Singapore Economic Policy

The Fortieth Singapore Economic Roundtable

May 2024

Jointly organised by
Institute of Policy Studies

Edited by
Manu Bhaskaran
Faizal bin Yahya
Serene Ho

Lee Kuan Yew School of Public Policy
National University of Singapore

Institute of Policy Studies

The Singapore Economic Roundtable

The Singapore Economic Roundtable (SER) is a forum of leading economists, policy makers and business leaders who gather twice a year to discuss important issues that affect Singapore's position in the global economy. It deliberates on the role that government agencies and the private sector in Singapore should play in meeting new challenges facing the Singapore economy.

About the Institute of Policy Studies

The Institute of Policy Studies (IPS) was established in 1988 as an independent think-tank to study and generate public policy ideas in Singapore. IPS became an autonomous research centre of the Lee Kuan Yew School of Public Policy at the National University of Singapore in 2008. Today, IPS continues to analyse public policy, build bridges between thought leaders, and communicate its findings to a wide audience. The Institute examines issues of critical national interest across a variety of fields, and studies the attitudes and aspirations of Singaporeans through surveys of public perception. It adopts a multi-disciplinary approach in its analysis and takes the long-term view in its strategic deliberation and research.

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Foreword

The Institute of Policy Studies (IPS) convened the 40th Singapore Economic Roundtable (SER) on 17 May 2024. For the past 21 years, the Governance & Economy Department of IPS has brought together private sector economists, academics, business leaders and policymakers in successive roundtables to discuss macro-economic trends and their implications for policy. With over 40 participants in this round, the discussions were wide-ranging and insightful.

The SER is organised into two sessions. The first focused on the cyclical outlook for Singapore's economy, studying in particular its implications for monetary policy. A presentation by the Monetary Authority of Singapore was followed by discussions led by private sector economists. There was a general convergence of views on the prospects for the economy and little disagreement on the appropriate direction of monetary policy.

The second session assessed an issue of importance for the longer term — the reconfiguration of supply chains resulting from geo-political shifts and changing structures of competitiveness. While China's efficient eco-system meant that it would continue to be a force in global supply chains, there was an opportunity for India and ASEAN to gain from production being relocated out of China. Singapore could benefit indirectly from higher growth in these two regions should the reconfiguration continue on current trends.

IPS is grateful to the Monetary Authority of Singapore and private-sector economists whose support for the SER process has been valuable. IPS will continue to organise the SER regularly and find ways to improve its role in facilitating a high-level discourse on economic policies in Singapore.

1.

Macroeconomic Outlook

Presentation by Ms Sherilyn Chew

Senior Economist

Economic Surveillance and Forecasting Department

Economic Policy Group

Monetary Authority Singapore (MAS)

Summary of Recent Developments in the Global Economy

The global economic growth has moderated in the fourth quarter (Q4) of 2023 as the outperformance of the US was offset by weaker growth across several ASEAN-5 economies. At 3.3 per cent growth for 2023, the global economy showed considerable strength despite multi decade-high interest rates.

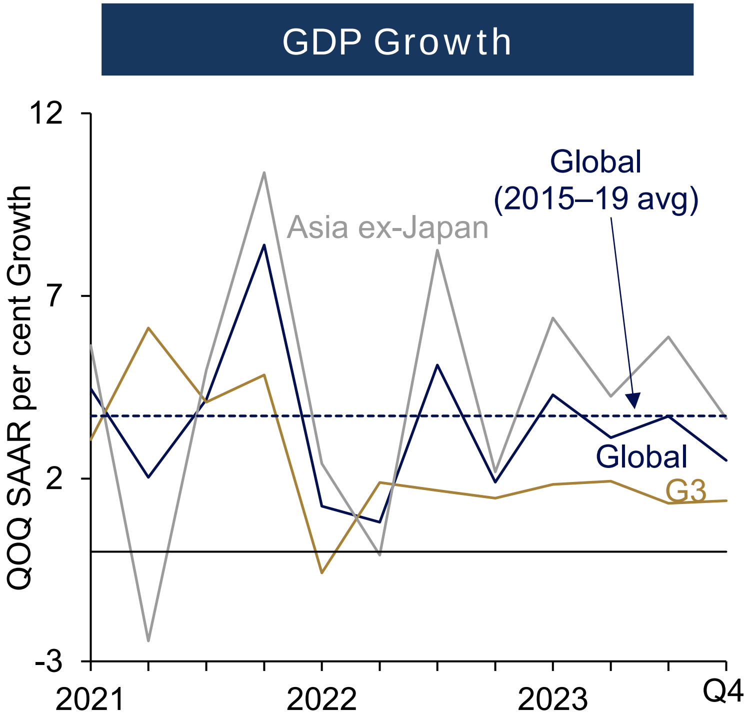


Fig. 1.1

Recent high frequency data signal that resilience has persisted into 2024 reflecting in part the revival in manufacturing activities. Specifically, US growth momentum remains robust as above-trend employment growth and excess savings continue to bolster household spending while fiscal measures are supporting some business investment segments.

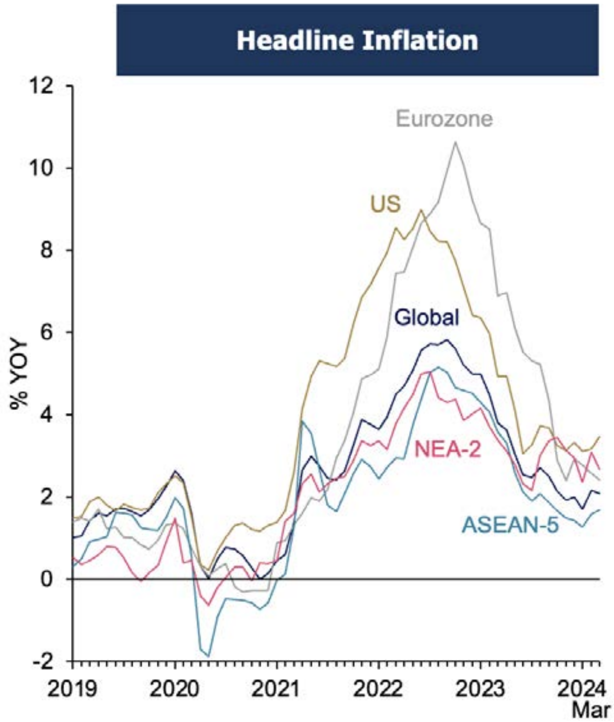


Fig. 1.2

Meanwhile, while global inflation has decelerated sharply from its peak to 2 per cent in February, the disinflation momentum appears to have slowed, especially in the advanced economies (AEs) on the back of firmer services prices. Global economic growth is poised for steady expansion for the rest of 2024. The global economy is expected to expand by 3 per cent in 2024, slightly below its 3.3 per cent print in 2023, as the impact of past policy tightening and less supportive fiscal policy in most economies continue to exert a restraining effect on growth. Nonetheless, the global economy is likely to emerge unscathed in 2024, with economic growth set to become gradually more balanced across regions over the year.

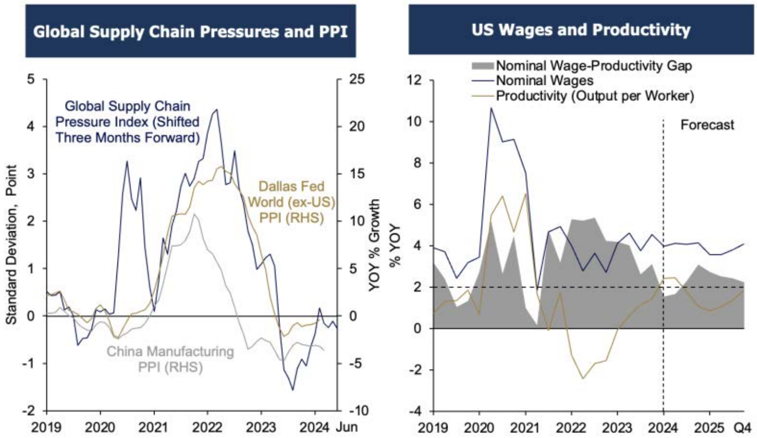


Fig. 1.3

Global inflation is expected to continue to moderate over 2024, but the path is likely to be uneven as key disinflationary impulses from 2023 fade. Core goods prices are unlikely to decline by the same extent as the earlier unwinding of global supply chain dislocations have largely been completed. The balance of risks appears to be still tilted towards persistent inflation, especially in the AEs. If wage growth continues to exceed productivity growth, this could entail continued stickiness in AE inflation.

The persistence in inflation implies that interest rates will remain higher for longer. If real interest rates remain restrictive for a prolonged period, this could hasten the crystallisation of latent financial vulnerabilities. In such a scenario, emerging market (EM) Asian economies would be vulnerable to swings in foreign investment and capital outflows.

Overview of the Singapore Economy and Wage Price Dynamics

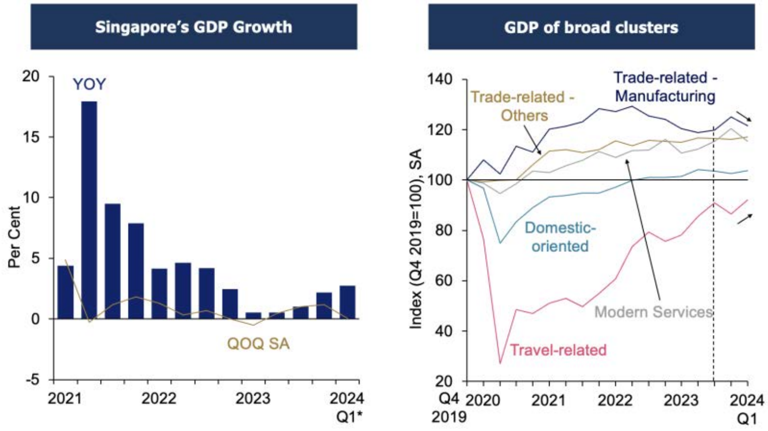


Fig. 1.4

Singapore's GDP growth eased to 0.1 per cent quarter-over-quarter, seasonally adjusted, in the first quarter (Q1) of 2024 based on the Advanced Estimates after gathering pace in the latter half of 2023. The trade-related and modern services clusters recorded sequential contractions in Q1 after growing in Q4, while the domestic-oriented and travel-related clusters expanded in Q1, reversing the declines in the previous quarter.

Broadly, there were two opposing impulses at play in Q1. While the manufacturing sector experienced a pullback from an electronics-led surge in the later part of 2023, the tourism-related industries received some boost from an unprecedented line-up of large scale concerts.

These two factors influencing the Q1 outcome are likely temporary and should dissipate in the coming quarters. For the rest of the year, the Singapore economy will likely be driven by the broad alignment of the global macroeconomic, tech, and interest rate cycles. Manufacturing and trade activity should continue to benefit from the ongoing recovery in the global electronics industry.

To a lesser extent, the expected conclusion of global monetary policy tightening later in 2024 will also provide a fillip to the domestic economy. Overall, Singapore's gross domestic product (GDP) growth is projected to come in at 1 to 3 per cent in 2024, following the 1.1 per cent growth in 2023, with the main clusters of the economy converging towards their pre-pandemic growth rates.

Developments in the Labour Markets and Consumer Prices

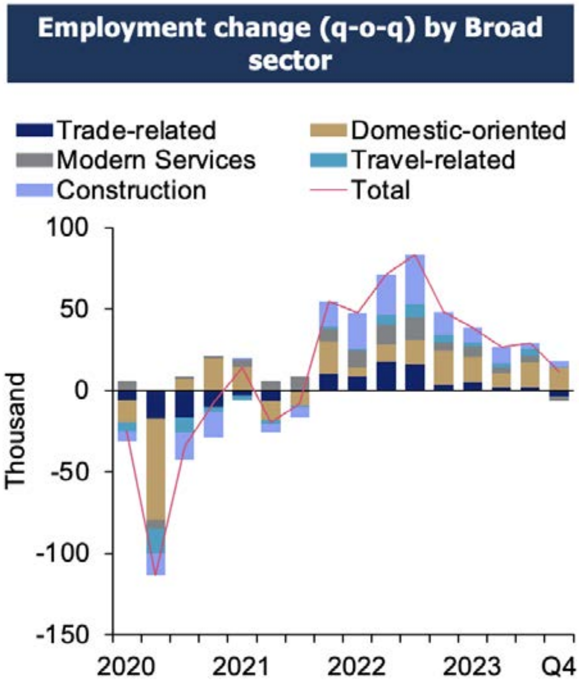
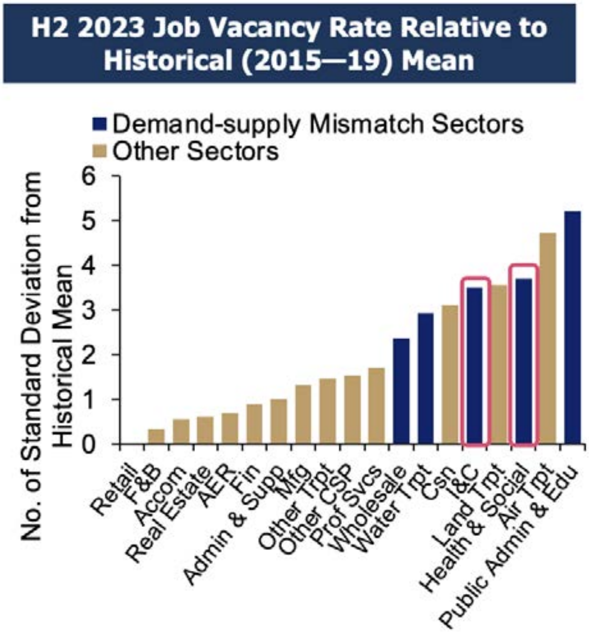


Fig. 1.5

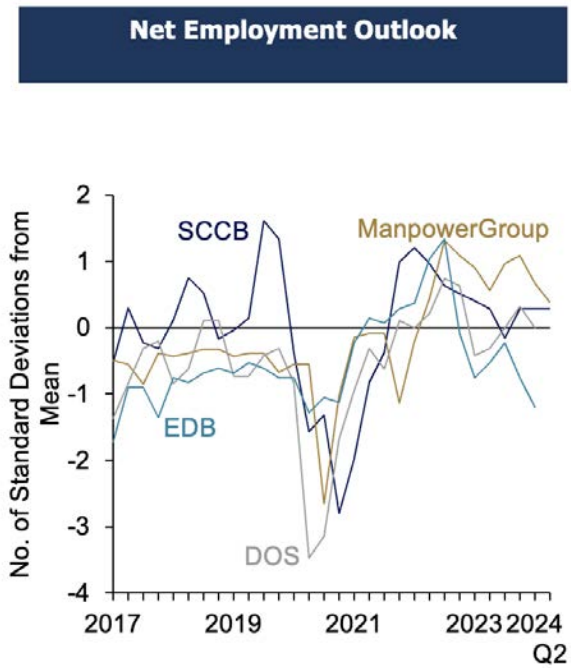
Total employment growth eased across all broad clusters in the economy in Q4 of 2023 as labour demands slowed. This was in line with the cyclical weakness in GDP growth over most of 2023. As labour demand and supply steadily rebalanced, labour market tightness continued to recede. Nevertheless, some underlying tightness in the labour market remains with the overall drop vacancy rate staying elevated above the pre-COVID average, and the resident unemployment rate remaining low.



