

**SINGAPORE
PERSPECTIVES2018**
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Singapore Perspectives 2018

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Monday, 22 January 2018
Fairmont Ballroom, Raffles City Convention Centre



Economic Dynamism Amidst Demographic Change

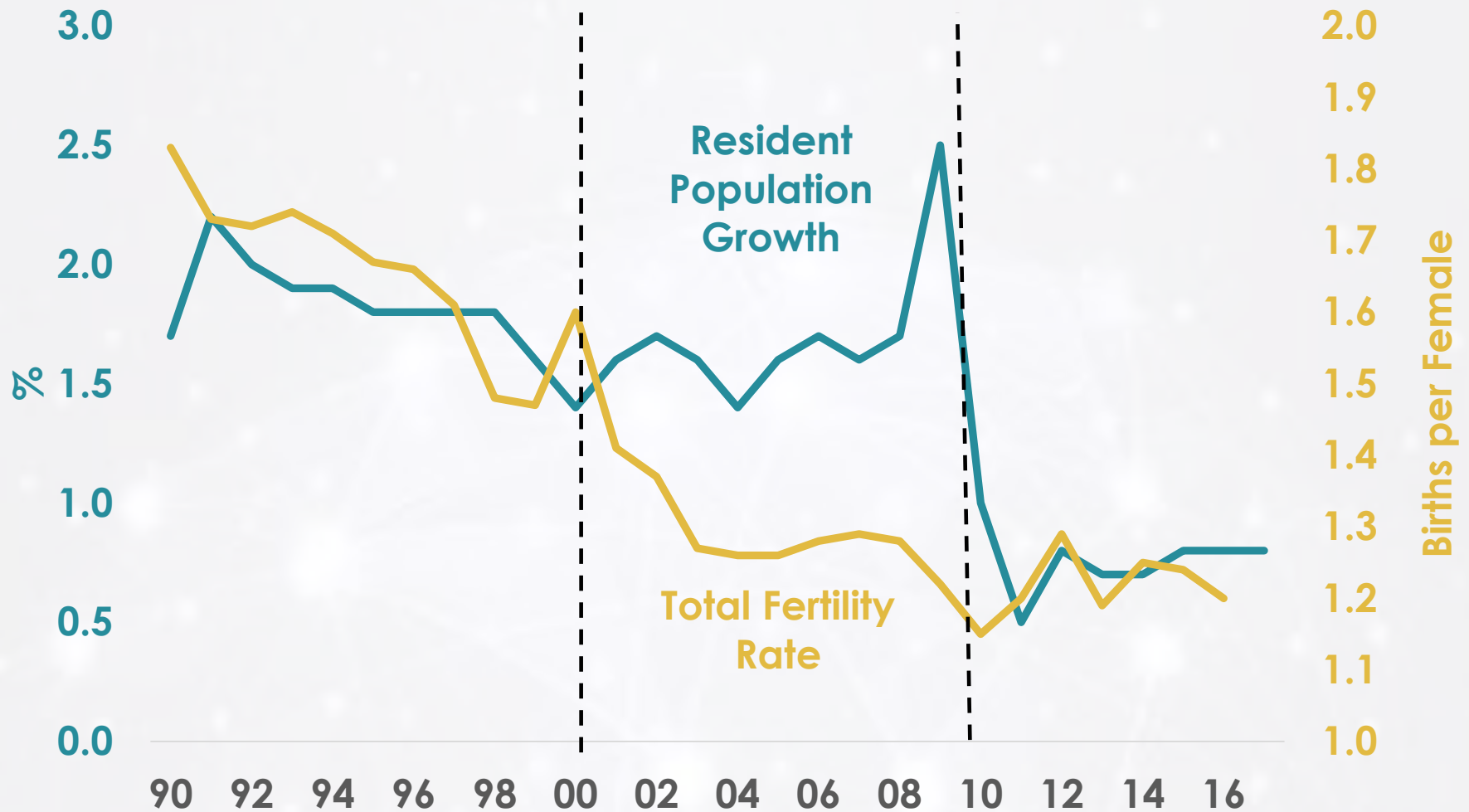
IPS Singapore Perspectives 2018

Ravi Menon
Managing Director, MAS
22 January 2018



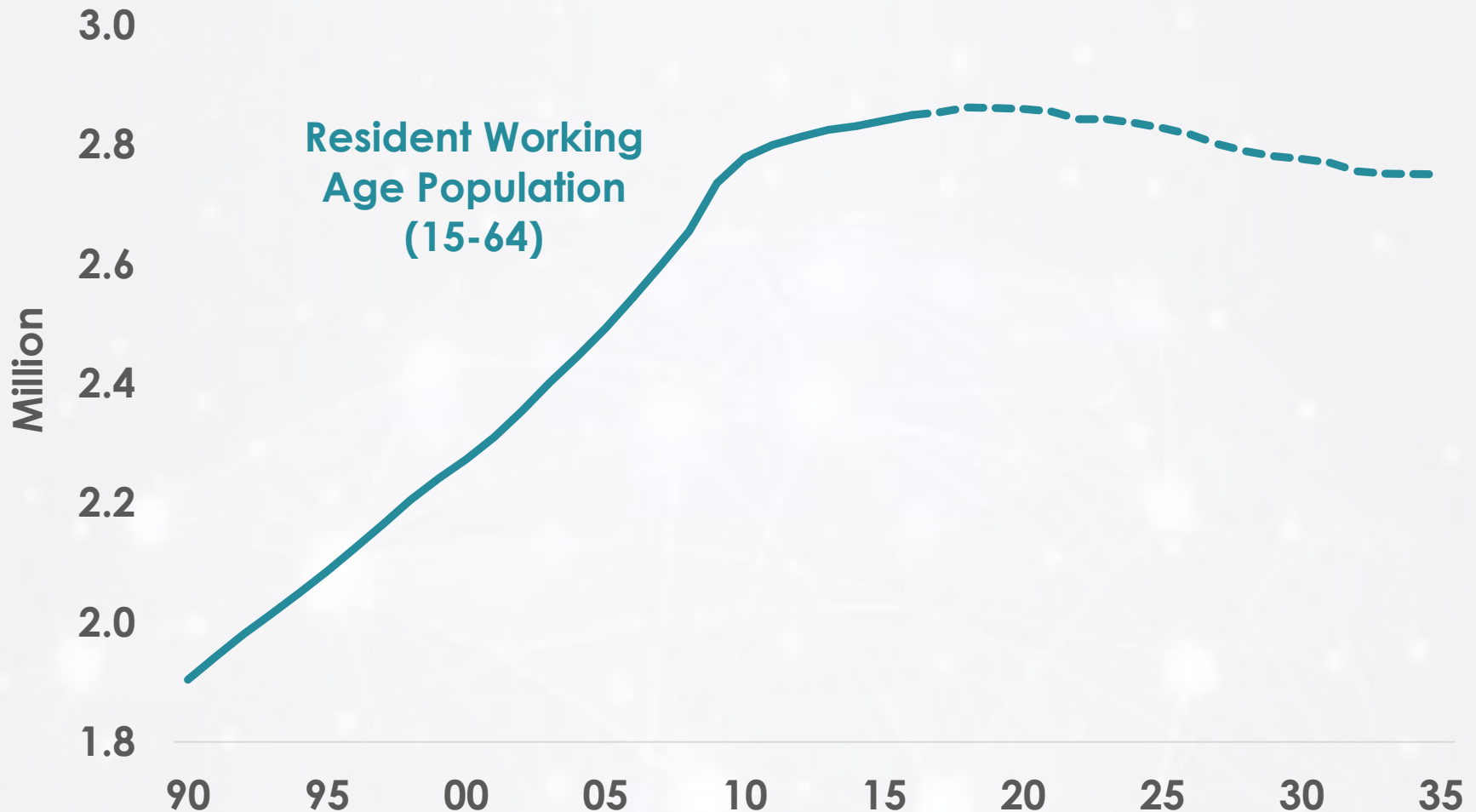
