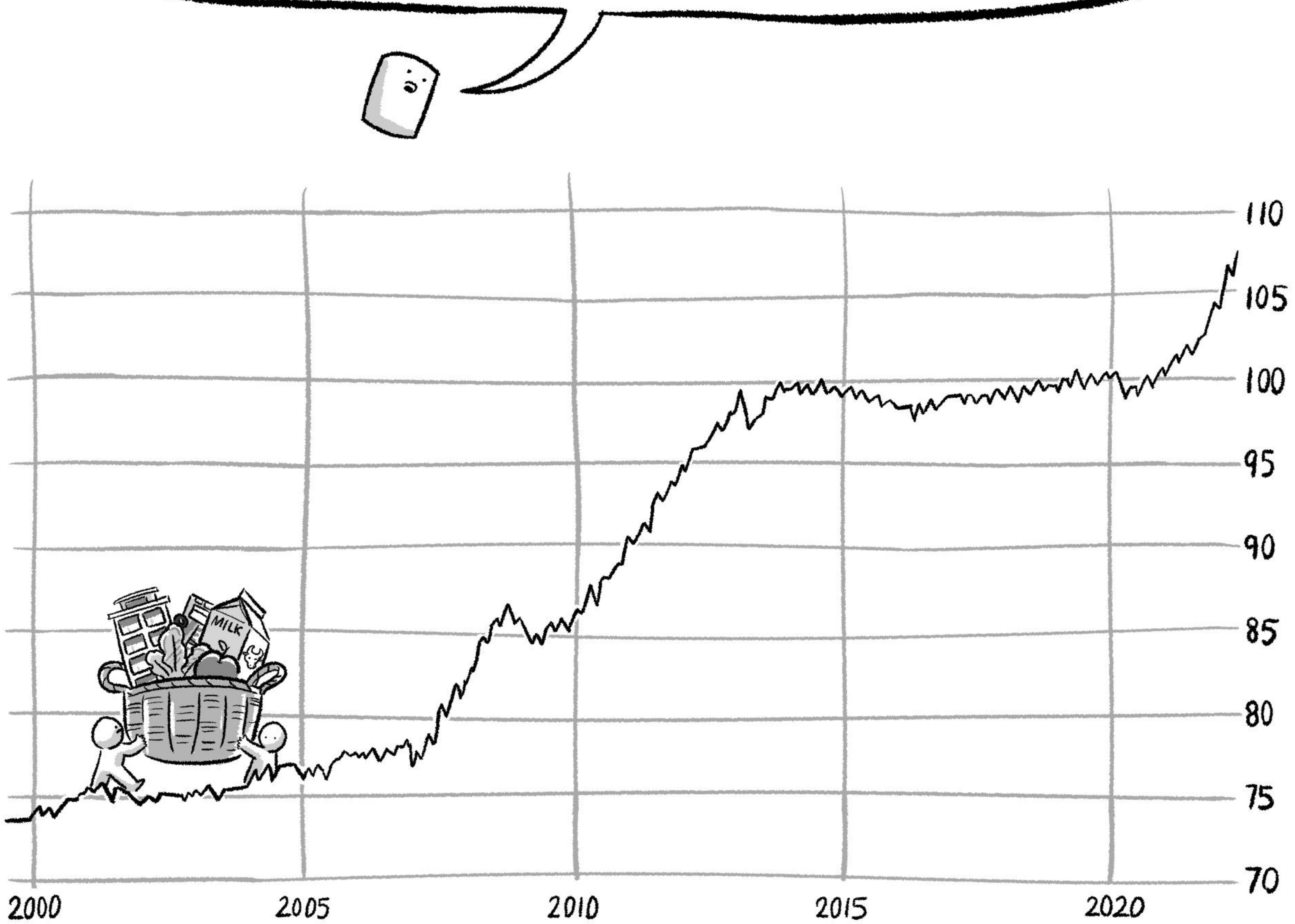




INFLATION is here.
Here's what you need to know.

What is inflation?

Inflation is when prices rise for the same basket of goods and services.



The Monetary Authority of Singapore forecasts that headline inflation will be 5% - 6% in 2022. Core inflation, which excludes private transport and accommodation (rentals), is forecast to be 3% - 4% in 2022.

These two items don't affect most Singaporeans, so core inflation is a better reflection of what households experience.

Inflation is measured with the Consumer Price Index (CPI), which measures the prices of a fixed basket of goods and services commonly bought by consumer households.