Note: High demand-supply mismatch sectors are marked by blue bars, and are defined as those where job vacancy rates in the second half of 2023 were more than two standard deviations above 2015-19 mean, while value-added growth was below their pre-COVID mean.

Fig. 1.6

Lingering manpower shortages are likely due to some mismatch between labour demand and supply in pockets of the economy, as job vacancy rates remain significantly elevated in a number of services sectors, even amid weak sectoral value-added growth. This include healthcare and the Information and Communications sector (I&C), which are sectors that have reportedly faced persistent difficulties hiring workers with the right skills.



Note: Singapore Commercial Credit Bureau (SCCB), Economic Development Board (EDB), Singapore Department of Statistics (DOS)

Fig. 1.7

Recent employment outlook surveys also suggest that hiring in the overall economy should remain modest in the near term. However, the anticipated pickup in GDP growth in the second half of the year should boost labour demand and provide some support to job growth towards the end of 2024. For the full year, total employment is expected to expand at a more moderate pace compared to the exceptionally strong growth over the past two years, as the overall workforce has caught up to its pre-COVID level.

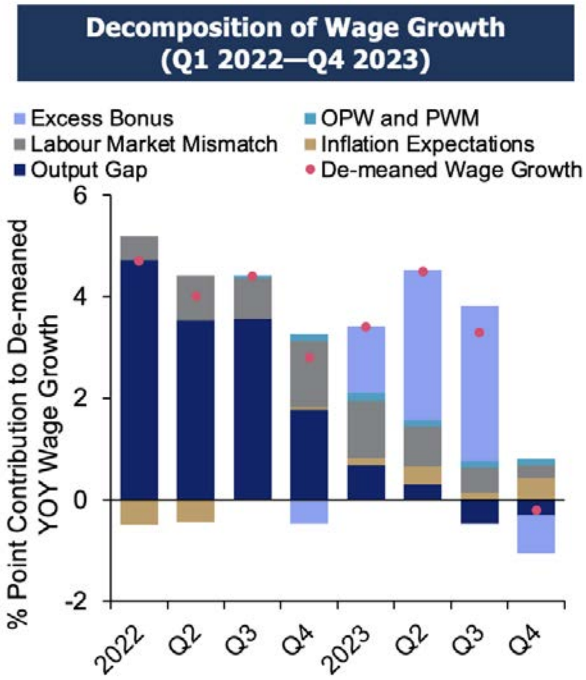
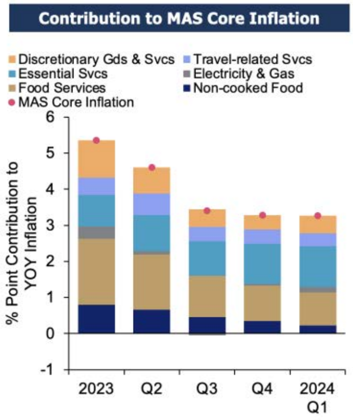


Fig. 1.8

Amid dissipating labour market tightness and normalising bonus payments, nominal resident wage growth has continued to moderate from 6.2 per cent year on year in Q3 in 2023 to 2.6 per cent in Q4. This year, wage growth should come in closer to pre-COVID norms. Consequently, unit labour cost (ULC) growth in 2024 should ease significantly relative to the last two years, implying diminished cost-push pressures from the labour market.



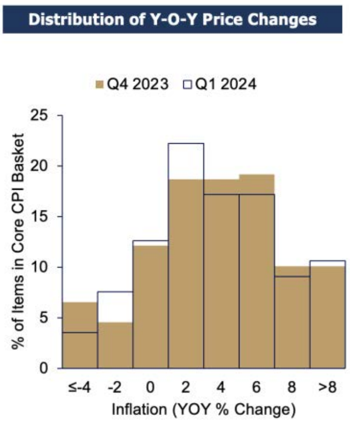


Fig. 1.9

MAS core inflation has remained unchanged at 3.1 per cent year-on-year in Q1 2024 and was slightly lower than expected. Both cooked and non-cooked food inflation fell while travel-related services inflation eased by more than expected. These disinflationary pressures broadly offset the faster pace of increase in electricity and gas prices arising from the carbon tax hike, as well as in other services costs.

The increase in services inflation largely reflected the ongoing catch-up of prices to earlier cost increases, particularly for Consumer Price Index (CPI) components, whose prices are revised less frequently. These includes bus and train fares, taxi fares, and education fees. However, a broad distribution of core CPI components continued to see their rate of price increase fall. More core CPI items are showing year-on-year increases of 2 per cent or below in Q1 compared to Q4 in 2023. This disinflation trend is also corroborated by alternative measures of core inflation, such as the trimmed mean, and volatility-adjusted core inflation measures which showed declines in Q1.

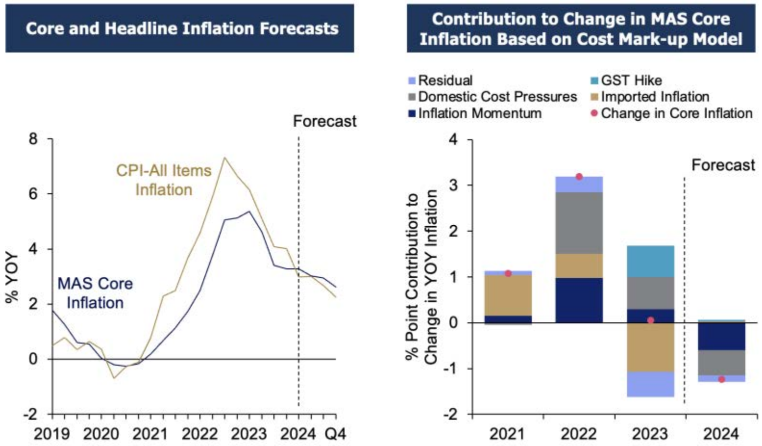


Fig. 1.10

Core inflation is expected to stay around 3 per cent in the near term before falling more meaningfully in Q4 and into 2025. CPI-All Items inflation is likewise expected to decline amid lower private transport and accommodation inflation, in addition to the moderating core. The gradually declining profile of core inflation will be anchored by easing domestic labour cost pressures and moderate imported costs.

For 2024 as a whole, both core and headline inflation are projected to average 2.5 to 3.5 and excluding the transitory effects of the increases in GST, core and headline inflation are expected to come in at 1.5 to 2.5 per cent.

However, risks to the inflation outlook remain. Inflation could turn out stronger than anticipated due to shocks to supply as a result of geopolitical conflicts, as well as a re-acceleration in wage growth from stronger than expected labour demand. Conversely, an unexpected weakening in the global economy could induce a greater easing of cost and price pressures.

Macroeconomic Policy

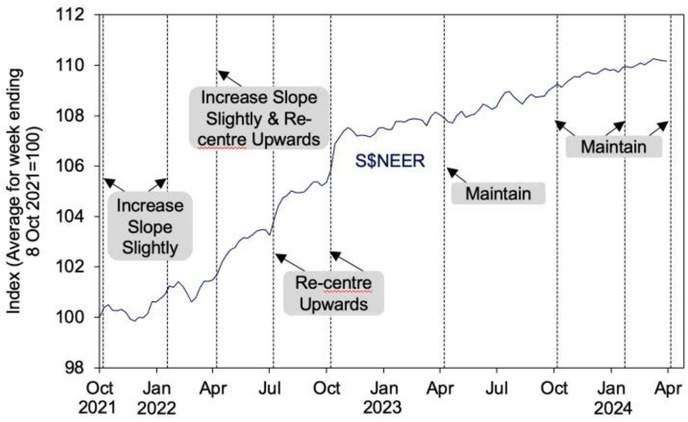


Fig. 1.11

In January and April 2024, MAS maintained the prevailing rate of appreciation of the S$NEER policy band, with no change to the width of the band or the level at which it was centred.

As inflation is expected to stay elevated in the immediate quarters ahead, the prevailing rate of appreciation of the policy band is needed to keep a restraining effect on imported inflation and domestic cost pressures. The current appreciation path of the $NEER policy band also remains sufficient for ensuring medium term price stability, barring shocks that displace growth and inflation onto a fundamentally different trajectory.

Presentation by Mr Khoon Goh

Head

Asia Research

ANZ

The 2024 external business environment has been underpinned by strong US growth, which has contributed as one of the positive factors in the outlook for 2024. Although there is reasonably positive outlook for the remainder of 2024, 2025 is expected to be fraught with significant uncertainty and potentially heightened geopolitical tensions.

US Growth Due to Fiscal Policy and Strong Investment

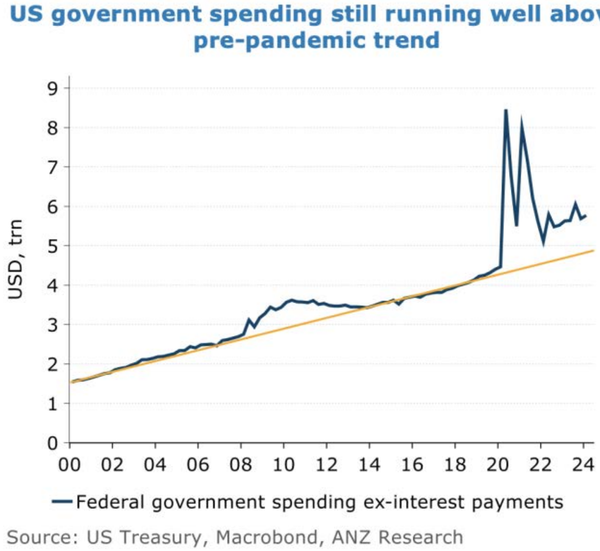


Fig. 2.1

One positive factor influencing the outlook for 2024 is the strong growth in the US, which has been bolstering the external business environment. Despite the most aggressive US Federal Reserve tightening in four decades, US growth has exceeded expectations. The US economy not only managed to avoid the recession, it also picked up steam.

An underappreciated support factor would be fiscal policy. The amount of government spending, excluding interest payments, seems to be running above pre-pandemic trends, with it standing at over one trillion US dollars higher than what was initially expected. This continued stamina is a very important factor behind the resilience and strength in the US economy. Other factors, such as strong investment, particularly in semiconductors and AI-related spending (which are not interest rate sensitive) has also helped.

Fig. 2.2

With presidential and congressional elections scheduled in late 2024, fiscal support is believed to remain strong throughout 2024. Current indicators have also been pointing towards firm growth in the US in the second quarter (Q2). In fact, the latest Atlanta Fed GDP now is tracking close to 4 per cent annualised for Q2. Hence, the US seems to be experiencing a sustained positive overall growth outlook.

Positive Overall Growth in US and Implications for Fed Policy

This has important implications for the Fed policy, which many central banks have been watching very closely. While it is expected that the Fed would be cutting rates twice later 2024, this raised the question of why the Fed is in a position to cut rates despite strong activity in the US? It is important to note that it is the inflation outlook that would determine whether or not the Fed would be in a position to cut these rates.

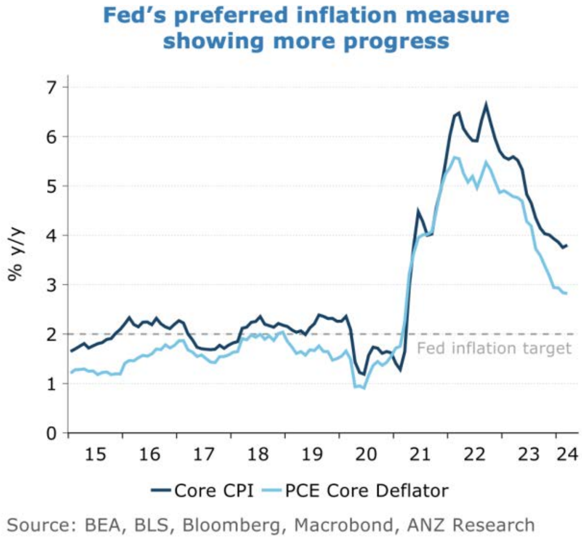


Fig. 2.3

The headline inflation rate remains above 3.5 per cent, but the Federal Reserve's preferred inflation measure — the Personal Consumption Expenditures (PCE) core deflator — has shown more significant progress towards reaching the Fed's inflation target. This measure differs from other inflation metrics by assigning different weights to various prices and using distinct methodologies. Despite these differences, the PCE core deflator is nearing the target and has exhibited more substantial easing compared to the headline inflation rate. This development may prompt the Fed to consider cutting rates later in 2024.

