

## Rising Prices in Singapore: How Much Is GST to Blame?

Singaporeans have been feeling the pinch with increasing prices ranging from daily food and necessities to housing and transportation. A recent 2025 post-election study conducted by the Institute of Policy Studies (IPS) think tank has revealed cost of living to be the top concern amongst voters surveyed. Often, blamed is appointed to GST – goods and services tax – as one of the main culprits behind Singaporeans' rising cost of living and overall inflation. GST was first introduced in 1994 at three percent as a means for the country to rely less on direct taxes, to diversify the country's revenue base and prepare for long-term spending in areas like healthcare, housing, education and social services. Since its introduction, GST has risen by six percent over the past three decades – 3% to 4% in 2003, 5% in 2004, 7% in 2007, 8% in 2023 and most recently to 9% in 2024. Naturally, with an increase in tax, the cost of goods and services rise – making GST an obvious culprit in increasing the cost of living.

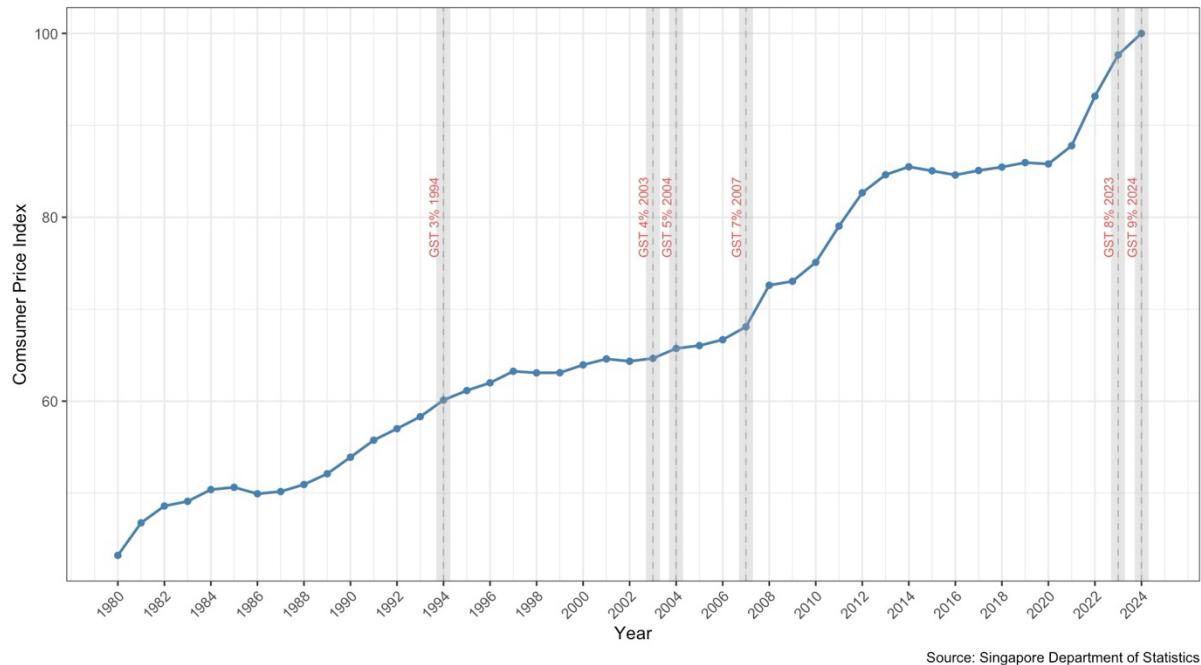
Cost of living in Singapore can be measured through various indicators. A direct measure is the Consumer Price Index (CPI) which tracks the average changes in prices in various baskets of different goods and services. Generally, a base year – whose index is set to 100 – is determined, and the indices of the other years will be measured in reference to the base year, i.e. if the index in 2024 (base year) is 100 and the index in 2023 is 93, one can conclude that average prices has risen from 2023 to 2024. The Year-on-Year percentage changes in CPI further indicates the pace of inflation – how quickly prices are increasing.

To investigate the extent of GST's culpability in driving inflation and cost of living, we examined publicly accessible official data from Singapore Department of Statistics and data.gov.sg. For comparability, different indices were indexed to the same base year.