The Demographic Trilemma

Decline in fertility has dragged down resident population growth



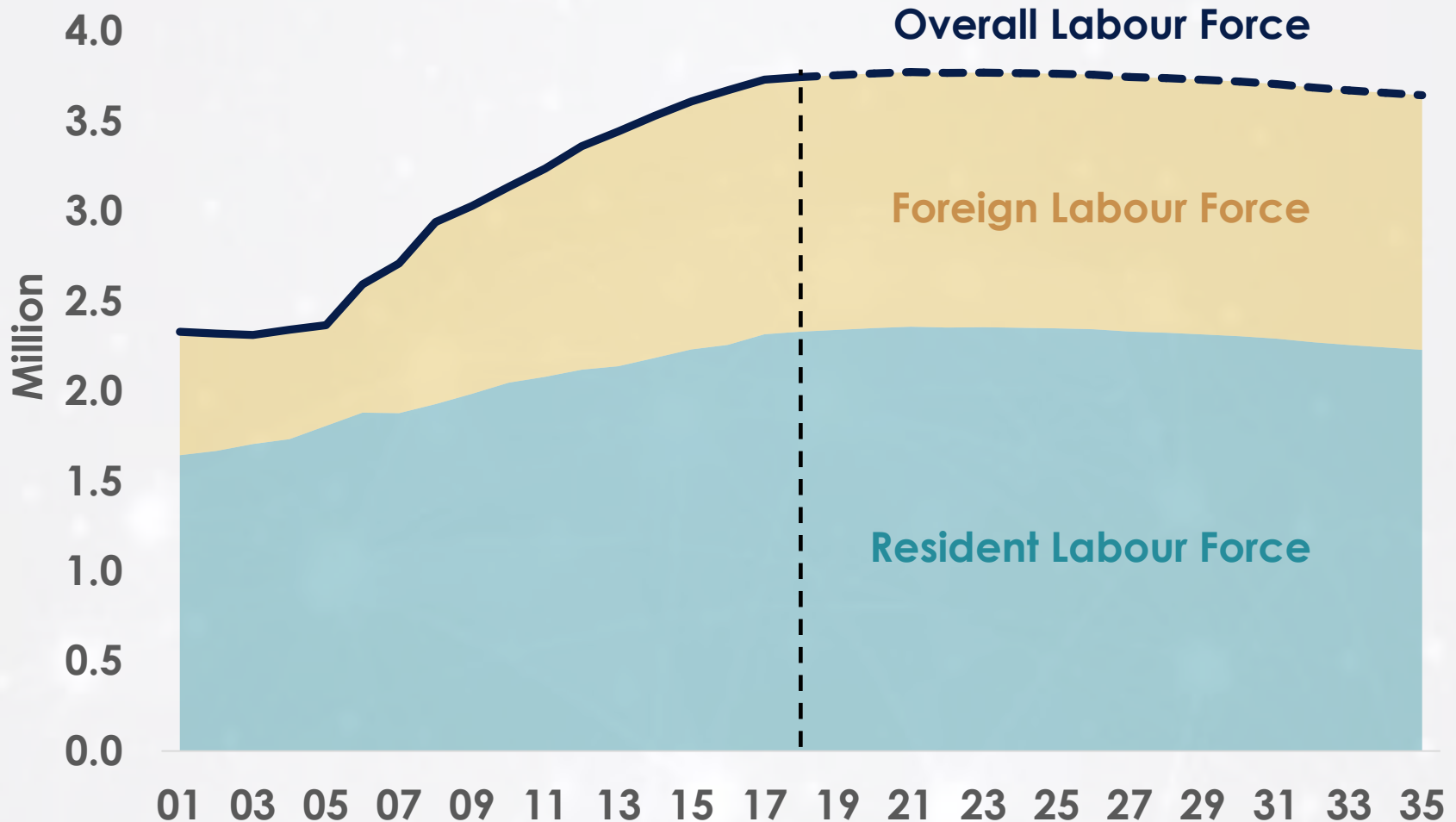
Source: DOS

Assuming zero net migration, working-age population will start to shrink soon



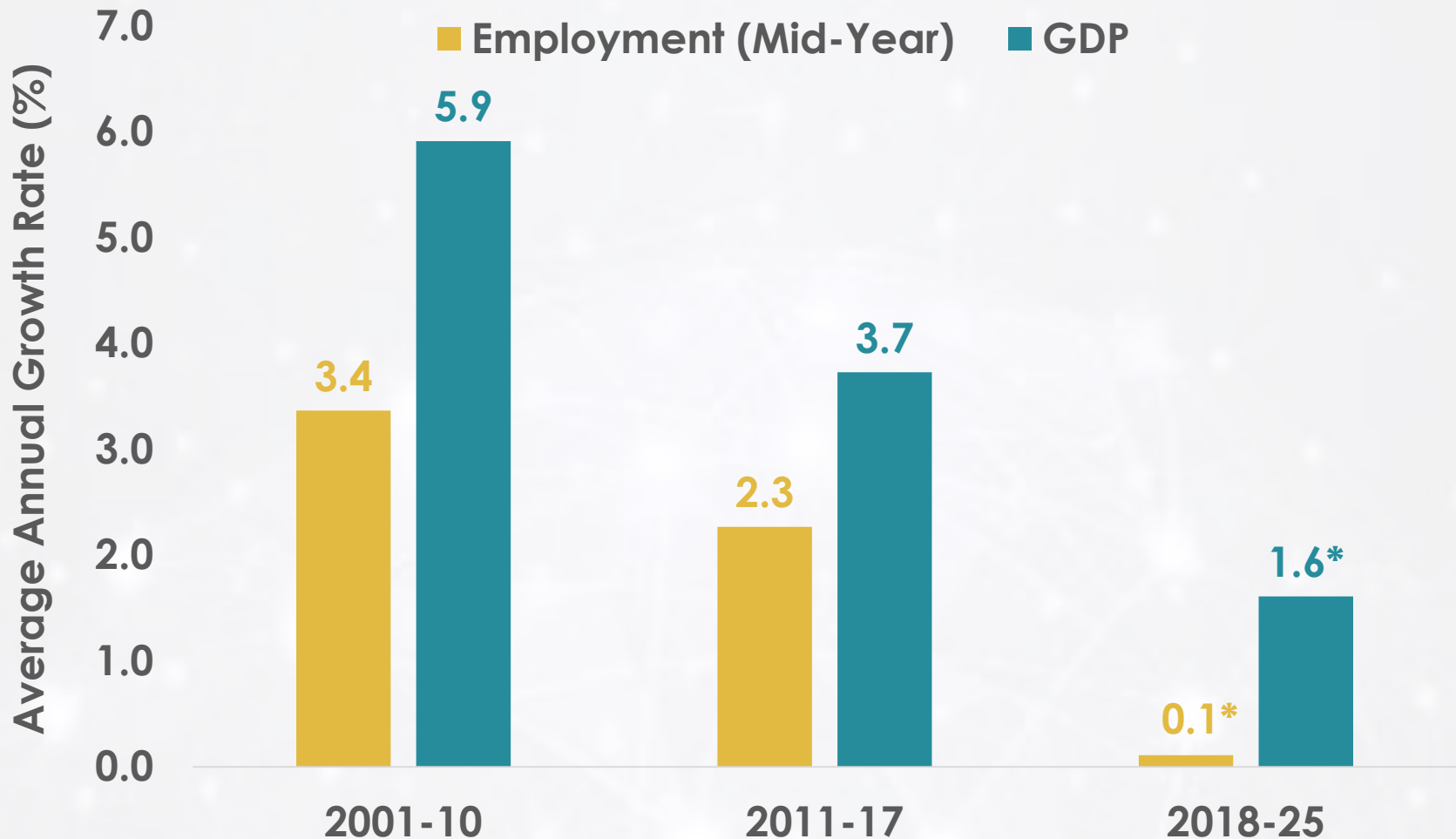
Source: DOS, MAS Estimates

Assuming zero increase in foreign workers, labour force will similarly decline



Source: MOM, MAS Estimates

