founding **Principal Investigator of the Quarterly DBS-SKBI SInDEX Project,**

observed, “The global world order is at an inflection point. Inward-looking policies of the US Administration and ensuing trade negotiations have introduced significant uncertainty into the economic outlook, which, alongside ongoing conflicts and the emergence of disruptive technologies like Generative AI, is affecting trade and jobs that have a bearing on the future economic outlook. Against this backdrop, as part of a small open economy, Singaporean consumers weighed in their opinion that overall inflation expectations seem to be moderating substantially across the board, although this might be a net effect of the resolution of some trade deals and moderating global growth prospects. In the October 2025 World Economic Outlook, the International Monetary Fund projects global growth to slow down to 3.1% in 2026 from 3.3 % in 2024.”

“From the DBS-SKBI SInDEx September 2025 survey, which serves as a barometer of perceptions of a representative cross-section of Singaporean residents, we gather some interesting insights. First, while on average respondents believe that one-year-ahead inflation expectations are moderating further, only 37.5% of respondents believe inflation will be lower, while 47.5% polled that it will go up. This is a degree of a cognitive or behavioral bias we get when the uncertainty in inflation outlook is higher. However, one salient point is both the groups believe that the uncertain global trade policies are the largest contributory factors for inflation outcomes at around 30%. Second, after accommodating behavioural biases, we find a substantial dip in the free response and component-wise inflation expectations (Clark, Ghosh and Hanes, 2018). Third, with the change of base of the Consumer Price Index (CPI) to 2024 and consumption baskets based on the 2023 Household Expenditure Survey (HES 2023), respondents opined that their consumption basket is expected to remain largely unchanged except for a higher portion for food, housing and utilities and healthcare costs (Cavallo, 2020, Kouvavas et. al., 2020, Weber et. al., 2022). Finally, despite expecting to pay slightly more, respondents believe that their household's overall economic and financial situation, general business environment and job prospects are expected to remain unchanged in the next 12 months compared to the previous year. So it is not surprising that MAS decided to keep their monetary policy stance unchanged in their October 2025 review meeting.” Dr Ghosh noted.

For the longer horizon, the Five-year-Ahead CPIEx inflation expectations were pared to 3.9% in September 2025 from 4.4% in June 2025 - below the third-quarter average of 4.2% polled since the survey's inception in September 2011.

The Five-year-Ahead CPIEx core inflation expectations (excluding costs related to Accommodation and Private Transportation) also declined to 3.9% in September 2025 compared to 4.2% in June 2025. Overall, the composite Five-year-Ahead SInDEx5 also declined to 3.9% in September 2025 from 4.3% in June 2025. In comparison, the second-quarter average value of the composite Five-year-Ahead SInDEx5 is 4.1%, since the survey's inception in September 2011.

After adjusting for potential behavioural biases, the free-response Five-year-Ahead Headline Inflation Expectations and Five-year-Ahead Singapore Core Inflation Expectations also declined to 4% in September from 5% in June 2025.

Dr Aurobindo Ghosh added, "In September 2025, SInDEx survey respondents polled long-term inflation expectations for the Five-year-Ahead Headline and Core Inflation Expectations have declined to below 4% compared to the June 2025 survey. Even after adjusting for behavioural biases, the long-term headline inflation expectations continued a declining trend. Despite short-term fluctuations due to policy uncertainty on trade, this reflects some element of anchoring of longer-term inflation expectations and corroborates the importance and accuracy of survey-based measures (Ang, Baekert and Wei, 2007)."

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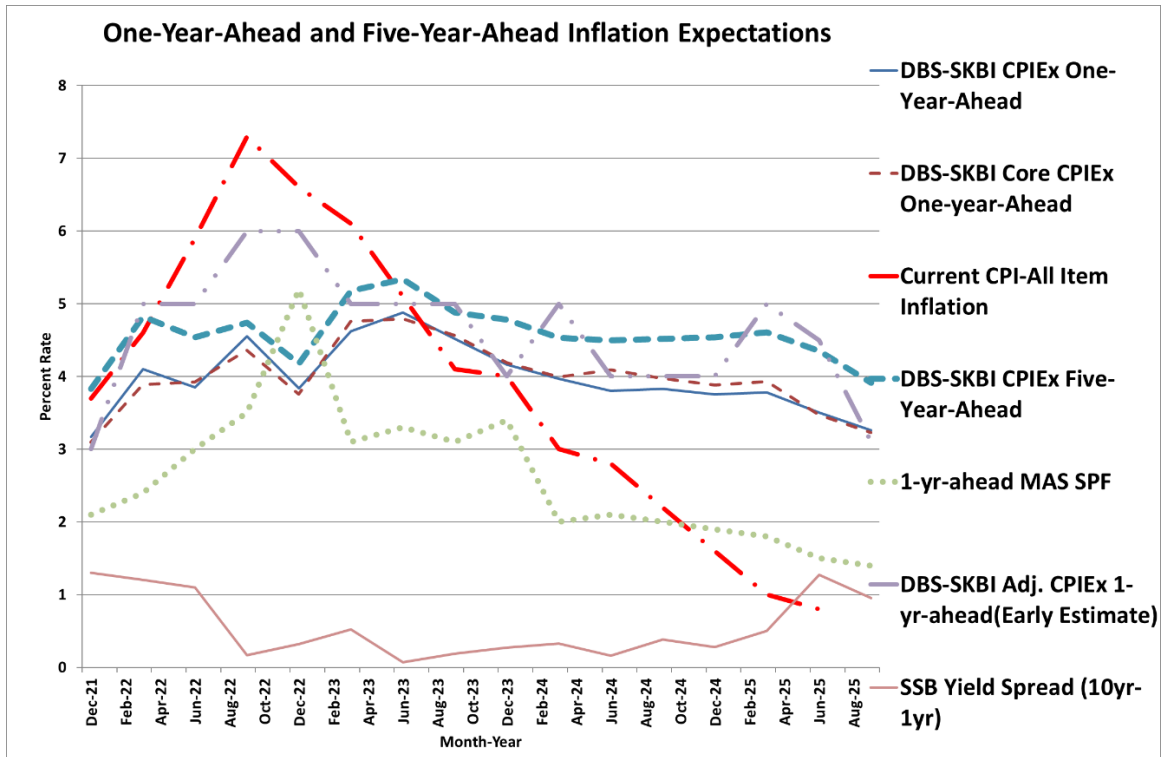
Methodology

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 the September 2025 survey, DBS-SKBI CPIEx One-year-Ahead headline inflation expectations indices declined from June 2025. The core inflation expectations also declined in September 2025. The behaviourally adjusted component-wise and recombined inflation expectations also dropped in September 2025 compared to June 2025. In free-response answers, compared to June 2025 survey, responses in the September 2025 survey polled for One-year-Ahead Headline and Singapore Core declined significantly. Overall, the results indicate continued decline of both medium-term (One-year-Ahead) and long-term (Five-years-ahead) inflation expectations.



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

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 23 to 30 June, 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, DepartAurAur)



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