## Prices, Inflation and GST

### How Singapore's Cost of Living Has Risen Over Time

Consumer Price Index (CPI, 2024 base year), with GST hikes marked along the way

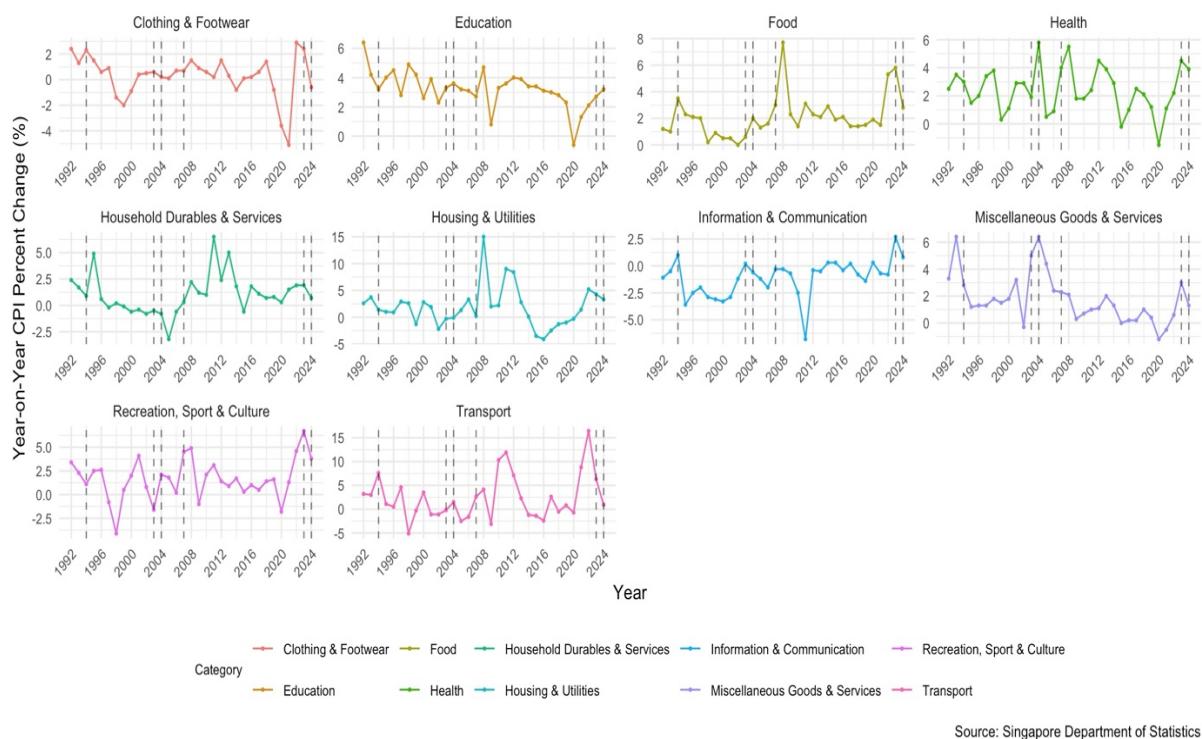


Source: Singapore Department of Statistics

Looking at the long term CPI trend from 1980 to 2024, prices on average have increased steadily with vertical dashed lines marking years when GST was introduced or raised. When GST was raised in 2003 and 2007, CPI rose. Interestingly, CPI did not always rise sharply after GST adjustments. We observe this in 2004 and 2023, where CPI rose at a slower rate as compared to the previous year even though GST was raised. In contrast, when the CPI increased sharply in certain years, this was not always corresponded to any GST adjustments – an indication that other economic factors may be contributing to price increases.

## Where Singaporeans Feel the Pinch

Year-on-year inflation by category of goods and services, with GST hikes highlighted



A closer look at the year-on-year changes across major categories shows that while GST revisions were applied uniformly, their impact on inflation was far from equal. Essential areas such as healthcare and housing faced greater brunt and saw sharper increases during GST revision years, while other categories are more influenced by global economic conditions. As Singapore relies heavily on food imports, inflation for food prices spiked sharply during the 2007 to 2008 Food Price Crisis and again in 2021 during the Ukraine War (George et al., 2023). Similarly, inflation spiked sharply across multiple categories after the 2020 COVID-19 global pandemic – in the absence of any GST revisions. Contrastingly, information & communication prices show a year-on-year decrease, as a direct result of rapid technological advancements and competition (Rosoff, 2015). These patterns broadly mirror the overall CPI trend: inflation often rose in years without GST revisions. Looking at both CPI and inflation, we observe that while GST revision can add pressure – it is unlikely to be the primary driving force behind the increase in prices.