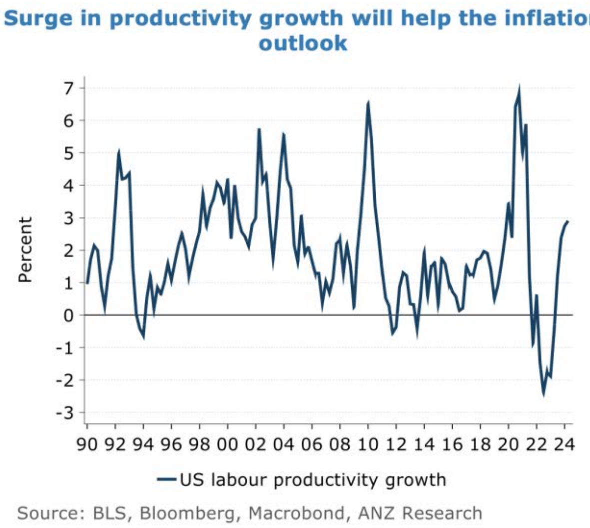


Fig. 2.4

The improvement in US productivity growth has also helped to restrain inflation. If this productivity boost sustains, it would allow the US economy to continue to grow robustly without aggravating inflationary pressures.

2025 Outlook

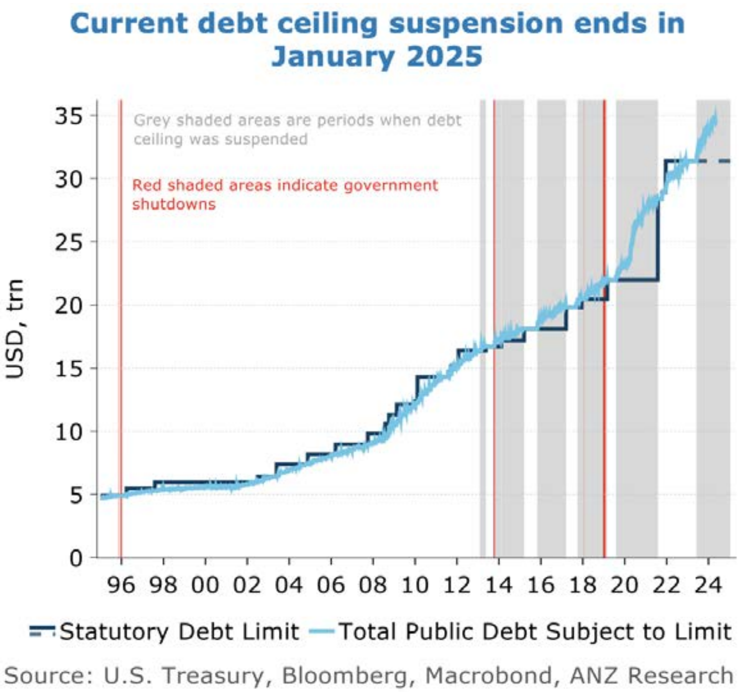


Fig. 2.5

While the outlook for this year seems promising, prospects for 2025 appear to be worrying. One concern is the political battle over the debt ceiling. The debt ceiling suspension ends in January 2025 and that may lead to political disagreements on its extension, which could then cause uncertainty. Such uncertainty revolving around potentially messy negotiations may result in markets experiencing high volatility because of the fear of a government shutdown.

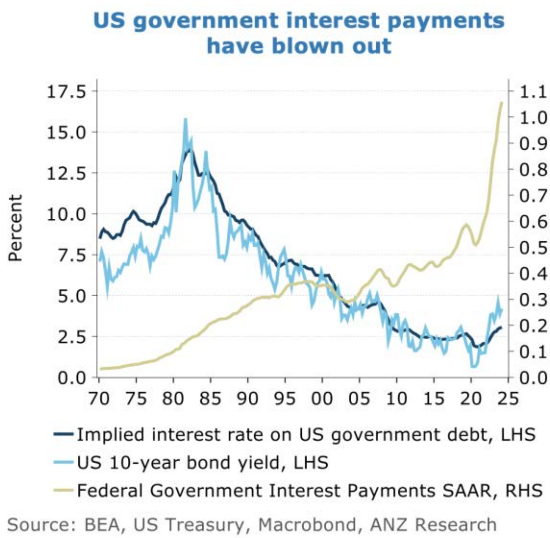


Fig. 2.6

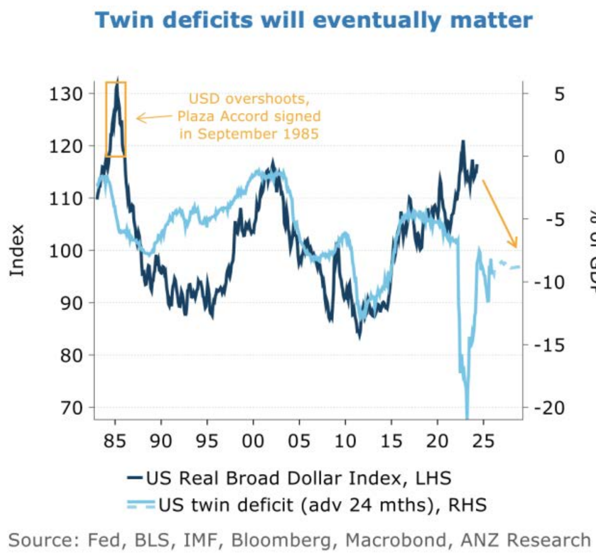


Fig. 2.7

The US fiscal position is currently running deficits typically seen only during times of recession or other crises. Notably, these deficits persist despite the strength of the US economy, which is increasing revenues and keeping social safety net spending in check. As a result, interest servicing costs have surged, with the US government now spending over a trillion dollars solely on interest payments. Eventually, financial markets may start to view this situation as unsustainable.

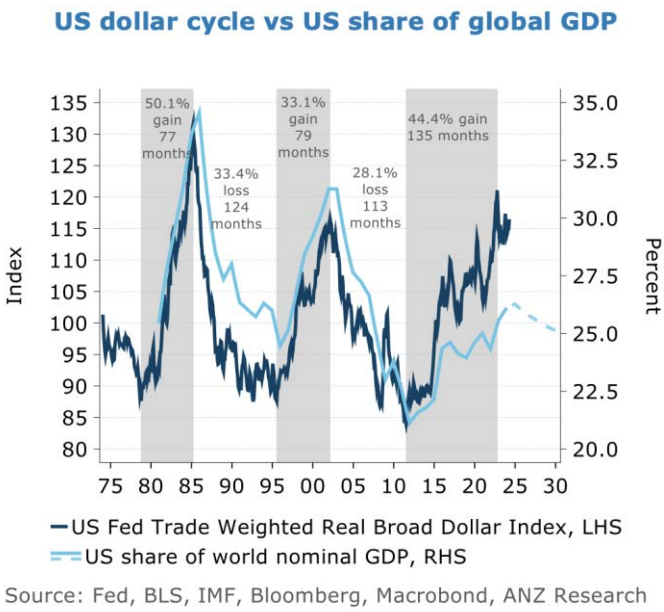


Fig. 2.8

In 2025, markets may begin to focus on the fiscal burden on the US economy and its implications for the US dollar. Despite the current strength of the US dollar, which is supported by being the highest-yielding currency in the Group of 10 (G10) nations, this strength persists despite the US running a current account deficit. However, twin deficits in the fiscal accounts and the balance of payment would become significant eventually. This would be particularly relevant when the Fed starts to ease policy, and the US has less yield support. That is when the focus might shift towards the debt situation — with concomitant risks for the erosion of the dollar's support.

China's Cyclical Upswing

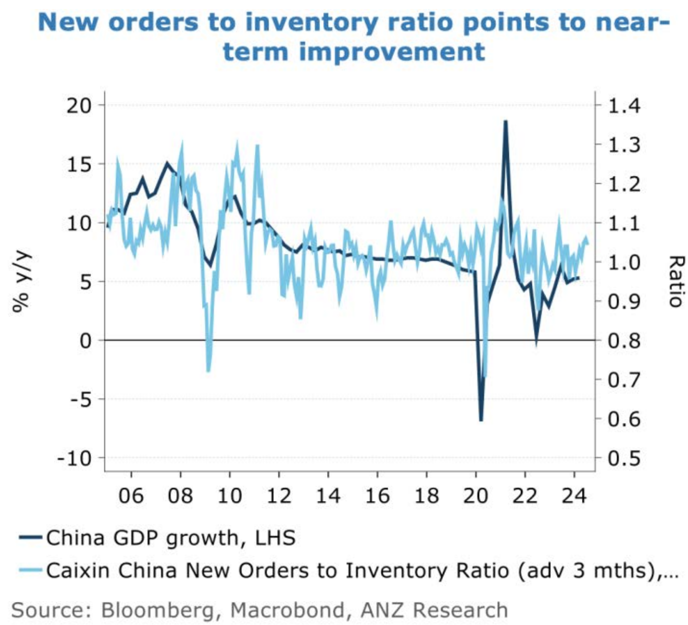


Fig. 2.9

China's economy offers a more positive outlook due to the cyclical upswing it is currently experiencing. This cyclical upswing should be viewed separately from China's structural problems. Even with a modest cyclical recovery, China has still been facing structural challenges that have led to lower trend growth. However, if these structural weaknesses can be managed, there is reason to believe that the 5 per cent growth target for 2024 can be achieved.

China's Weakened Domestic Demands and Its Implications

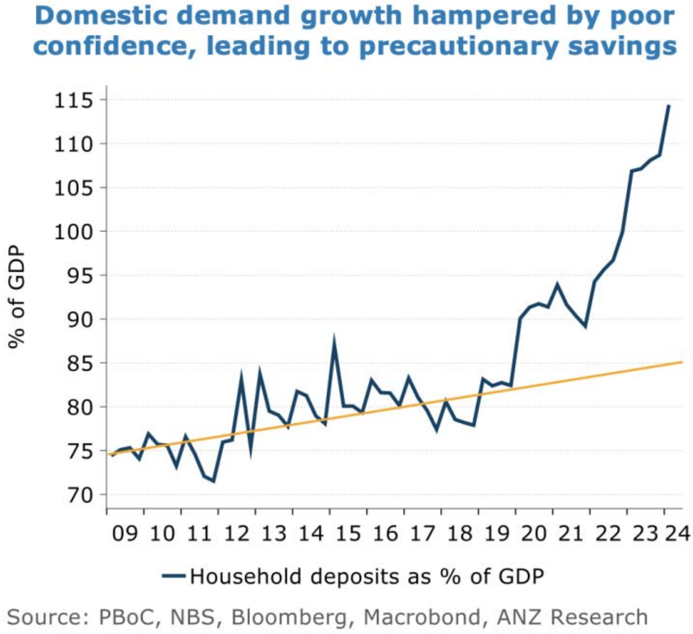


Fig. 2.10

Recent economic data from April 2024 highlights the unbalanced nature of China’s cyclical recovery, which is still heavily driven by industrial production and strong exports, while domestic demand continues to be lacklustre. The lack of confidence within China, particularly due to challenges in the property sector, has resulted in weak domestic demand. This weakness is evident in the excessive precautionary savings by Chinese households, with the ratio of household bank deposits as a percentage of GDP skyrocketing since the pandemic. Currently, household deposits are around 115 per cent of GDP, which is 30 percentage points higher than pre-pandemic levels.

China’s economic growth would look very different if this substantial amount of money were spent rather than saved. To address this, policymakers have significant work ahead to restore confidence. Fortunately, measures are being taken, including a recent proposal for local governments to start purchasing unsold homes from property developers. If enacted, this initiative could help the cyclical upswing gain more traction.

Export Outlook for Asia

Fig. 2.11

Although the export outlook for the rest of Asia is promising, 2023 has been a very poor year for the region's exports. This trend was observed when both volumes and prices fell, leading to double-digit year-on-year declines in exports across the region. However, Asia has since turned the corner, with a significant pickup in exports, primarily driven by increased volumes in the early part of 2024.

Fig. 2.12

The increase in exports is being driven by the upswing in the semiconductor cycle. Given the usual momentum in the system, this cycle still has further to run, which should support continued improvement in the region's exports.

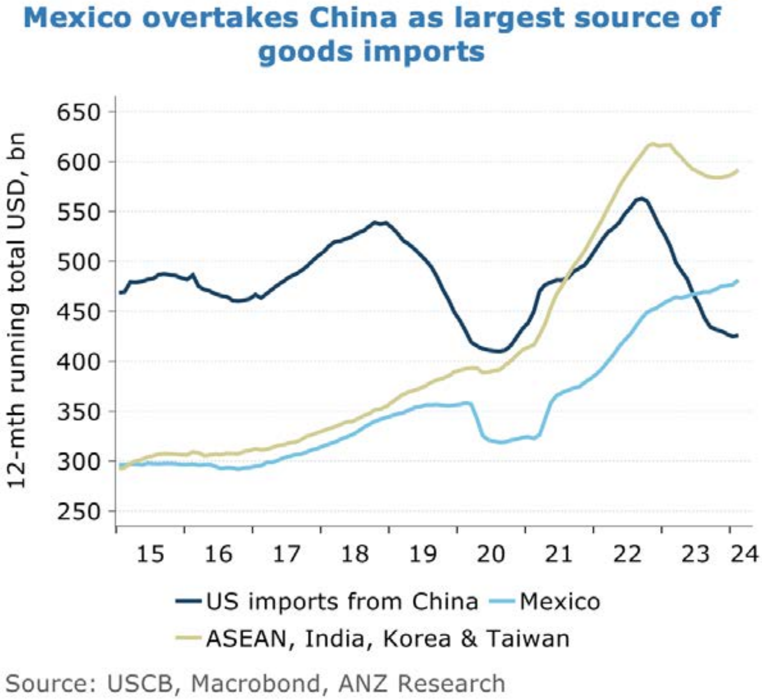


Fig. 2.13

There are massive changes in the Asia region's trade patterns as a result of the ongoing geopolitical tensions. This is evidenced from the sharp drop in Chinese exports to the US which has been replaced by imports into the US from Mexico and other US allies.