If labour force declines*, GDP growth will also decline



*Assuming zero net migration and no increase in foreign workers

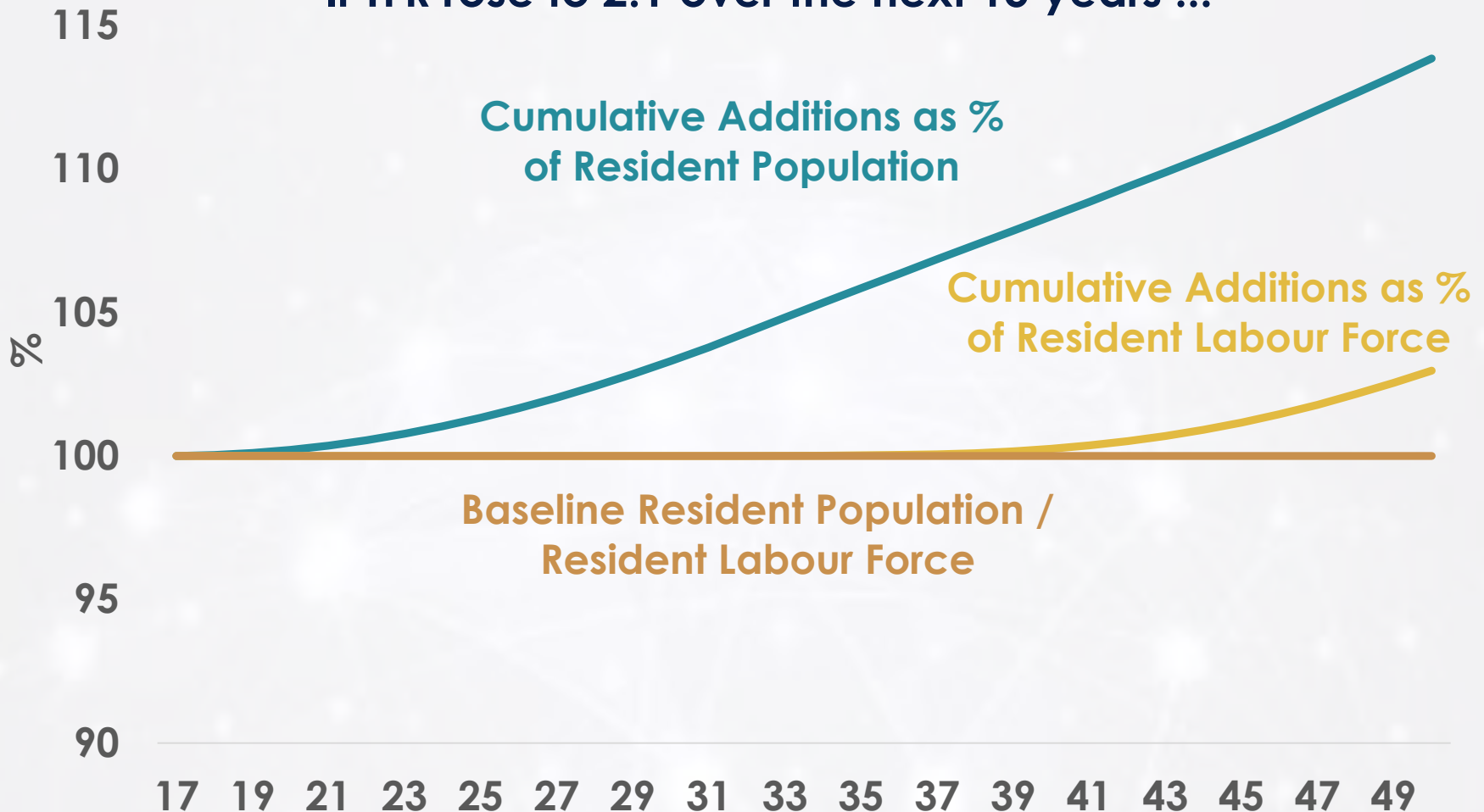
Source: DOS, MOM, MAS Estimates

The demographic trilemma



A recovery in fertility is the best solution but will help only in the long run

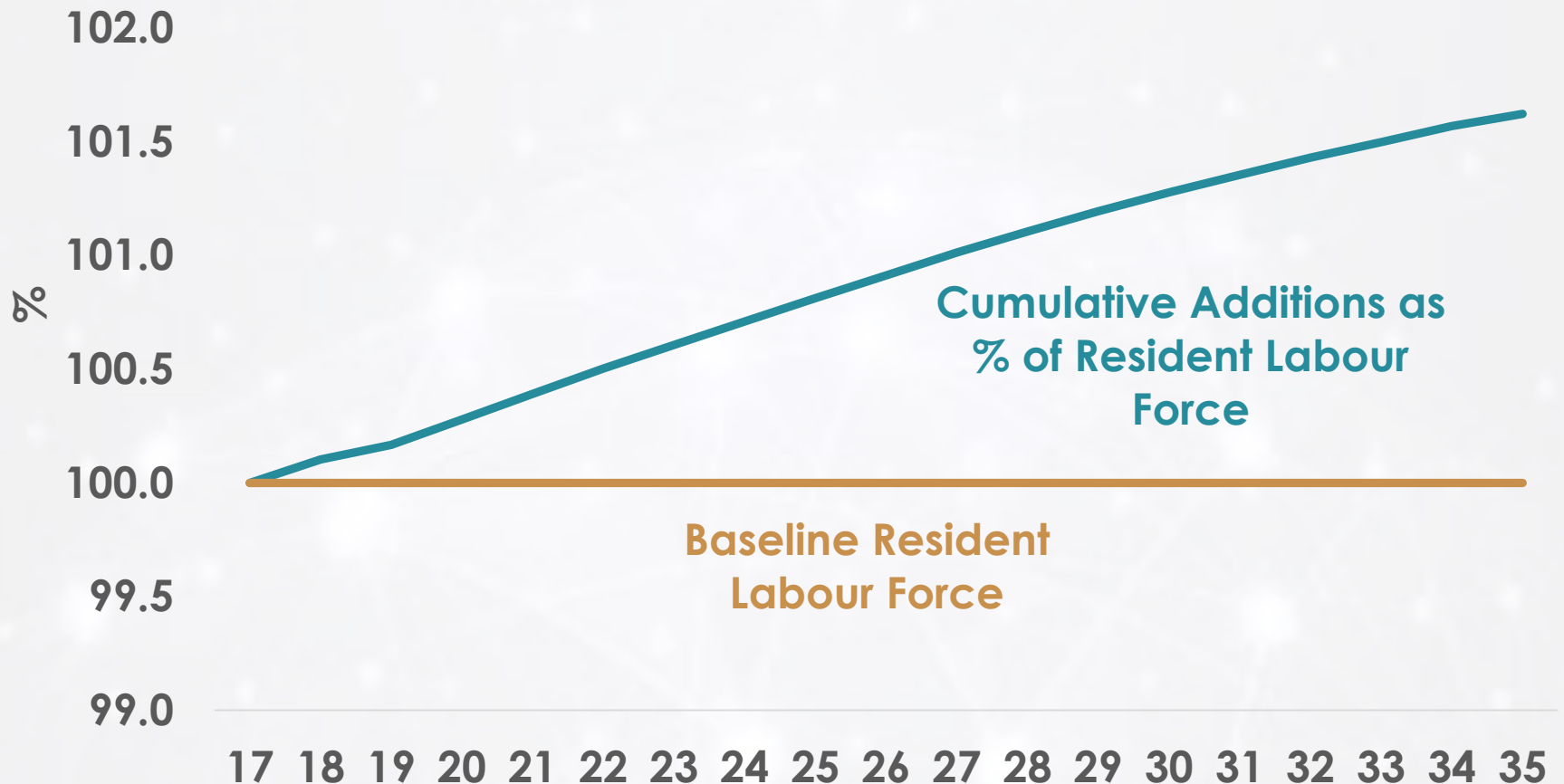
If TFR rose to 2.1 over the next 15 years ...



Source: MAS Estimates

Improvements in labour force participation will help in the near term but not by much