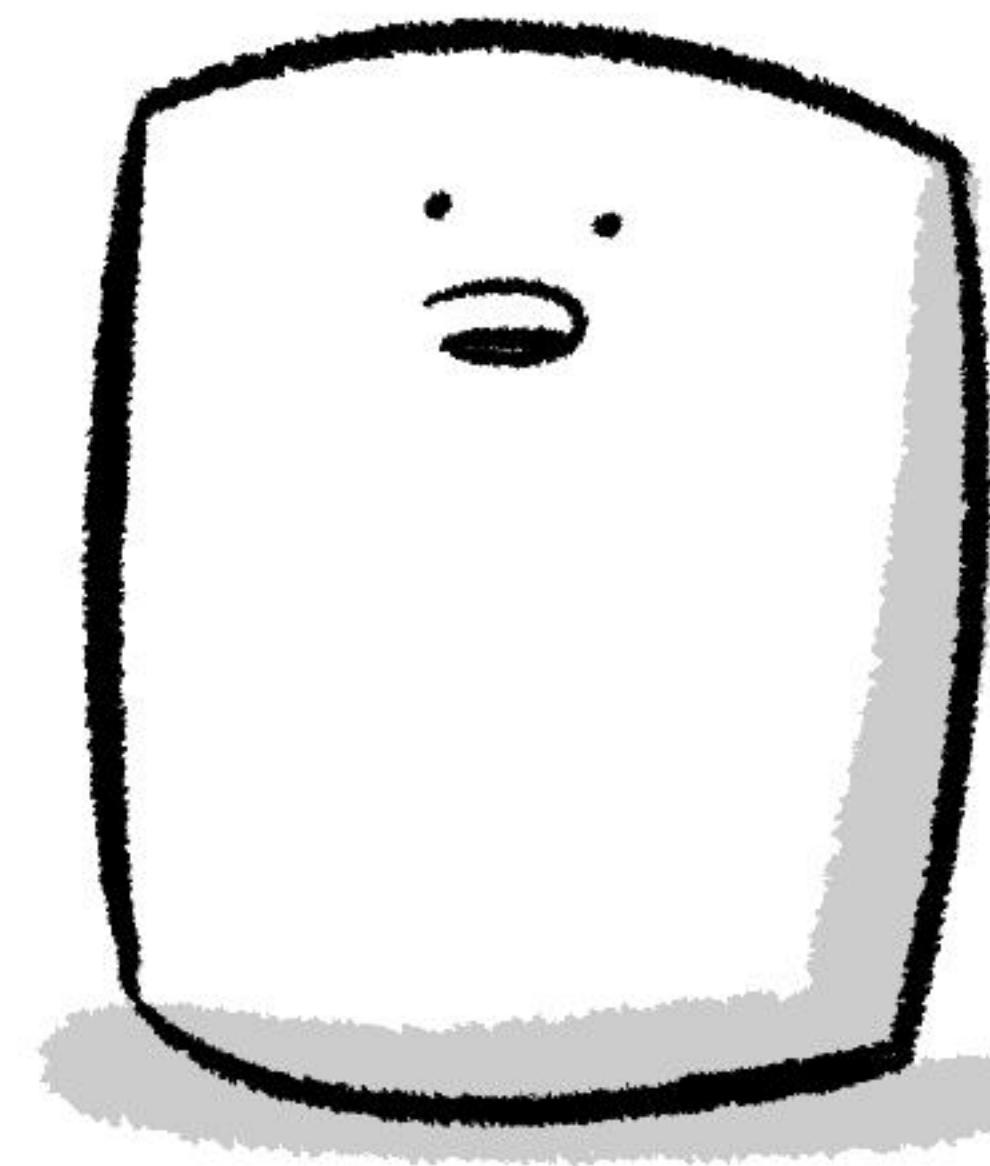


Typically, inflation happens in a normal, functioning economy.

The classic example is older generations saying how XXX cost so much lesser in their day.



However, recently there were some drivers that intensified inflation further.



Let's look at them in chronological order.

First, COVID-19 was highly disruptive and caused lockdowns globally. This in turn constrained the production and transportation of goods.

It also created a lot of anxiety about jobs, businesses and the economy.



To relieve this anxiety, governments gave people and businesses \$\$\$* to stay afloat.

This resulted in lots of money in circulation.



Many countries took on more government debt to make this happen.

(In Singapore, the government used its reserves.)

Next, as the world started to recover,
people wanted to live life as per normal
like pre-COVID days.



They wanted to buy things, but not nearly
enough things were being produced by
factories around the world.

