

By Invitation

Many lines of defence needed to keep inflation at bay

No single policy lever is sufficient to keep costs down. A multi-pronged approach involving the Government, citizens and community is needed.



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Amid rising inflation due to war, the pandemic and supply chain snarls, governments across the world have to find ways and means of keeping the cost of living manageable for their citizens.

For Singapore, too, this is arguably the most pressing near-term challenge.

Helping businesses and citizens cope with rising costs requires a multi-pronged approach, using various policy levers in tandem, while individuals and the community must also do their part.

STRONG DOLLAR, CASH TRANSFERS

The first line of defence against rising prices is monetary policy – maintaining a strong Singapore dollar to keep the lid on imported inflation.

Next are cash transfers and subsidies to help citizens and households with the costs of essentials, including food, utilities and public services.

Besides permanent subsidies for healthcare, housing and other public amenities, citizens have received one-off income tax rebates and cash transfers.

Since last year, two tranches of Community Development Council (CDC) vouchers have been distributed to all Singaporean households to help with the cost of living. This mode of assistance may appear odd, since consumers would enjoy greater flexibility from direct cash transfers of equivalent value.

In fact, CDC vouchers are like a cash handout as they can be used for hawker food as well as goods and services at heartland stores – which the vast majority of Singaporeans would have purchased anyway.

This is in contrast to the SingapoRediscovered Vouchers, which were meant to stimulate domestic tourism demand to

offset the fall in visitor arrivals during the Covid-19 pandemic.

The decision to allow the 2023 and 2024 CDC vouchers to be spent at major supermarket chains will make them practically equivalent to cash.

Some have commented that this would erode the benefit to heartland stores (“Hawkers, small retailers will lose out once CDC vouchers can be used at supermarkets”, *ST Forum* letter, May 18). However, the vouchers’ impact on aggregate demand for heartland stores probably has been modest compared with their role in shifting existing demand towards vendors in the scheme.

The primary objective of the vouchers should be to help citizens with the cost of living, with any benefit to heartland stores an added bonus.

Besides CDC vouchers, the \$560 million Budget 2022 Household Support Package includes additional utilities rebates and top-ups to child development and education accounts.

This array of measures is aimed at blunting the sharp edge of inflation for consumers.

Singapore’s core inflation, which excludes the cost of private transport and accommodation, hit 3.3 per cent in April, the highest in over a decade.

With global fuel and commodity prices surging, the Monetary Authority of Singapore (MAS) projects that core inflation could peak at 4 per cent, and headline inflation at 5 per cent to 6 per cent, later this year.

PUBLIC POLICY – FOCUS ON AFFORDABILITY

A third line of defence against cost of living pressures may be less obvious but just as important – efforts to manage supply and demand, the impact of which is more likely to be felt over the medium to longer term.

While Singapore is a price taker for many global commodities, there is much the Government can do to influence the supply and demand of goods and services, and hence costs.

For instance, a steady, adequate supply of residential and commercial land helps to keep housing prices and commercial rents stable even as demand flows



A store in Tampines on the Community Development Council (CDC) vouchers scheme. Since last year, two tranches of CDC vouchers have been distributed to Singaporean households to help with the cost of living. *ST FILE PHOTO*

and ebbs.

Diversification of imported food sources over time has increased Singapore’s resilience to supply-induced price shocks in specific markets.

It is also important to promote market competition and protect consumers against anti-competitive business practices.

The provision of amenities and services by public agencies has a direct bearing on the cost of living, with efficient public management translating into lower costs for consumers.

On the demand side, reforms to healthcare insurance – including a minimum co-payment of 5 per cent for Integrated Shield plans – will help to manage healthcare consumption, and hence healthcare inflation.

Additional buyer’s stamp duties are among the “macroprudential” policy measures adopted by MAS to rein in surging housing prices.

Encouraging hybrid workplaces, including the flexibility to work from home, may also help workers save on commuting costs at a time of elevated fuel prices.

Going a step further, affordability should be elevated to a key

objective in public policy and service delivery, with a deliberate effort to provide Singaporeans with low-cost options.

Take food, for example. Hawker centres have been instrumental in keeping cooked food affordable in Singapore.

A decision was taken in 2011 to resume building hawker centres after a 26-year hiatus.

Subletting of hawker stalls, which had driven up rents, was disallowed in 2012, while the minimum reserve rent was also abolished.

However, commercially operated coffee shops and foodcourts account for a significant share of the market.

Last month, it was reported that over half of the stallholders in a Toa Payoh coffee shop decided not to renew their leases after the new management doubled the rent.

With imported food prices climbing, rental hikes will only exacerbate the cost pressures on cooked-food stallholders.

What could help going forward is to expand and improve the social enterprise model for hawker centres and foodcourts.

In public housing, there has been increasing demand for larger flats

as Singaporeans become more affluent. Still, having a good mix of flat types, including two- and three-room units, is important to give families more options in keeping with their financial circumstances.

With public amenities and services, service-level decisions can affect affordability without compromising the principle of cost recovery.

While service providers are not wrong to focus on customer experience, not all public services have to be premium services if these translate into higher costs for the public. For instance, non-air-conditioned hospital wards, classrooms and public buses can help to save on energy costs, besides being more environmentally friendly.

Some degree of creature comfort may be necessary to encourage commuters to choose public transport over cars and taxis, but options such as cycling and walking could also gain popularity if made more convenient and comfortable.

Affordable leisure options are important for Singapore to be an inclusive home. Public parks, beaches and

playgrounds are free recreational spaces that can be enjoyed by all, while citizens have access to public museums and sports facilities at zero or nominal cost.

At the same time, these common spaces ought to be paired with affordable dining options. When the National Parks Board leases out premises for food operators, for example, it seeks a balance between revenue maximisation and the provision of affordable food options to the public.

In taking various planning decisions, government agencies should keep a laser focus on affordability, particularly at a time when inflation is rising.

Design thinking – often used to improve customer experience – may be a useful tool, by focusing on the daily needs and experiences of lower-income citizens.

This could entail mapping out a citizen’s journey in performing daily tasks, and identifying suitable policy levers to ease costs and expand options.

CITIZENS MUST PLAY THEIR PART

While the Government has a key role to play in managing the cost of living, there is much, too, that citizens can do to optimise their spending and finances.

The first step is financial planning – to insure against medical and other contingencies, to avoid becoming financially overextended and to set aside enough for long-term expenditure priorities.

Exercising prudence in spending, looking out for lower-cost alternatives, conserving utilities and sharing resources within families and communities are among the many ways in which household budgets can be stretched.

On the revenue ledger, Singaporeans can seek ways to augment employment income with passive income streams and renew their skills for better earnings prospects.

Finally, communities can step up to lend a helping hand to those in need. Whether small business owners, social enterprises, volunteer groups or community and religious organisations, all can play their part in helping the vulnerable to cope with financial stress. This will have the added benefit of building solidarity and strengthening bonds within society.

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