

## **Cost of living in Singapore: Slow overall inflation but some pressure points**

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SINGAPORE: Despite making sure to save about S\$1,500 a month, Ms Serynn Guay, 34, still feels a nagging worry that she's not setting aside enough money for her family's future needs.

The mother of one is a marketing manager, while her husband manages his own start-up. Together, they live in a five-room flat with her husband's parents.

Food, education and utilities make up a large chunk of monthly expenses. With prices on the rise, the family of five try to live within their means.

They do not have a car or a helper at home. To save money, Ms Guay and her husband make use of cashback reward apps and have recently switched to an electricity retailer that offers them a 10 per cent discount on their monthly utilities bill.

Expenses remain manageable and with appropriate budgeting, the family is able to afford a few small luxuries, like an overseas vacation. But further down the road, Ms Guay can't help but wonder if she will have enough to last through retirement.

One of her worries is "unpredictable" healthcare bills.

"We don't know how much we'll need when we're older ... Will we be able to retire comfortably? Will our savings be enough?"

She added: "It's likely that we'll continue working for at least the next two decades. Even after my child completes university, we still need to continue saving for retirement and other living expenses."

Ms Guay is not alone and her litany of concerns is likely shared by many Singaporeans who are worried about the high cost of living here, particularly on the back of rising electricity tariffs and water prices.

Coupled with the announcement of an eventual goods and services tax (GST) hike, the issue of living costs regained traction last year – so much so that Prime Minister Lee Hsien Loong centred his Mandarin National Day Rally speech on it.

"They sense that they have to spend more, that their earnings never seem quite enough," Mr Lee said last August as he acknowledged some of this ground sentiment. He reiterated that the Government will do its part to alleviate concerns.

### **INFLATION PICTURE**

A look at headline inflation seems to suggest modest overall price gains.

Data from the Department of Statistics (DOS) showed the consumer price index (CPI), which measures the cost increase of all items, at 0.4 per cent in 2018, a dip from 0.6 per cent the year before.

Over a five-year period, which included two consecutive years of negative inflation readings in 2015 and 2016, CPI averaged at about 0.6 per cent a year.

Some economists suggested core inflation is a better gauge of underlying living costs.

This is because core inflation excludes accommodation and private road transport costs – the two components that are heavily influenced by Government policies.

Stripping out these two components, which have fallen in recent years since the roll-out of cooling measures to the housing and motor vehicle markets, core inflation averaged at about 1.4 per cent a year since 2013.

For 2018, core inflation rose to 1.7 per cent, from 1.5 per cent in 2017.

Even then, this remains manageable, according to economists who spoke to Channel NewsAsia. Such “mild” inflation is also necessary to prevent deflation and its dire consequences, like that in Japan.

## FEELING THE PINCH

So, if the overall increase in prices of goods and services is modest, why do some people still feel that the cost of living has gone up in recent years?

Economists said this boils down to the rising prices of some basic necessities, with inflation data showing three main areas with significant spikes over the past five years.

First, education.

This component – which includes fees of tertiary institutions and private tuition fees, as well as the cost of textbooks – has seen the biggest increase over the past five years, noted experts like SIM Global Education’s senior lecturer Tan Khay Boon.

Calculations by experts based on official data showed education inflation gained 16.9 per cent since 2013, outpacing both headline and core inflation.

Strong demand and the willingness among parents to spend on private education, such as pre-schools, tuition and enrichment classes, have partly fuelled the increase, said Dr Tan.

Another key contributor is tuition fees for polytechnics and local universities, experts said. The latter, for instance, rose across all six universities from 2015 to 2018, according to figures consolidated by consumer research firm ValueChampion.

Tuition fees for Singapore citizens at the Singapore Institute of Technology saw the biggest hike of about S\$1,000, while those at Nanyang Technological University, National University of Singapore and Singapore Management University increased by S\$250 each over the same period.

Second, food.

Experts' calculations based on official data showed food prices up by about 10 per cent since 2013.

The reasons are two-fold. For one, Singapore imports more than 90 per cent of the food consumed by its population, hence prices are easily swayed by adverse weather and geopolitical tensions elsewhere that affect supply chains, explained Dr Tan.

DOS data showed varying price increases for household essentials, such as rice and eggs, over the years.

A 5kg packet of fragrant Thai rice, for example, cost S\$13.06 last year but S\$12.78 in 2013. One will also have to pay 10 per cent more for a box of 10 eggs, which rose to S\$2.14 last year from five years ago.

For food services, higher rentals and labour costs, as well as water and electricity bills, have made dining out more expensive. This is "unavoidable" as food operators, especially stall owners at food courts and hawker centres, face rising business costs, said economist Jeff Ng.