## The Wealth Effect and Cost of Living in Singapore

A Housing and Development Board (HDB) flat – where 80% of Singaporeans reside in – is one of the largest assets owned by many Singaporean households. Naturally, as the value of their homes increase, families feel wealthier and more financially secure. This *wealth effect*, especially within public housing households, may encourage families to increasing spending, driving up demand in the economy (Edelstein and Lum, 2004).

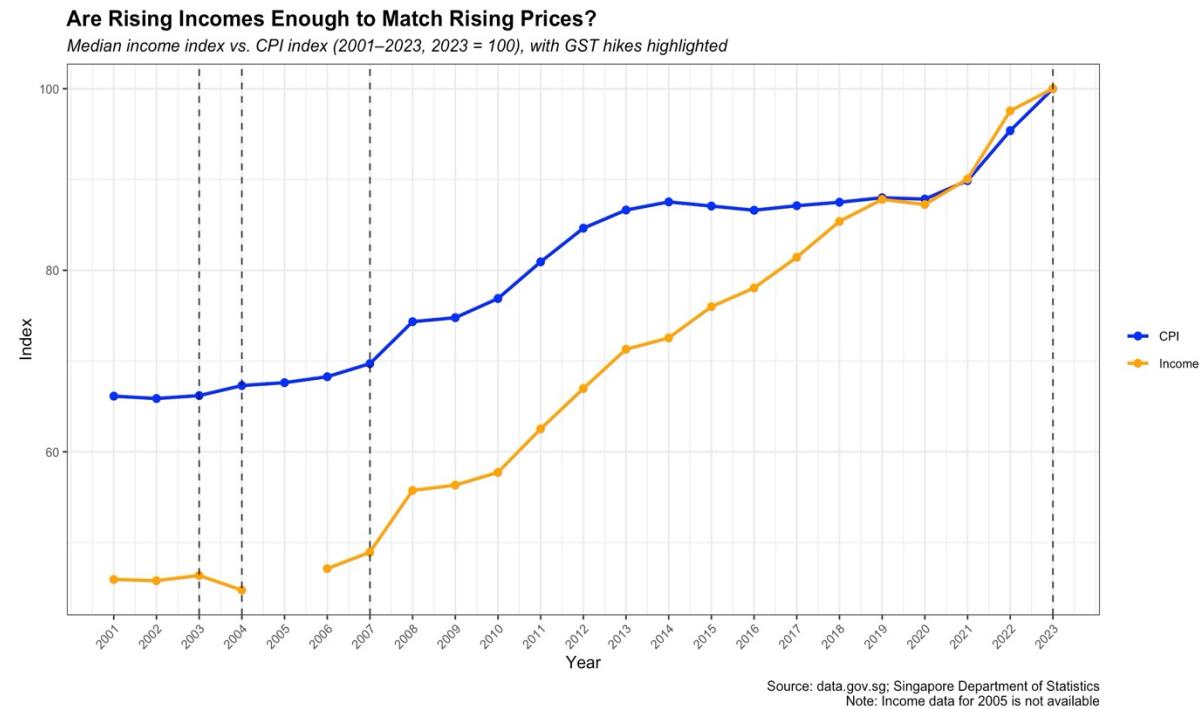


Our plot shows that HDB prices move cyclically – they rose sharply in the early 1990s, before falling and plateauing through much of the 2000s. And again, prices climbed in the late 2000s before falling in 2013 and levelling in the mid 2010s as a result of various cooling measures (MAS, 2013). However, resale prices surged again after 2020, as the global pandemic brought about disrupted timelines and supplies issues.

Interestingly, the rise and plateau of the CPI mirrors that of the HDB index – albeit more gradually, indicating that these housing booms may have encouraged greater household spending and consumption, contributing to cost pressures independently of tax policies like GST revisions.

