

## Singaporeans' Inflation Expectations Rise with Global Trade and Policy Uncertainty

SINGAPORE, 20 January 2026 (Tuesday) - *These are the research findings of the 58th 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 22 and 28 December 2025.*

- One-year-Ahead headline inflation expectations increased to 3.5% in December 2025 from 3.3% in September 2025, the lowest level since December 2021. The fourth quarter One-year-Ahead inflation expectations were slightly above the average fourth quarter One-year-Ahead headline inflation expectations of 3.4% 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 December 2025 (based on November 2025 data) showed that the median forecast of the Consumer Price Index (CPI)-All Items inflation for 2025 (quarterly) was 0.9% (1.5% for 2026), while MAS Core Inflation median forecast was 0.7% (1.3% for 2026) (MAS SPF December 2025, Table A.3 and Table A.4). The latest CPI data released by the Department of Statistics (DOS) showed that CPI-All Items rose by 0.9% between January and November 2025, compared to the same period in 2024. The latest November 2025 monthly headline or all item inflation print came at 1.2% year-on-year, while the MAS Core Inflation Measure was 1.2% (DOS CPI, November 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 the rate of appreciation of the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) policy band slightly, implementing two consecutive loosening moves after having kept the policy stance 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 Consumer Price Index Inflation Expectations, re-combining across components after addressing potential component-wise behavioural biases, further declined to 3.1% in December 2025 compared to 3.2% in September 2025. One-year-Ahead inflation expectations of major components of CPI held steady or declined almost across the board, namely Food (3.5% to 3%), Transportation (3.3% to 3%), Housing & Utilities (unchanged at

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3%), Education (unchanged at 3%), Household Durables & Services (unchanged at 3%), Recreation, Sport & Culture (unchanged at 3%), Clothing & Footwear (unchanged at 3%), Information and Communications (2.7% to 2.2%) and Miscellaneous Goods & Services including Personal Care (unchanged at 3%). Expected Inflation of the Healthcare component increased slightly (3.5% to 4%). Flattening or decline in inflation expectations across most categories signal 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. The team found that the One-year-Ahead headline inflation expectations pared down from 3.1% in September 2025 to 3% in December 2025. These free-response polls help us gauge perceptions of the anchoring of inflation expectations and consumer sentiments in an aggregated sense, after accommodating changes in respondents' personal consumption expenditure.
- In the December 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, in response to increased geo-political uncertainties and fragilities in the global order, including ongoing and emerging conflicts, and strategic policy uncertainty affecting global trade, Singaporean consumers surveyed in December 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 December 2025 survey that over the next 12 months, their overall expenses are expected to increase slightly. Nonetheless, in response to new questions added since 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 business conditions in the next 12 months, compared to last year. Respondents also found conditions for buying bigger ticket items like household appliances or furniture are expected to remain unchanged in the next 12 months. All these responses indicate a stable consumer and business sentiment over the last quarter.

- In the December 2025 survey, only 6% (compared to 37.5% in September 2025) of Singaporeans surveyed expect inflation to decline in the medium term of one year. On the other hand, most respondents, or 83.4% (compared to 47.5% in September 2025) felt that One-year-Ahead inflation will increase. These opinions indicate that there is a clear understanding of the potential for a medium-term increase in One-year-Ahead inflation expectations, particularly regarding the impact of global trade policies on price levels.
- In December 2025, respondents expecting inflation to increase over the next 12 months attributed that to a great variety of possible reasons. The most common one cited was higher trade policy uncertainty like tariffs (28.3%); followed by geopolitical uncertainties and the conflicts involving Hamas and Israel, Ukraine and Russia, and Iran and Israel (18.5%); higher interest rates (15.8%); supply chain disruptions (15.3%); and fiscal responsibility measures like higher value added taxes (12.2%). Those expecting inflation to decline cited the uncertain impact of the resolution of supply chain disruptions (33.3%), followed by central banks keeping interest rates high (20%). This is followed by more competition leading to lower prices (16.7%).
- In the December 2025 survey, respondents opined that under current economic conditions, they expect only a slight increase in the One-year-Ahead and Five-year-Ahead overall inflation expectations, corroborating the other findings. Component-wise, respondents expect the geopolitical conditions to slightly increase inflation related to these categories: 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 (Kouvaras 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 December 2025 survey, Singaporean consumers polled that in the next 12 months, they expect a slight increase in the budget share of Food, Transport, Housing and Utilities, Healthcare costs, Household Durables & Services, Recreation, Sport & Culture, Clothes & Footwear, and Miscellaneous Goods & Services, but the budget share of Education and Information & Communications is expected to remain unchanged. This change 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. These might be the reasons for some of these changes.