Fig. 2.14

These changing trade patterns reveal that, while China is selling less directly to the US, it is increasing sales to countries that have boosted their exports to the US. Such trade patterns would persist as long as there is no improvement in US-China relations.

What Does This Mean for Singapore?

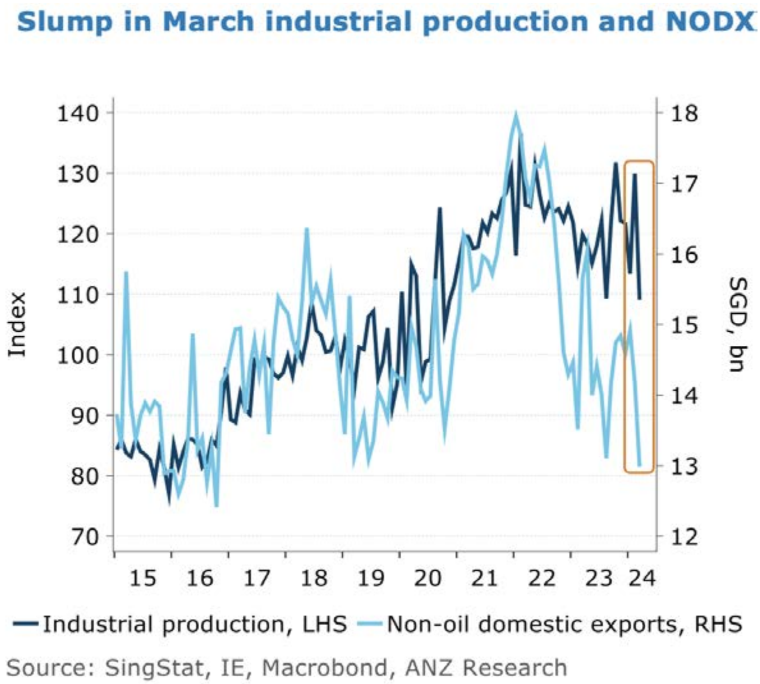


Fig. 2.15

The external outlook for Singapore appears promising for 2024, despite some disappointments relating to the low GDP growth in Q1. This lack of growth in the first quarter is likely linked to an unexpected decline in both industrial production and non-oil domestic exports (NODX).

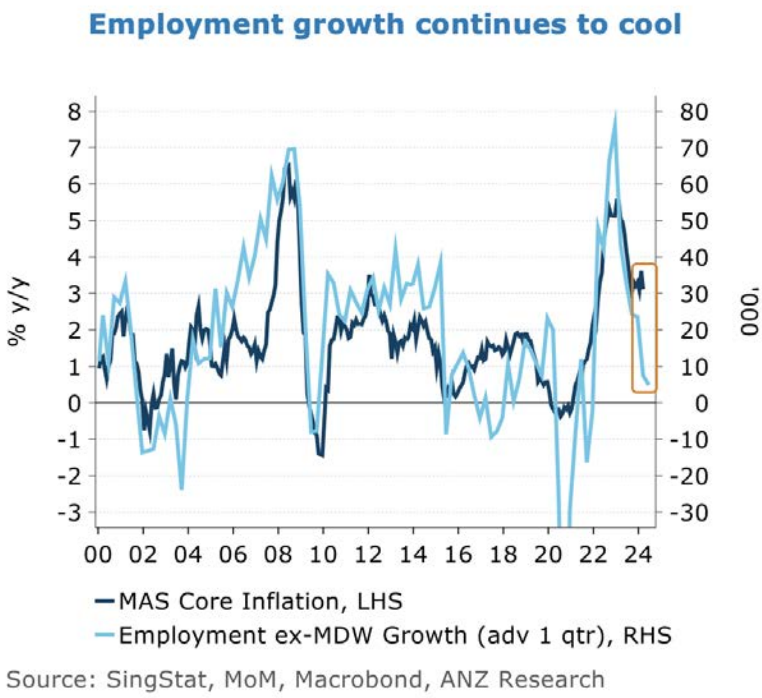


Fig. 2.16

Moreover, employment growth has also slowed distinctly in Q1. It was highlighted that some of the weakness in the data is an anomaly and that part of these weaknesses could be due to potentially timing issues and also reduced working days in a month or March 2024 compared to 2023.

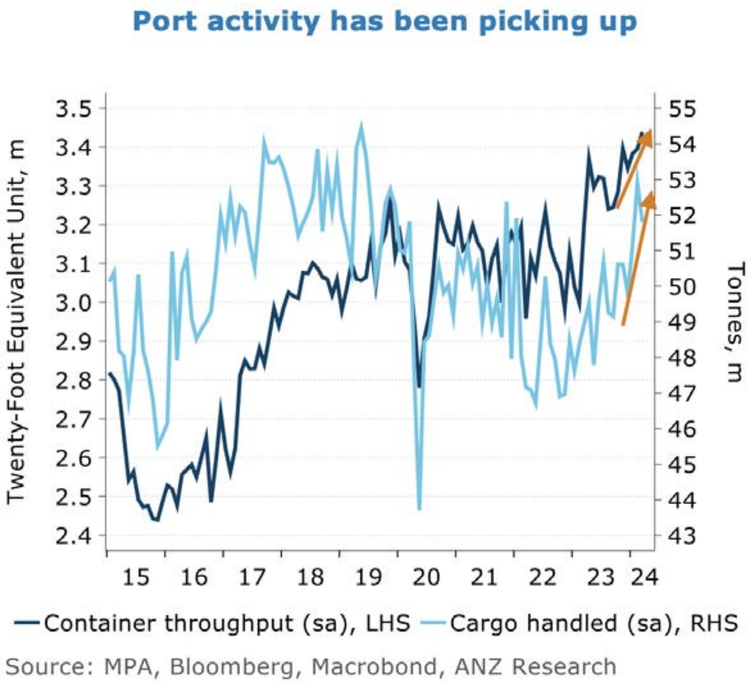

Port activity has been picking up
Twenty-Foot Equivalent Unit, m
3.5
3.4
3.3
3.2
3.1
3.0
2.9
2.8
2.7
2.6
2.5
2.4
55
54
53
52
51
50
49
48
47
46
45
44
43
Tonnes, m
15 16 17 18 19 20 21 22 23 24
Container throughput (sa), LHS
Cargo handled (sa), RHS
Source: MPA, Bloomberg, Macrobond, ANZ Research

Fig. 2.17

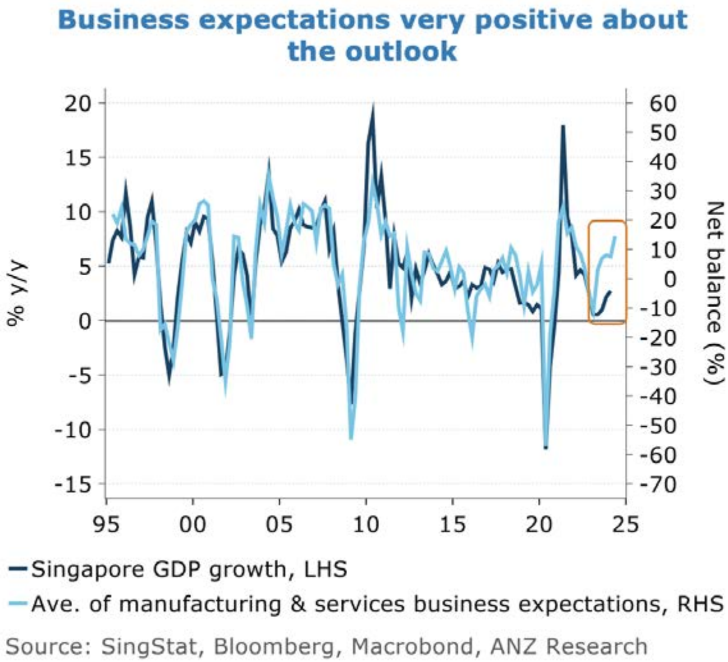


Fig. 2.18

Other indicators, such as port activity (shown in Fig. 2.17), electricity demand and business expectations (shown in Fig. 2.18), are positive and are all pointing towards a strong pickup in growth for 2024. Hence, the weakness in Q1 might get revised, resulting in the outlook from Q2 onwards looking a lot stronger. The forecast for Singapore in 2024 is at the top end of the Ministry of Trade and Industry's range, around 3 per cent. It is believed that a strong upswing for the rest of 2024 is possible.

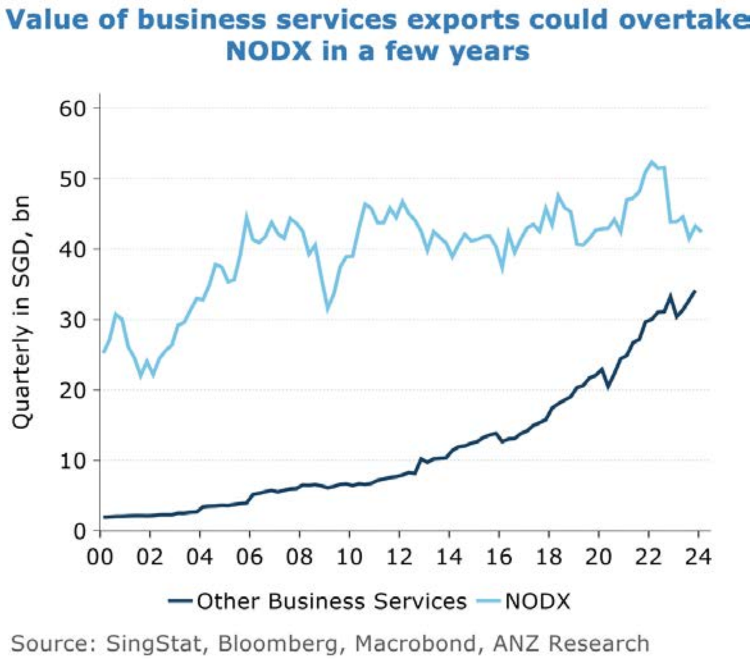


Fig. 2.19

Another significant structural change in Singapore's economy is the strong, continued growth of services exports. At the rate business services exports are growing, it would start to overtake the value of NODX in a few years' time (Fig. 2.19). It should also be noted that NODX, is becoming increasingly smaller and a less important part and driver of the Singapore economy.

Fig. 2.21

In fact, when analysing the overall structure of the Singapore economy, it is observed that the share of manufacturing in GDP has basically stagnated while that of "modern services" has continued to grow and will become an increasingly important driver of the economy. Unfortunately, this is also a sector where there is a lack of high-frequency data for keeping track of the state of the economy.

Singapore's Fiscal Policy

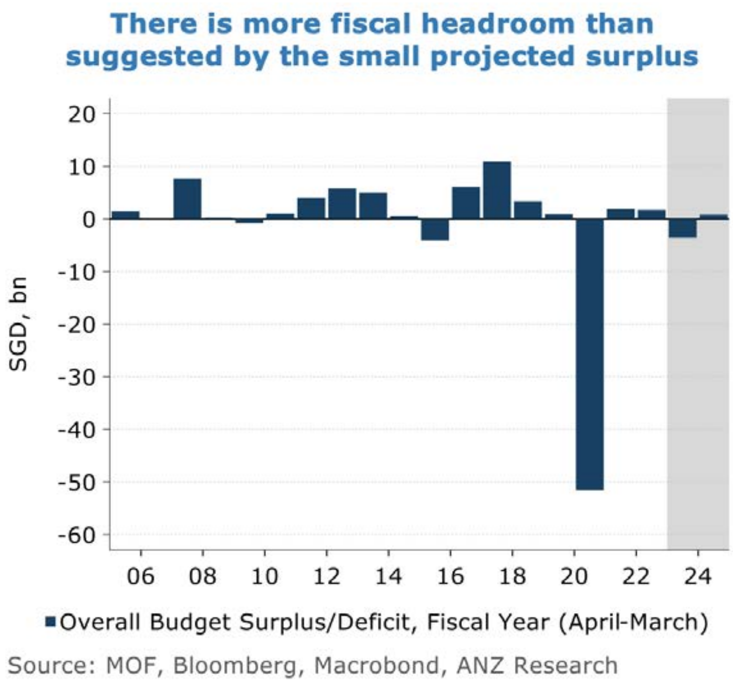


Fig. 2.22

Singapore's fiscal situation was projected to be in a very strong position. In spite of the very small surplus that was shown in the latest budget, there has been an increase of special transfers in recent budgets. These special transfers can be considered to be discretionary.