If gender gap in LFPR narrowed to German levels by 2035 ...



Source: MAS Estimates

How can we soften the hard constraints of the demographic trilemma?

1

Make it easier to set up a family; make it easier for women to return to workforce

2

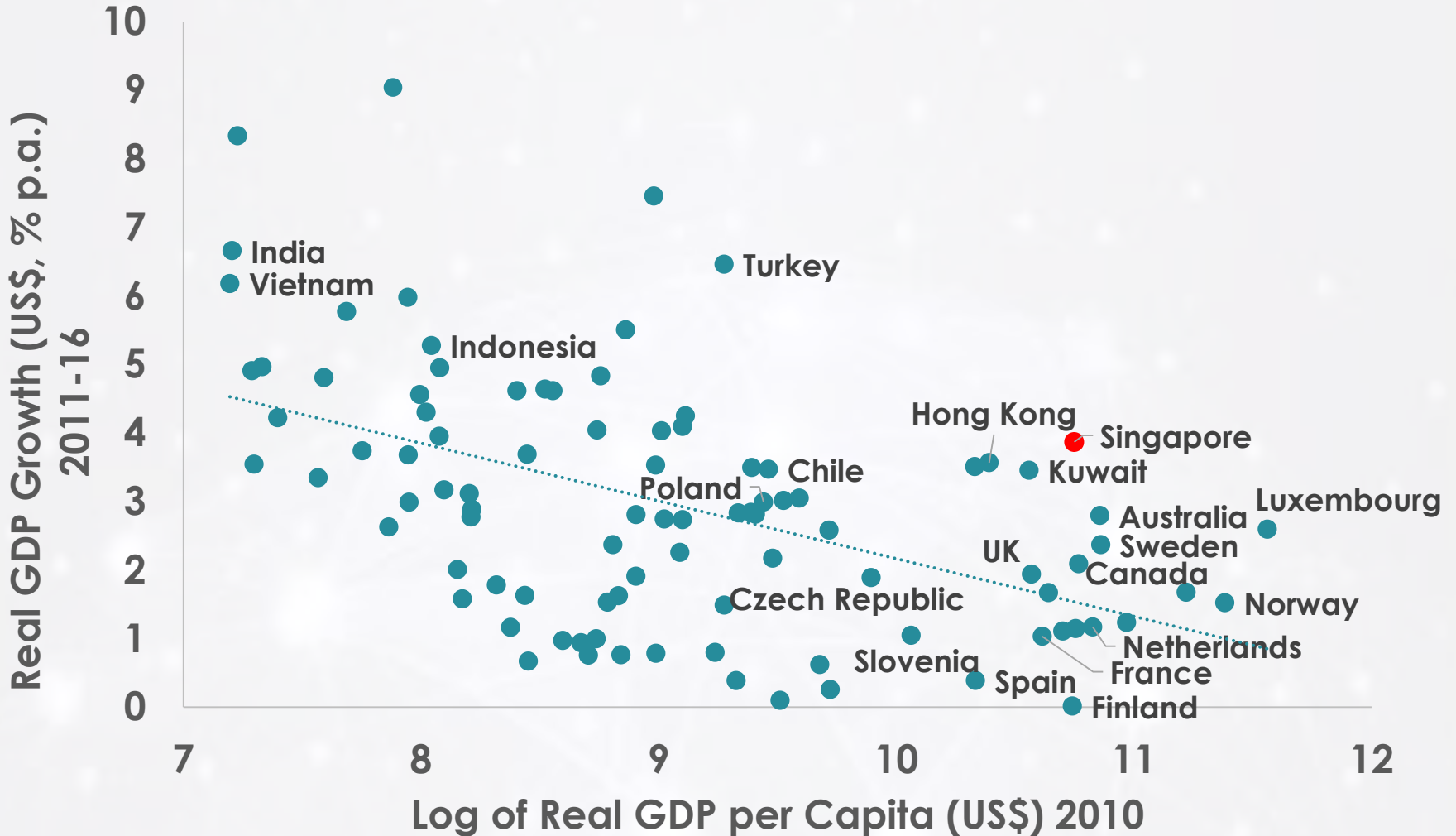
Seek balanced solutions – some net immigration, some increase in labour force, some flexibility in foreign worker share

