iPS Institute of Policy Studies

The 29th Singapore Economic Roundtable: Report

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The 29th SINGAPORE ECONOMIC ROUNDTABLE (SER) was held on 16 May 2018. Conducted biannually by the Institute of Policy Studies' (IPS') Economics and Business research cluster, it brought together over 40 participants comprising economists, academics, business leaders and policymakers to assess economic conditions and Singapore's role as a hub for the region.

The roundtable was conducted under the Chatham House Rule and chaired by Manu Bhaskaran, Adjunct Senior Research Fellow at IPS. The complete proceedings from the 29th SER will be documented in an IPS publication and released at a later date. A brief summary of the issues discussed is presented here.

MACROECONOMIC OVERVIEW: POSITIVE OUTLOOK FOR SINGAPORE

The global economic outlook has improved, with moderate growth in global trade and GDP. The presenters generally expect this trend to continue into 2019. Looking at the components of growth however, it was also expected that international demand will begin slowing down, even as domestic demand in China picks up. The global Purchasing Manager's Index (PMI) has also been increasing since 2017, further signalling that GDP growth is likely to be sustained into the future.

In Singapore, GDP growth is forecast to be between 1.5% to 3.5% in 2018. This growth was agreed upon by presenters to be strong, although there was some unevenness across sectors, especially the domestic-oriented industries – as compared to trade-related, modern services and the financial services industry.

Some presenters felt that moving on from the positive growth being seen across the world, the governments of developing countries in particular should now begin working on financial stability. In contrast, further aggressive pushes for growth would likely cause further financial stability.

Inflation – No Cause for Concern

Presenters felt that Singapore's low inflation was sustainable and would be no cause for concern. Core inflation is expected to continue trending upwards, and Singapore is well-positioned to handle any excess inflation moving forward.

Improving Labour Market

Following the previous iterations of the Roundtable, presenters felt that employment in Singapore was picking up. There exists sectoral differences however, with healthy

and increasing employment in services, but a more dismal picture in sectors such as construction and manufacturing.

Impact of a Trade War between China and the US

The presenters felt that the likelihood of a trade war occuring in the first place, was low. Even if a trade war were to happen, presenters pointed out that on a value-added basis, other trade partners to the US such as Japan, South Korea and Germany contribute significantly to the US trade deficit as well. Thus, the impact of a trade war with China on the US would not be as pronounced as has been feared in recent days.

Key Risk: Household Debt and Rising Fed Rates

A presenter cautioned that the high household debt levels in Singapore would be vulnerable to future rate hikes. The presenters generally agreed that there would be up to 3 rate hikes this year, with another 3 scheduled for 2019. This would significantly raise the interest rates for many debts in Singapore, which would be a key area for the authorities to watch.

Key Risk: Singapore's Ageing Population

While it has been a well-covered topic to date, the overall strategy to overcome the problem has not been concretely set yet. Some presenters felt that there existed some untapped scope in the form of increased immigration.

Macroeconomic Overview: Discussion

Oil Price Forecast and Impact on Singapore

A participant sought the views of the panel on the horizon for oil prices and its implications on Singapore's economy. Presenters generally forecast oil prices to trend upwards for the foreseeable future. Some sectors of Singapore's economy would be expected to benefit from higher oil prices, such as in marine and offshore engineering. There were however

Worrying Signs in Developing Economies

A participant expressed puzzlement over the sanguine view that the presenters had on global and domestic economic conditions. Stating that the current business cycle the world is witnessing today is similar to that of the business cycle just before the Asian Financial Crisis, the participant pointed out that there were several areas of weakness. For example, with the Rupiah rising above 14'000 on reports of an under-performing Indonesian economy, to an increase in the global inflation outlook on the back of increasing oil prices, several developing countries have begun exhibiting worrying signs of weakness in their economy. In reply, presenters felt that there were two key concerns:

Key Risk: Impact of Increased Fed Funds Rate on Debt in Asian Economies

Presenters felt that should the Fed Funds Rate continue rising, the Asian region – flush with debt and investment, would be particularly vulnerable.

Key Risk: Selloff in Emerging Markets

Following an increase in the Fed Funds Rate, there is a high chance that we will witness a selloff in emerging markets towards safe haven assets such as the US Dollar and the Japanese Yen, playing havoc in equity markets across the region.

SPECIAL SESSION: DATA ANALYTICS AND ITS IMPACT ON BUSINESS

The topic for this special session was chosen to take stock of the legislation behind the handling of personal data, as well as the opportunities that data analytics could provide businesses with, with an eye on the equitability of the improvements that data analytics can bring.

Singapore's Current Anti-Competition Legislation is Sufficient

Overall, presenters felt that Singapore was on the right track in terms of legislation. Ultimately, the authorities felt that the phenomena of individual companies having access to large data sets does not necessarily equate to possessing a dominant position in the industry. For a company to be labelled anti-competitive, it would have to breach two other conditions:

1. Can the data be replicated under reasonable conditions by competitors?
2. Is the use of the data likely to result in significant competitive advantage?

Need for Singapore to Accelerate Data Sharing

Presenters felt that Singapore had a major limitation in the relatively small population and economy. Such a limitation naturally means that the size of the datasets and the quality of the corresponding analysis would be severely constrained. As a way to overcome this limitation, the presenters stated that Singapore should explore data sharing between various data collectors such as large companies and the government. To temper that view however, a presenter pointed out that expecting private sector participants to share data with others who were essentially their competitors, would be unrealistic at best.

The Problem with Regulating Data Analytics

A presenter pointed out that the essential retroactive regulation of data would cement the dominant status of companies already in those industries. Such laws would close the same growth paths of giants such as Google or Facebook, to smaller companies. With global sentiment trending towards tighter regulation of personal data, it is likely that smaller companies will find it increasingly difficult to catch up to the larger companies in terms of proficiency or market share.

Discussion

Impact of the General Data Protection Regulation (GDPR) on Singapore

On the GDPR, presenters advised companies facing issues with the new regulation to seek professional help. The European style of data management was noted to be different from that adopted in Asia, with more emphasis on consumer and individual rights. Overall, they acknowledged that legal and compliance issues would spike

upon adoption of the GDPR, but it would not be expected to cause too much disruption to business in Singapore.

Potential for Government Inter-Agency Data Sharing

Picking up on presenters' raised point on data sharing, a participant cited an example of how the Central Provident Fund (CPF) may have complete data over unemployment statistics, but the Ministry of Manpower (MOM) would not have the right to use that data. Identifying it as an inefficiency, the participant asked about the trajectory of data sharing between government agencies. In reply, a presenter pointed out that the government agencies had their own regulations on data sharing ala the Personal Data Protection Act (PDPA), which prevented unecessary dissemination of personal data.

Difficult to Identify Dominant Players

A participant pointed out that it would be increasingly difficult to identify dominant players in certain industries, as control over data sets would typically give these companies advantages in more than one sector. In conclusion, he felt that current legislation was ill-equipped to identify and deal with companies exhibiting such market power. The presenters acknowledged these points, and expressed the thought that perhaps regulations aimed at large companies with those capabilities rather than just looking at traditional metrics such as the size and market share of the company would be needed.

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