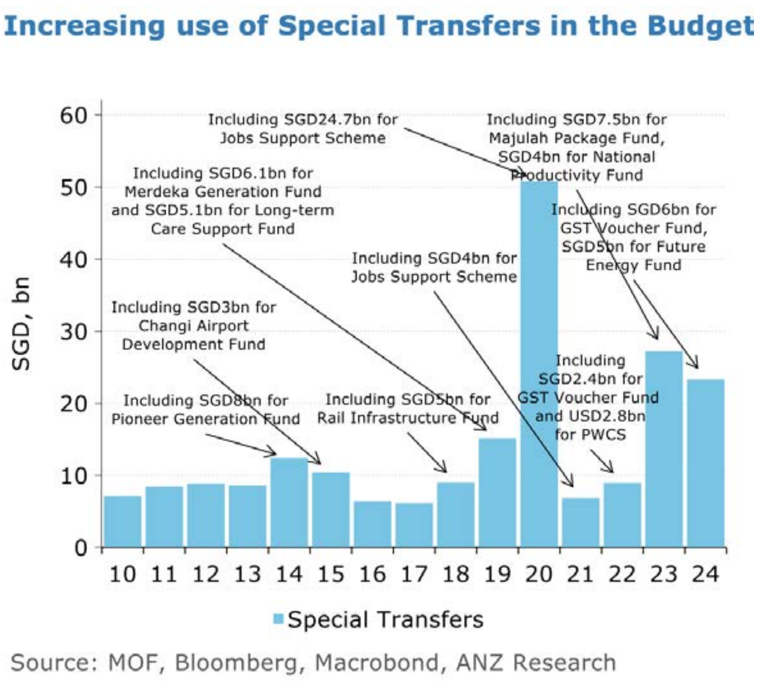


Fig. 2.23

For example, in financial year 2023 (FY2023), the reason for the overall deficit forecast was the Majulah package fund of \$7.5 billion, which was charged to that year. Without it, there would have been a fairly strong surplus reported that year. Hence, there is ample fiscal space for the government, should there be any unexpected decline in economic activity or volatility in the future which would require fiscal support.

Singapore's Monetary Policy

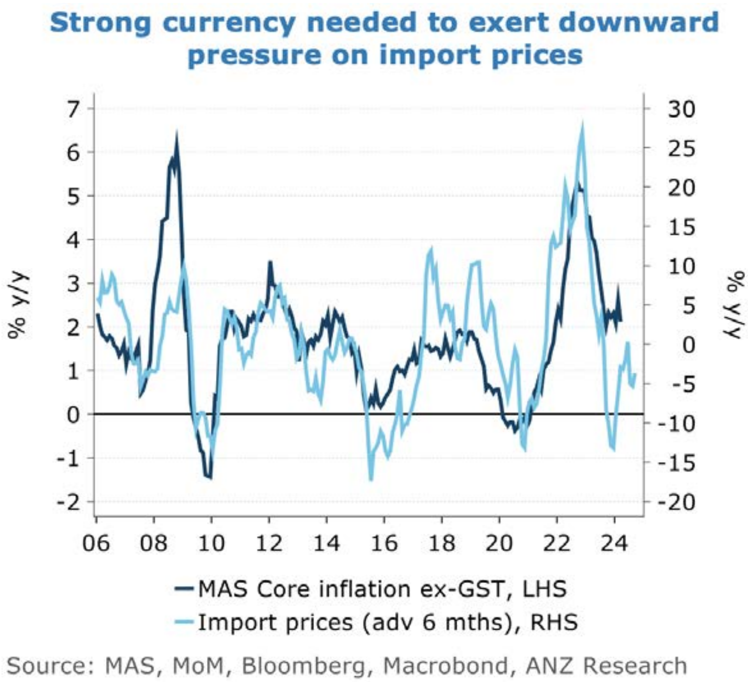


Fig. 2.24

Inflation has been comparatively stubborn with the MAS core inflation holding above 3 per cent. However, if the impact of GST is removed, inflation would be lower than what it is at the current stage, and it is hoped that there would be a step change lower in the core inflation towards the end of 2024.

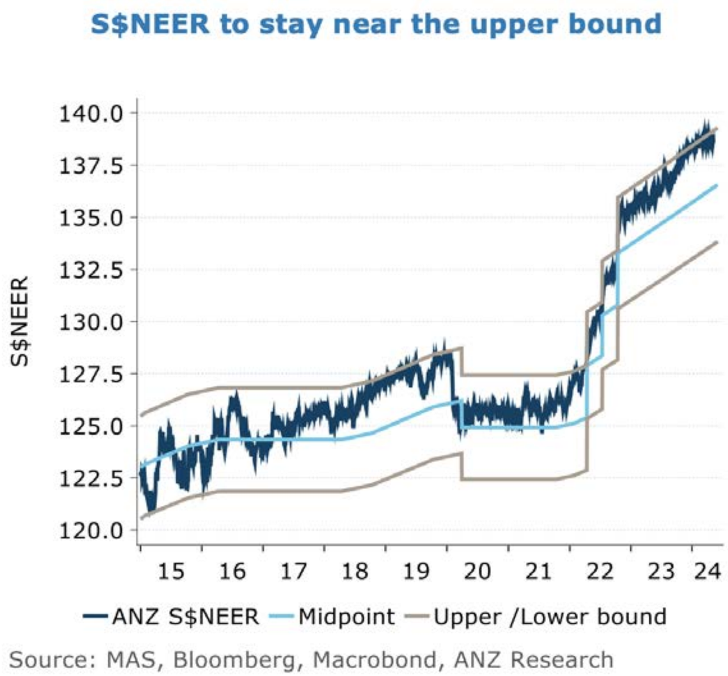


Fig. 2.25

Once 2025 arrives and the 1 per cent GST impact is no longer factored into calculations, core inflation should move closer to the long-term average. However, the MAS needs to maintain its current policy to ensure that imported inflation continues to help dampen price pressures simultaneously. Therefore, little to no change in monetary policy is expected in 2024, with the possibility of policy easing in 2025.

Presentation by Ms Grace Lim[1]

Senior ASEAN Economist

UBS

Regional Growth Expectations

A mild growth recovery is expected for Singapore in 2024, with a cautiously optimistic outlook. The ASEAN-6 are also experiencing growth in aggregate accelerates to 4.6 per cent on a purchasing power parity (PPP)-weighted basis compared to 4.3 per cent in 2023. This growth rate is the fourth lowest growth rate since 2010.

[1] The editors agree to display the following: Source: APAC Economic Perspectives "Presentation: ASEAN Economic Outlook 2024-25" Lim © UBS. All rights reserved. Reproduced with permission. May not be forwarded or otherwise distributed.

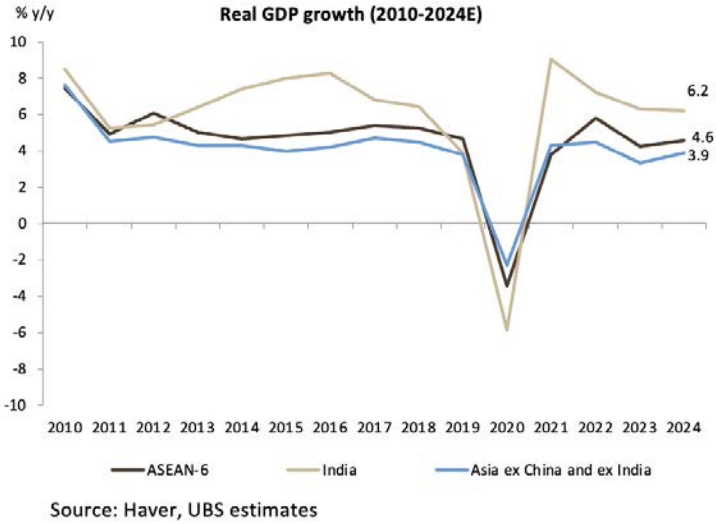
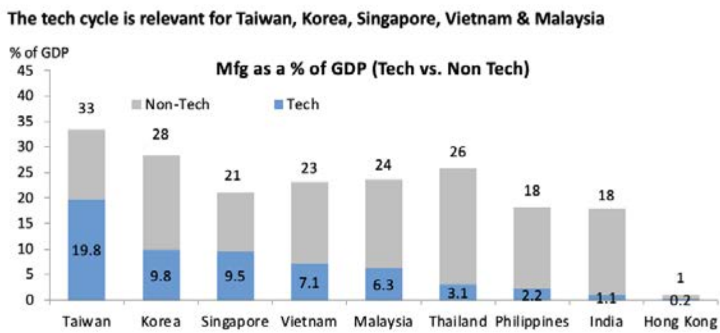


Fig. 3.1

UBS expects growth accelerations to be most prominent in for economies that are more plugged into the tech cycle.

Tech Cycle Recovery



Source: Haver, UBS estimates. "Tech" refers to electronic components, computers, and electrical equipment. We base our estimates using the industrial production weights of the "tech" basket, multiplied by the share of manufacturing in overall value added.

Fig. 3.2

The tech cycle recovery, shown in Fig. 3.2, exhibits the share of manufacturing in GDP across economies in Asia, ranked from the largest share to the smallest share. The blue bars show the share of “tech goods”, which are defined to include computer and electronic goods. It can be observed in Fig. 3.3 that the tech cycle appears to be relevant for Taiwan, South Korea, Singapore and Vietnam economies.

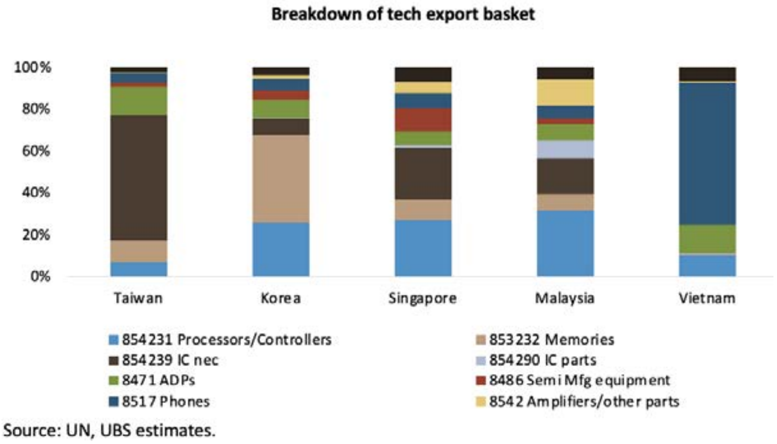


Fig. 3.3

The bifurcation of recovery in the tech sector across product verticals has been observed in the tech sector. From Fig. 3.3, it can be discerned that tech is a very big and broad basket that comprises many things. For example, in Vietnam, represented by the blue bar on the right, mobile phones are a major export, making the country the second-largest exporter of mobile phones globally after China. Therefore, when discussing the impact of the tech cycle on Vietnam's exports, the focus is primarily on whether demand for mobile phones is increasing.

In South Korea, the brown bar represents integrated circuit memories, highlighting their significance in the country's export profile. Being the largest memory chip exporter in the world, memory chip exports matter heavily to the tech cycle for the country.

South Korea’s exports of semiconductors have increased rapidly over the past few years. Moreover, the past few months have reflected how it is the main exporter of high bandwidth memory, which a requirement for AI chips. This underlines how AI-generated demand is the major driver of this tech cycle recovery so far, and analysis surrounding the big tech companies noted that recovery has been uneven so far.

For Taiwan, rather than semiconductors, it is instead the export of automatic data processors, that has been performing well.

In conclusion, the tech cycle recovery in 2024 so far has been pretty uneven in terms of product verticals and depending on each economy's exposure to these elements, the impact on their GDP growth would be slightly different.

Singapore’s Inventories

Given Singapore's comparative advantages and export profile, a recovery could align with the uptick in memory chip exports from some of Singapore’s foundry manufacturers, particularly as the inventory drags begin to ease.

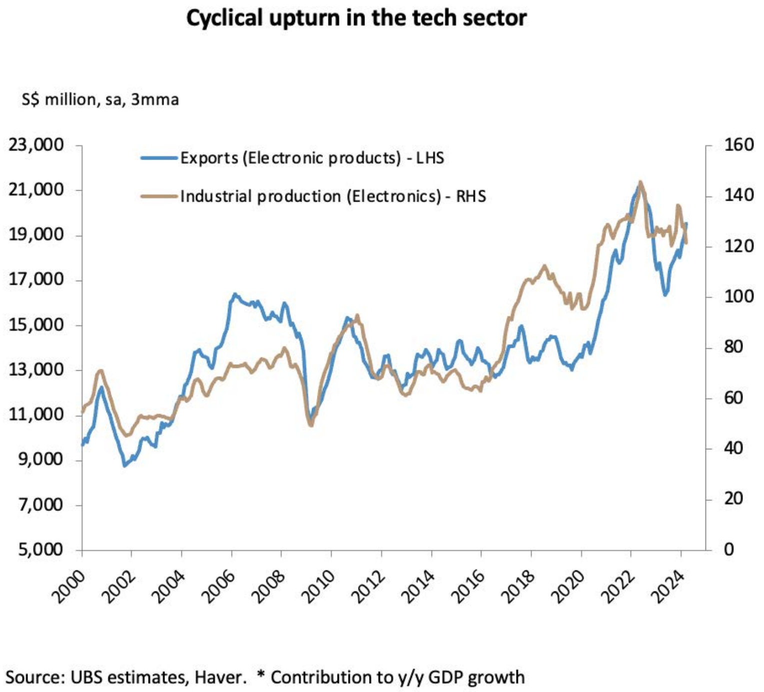


Fig. 3.4

Fig. 3.4 exhibits Singapore's inventories and net exports. Inventories were a large drag on Singapore's growth in 2023 relative to the rest of the region. A slight easing of that destocking pressure would lead to stronger growth. Singapore also faced a triple whammy of higher interest rates, weaker global trade, and significant de-stocking in 2023. These factors have contributed to one of the slowest growth rates Singapore has experienced outside of a recession.

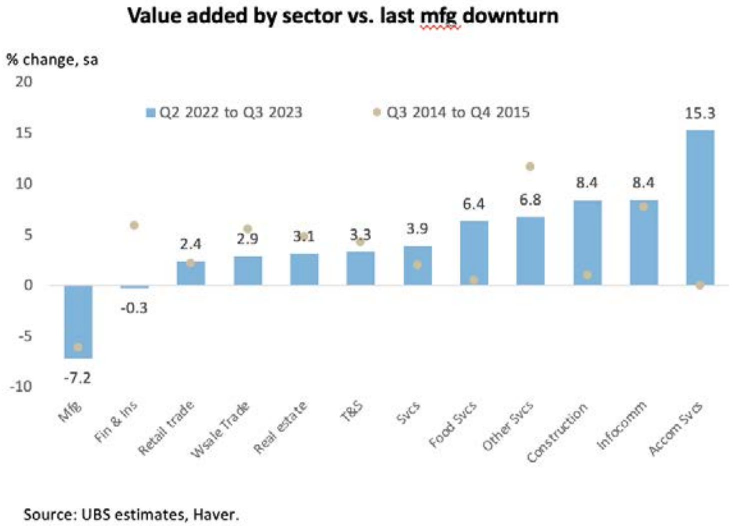


Fig. 3.5

In comparison to the last manufacturing downturn in 2014–15, it is noted that Singapore's value-added by sector from peak to trough over the last six quarters (Fig. 3.5), there were other sectors that did not fare well. They were the finance and the insurance sectors. While both sectors led to a positive offset to growth between 2014 and 2015, they experienced a double whammy on growth in 2023.