## Income and Affordability – Can Wages Keep Pace?

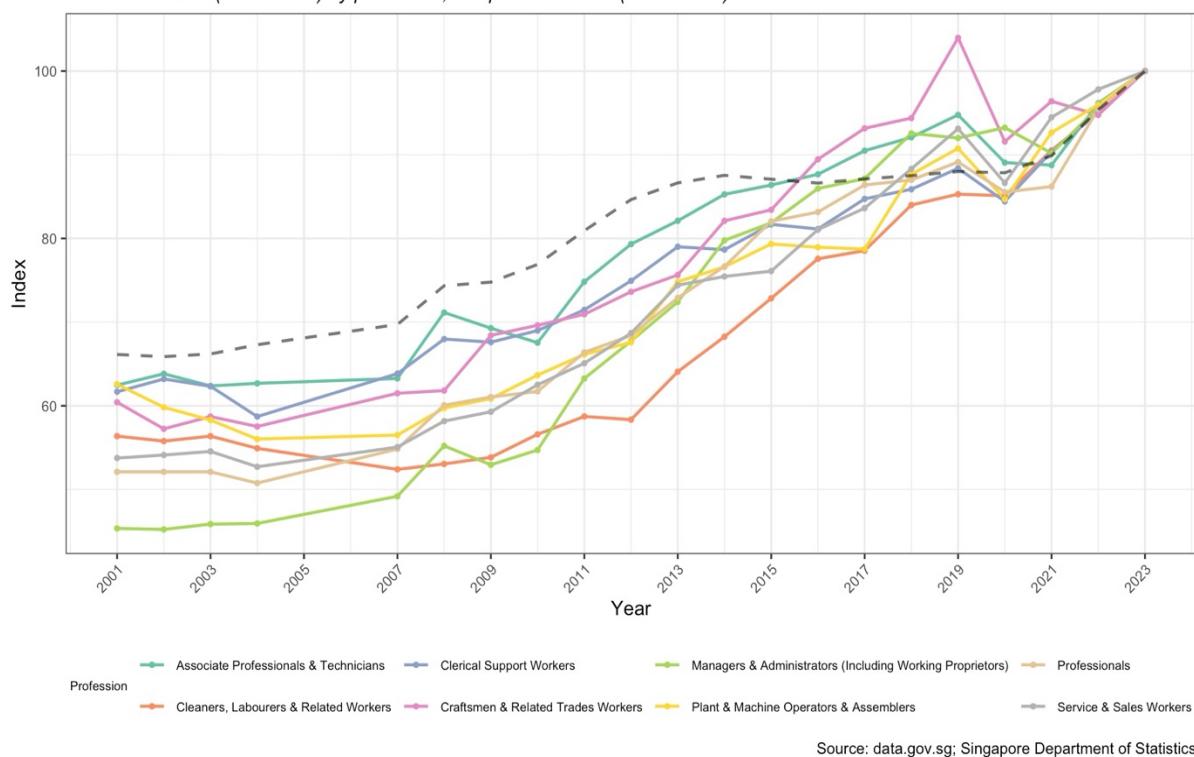
When examining cost of living, income is critical – after all, whether individuals can keep up with cost pressures depends not only on inflation, but also the speed at which their income grows to keep pace with costs.



Since 2001, median income in Singapore has risen steadily alongside the overall cost of living. While cost of living plateaued in mid 2010s, incomes continued to climb and eventually caught up in the late 2010s. By 2022, income growth even outpaced CPI. Rising incomes increase spending power and standard of living for individuals and households, which in turn encourages consumption and drives up prices. While overall income growth may have seemingly kept pace with cost of living, a closer examination of income growth of different professions reveals a more uneven picture.