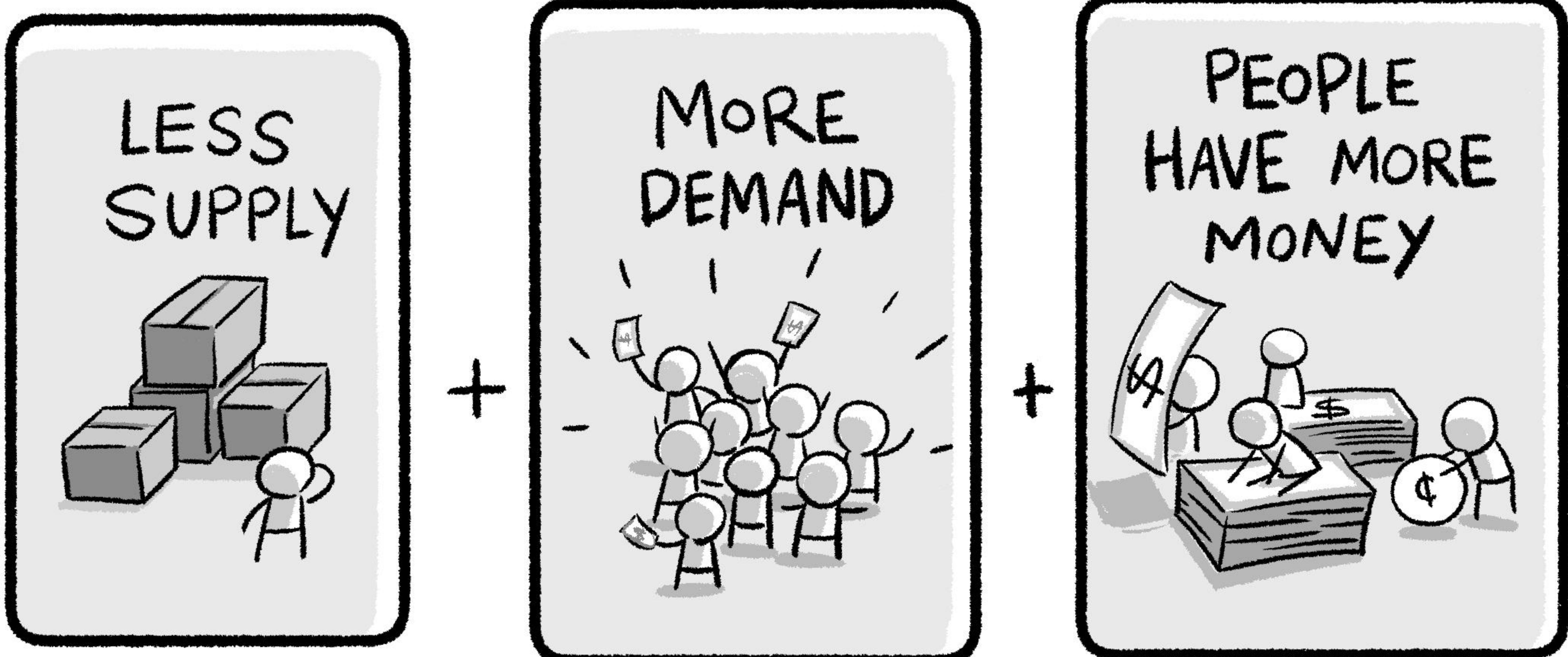
(Because they had to be shut down cuz of COVID, and
it was difficult to suddenly restart them)

Finally, global events also affected the amount of stuff that could be produced and traded, as well as the cost of energy, raw materials and transportation.