3

Focus on size and type of foreign workforce that will maximise job and wage opportunities for Singaporeans

Demographics is Not Destiny

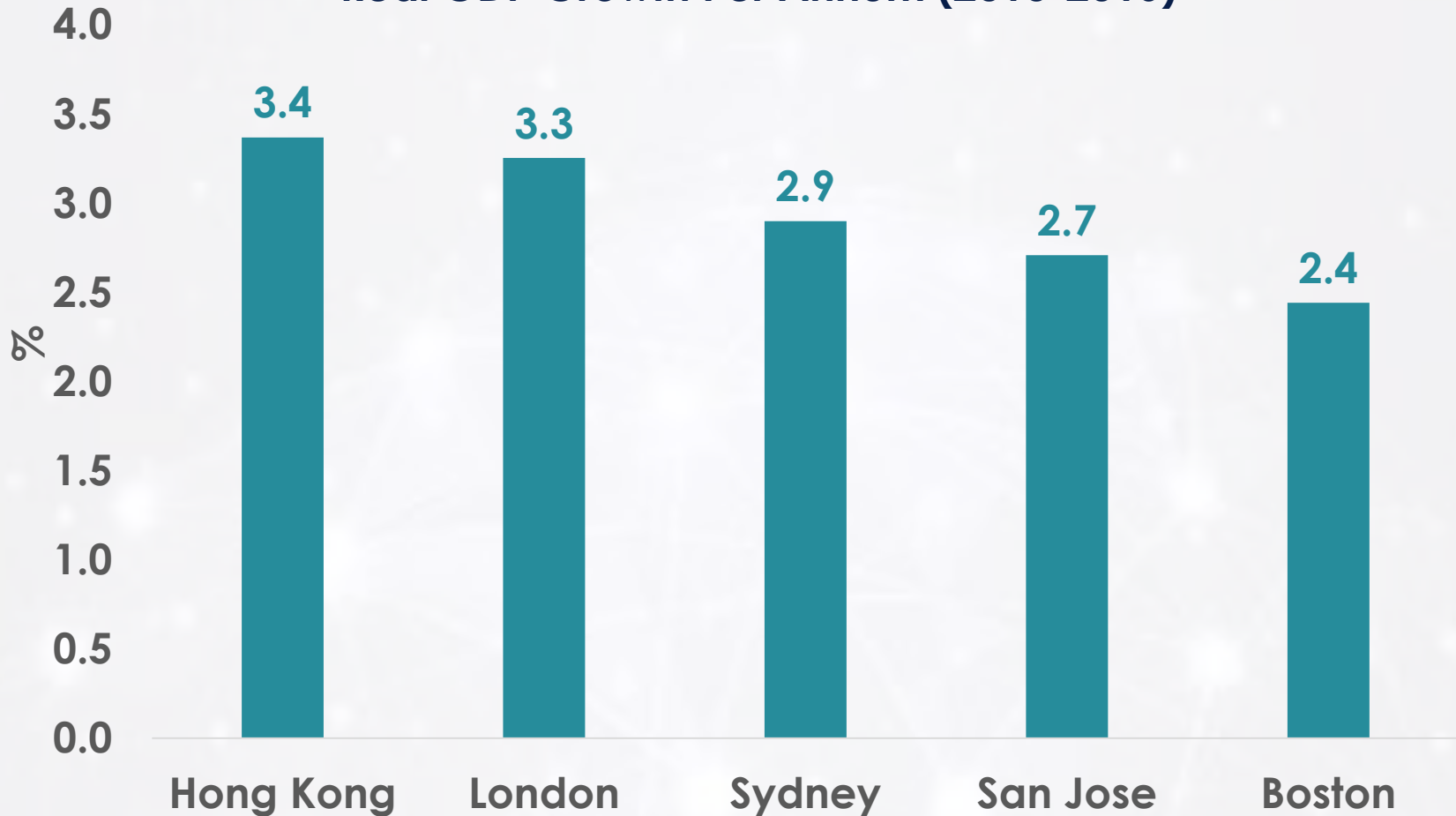
We cannot grow as fast as before ...



