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## **Singaporeans' inflation expectations stay benign in March: poll**

SINGAPOREANS generally expect overall consumer prices and core inflation - that is, price hikes outside of housing and private transport - to remain largely stable over the next 12 months.

This is according to the latest results from the DBS-SMU Singapore Index of Inflation Expectations (SInDEx) poll, released on Tuesday.

Singapore consumers see overall or headline inflation rising slightly to 3.1 per cent in the year ahead, up from the 2.9 per cent expectation from the last survey done in December 2018.

Similarly, core inflation expectations for the year ahead came in at 3.1 per cent in the March poll, not much changed from the 3 per cent expected in the December poll.

DBS chief economist and managing director of group research, Dr Taimur Baig said: "Amid slowing growth and uncertainty about the global demand outlook, inflation expectations appear broadly stable. As commodity prices firm and expectations of a global demand revival (led by China) sets in, conditions for a mild increase in expectations are in place."

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For the longer term horizon, five-year inflation expectations from the March survey inched up to 4.1 per cent, from 3.6 per cent in December 2018, though this is still slightly below the 4.2 per cent average registered from 2012 to 2018.

Meanwhile, core inflation expectations came in at 3.8 per cent in March this year, up from 3.5 per cent in December 2018.

Aurobindo Ghosh, SMU assistant professor of finance, and principal investigator of the DBS-SKBI SInDEx project, noted that the sentiment of a moderation in global growth has also been communicated by the US Federal Reserve Board as a primary driver opting for halting rate hikes, and preferring patience in a short run and a data driven outlook for the longer run monetary policy with persistently low inflation.

"We have observed that the impact of this declining growth and possible downturn is also felt in the decline in the yield spread of Singapore government bonds (difference between the yield of 10-year and 1-year bonds)."

Added Prof Ghosh: "Overall inflation has been largely benign since the tightening of the monetary policy in previous two semi-annual policy reviews by MAS in 2018. There are often counterbalancing pressures with varying outcomes such as slight increase in global oil prices, although deregulation in the retail electricity market has a downward pressure on electricity prices, moderation in decline in accommodation, and private road transportation prices despite increasing wages in the domestic labour market.

"Unsurprisingly, in their current semi-annual review in April 2019, the policymakers held their monetary policy unchanged."

The DBS-SKBI SInDEx survey polls some 500 people representing a cross section of Singaporean households that are randomly selected. DBS is a co-sponsor and research partner with Singapore Management University (SMU), with bank economists joining their academic counterparts to analyse and interpret responses.

The DBS-SKBI SInDEx survey was augmented in June 2018, with respondents polled about their perceptions of components of the Consumers Price Index (CPI). The augmented survey was based on a joint research study conducted by SMU researchers in collaboration with the Monetary Authority of Singapore (MAS) and the Behavioral Insights Team, and adjusted for possible behavioral biases.

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Based on the recommendations of that study the research team in March polled the one-year-ahead inflation expectations of all of the components of the overall CPI index.

"Compared to December 2018, the March 2019 survey revealed inflation expectations across all categories have moved up quarter on quarter, although without the same quarterly benchmark we were not able to conclude if the uptick is a peculiarity, or a natural quarterly seasonality of these indices," the researchers noted.