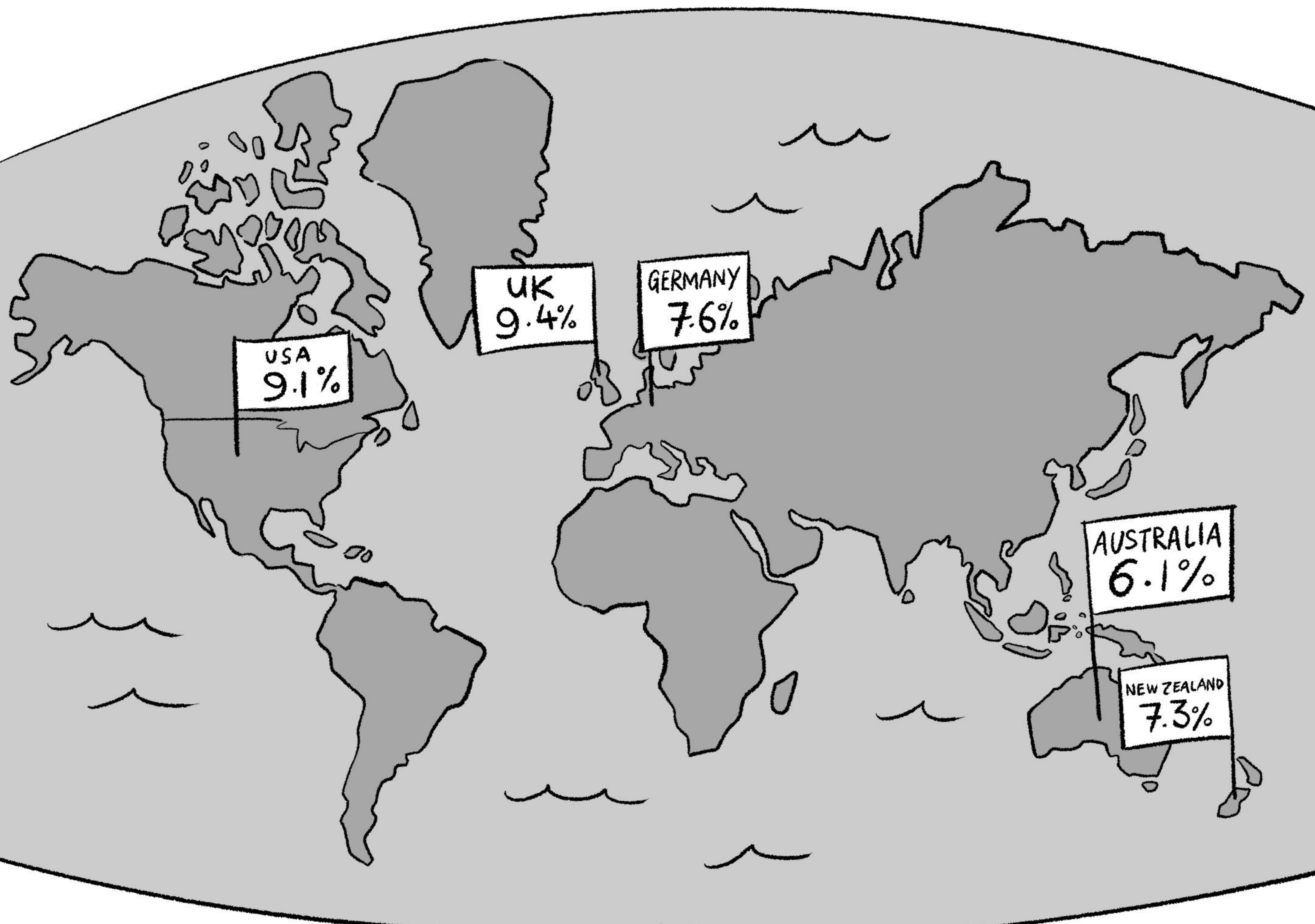


COVID lockdowns in China, war in Ukraine - these two are the biggest factors you probably already know about.

Zooming out, we see that:



The result? Major economies
are grappling with inflation.



(Singapore is no exception;
because we import a lot of
what we consume.)

How does this affect ordinary Singaporeans?

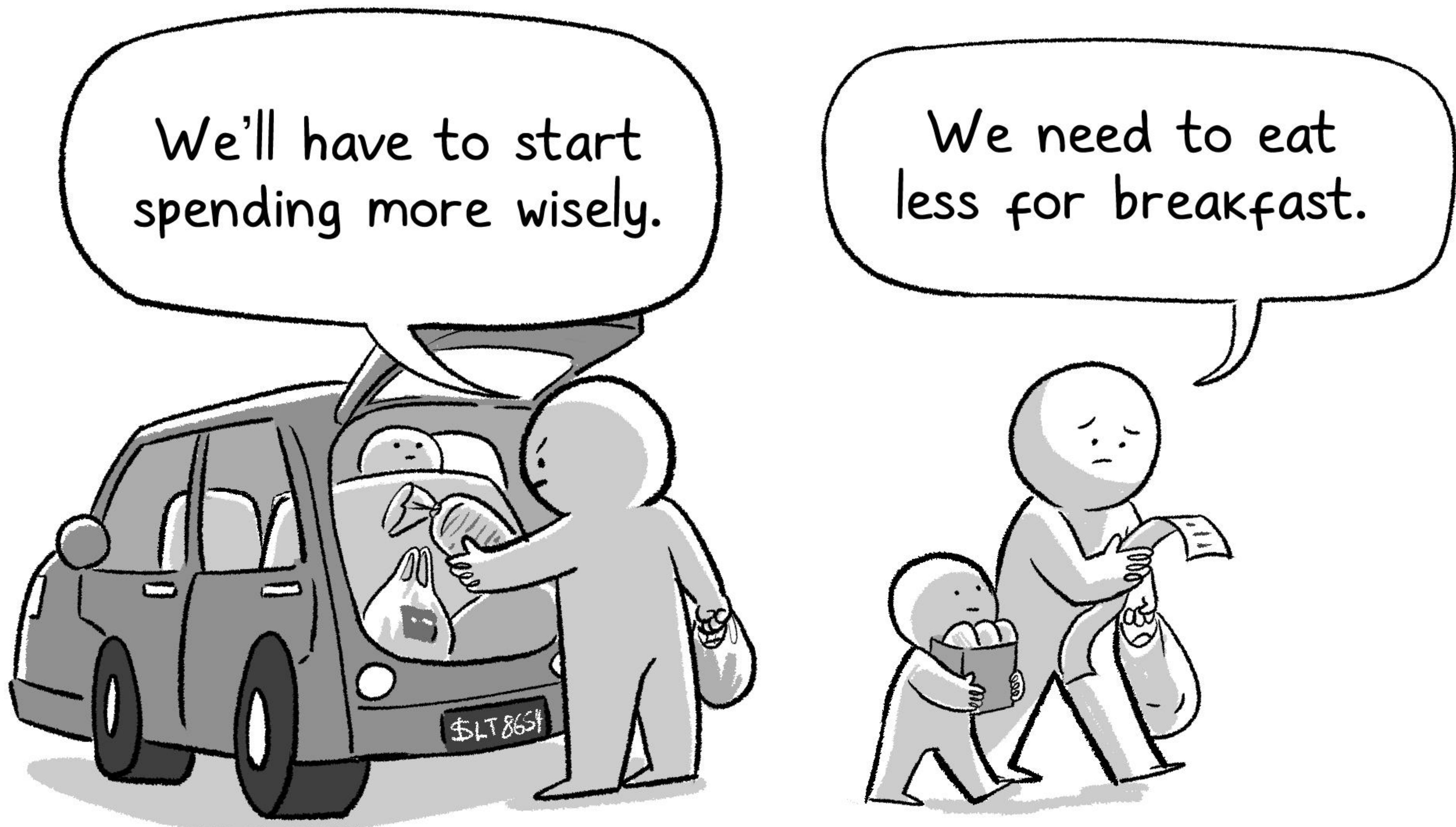
Firstly, you can now afford fewer things with the same amount of money.