Source: World Bank, World Development Indicators

... but as a city we cannot afford to grow too slowly either

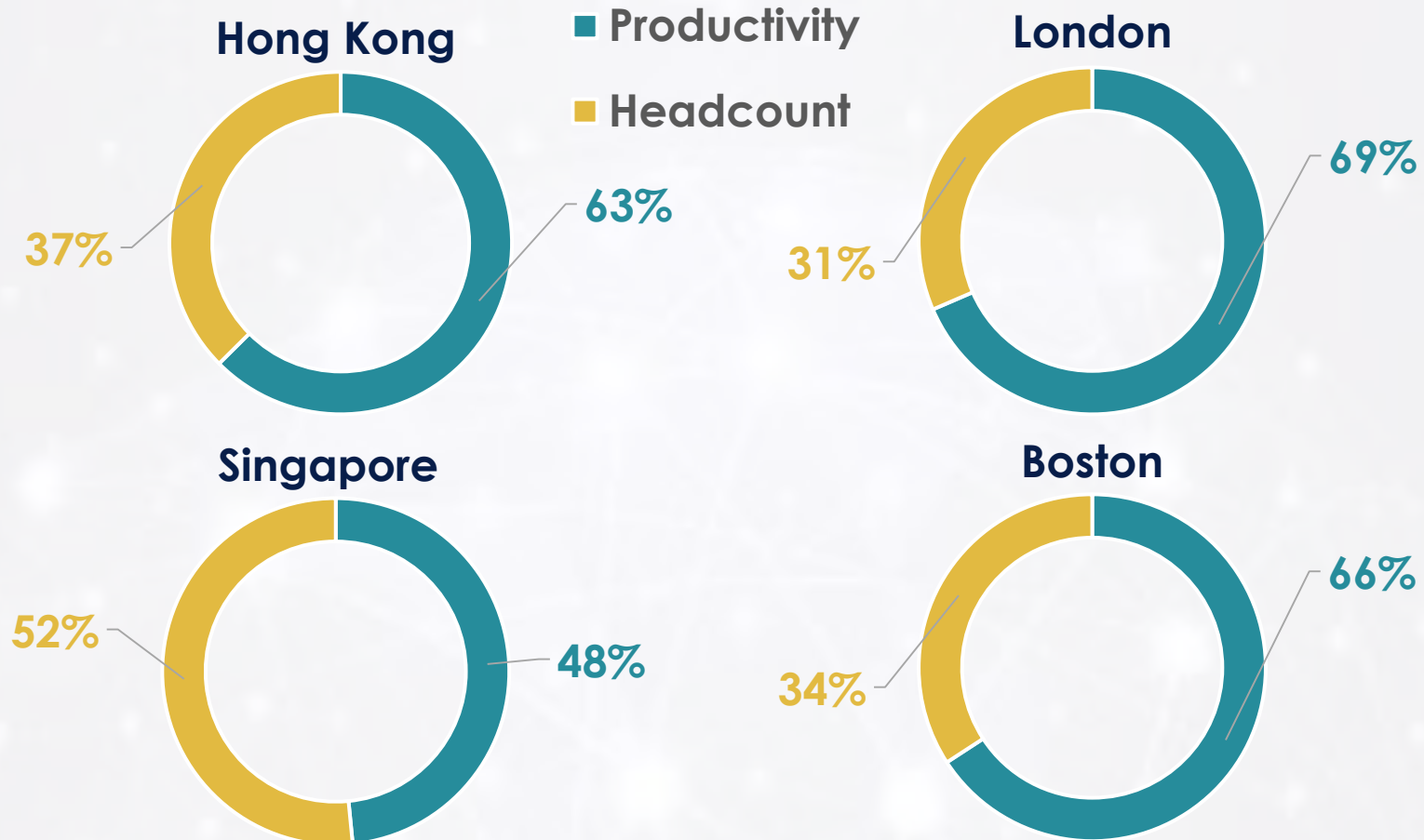
Real GDP Growth Per Annum (2010-2016)



Source: BEA, ONS, HAVER, SGSEP, MAS Estimates

In leading cities, productivity is the key source of economic growth and dynamism

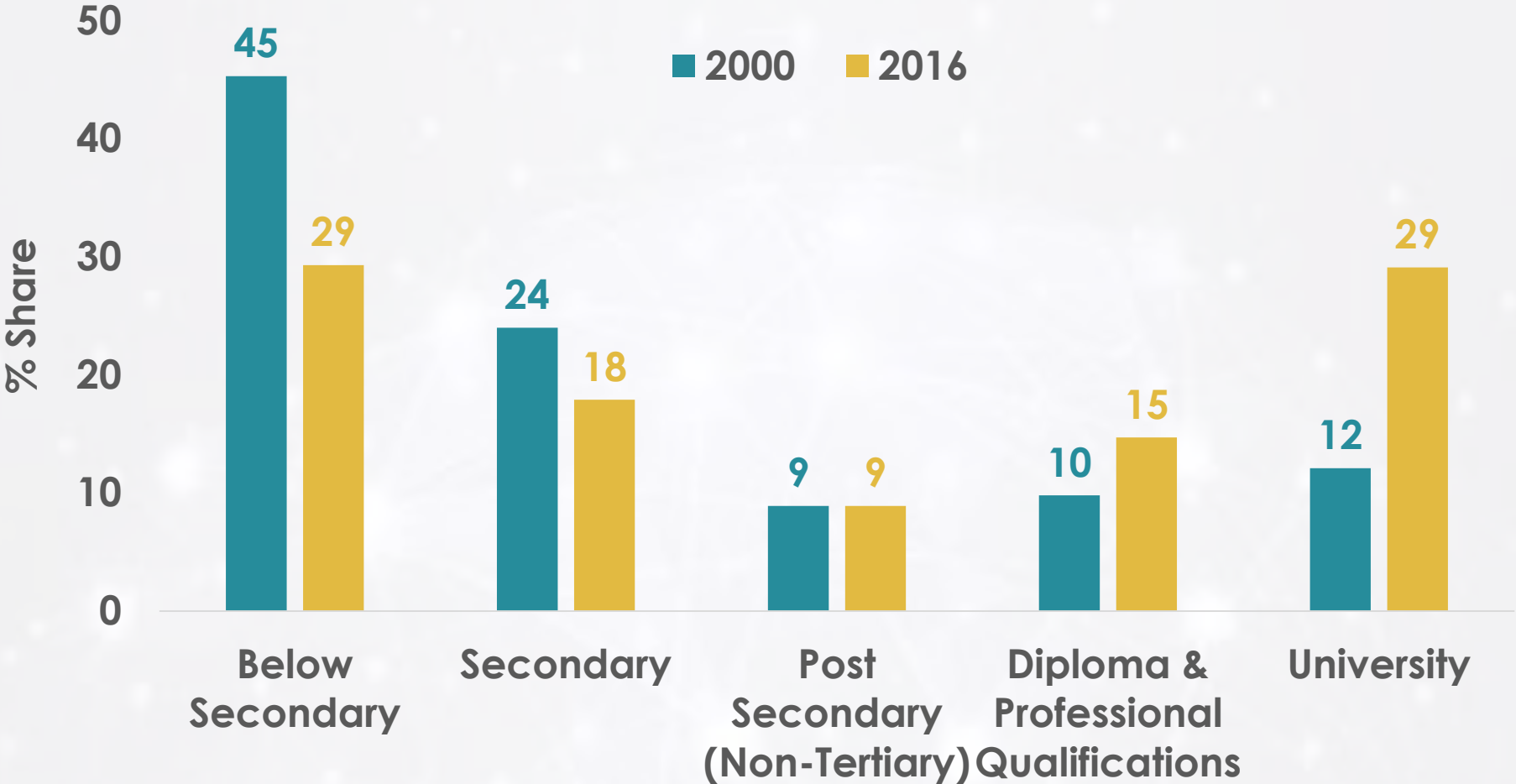
Sources of GDP Growth (2010-16)



