

Singapore consumers expect lower inflation for year ahead

By **TEH SHI NING**

[SINGAPORE] Consumers in Singapore expect inflation for the year ahead to go down by another notch amid bleaker global economic cues, says the latest SKBI-MasterCard Singapore Index of Inflation Expectations (SInDEx) report.

The online poll of 400 randomly selected individuals in June showed that consumers expect a headline inflation rate of 3.91 per cent for the year ahead, down from the previous survey's 4.12 per cent in March.

This was the most positive view the public has had on future inflation since the quarterly index was first produced in September 2011. It also comes after Singapore's consumer price inflation plunged to a three-year low of 1.5 per cent in April, and stayed low at 1.6 per cent in May.

Singaporeans also expect core inflation – which strips out accommodation and private road transport

cost increases – of 4.05 per cent for the year ahead, down from the March survey's 4.32 per cent, the report said.

The latest findings gel with those of a separate survey conducted by YouGov and M&G Investments in May, which found that Singaporeans expect inflation of 4 per cent in the year ahead, down from 4.55 per cent in February.

Better-than-expected labour and housing market reports in the US point to an earlier tapering of the Federal Reserve's stimulus spending, which may put upward pressure on interest rates, said Aurobindo Ghosh, programme director of the Singapore Management University's Sim Kee Boon Institute for Financial Economics and co-creator of the SInDEx.

That people are expecting an end to what has been an unprecedented period of very low interest rates could also have been signalled by the report's

composite index of what inflation might be like in five years' time. This fell to 4.68 per cent, its lowest level since the start of the survey, Dr Ghosh said.

The public's view of future prices was probably also shaped by the property market cooling measures, curbs on car loans and a gradually growing emphasis on individual deleveraging, he noted.

"Furthermore, Singapore is facing a weakening impact of imported inflation owing to a cyclical slowdown of some of the Asean economies, as well as regional economies like China and India," he added.

Before April, Singapore's persistently high inflation rate over the past two years raised the danger that inflation expectations among the general public may become unhinged. This is because consumer beliefs about prices shape spending and wage decisions, and could fuel actual future inflation.

Although these expectations now appear to be well anchored, the core inflation figure of 4.05 per cent put forward by survey respondents is still much higher than 2012's 2 per cent. Monthly core inflation rates this year ranged from 1.5 per cent to 2.5 per cent.

Dr Ghosh said that respondents who do not pay for accommodation or private transport may show a bias of reporting the price changes of their most frequently purchased items, even when asked to strip out rents and the cost of cars. But this possible bias caused by people guessing at accommodation and private transport costs was adjusted for in the latest survey, he added.

Today, the Department of Statistics will announce the inflation rate for June.

The median forecast of 12 economists polled by Reuters is that the consumer price index (CPI) will rise by a slightly larger 1.8 per cent year-on-year.