This is because inflation erodes purchasing power.



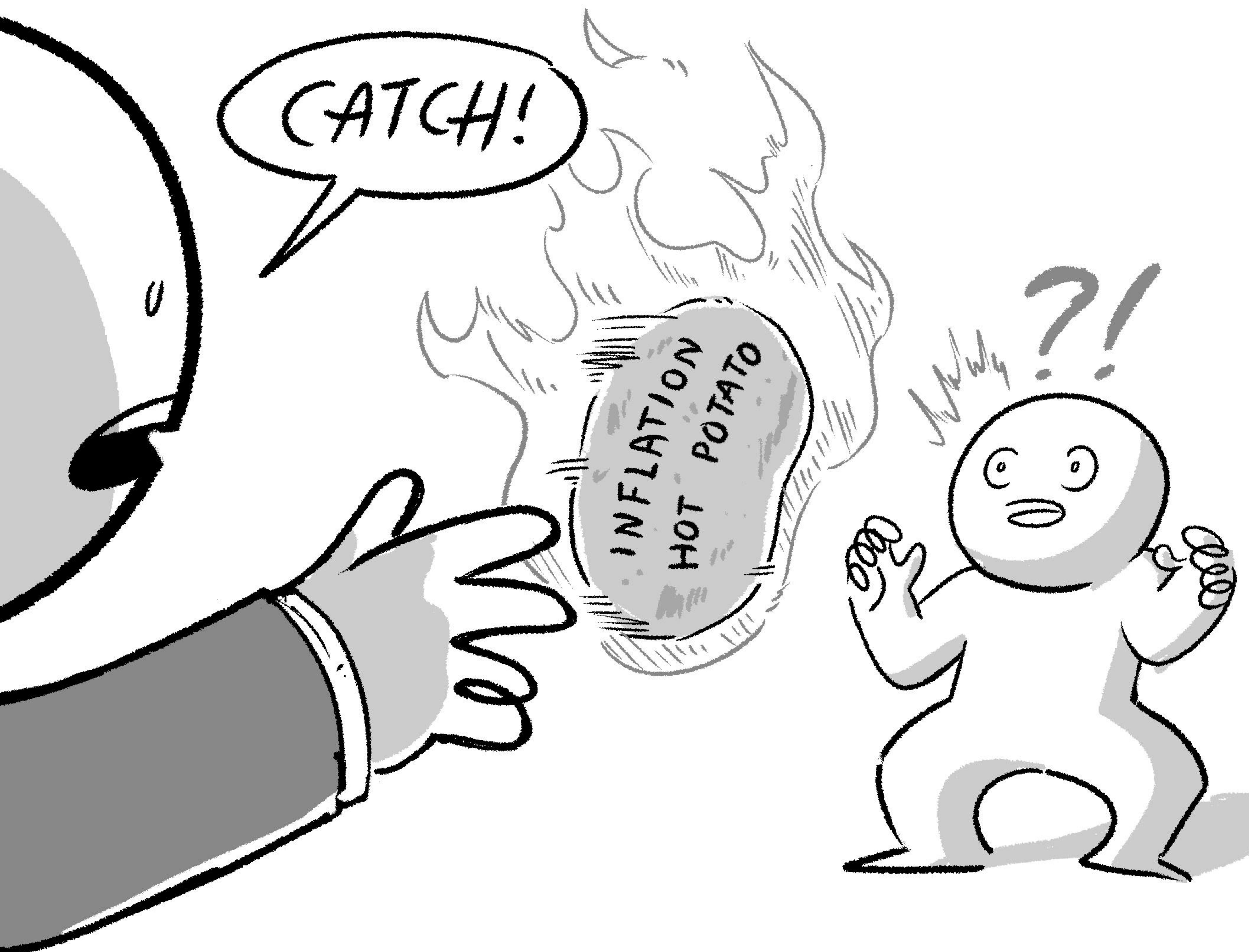
This hits lower-income families harder.

