

Cost-of-living report did not take into account locals' expenditures, says Singapore minister

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Reports on the cost of living in Singapore do not reflect the cost of living for local residents but instead compare costs for expatriates living in the city, said its Finance Minister, Tharman Shanmugaratnam.

The two were "important differences" in the measurement of cost-of-living reports and what affects costs for Singaporeans, he said during his wrap-up speech on the Budget debate in Parliament today.

The minister was commenting on a survey – the 2014 Worldwide Cost of Living – by the Economist Intelligence Unit (EIU), which revealed Singapore as the world's most expensive city, toppling Tokyo from the top spot.

One difference was the currency, Tharman said.

"An important reason why we've become expensive for expatriates is that the Singapore dollar has strengthened," he was quoted as saying by The Straits Times.

The strengthening Singaporean dollar would make things more expensive for an expatriate who is paid in a foreign currency but improves the purchasing power of Singaporeans when it comes to buying imported goods locally or abroad.

He added that goods and services offered to expatriates were "quite different from the goods and services consumed by ordinary Singaporeans".

The survey, which examines prices across 160 products and services in 140 cities, was aimed at helping companies calculate allowances for executives being sent overseas.

The report said Singapore's curbs on car ownership, which included a quota system and high taxes, made it "significantly more expensive than any other location when it comes to running a car".

A new Toyota Corolla Altis costs RM361,000 in Singapore, compared with around RM114,000 in Malaysia.

Overall, transport costs in Singapore were almost three times higher than those in New York, it said.

While he acknowledged that cars in Singapore were indeed more expensive than in other cities, Tharman claimed that the public transport and taxi fares in Singapore were cheaper than in other cities.

"It's not that these surveys are wrong, it's not that they are misguided. They're measuring something quite different from the cost of living for an ordinary local," he said.

He drew attention to the 2012 Asia Competitiveness Institute report which he said tried to measure the cost of living for ordinary residents.

The report showed that for expatriates, Singapore was the fifth most expensive city out of 109. But for residents, it ranked only 61st, cheaper than cities such as Hong Kong which ranked 58th, and Seoul which ranked 60th.

"What is important for us is that Singaporeans, and particularly low- and middle-income Singaporeans, have incomes that grow faster than the cost of living," Tharman told The Straits Times, adding that Singapore had been able to achieve that.

In the past five years, median household income registered a faster increase than the cost of living, growing 10% after inflation.

"And we keep our eyes focused on that: on how the average Singaporean and the low-income Singaporean is doing in their income relative to the cost of living," Tharman said. – March 5, 2014.

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