The global rate cycle in the US has been reflected as another drag on the economy. This is illustrated by Fig. 3.5, which shows how investment as a share of GDP is lower than usual across the ASEAN-6 countries. Typically, this investment share contracts sharply during recessions before rebounding rapidly after the business cycle trough. However, following COVID-19, this rebound in investment did not occur to its fullest extent across the region. As a result, investment's contribution to annual GDP remains lower.

In general, there exists a broadly negative correlation between investment from a national accounts perspective and higher rates, hence there is an impact of overall tight, higher elevated interest rates on parts of the economy that are more interest rate sensitive.

With regard to the implications of tighter for longer in Singapore. First, loan growth has been weak, and this is known from how the Singapore Overnight Rate Average (SORA) has gone up to its highest in many years. However, in terms of asset quality, non-performing loan ratios remain very much contained. One explanation for this is that the period of very low interest rates did not result in significant re-leveraging, with Singapore's overall debt-to-GDP ratio remaining contained, rather than increasing as it did in other regions.

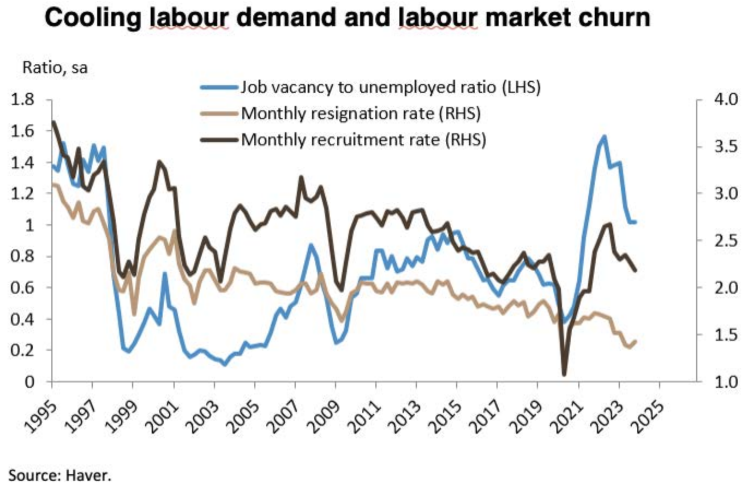

Cooling labour demand and labour market churn
Ratio, sa
Job vacancy to unemployed ratio (LHS)
Monthly resignation rate (RHS)
Monthly recruitment rate (RHS)
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
4.0
3.5
3.0
2.5
2.0
1.5
1.0
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021
2023
2025
Source: Haver.

Fig. 3.6

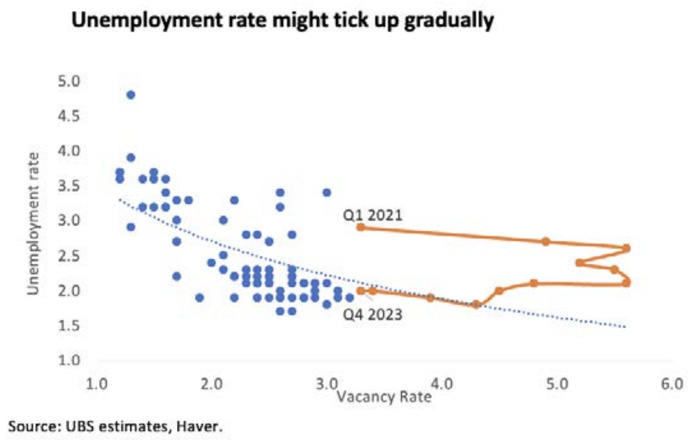


Fig. 3.7

Fig. 3.6 and Fig. 3.7 both show credit to non-financial corporates ratio of GDP and household credit to GDP ratio. In these charts, Singapore stands out as one of the rare cases in which total credit, especially in the household side, has decreased relative to 2019. Therefore, the credit cycle in Singapore was not overextended. This means that as rates went up, it did not lead to significant asset quality issues.

Singapore's Labour Market

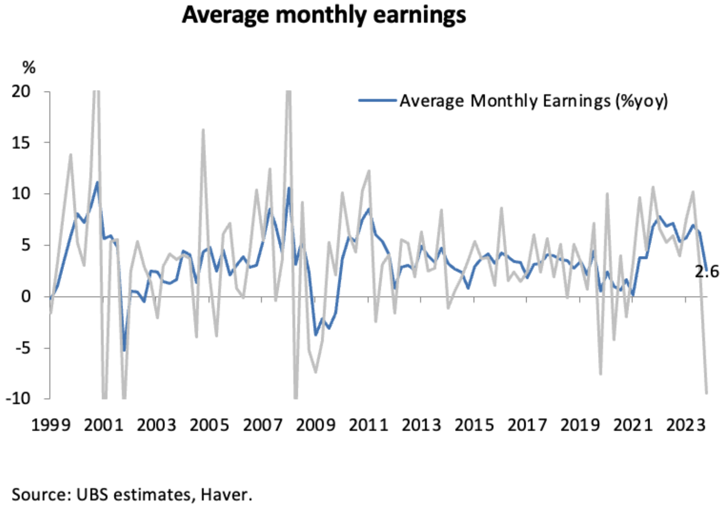


Fig. 3.8

After a strong wage growth for most of 2023, it has been noticed that the average monthly earnings in Q4 cooled in the latest data in Q4.

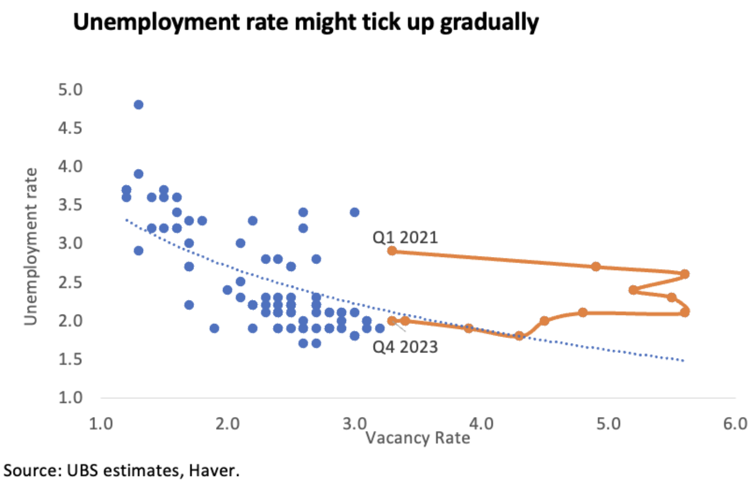


Fig. 3.9

A cooling labour market has been observed in Singapore; for example, in job vacancy-to-unemployment ratios. Fig. 3.9 above plots vacancy rates to unemployment rates, which is reflected by the Beveridge curve. The results of Fig. 3.9 show how Singapore is more in line with historical patterns and no longer in a situation where vacancy rates are really high. This generally suggests that the labour market will cool.

The foreign labour force has also increased sharply over the past year. This increase probably helped to alleviate some of the supply constraints associated with the labour market.

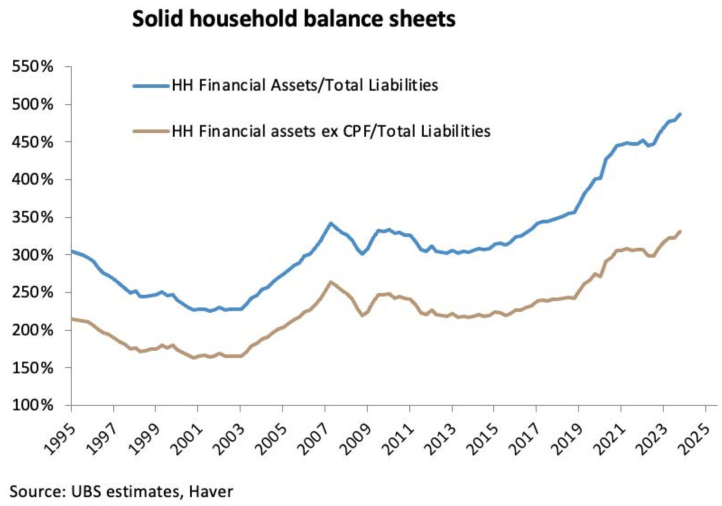


Fig. 3.10

Household balance sheets in Singapore have been very strong, implying that there is little concern about households feeling the heat from higher interest rates. It is also notable that consumption as a percentage of personal disposable income has not recovered to pre-COVID averages.

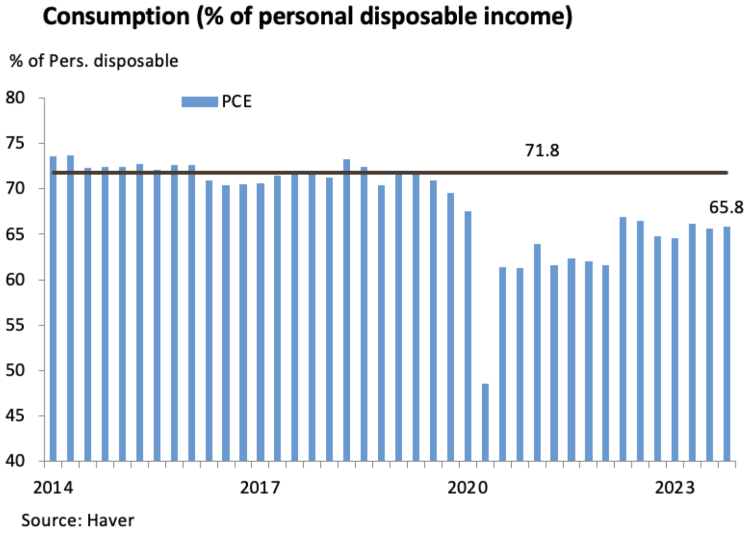


Fig. 3.11

Consumption in Singapore has not been particularly strong, as people have been relatively reluctant and cautious with their spending. This is also why inflation is unlikely to become a problem.

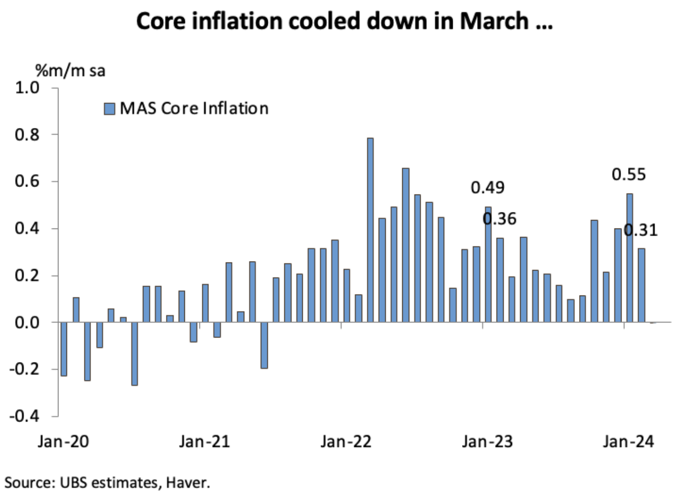

Core inflation cooled down in March ...
%m/m sa
MAS Core Inflation
1.0
0.8
0.6
0.4
0.2
0.0
-0.2
-0.4
0.49
0.36
0.55
0.31
Jan-20
Jan-21
Jan-22
Jan-23
Jan-24
Source: UBS estimates, Haver.

Fig. 3.12

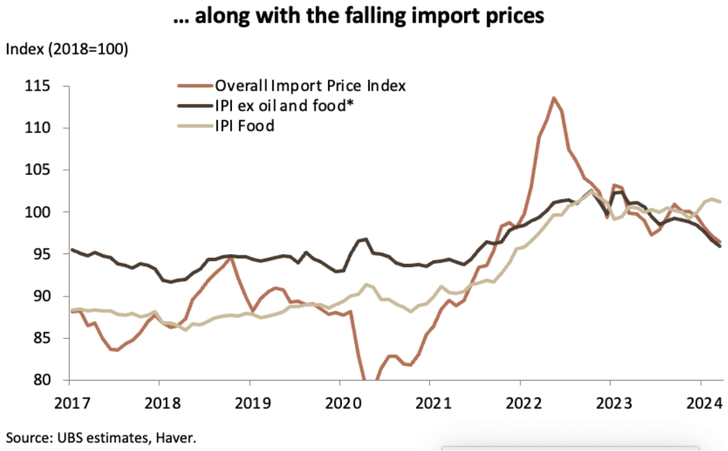


Fig. 3.13

Observing the data in Fig. 3.12 and Fig. 3.13, the core CPI month-on-month increases in January and February were quite similar to 2023. However, if this were to be broken down to the bottom right charts to where are the stronger increases in price pressures, it would be evident that the so-called sticky prices like healthcare and food services did not increase that much in January. Hence, the so-called pass-through of GST increases, is not as strong as in 2023, and less persistent in other words. Thus, it is believed that inflation would cool down and volatile travel-related costs would also even out through the rest of the year.