Lower-income families already living on the edge of affording necessities don't have much room to make cuts.



Higher income families have more leeway to cut expenses.

Also, businesses that feel the pinch might also pass some costs onto consumers.



So things get unaffordable even faster, especially for retirees who only have their savings to rely on.

So, what now?

INFLATION

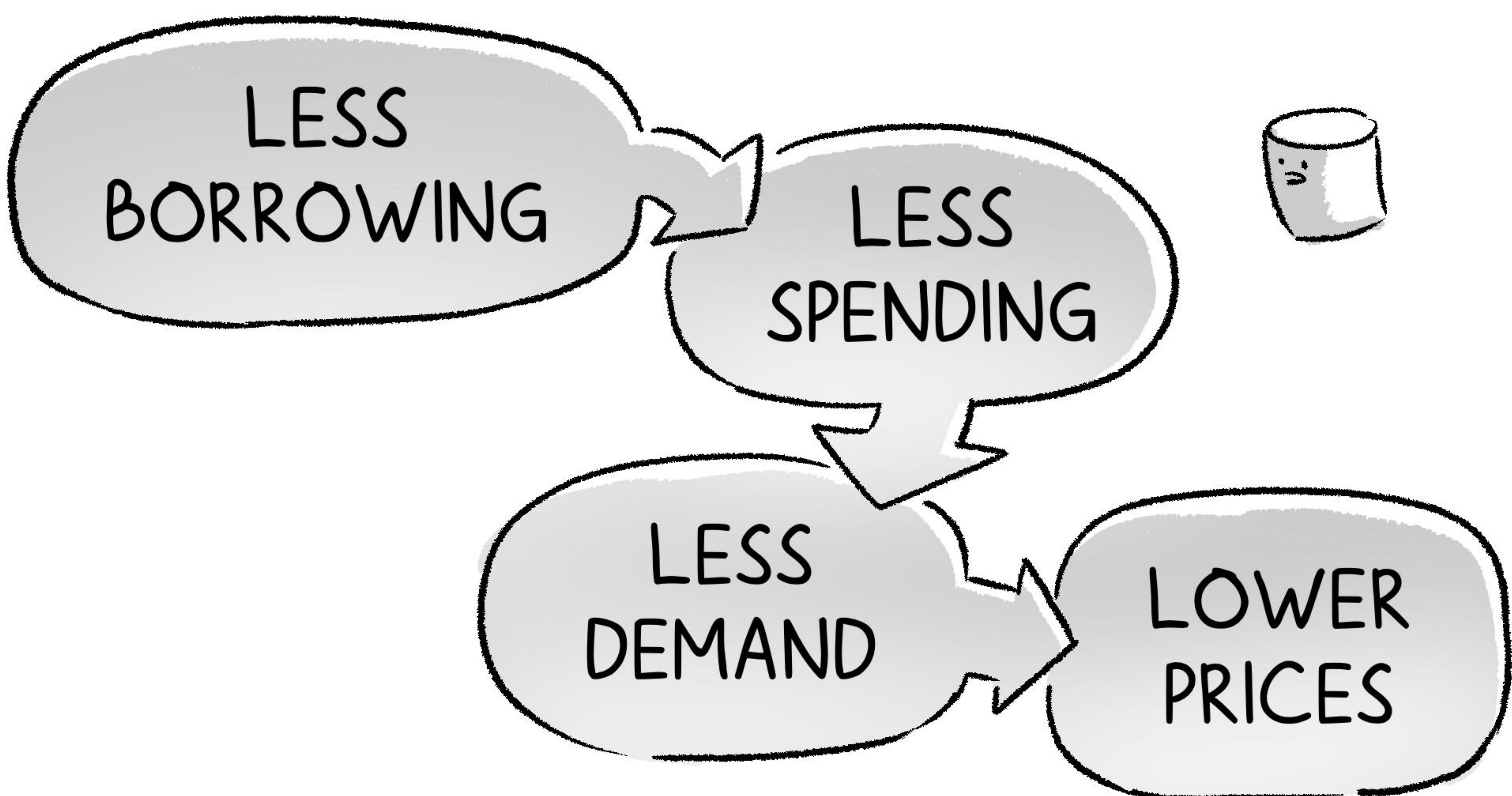
The individual cannot stop inflation. But we can learn to live in an inflationary world.

Here are some ways to cope:

REDUCE EXCESSIVE DEBT

Usually, more global inflation means higher interest rates.