- Excluding the volatile components of Accommodation and Private Transportation, the One-year-Ahead CPIEx core inflation expectations increased to 3.6% in December 2025 from 3.2% polled in September 2025. For a subgroup of the population who owns their accommodation and uses public transport, the One-year-Ahead CPIEx core inflation expectations also increased to 3.6% in December 2025 from 3.3% in the 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) however remained stable. 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 3.1% in December 2025, compared to 3.2% in September 2025. The free-response core CPIEx remained unchanged at 3% in December 2025 compared to September 2025. The slightly higher inflation expectations obtained from the fixed response (radio button) compared to the behaviourally adjusted free response suggest that there are still some cognitive biases in the fixed response that can be partially offset by the behaviourally adjusted methods.
- 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 rose to 3.5% in December 2025 compared to 3.3% in September 2025. It is slightly higher than the fourth quarter's average of 3.4% since the inception of the survey in September 2011.
- In addition, 5.9% of Singaporeans in the December 2025 survey expect a more than a 10% reduction in salary in the next 12 months, compared to 5% in the September 2025 survey. The expectation of median salary increments in December 2025 of between 1.0% and 5% remained unchanged, compared to September 2025 survey.



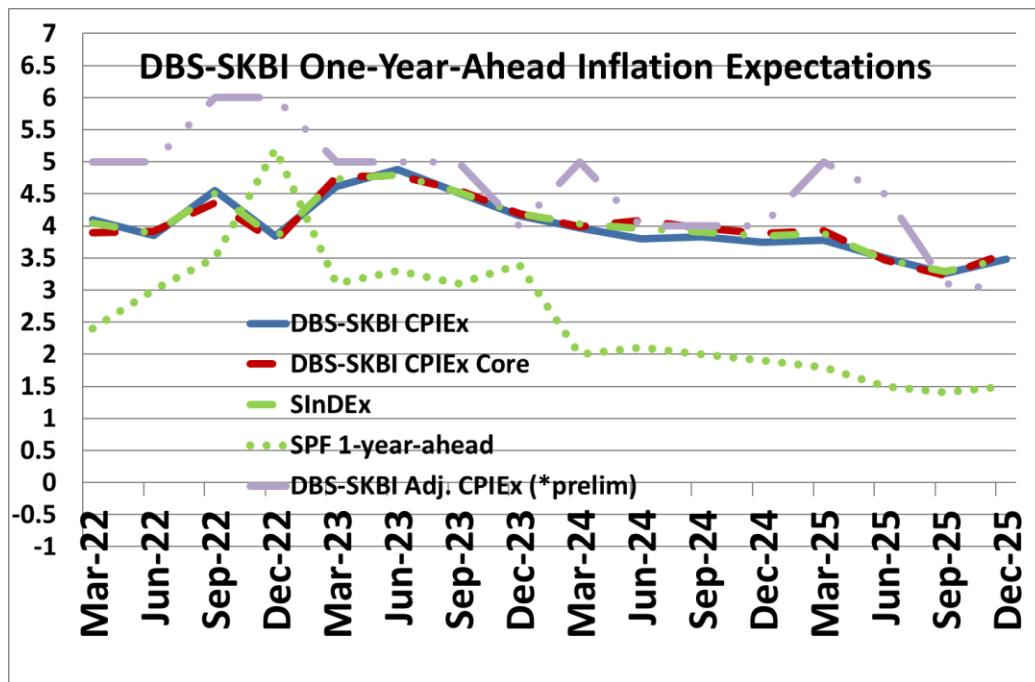
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Source: SKBI, SMU, MAS-MTI, Department of Statistics

**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. The latest round was conducted on a representative sample of Singaporean residents between 22 and 28 December 2025. (Source: SKBI, SMU, MAS-MTI, Department of Statistics)

**DBS Bank Chief Economist and Managing Director of Group Research, Dr Taimur Baig** commented, “After a prolonged period of disinflation, there are signs of a trough in Singapore’s price dynamics. The latest readings from the DBS-SKBI survey point toward a bottoming of inflation expectations - understandable given the strong demand outturn of 2025. We see this as a favourable development, reflecting the normalisation of the macro environment.”

**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, “Policy uncertainty has remained elevated throughout 2025. However, the global economy, and in particular the equity market, has been surprisingly resilient despite the onslaught of conflicts, tariffs and disruptions. In January 2026, the World Bank Group highlighted in their Global Economic Perspectives that although the world economy seems to be resilient and growing at around 2.7% in 2025 and is projected to grow at a similar clip in 2026, the global growth rate might be at a ‘slower gear’ in the post-pandemic world. Against this backdrop, as part of a small open economy, consumers in Singapore weighed in their opinion that overall inflation expectations seem to be slightly higher across the board in the medium term.”

“From the DBS-SKBI SInDEx December 2025 survey, which serves as a barometer of perceptions of a representative cross-section of Singaporean residents, we gather some salient insights. First, on average, an overwhelming majority of about 83% believe that One-year-Ahead inflation expectations will be raised slightly. The main reasons cited are, unsurprisingly, trade policy uncertainty arising mainly from trade tariffs. Second, after accommodating behavioural biases, we found that inflation expectations seem to be holding steady or dipping slightly (Clark, Ghosh and Hanes, 2018). This type of cognitive dissonance between the radio button and free response inflation expectations might be signalling a heightened level of uncertainty on the margin. Third, despite 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 change with a higher budget share of most categories, including Food, Transport, Housing and Utilities, Healthcare (Cavallo, 2020, Kouvaras 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,” Dr Ghosh noted.