In conclusion, the bottoming out of the tech cycle will support a modest growth recovery in 2024, but with some caveats, such as the unevenness in the tech cycle rebound. Credit growth and financial sector activity would improve after the Fed leads interest rate cuts. However, if the Fed delays interest rate cuts, the potential boost to Singapore's growth would also be moderated. Monetary policy in Singapore is not expected to ease in 2024 unless there is a significant deterioration in growth.

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2.

Discussion Session 1

There were three main questions that surfaced during the first discussion session of SER: the first being the effects of vulnerabilities in a turbulent world; the second being the potential consequences of straining US-China relations on Singapore and ASEAN; and lastly, how Singapore and ASEAN would fare amidst global changes.

Vulnerabilities in a Turbulent World

Questions posed during the discussion revolved around the vulnerabilities that exist in ASEAN and Singapore against what is likely going to be a very turbulent world.

The key point in the response was that there were countervailing forces that would lend a degree of resilience — economic agents had adjusted their behaviour to reduce vulnerabilities such as excessive leverage, such that there were few excesses or imbalances in the region that could be crystallised. Moreover, the tech cycle was likely to continue recovering lending resilience to economic growth. The credit cycle in the region could also revive with the Federal Reserve (Fed) and other major central banks being likely to cut rates.

Singapore and ASEAN Amidst Straining US-China Relations

Many participants were curious about the strength of the US dollar, the potential spillover effects of deteriorating US-China relations and tariff wars. Questions regarding the net impact of strained US-China relations on trade effects and how to deal with risks in investor positions were presented to the panellists.

Some responses highlighted possible longer-term inflationary effects on the region due to changes and disruptions in the chain of production, which would likely incur additional frictions. However, other responses discussed how China has become increasingly involved in seeking and investing in new export markets in the ASEAN region to export to the US, which could lead to potential disinflationary effects from expansion of capacity into this region.

Singapore and ASEAN Amidst Global Changes

The panellists addressed questions regarding potential global changes and how it will affect Singapore and the region. What does the impending US presidential election mean for a small, highly open economy dependent on globalisation like Singapore's?

The response was that with Singapore's dependence on imports, the city-state has no choice but to ensure that the Singapore dollar remains strong. One of the things Singapore would have to do to remain competitive would be to start prioritising the industries that will help the country be ahead of others. It is also imperative that Singapore remains plugged into the region and maintain strong connectivity.

Another question was whether the current resilience of the ASEAN region could be sustained.

The response was that there exists an interesting absence of vulnerabilities or excesses in this part of the region. Due to lack of excessive leveraging or imbalances, the corporate sector in this region has managed to withstand aggressive tightening well. This is also partly related how the region has learnt from previous experiences not to leverage up too much particularly in dollar denominated debt. The matter of interest rate differential and carry trade was also brought up in response to this question.

3.

Supply Chain Reconfiguration in Asia and Its Implications for Singapore

Presentation by Mr Carl Rajoo

Director

Macro Strategy

Temasek International Pte Ltd

China's Role in Global Supply Chains

Despite the sharp rise in geopolitical tensions between the US and China, which began in 2018, China has remained a very dominant force in global supply chains. China commands the largest share of global manufacturing exports by far, larger than the next three largest manufacturers (US, Germany and Japan) combined, and maintained its dominance throughout the US-China trade war that began in 2018, and through the Covid-19 pandemic. However, since the Russia-Ukraine invasion in 2022, the nature of risks associated with this deep dependence on Chinese manufacturing began to shift, moving from purely economic considerations, to concerns around national security.

This hints at a shifting away in reliance on China, allowing for a more fundamental degree of economic de-risking than we have seen over the last half decade. When this happens, the risks and potential opportunities associated would need to be understood and considered.

Now, some might be wondering, has not a shifting away from China already happened? After all, as highlighted in Fig. 4.1, since the start of the 2018 trade war, the share of US imports from China has declined significantly, across a variety of products, such as, furniture, electronics and apparel. This decline in import share was then picked up by an increase in share of a variety of other emerging markets, especially Vietnam, Mexico and India. For instance, the 25 percentage point drop in US furniture imports from China, was offset by an increase in US furniture imports from Vietnam (+11.5 per cent), Mexico (+4.4 per cent) and India (+0.7 per cent) instead.

Asia and Mexico benefitting from US' trade diversion away from China

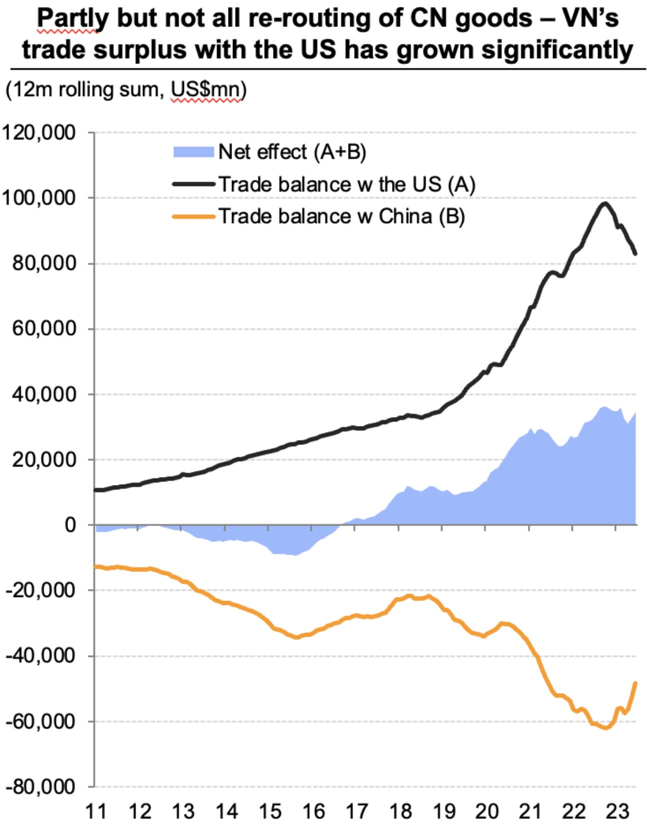
%-pt chg in US' import share, 12m rolling basis, Mar-2023 vs. Mar-2018

	CN	VN	MX	IN	TH	KR	TW	ID	MY
Furniture	-25.6	11.5	4.4	0.7	1.2	0.1	0.3	1.9	1.3
PC/electronics	-16.0	6.2	1.8	0.9	1.3	0.1	5.1	0.2	-0.5
Apparel	-13.0	3.5	-0.8	1.2	0.0	0.0	0.0	0.1	-0.2
Textiles	-12.2	1.8	1.2	4.9	0.1	0.3	0.0	-0.2	0.3
Electrical equipment	-11.1	3.6	-1.5	0.7	1.8	2.5	0.7	1.3	1.8
Textile mill products	-6.6	2.4	1.0	1.2	0.5	0.3	-0.1	0.2	0.0
Plastics & rubber	-6.3	3.0	1.9	1.1	1.2	-0.2	-0.6	0.1	0.2
Machinery	-5.8	1.3	1.4	1.1	0.9	0.5	0.8	0.1	0.4
Transport equipment	-0.4	0.2	5.8	0.2	0.3	2.4	0.4	0.0	0.1
Chemical	0.1	0.1	-0.1	0.4	0.1	0.6	0.2	0.2	-0.2

Source: CEIC, IMF, Haver Analytics, Temasek Macro Strategy estimates

Fig. 4.1

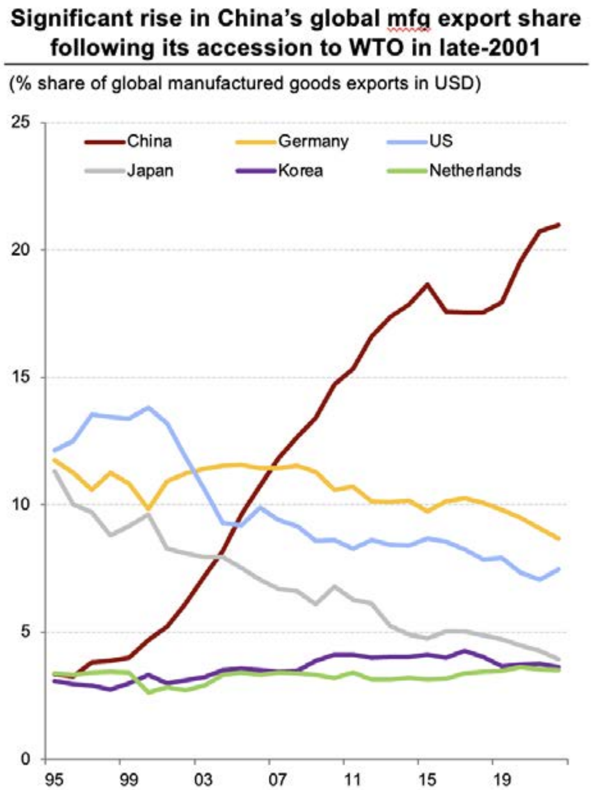
However, this does not necessarily mean China's dominance as a global manufacturing hub has diminished. This is because this type of direct supply chain reorientation masks the important role that China still plays in driving the exports of these alternative markets to the US. This can be seen in Fig. 4.2, where close to 60 per cent (USD30 billion) of the nearly USD50 billion increase in Vietnamese exports to the US between 2018 and 2023 was driven by an increase of Vietnam imports from China. This implies that while China's direct exports to the US has declined, its indirect exports through third markets like Vietnam have risen, resulting in little change to China's dominance as a global exporter.



Source: CEIC, IMF, Haver Analytics, Temasek Macro Strategy estimates

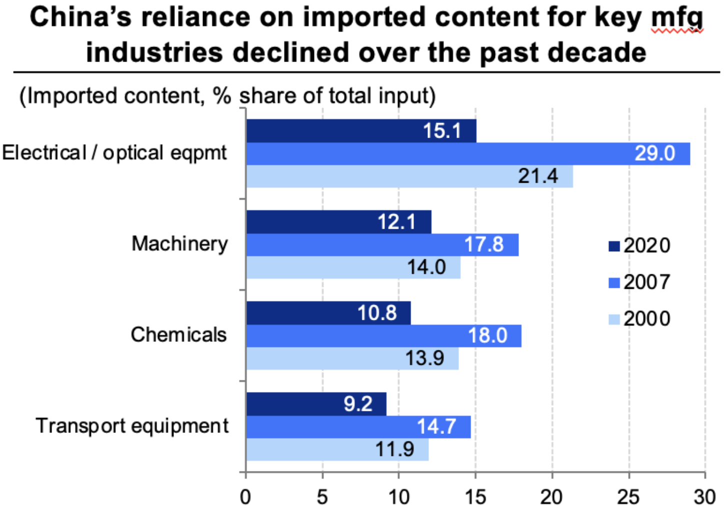
Fig. 4.2

Indeed, as highlighted in Fig. 4.3, China's global share of manufacturing exports has not only held firm since the start of the trade war with the US in 2018 but has increased to record highs, at 21 per cent at the end of 2022.



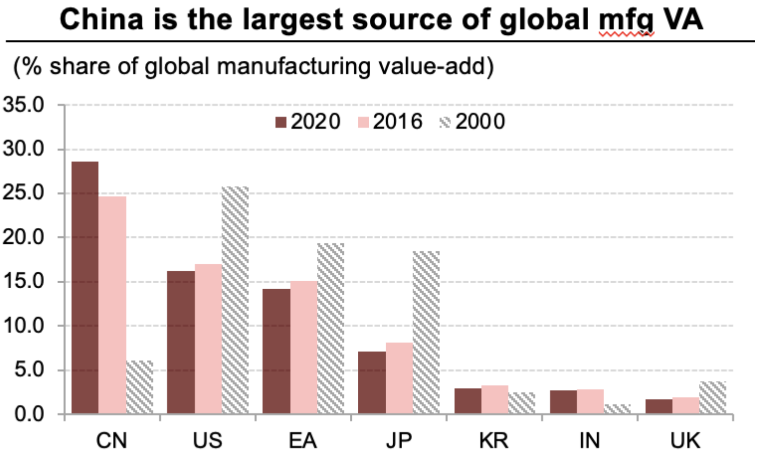
Source: CEIC, IMF, Haver Analytics, Temasek Macro Strategy estimates
Fig. 4.3

Together with a lower degree of reliance on imported content for key manufacturing segments (Fig 4.4) over the years, China stands apart as the largest source of global manufacturing value-added in the world (Fig 4.5).



Source: CEIC, IMF, Haver Analytics, Temasek Macro Strategy estimates

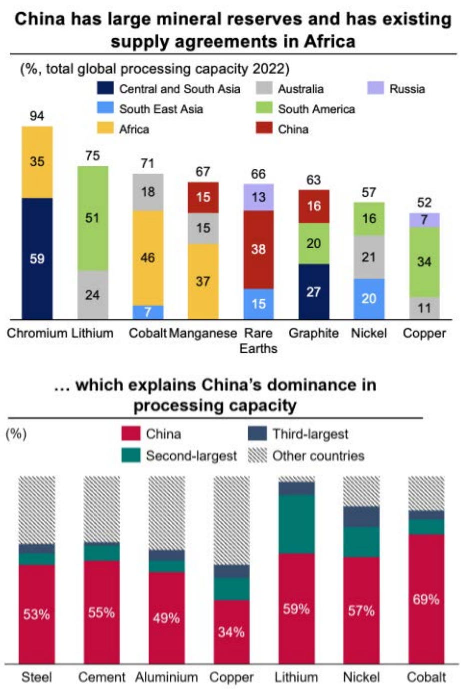
Fig. 4.4



Source: CEIC, IMF, Haver Analytics, Temasek Macro Strategy estimates

Fig. 4.5

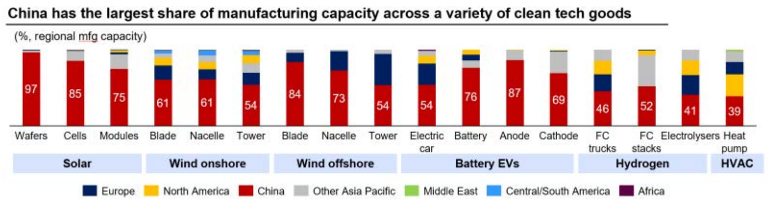
China's dominance in global supply chains is even more visible when we move from aggregate shares to sector specific shares. In Fig. 4.6, China has large mineral reserves, as well as existing supply agreements in Africa, which helps to explain its dominance in processing capacity, ranging anywhere from 30 to 70 per cent across several key commodities.