Echoing that, economist Walter Theseira from the Singapore University of Social Sciences said: "While there are calls (for the Government) to control food prices, we need to remember that the majority of Singaporeans employed in providing low-cost food are themselves low to medium-wage workers."

"It's not reasonable in my view to ask the hawker to bear the burden for keeping prices low," he added.

Third, healthcare.

Amid a greying population, healthcare inflation has gone up by about 8.5 per cent since 2013, based on experts' calculations of official data. Of which, the cost of seeking medical and dental treatment rose about 10.6 per cent over the same period.

"As Singapore's population ages, demand will only get stronger yet it is not easy to increase supply given the long training periods required for quality medical workers," said Dr Tan.

"This is an area that isn't easily contained so healthcare prices could keep going up. For retirees, this is an area of concern."

Given the price gains in basic necessities, it is only natural that Singaporeans feel the pinch even if overall inflation stays low, experts told Channel NewsAsia.

"People form their idea of inflation from their day-to-day expenses and these include food and healthcare costs, which are ever rising," said DBS senior economist Irvin Seah.

To be sure, there is also the desire for better things in life that may contribute to cost-of-living pressures – a point also mentioned by the prime minister in his National Day Rally speech.

"As the country progresses, there are expectations, to a certain extent, for a higher quality of life. A better phone, an expensive bag, a reputable tutor or healthcare option – all these add up," said Mr Ng from independent economics research firm Continuum Economics.

Agreeing, Dr Theseira said consumption choices play a role. Using food inflation as an example, he explained: “Restaurant food, for example, occupies a significant share of retail food expenditures and that share has been rising overtime as Singaporeans get more affluent.”

## WHO’S FALLING BEHIND?

In general, as long as inflation stays tame and in line with income growth, cost of living concerns can be mitigated, economists told Channel NewsAsia.

Household income statistics issued last February showed the median monthly income among households here rose to S\$9,023 in 2017, a 1.5 per cent increase from 2016’s S\$8,846 after factoring in inflation.

While that shows income growth broadly keeping up with overall inflation, economists said the devil may be in the details.

According to the same set of household income statistics, average work earnings per household member for the bottom 50 per cent households grew between 2.1 and 3.6 per cent in 2017. This was slower than those in the 51st to 90th percentile which had income growth of between 3.7 and 4.5 per cent, while the top 10 per cent saw real growth of 2.6 per cent.

To be sure, if traced back over a five-year period from 2012 to 2017, households in the bottom 50 per cent experienced a higher rate of real income growth (4.2 to 4.6 per cent a year), compared with those in the top 50 per cent (2.2 to 4.2 per cent).

Another set of data to examine is how inflation impacts income groups differently.

For 2018, the effects of an increase in food, water and electricity prices, as well as medical and dental treatment costs, have been felt more pointedly by households in the lowest 20 per cent, according to the latest CPI data.

CPI inflation, excluding imputed rentals on owner-occupied accommodation, was up 1.8 per cent for the less well-off. Inflation was 1.3 per cent and 1.1 per cent for the middle 60 per cent and the highest 20 per cent income groups, respectively.

“Uneven wage growth is one factor but we must also consider that the less well-off spend a larger proportion of their income on food items,” said Dr Mathew Mathews, a senior research fellow at the Institute of Policy Studies. “Cost of these have been going up quite a bit over the past few years.”

With inflation expected to pick up further this year – on the back of higher imported oil prices and possible spillover impact from the US-China trade war – the lower-income group could be disproportionately hit, other experts added.

Meanwhile, other segments within the society could also need help, such as the sandwiched generation.

“These are the people in the middle class who are taking care of both young children who are still schooling and aged parents who may have chronic or other illnesses, and staying in perhaps a 3 or 4-room flat,” said Dr Mathews.

**“Healthcare inflation exceeds general inflation considerably every year, and this group of Singaporeans may need more help in the future.”**

Economists said that while schemes such as GST vouchers and rebates off utilities bills are useful, the long-term solution to cost-of-living concerns lies in ensuring pay increases in low-wage jobs and pushing on with economic restructuring efforts to create better jobs for all.

“I think our attention here should be at the low-wage worker,” said Dr Theseira. “Rather than artificially hold costs down which also affects workers in those industries, it would make more sense to spend effort raising wages.”

“Cost of living is a problem but as long as a person has a job and an income, things can be resolved,” said Mr Seah. “So we have to continue investing in our social safety net and by that, I’m not just talking about public assistance schemes.”

He added: “The best solution is to keep creating jobs and invest in the training of our workers so that everyone remains employable and can have a job.”