Middle-income families feeling the pinch – some having problems with car and housing loans

When America sneezes, the world catches a cold, and here in Singapore, an economic chill is descending.

Inflation has been rising, growth has slowed down, and with the almost daily onslaught of bad news, Singaporeans, not unexpectedly, heaved a collective groan when it was announced last week that electricity tariffs would rise by 21 per cent.

Those in the lower- and lower-middle-class families who live in the smaller HDB flats will get relief in the form of rebates. Wealthy Singaporeans, meanwhile, can still afford the higher costs of living.

But middle- and upper-middle-income families say that it is they who are most badly affected.

Ms Patricia Lee, 32, who runs an online software business, said, “I was surprised by the increase in inflation and the economic downturn.

“The middle class is often the sandwich class and will be the hardest hit by all this.”

Sachs Lam, 39, who runs a business, “We were taken aback by the tariff hike and are wondering how it will affect us.”

Ms Selena Ling, head of treasury research and strategy at OCBC Bank, noted that during the peak inflation period in the first half of this year, high oil prices drove up petrol prices. “Middle-income car owners and taxi passengers may have been more affected,” she said.

More middle-income families have been visiting their Members of Parliament for advice. MPs told The Sunday Times, “The rising cost of basic necessities is cutting into their expendable income,” said Madam Ho Geok Choo, an MP for West Coast GRC.

While middle-income families are not seeking help for items like groceries and electricity bills, their higher financial commitments mean they now have problems paying off car and housing loans, she said.

In the last few months, she has seen one or two more middle-income cases among every 10 residents who seek help.

But MPs and economists also noted that the middle- and upper-middle-income groups tend to take matters into their own hands as much as possible.

Sachs said, “If you come across many cases of middle-income families asking for help because it seems that they have more available resources and have room to cut back.”

Madam Cynthia Phua, an MP for Allied GRC, added: “They are not hit at the subsistence level and many are making a conscious effort to cut down on things, like having just one car or no car, or eating out less.”

Economists say this trend is expected to continue given the bleak economic outlook. Dr Ahn Law, an economist with Standard Chartered, said that while prices of commodities like crude oil and rice are coming down now, they remain elevated compared to historical levels and so with rising costs, the middle class will be affected.

Mr Jimmy Koh, head of research for CDB, predicted that the uncertainty will continue for at least the next three to six months.

MPs and academics feel that financial help is not the way to go in aiding the middle-income group, father, education and maintaining stable employment are more viable solutions.

Sachs said, “We should be more proactive.”

Mr Zainudin Noordin, MP of Central Singapore GRC, felt that the Government should use this opportunity to educate people on moderating their expectations and managing their costs.

“Usually the Government targets the lower-income groups as they are more needy,” he said. “But we shouldn’t take for granted that people can manage. It’s not that they will not be able to live a good life. It’s just that they may have to manage their money better.”

Sachs said, “People need to be more careful with their finances. It’s not just about saving money, it’s about managing their money.”

And while the Government has taken steps to help the lower-income groups, Sachs said, “It’s not enough. We need to do more.”

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“My mother often calls to ask if I’m coming home for dinner, so she won’t cook extra and waste it,” he said.

He still drives his Mercedes E200 to work, but makes an effort to avoid Electric Road Pricing gadgets and tries not to park in the Central Business District.

Parking can cost up to $72 for half an hour, he said. He takes taxis or public buses into the city during peak hours.

For his business, he says, he has to be content with the fees instead of demanding it. He has a staff of 100 people and is the chairman of a company in Australia.

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