## Do All Professions Keep Up with Rising Prices

*Indexed incomes (2023 = 100) by profession, compared with CPI (dashed line)*



Source: data.gov.sg; Singapore Department of Statistics

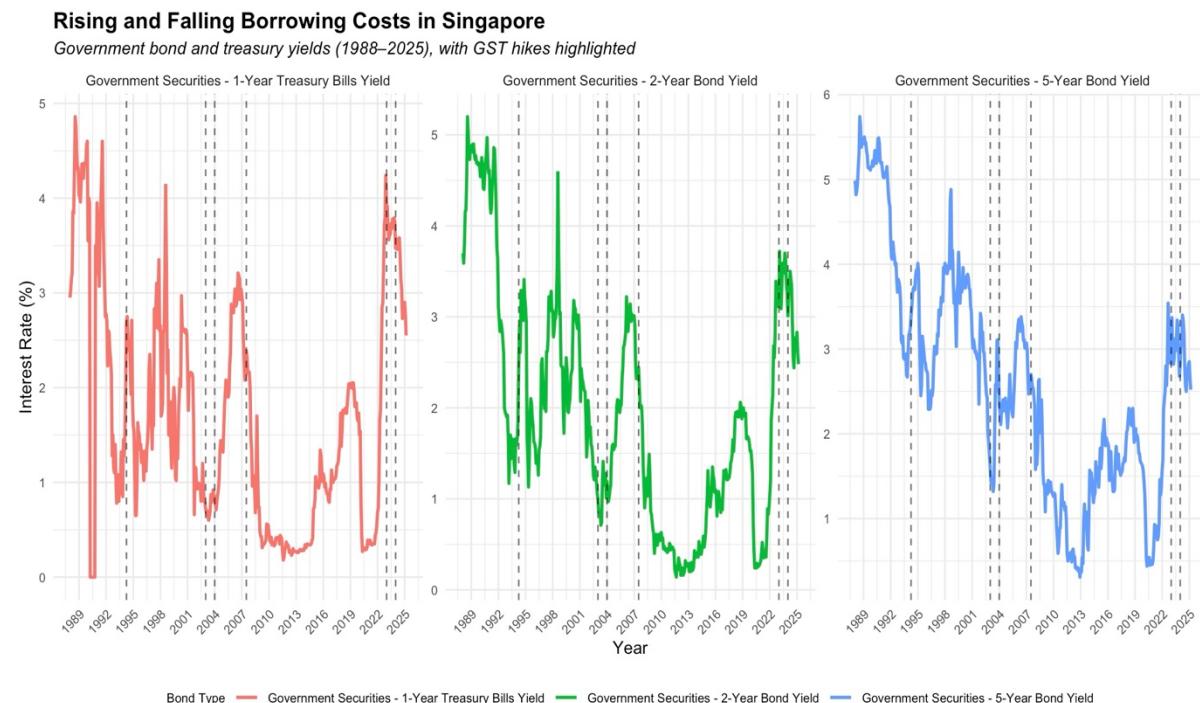
Most professions have had their incomes grow at a pace similar to the increase in the cost of living (CPI growth). Yet, for cleaners, labourers and related workers, income growth has consistently lagged behind CPI growth. By the late 2010s, nearly every professions' income growth has kept pace or outpaced CPI with the exception of the abovementioned group of lower-income workers, who remain the most vulnerable to cost and inflationary pressures.

In addition to abovementioned income effect on spending, expenditure cascades can also drive up cost of living. Expenditure cascades is a phenomenon where increased income for the higher-income earners changes consumption habits for lower-income earners, resulting in the lower-income earners to spend more to keep up (Frank et al., 2014).

Again, income trends suggests that rising costs cannot be attributed solely to GST revisions. Although GST hikes add to prices, income growth – particularly amongst the higher-income earners – also drives consumption and pressure on prices. More importantly any revisions in tax policy may disproportionately affect the lower-income earners due to their slower income growth and hence, reduced ability to absorb rising costs.