For the longer horizon, the Five-year-Ahead CPIEx inflation expectations rose to 4.4% in December 2025 from 3.9% in September 2025 – slightly above the fourth-quarter average of 4.1% 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 increased to 4.2% in December 2025 from 3.9% in September 2025. Overall, the composite Five-year-Ahead SInDEx5 also increased to 4.2% in December 2025

from 3.9% in September 2025. In comparison, the second-quarter average value of the composite Five-year-Ahead SInDEX5 is 4%, 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 remained unchanged at 4% in December 2025 compared to September 2025.

**Dr Aurobindo Ghosh** added, “In December 2025, SInDEX survey respondents polled long-term inflation expectations for the Five-year-Ahead Headline and Core Inflation Expectations have increased to above 4%. However, after adjusting for potential behavioural biases, the long-term headline inflation expectations seem to hold steady at 4%. 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).”

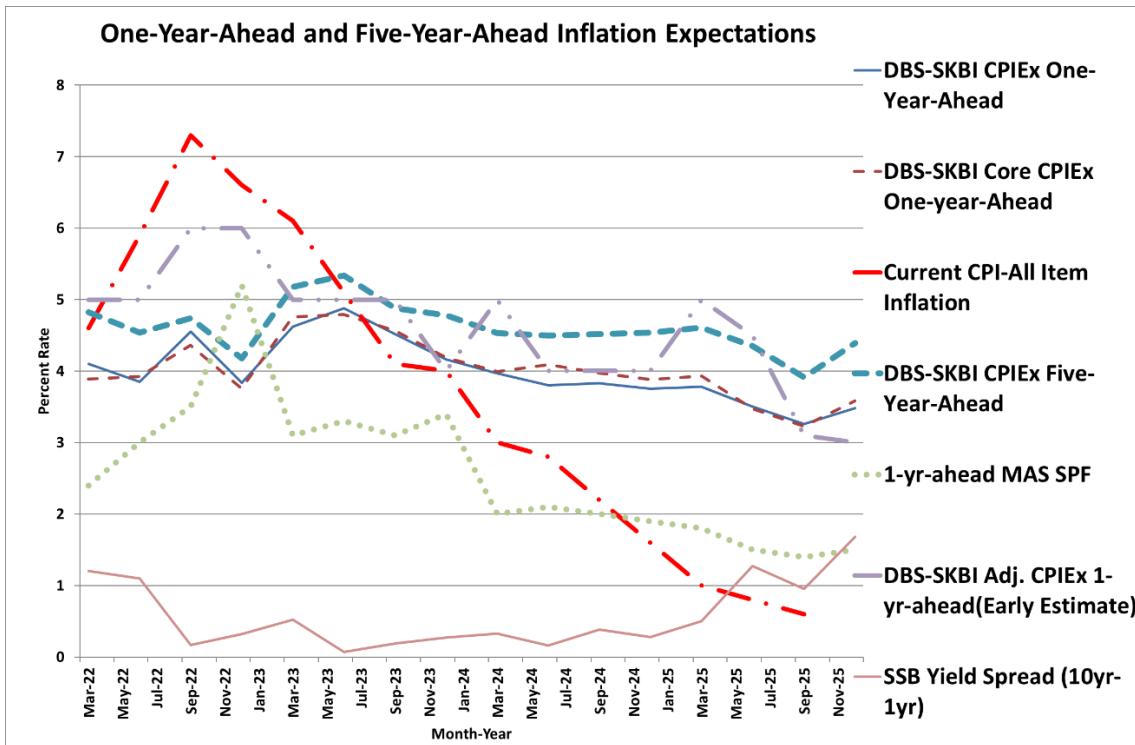
### Methodology

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 behaviour 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 behaviour 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 December 2025 survey, DBS-SKBI CPIEx One-year-Ahead headline inflation expectations indices increased from September 2025. The core inflation expectations also elevated in December 2025 compared September 2025. However, the behaviourally adjusted component-wise and recombined inflation expectations held steady or dropped slightly in December 2025 compared to September 2025. In free-response answers, compared to September 2025 survey, responses in the December 2025 survey polled for One-year-Ahead Headline and Singapore Core declined or held steady. Overall, the results indicate for both medium-term (One-year-Ahead) and long-term (Five-year-Ahead) inflation expectations elevated slightly however it seems to attenuate when adjusted for behavioural bias.



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 22 and 28 December. 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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Over the last 10 years, a diverse portfolio of financial research, outreach and training initiatives has been built. In the coming 10 years, while further expanding that traditional financial economics portfolio, the Institute will focus our efforts on the areas of financial inclusion and literacy, sustainable finance, financial technology, and data and governance. To maintain our relevance to finance practitioners and policymakers, SKBI also adopts a view on Asian and global economic trends.

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