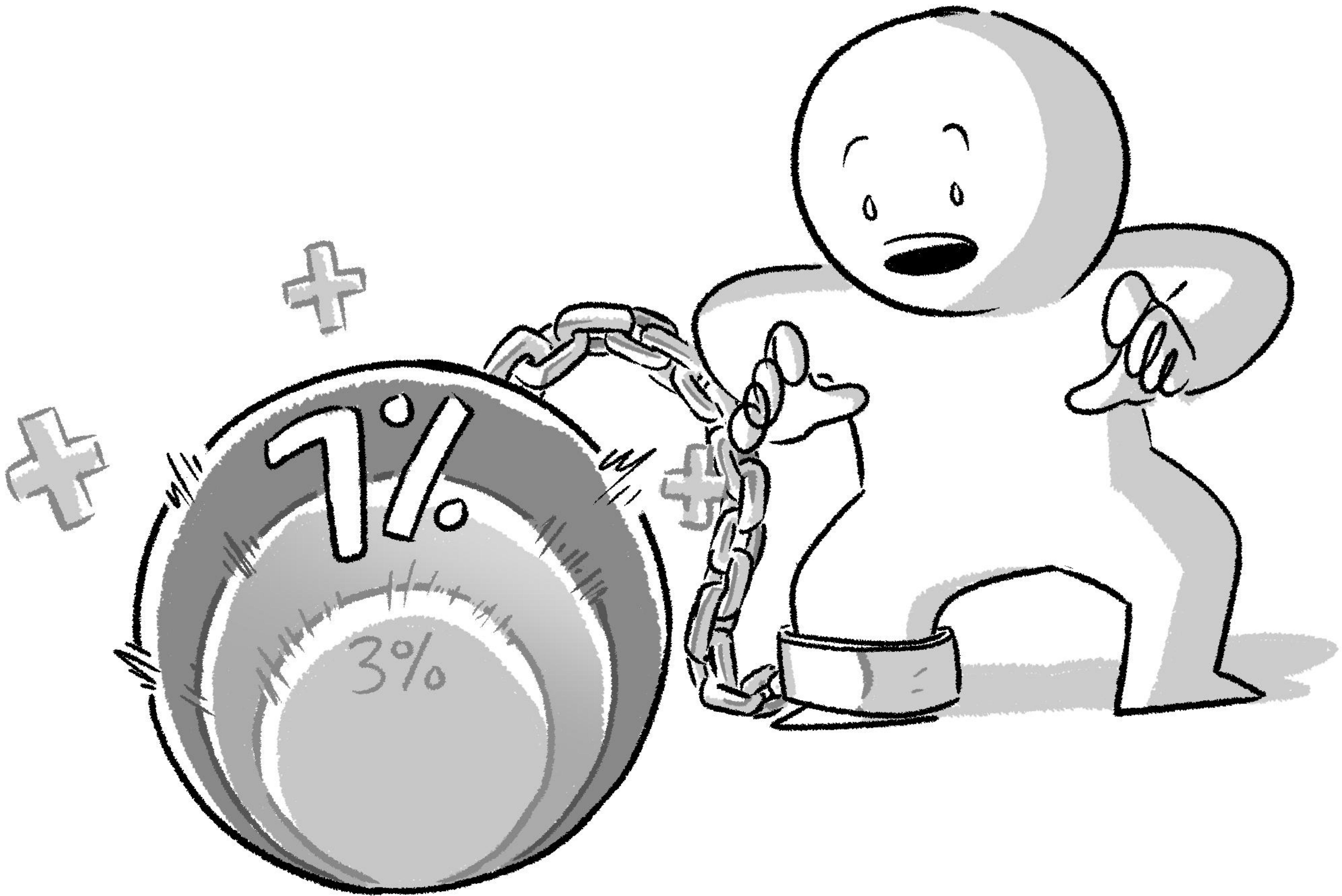
For example, the US, which is the largest economy in the world, is using higher interest rates as a key tool to bring down rising prices.



When this happens, this affects interest rates elsewhere. Singapore is no exception.