## Borrowing costs and Cost of Living

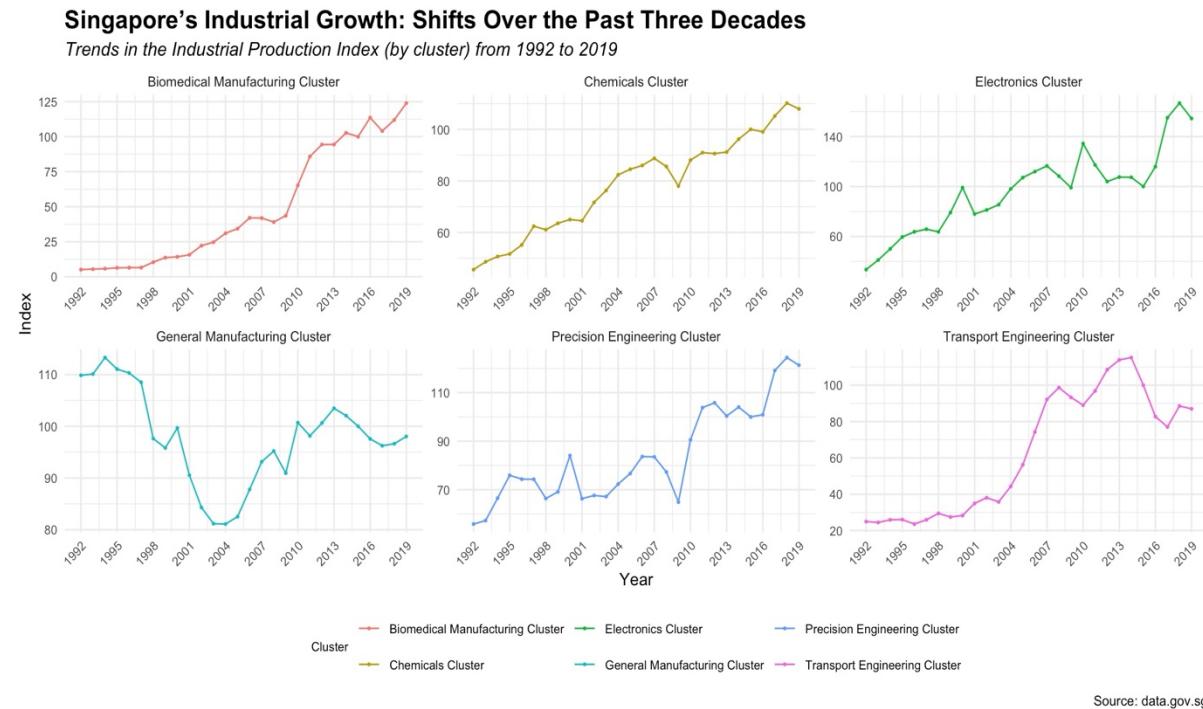
Beyond home prices and income, another important factor affecting the cost of living is borrowing costs. Government bond yields – a reflection of the interest paid by the government to investors to borrow money – serves as a benchmark for borrowing costs within the broader financial system in Singapore. Borrowing costs affect mortgage rates, car loans and other forms of financing. With a rise in bond yields, interest rates are often adjusted upwards, putting pressure on mortgages, personal and business loans.



Bond yields are largely shaped by macroeconomic conditions and often, a mirror of the broader economy's health. Short-term yields (1-year) displayed greater volatility as it responds quickly to changes in interest rates, whereas longer-term yields (5-year) displayed lesser volatility. From late 2000s to early 2010s, yields were low, making it favourable for borrowing with cheaper loans. This may have fuelled the surge in resale HDB prices in the same period. But as yields increase, the narrative changes – mortgages and loans now become more expensive for households and individuals to service, directly putting upward pressure on living costs. Additionally, many businesses – feeling the pinch from higher borrowing costs – may choose to pass these costs onto consumers, leaving consumers to shoulder the higher prices of everyday goods and services.

## Industrial Production and Cost of Living

To further understand the effect of macroeconomic conditions on prices, we can explore the Industrial Production Index (IPI) – a reflection of the trends in Singapore's manufacturing and production activities.