Source: BEA, ONS, CEIC, MAS Estimates

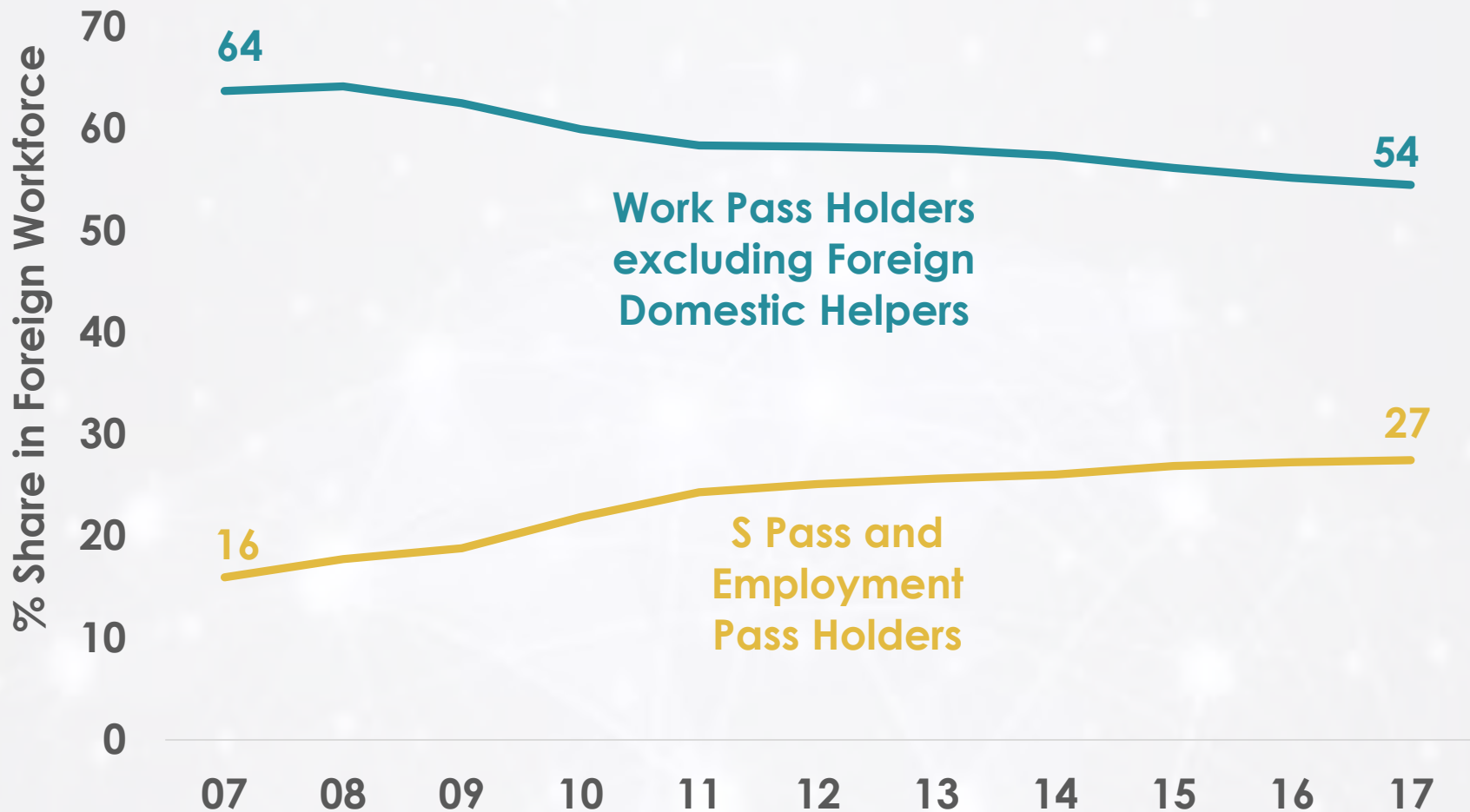
Scope to reap human capital dividends

Highest Qualification Attained by Residents 25 Years & Over



Source: DOS

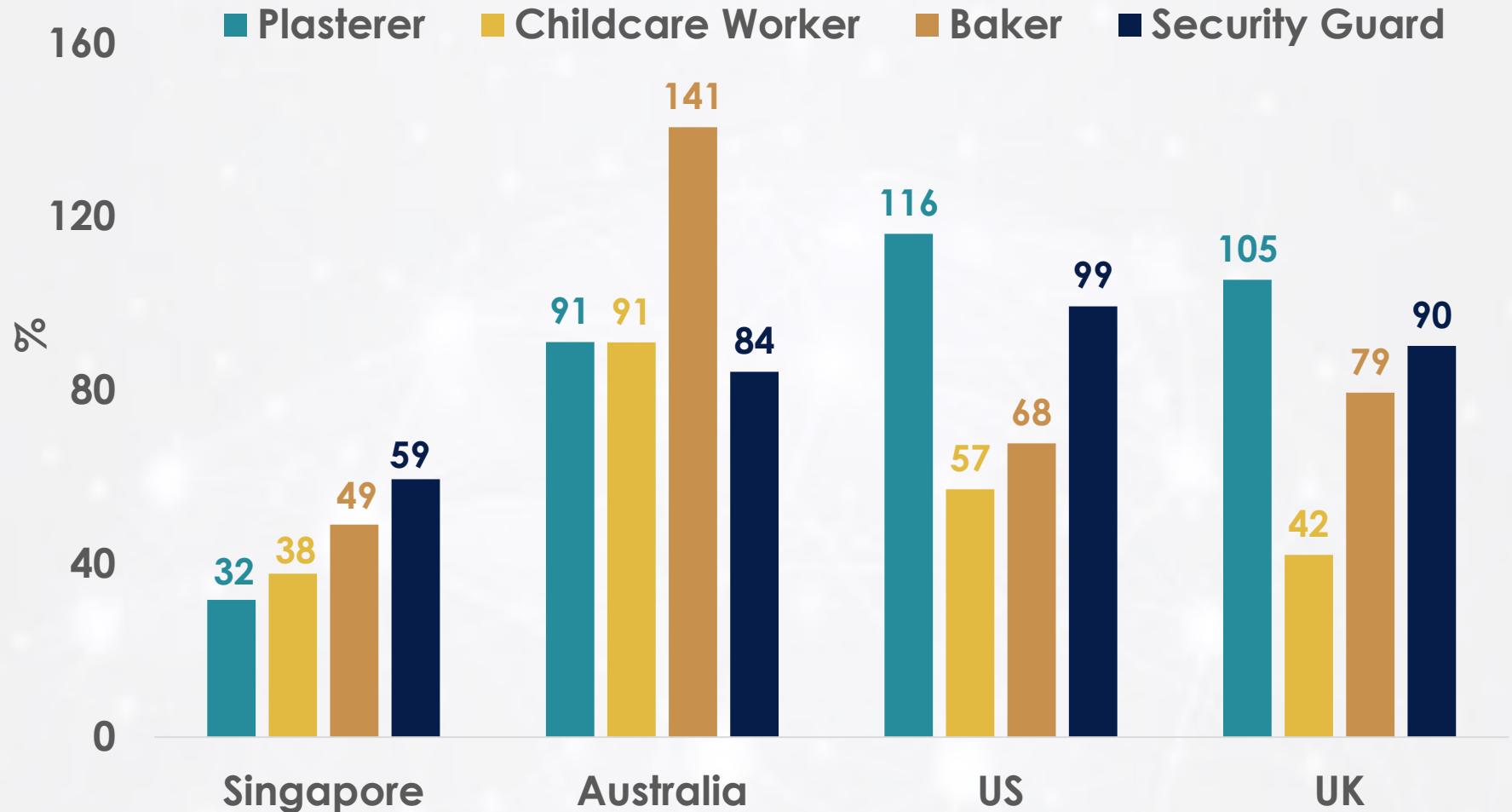
Scope to improve quality of foreign workforce



Source: MOM

Scope to raise productivity in domestic services jobs

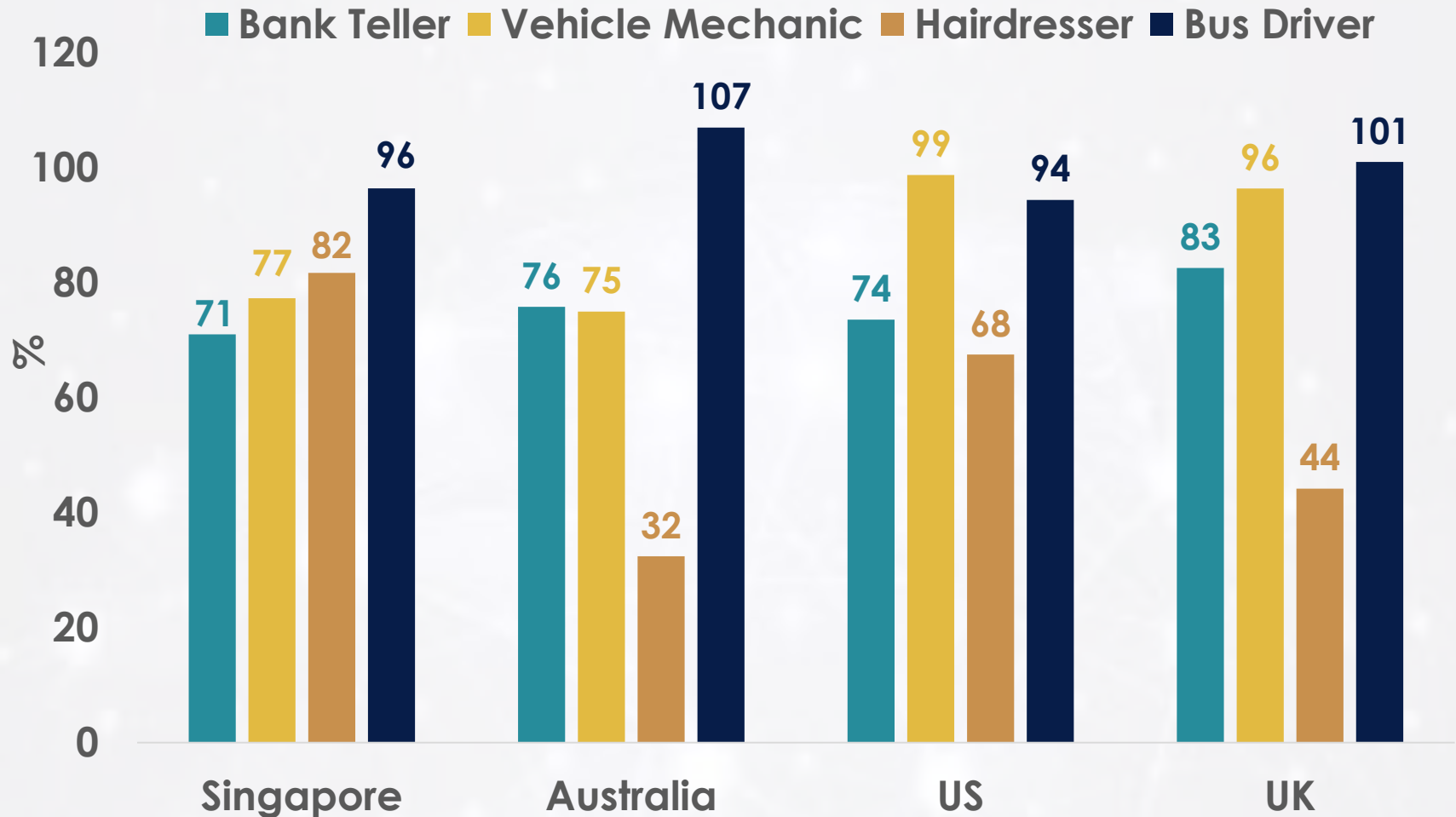
Wage as % of Country's Median Wage



Source: ABS, BLS, ONS, MOM, MAS Estimates

Professionalising rank-and-file jobs will broaden and strengthen middle class

Wage as % of Country's Median Wage



Source: ABS, BLS, ONS, MOM, MAS Estimates

Dynamism is not about numbers but quality

1

Economic dynamism is about efficiency, entrepreneurship, innovation, and talent

2

Internationally competitive advanced manufacturing and modern services complemented by high-quality domestic services

3

An open, resilient, innovative, and inclusive society

Thank you

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