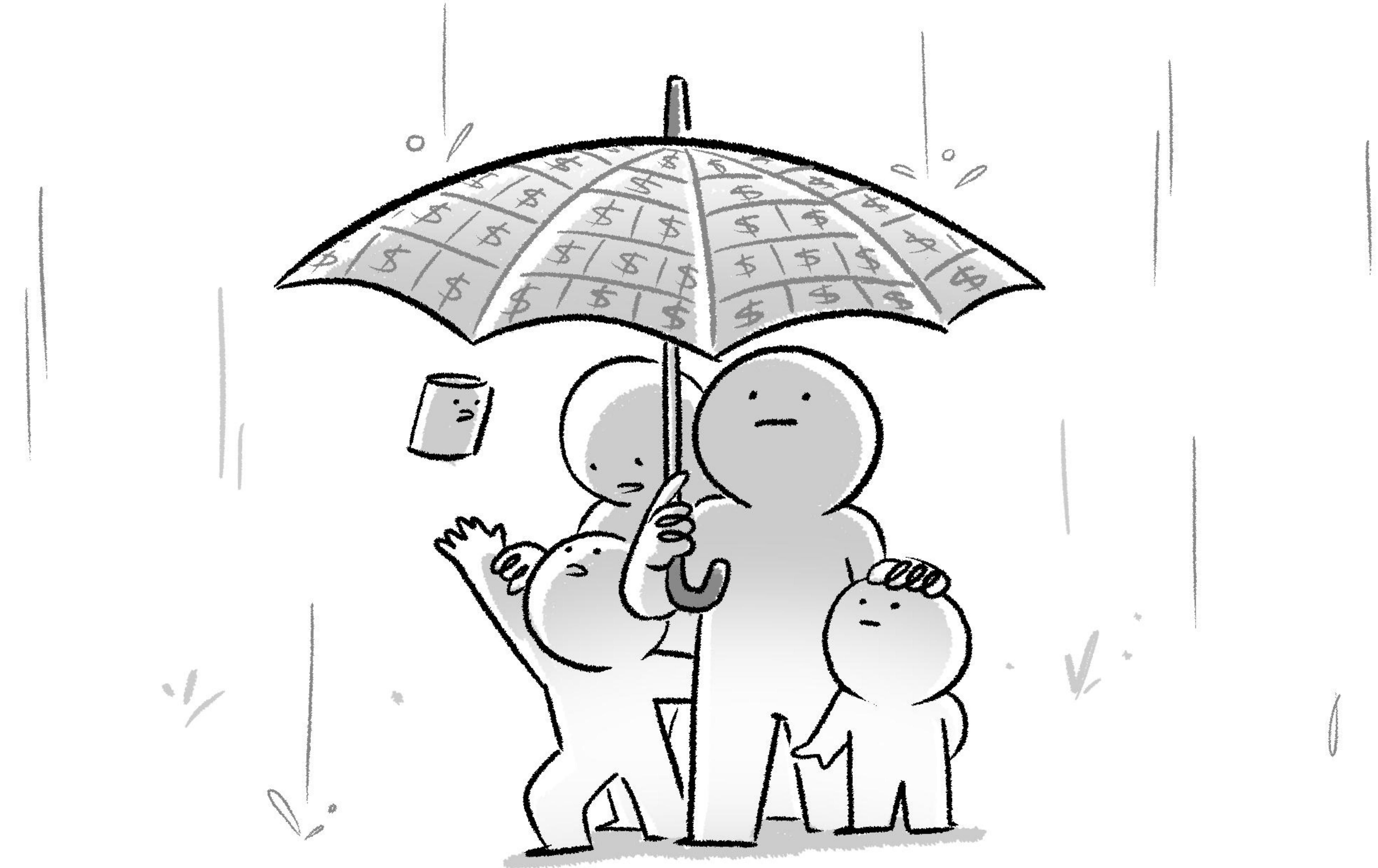
Higher interest rates means living with debt will start to become more expensive.

This is a good time to reevaluate if you're in too much debt.



SET ASIDE EMERGENCY FUNDS

Have enough savings so you are prepared for a rainy day, e.g. losing your job.



You might be employed right now, but if we enter a recession, things could change really quickly.

STRETCH YOUR DOLLAR

With increasing prices, spending consciously is more important than ever.

Being more discerning with what you buy will make your dollars go further.

Have you compared with other brands?

It's just bread...

Compare at least 3 brands!



HAVE IN-DEMAND SKILL/S

Your skills are actually just 'services' people and businesses pay for. They go into the 'basket of goods and services' that get inflated.



Skills, unlike money, or even some assets, are inflation proof.

In the words of Warren Buffett:

“Whatever abilities you have can't be taken away from you. They can't actually be inflated away from you.”





We know this isn't the best news.

Our generation just lived through a pandemic; and we're still trying to get back on our feet.

The last two years was already a challenging period. And many of us are tired from being resilient.



What now?

If it's any consolation, it's that people have coped with inflation since money was created.

- We know what it does.
- We know how to prepare for it.
- And we know it'll eventually end.



A black and white illustration of a small, simple stick-figure-like character. The character is standing on a long, narrow, flat object that looks like a piece of wood or a large leaf. This object is positioned in the middle of a dark sea with many small, white, wavy lines representing choppy water. The character is looking upwards and slightly to the right. The background is a dark gray.

And when the tide
inevitably recedes,
we will rise again.

Stay woke, salaryman.

A message from our sponsor, Ministry of Finance

As the world grapples with inflation, Singapore, has some measures to help its citizens deal with the rising costs:

**\$1.5
BILLION
SUPPORT PACKAGE**

provide relief for lower-income and vulnerable groups, and local companies.

**\$560 MILLION
Household Support Package**

help Singaporeans defray their living expenses; includes CDC vouchers, cash, utilities rebates, top-ups to Medisave and Edusave Accounts and more.

**\$6.6 BILLION
Assurance Package**

X 8 MORE

Find out more at
go.gov.sg/jun-pr-support-package