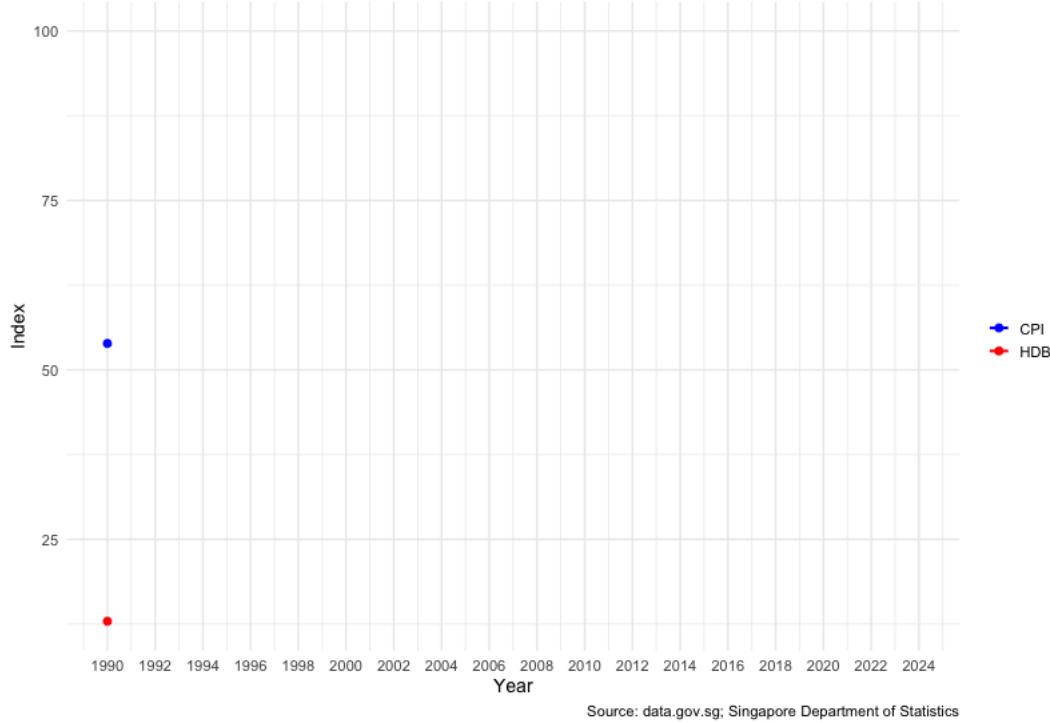
Apart from the General Manufacturing cluster, most industrial clusters have all demonstrated steady growth in production indices over the years, with the exception of the late 2000s, when most indices dipped during the Great Recession.

Increased industrial production often signals stronger economic growth, and higher demand for goods and services. This, in turn, can contribute to *demand-pull inflation* – where prices increase because demand outpaced the economy's ability to supply (Oner, 2010). As demand and prices rise, this ultimately increase the overall cost of living for households and individuals.

Our analyses have uncovered that while GST increment may potentially increase costs – the effects were often temporary and modest in comparison to the broader economic forces and events. Policymakers must continue to balance rolling out sound financial policies and providing the appropriate support for groups of Singaporeans most vulnerable to these pressures. Ultimately, GST is just a small piece of the much larger cost-of-living puzzle.

### How Rising HDB Prices Shape the Cost of Living (2024 base year)

CPI and HDB resale index trends from 1990–2024



This animation shows how HDB and CPI indices move from 1990 to 2024. While CPI rises steadily, the movement of HDB index was more volatile. During the 1990s, HDB index grew at faster rate as compared to CPI. After 2013, CPI trend mirrors that of HDB index – as HDB resale index falls, CPI growth slows (albeit more gradually) as well, demonstrating the potential impact of wealth effect on cost of living as measured through the CPI.

## References

- Edelstein, R. H. & Lum, S. K. (2004). House prices, wealth effects, and the Singapore macroeconomy. *Journal of Housing Economics*, 13(4), 342 – 367.  
<https://doi.org/10.1016/j.jhe.2004.09.006>
- Frank, R. H., Levine A. S. & Dijk, O. (2014). Expenditure Cascades. *Review of Behavioural Economics*, 1(1-2), 55 – 73. <http://dx.doi.org/10.1561/105.00000003>
- George, R. P, Akter, S. & Rawat, S. (2023). Food price inflation in Singapore during global food price shocks. Lee Kuan Yew School of Public Policy.  
<https://lkyspp.nus.edu.sg/gia/article/food-price-inflation-in-singapore-during-global-food-price-shocks>
- Monetary Authority of Singapore. (2013, January 11). Additional Measures To Ensure Stable And Sustainable Property Market [Press release].  
<https://www.mas.gov.sg/news/media-releases/2013/additional-measures-to-ensure-a-stable-and-sustainable-property-market>
- Oner, C. (2010). Back to Basics: What is Inflation?. *Finance & Development.*, 47(1). IMF.  
<https://www.imf.org/external/pubs/ft/fandd/2010/03/basics.htm>
- Rosoff, M. (2015). Why is tech getting cheaper? Emerging Technologies. World Economic Forum. <https://www.weforum.org/stories/2015/10/why-is-tech-getting-cheaper/#:~:text=Matt%20Rosoff,18%20months%20%E2%80%94%20and%20manufacturing%20advances.>