Source: IEA World Energy Investment Report 2022 and S&P Global Platts, Absolute Strategy

Fig. 4.6

As highlighted in Fig 4.7, China's dominance in regional clean tech supply chains quite remarkable, ranging from 40 to 90 per cent across certain segments.



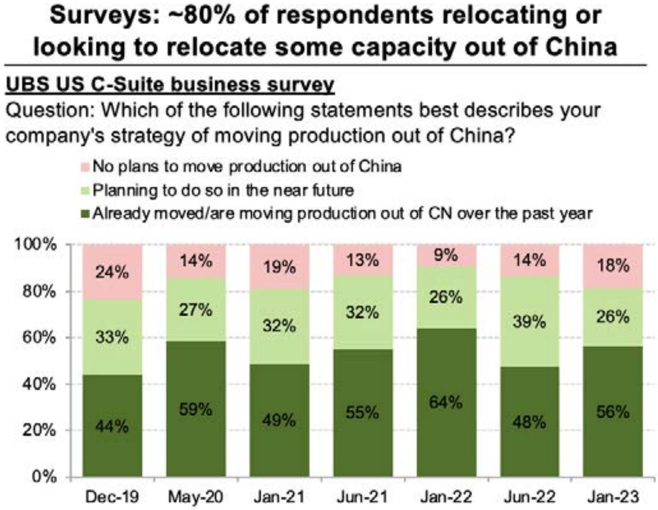
Source: IEA World Energy Investment Report 2022 and S&P Global Platts, Absolute Strategy Research, Macro Strategy team estimates

Fig. 4.7

Estimating the Impact of Economic De-risking from China

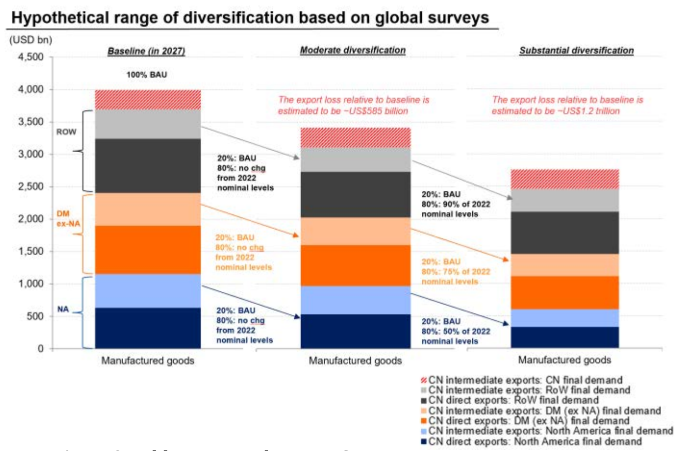
Estimating the most likely path of economic de-risking from China is not straightforward. Unlike extreme scenarios, specification of a shock under "normal conditions" is quite difficult, as there is very little in the way of history to guide the most likely magnitude of the shock. This has generally made it difficult to rely on existing academic literature on this topic, given the lack of intuition behind some of the shocks specified to derive an outcome. For example, in a recent IMF paper, a 3 percentage point reduction in OECD nations foreign share of investment goods (from current levels of approximately 3 per cent, to levels last seen two decades ago, of approximately 10 per cent) was used to estimate the impact of re-shoring. While such a move is plausible, it might be difficult to justify exactly why a 3 percentage decline is the number to go with. Furthermore, most academic models use a pricing mechanism (for example, non-tariff barriers) to engineer the shock. This has the effect of saying that there are no winners, as price effects depress demand across the board. Given that the underlying driver of the current shift away from China is more strategic in nature than economic, using a price mechanism might overstate the overall impact of the shock.

To get around this, we opted for a more straightforward demand shock, one based on real-world survey data. First, we estimated the potential range of manufacturing export demand loss from China as a result of economic de-risking, using survey data from businesses operating in China, as highlighted in Fig 4.8 for example. From such surveys, we estimate 20 per cent of respondents would stick to "business as usual" (BAU), while another 80 per cent would aim to move *some* production out of China. To estimate the range of how much production could realistically leave, we rely on global input-output tables to estimate both China's direct and indirect final demand from North America (NA), developed markets excluding NA (DM ex-NA) and the rest of the world (ROW), and apply a range of plausible shocks to these regions, with NA experiencing a larger impact vs. DM ex-NA vs. ROW. This hypothetical range can be seen in Fig 4.9, where under a so-called moderate degree of diversification, approximately 80 per cent of Chinese nominal manufacturing exports remain close to 2022 levels, even by 2027.



Source: UBS

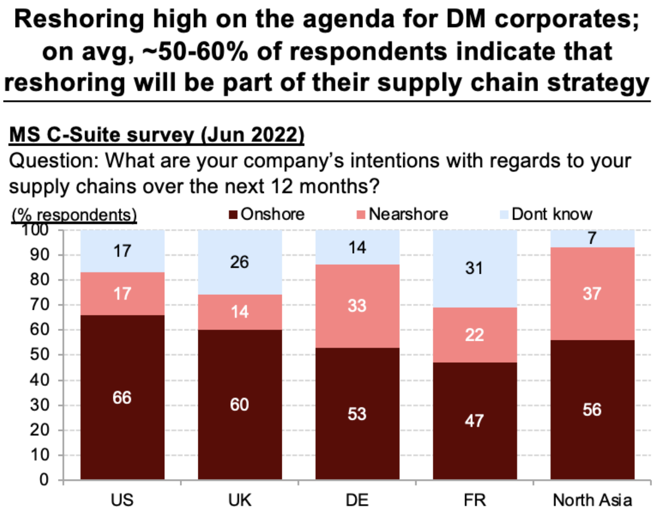
Fig. 4.8



Source: ADB IO Tables, Temasek Macro Strategy team estimates

Fig. 4.9

Second, we moved on to estimating the potential export gains for emerging markets exiting China. Based on a variety of surveys, such as the Morgan Stanley C-Suite survey highlighted in Fig. 4.10 below, we estimated approximately 50 per cent of the potential range of production leaving China, could end up in other emerging markets, while another 50 per cent goes back onshore. Of the 50 per cent going to EMs, we look at a variety of metrics, including export similarity with China, global manufacturing competitiveness and market size, among others, to determine which markets would stand to benefit the most from economic de-risking.



Source: Morgan Stanley

Fig. 4.10

Economic de-risking results in a negative demand hit to China (reduction in export demand), and a positive demand hit to EMs (assuming there is production capacity in EMs to fulfil the export demand formerly supplied by China). Putting this together, we are then able to estimate the net impact from global economic de-risking from China, under a variety of diversification scenarios, ranging from moderate, to substantial, as highlighted in Fig. 4.11, for several key economies we track.

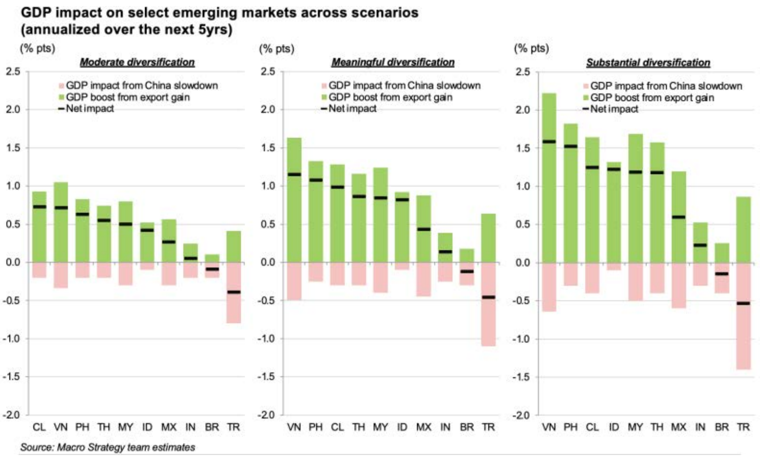


Fig. 4.11

Given the impact of economic de-risking laid out above, the key question then, is what the most likely degree of diversification one should expect? Is it moderate, meaningful or substantial? To answer this question, we need to think about the capacity of these EMs to absorb the scale of production we expect to leave China. The greater the capacity, the more likely the degree of diversification.

One way to estimate the capacity, is by looking at what a model-implied upper bound of growth could look like and compare that against the net impact that these various diversification scenarios will have on growth. If the net impact pushes some of these economies beyond our model-implied upper bound, then one would say the capacity to absorb the demand leaving China is limited. Looking at Fig. 4.12, which plots our own internal estimates of what would be a reasonable upper bound of growth for some of the markets we track closely, against the net growth rate under various diversification scenarios, we can see several EMs, in particular Vietnam, Philippines, Indonesia, Malaysia and Thailand, are all likely to be pushed beyond their capacity in the event of more substantial diversification scenarios. Furthermore, this is factoring in only a 50 per cent share of Chinese production going to emerging markets. If manufacturing is unable to move back to developed markets given the costs associated with onshoring, the demand pressure on emerging markets to pick up the slack from China could be even greater, putting even further stress on existing capacity.

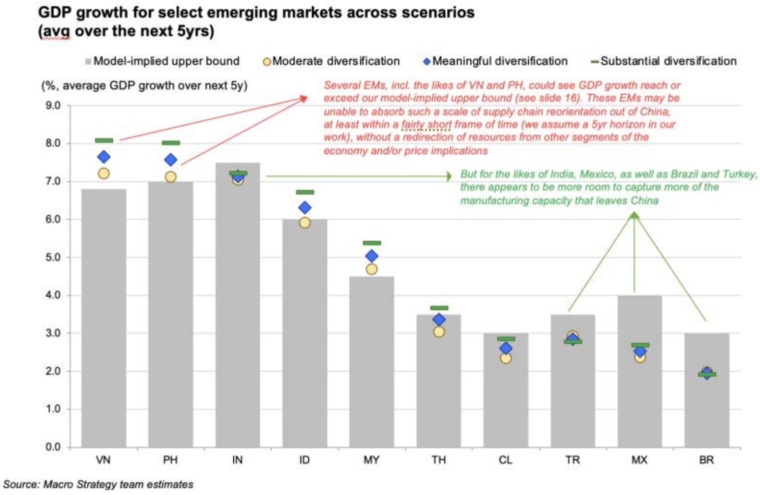


Fig. 4.12

What this tells us, is that while we believe economic de-risking is underway, and that it will be more meaningful than the more superficial supply chain reorientation that we've seen since 2018, we do not believe there is enough capacity to easily absorb the scale of production that exists in China today, which means that the scale of economic de-risking is likely to be more moderate.

In such a scenario, we see limited impact to China's GDP, and a marginal decline in China's global manufacturing export share. At the same time, we see several winners within the emerging market space, with Mexico, India, Vietnam and Indonesia among the biggest beneficiaries.

One interesting finding as part of our research, was that even under the more dire assumptions of substantial diversification, which entails relatively extreme assumptions, where exports destined for North America in 2027 are half the 2022 nominal levels, China remains quite resilient, still commanding a respectable 15 per cent global export share, and reasonable GDP hit (Fig. 4.13).

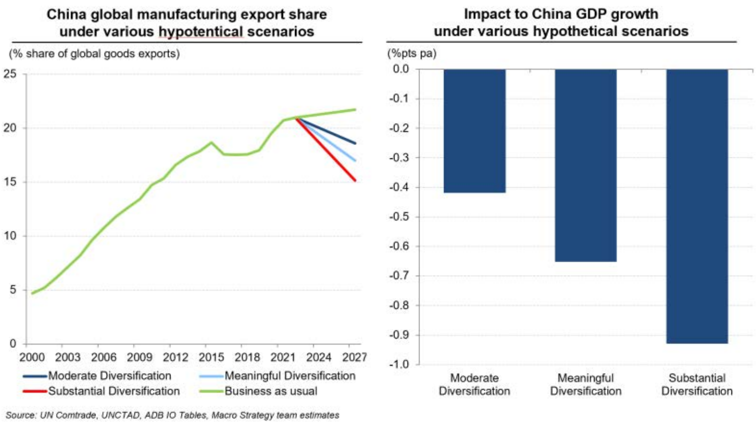
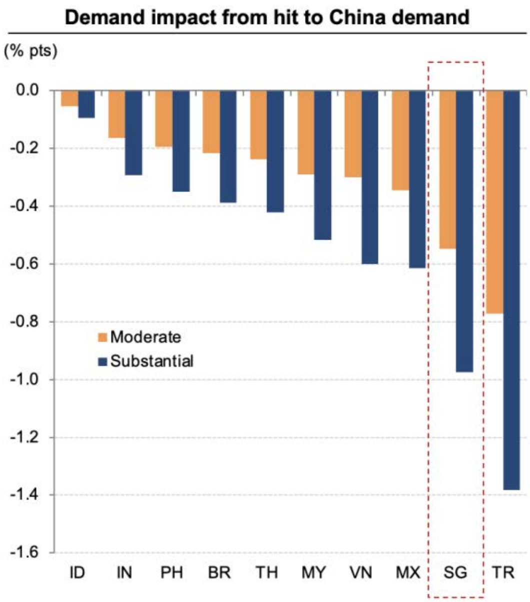


Fig. 4.13

Implications for Singapore

The immediate implications for Singapore are less positive. As summarised in Fig 4.14, using a simple vector autoregression (VAR) model we estimate approximately 50-90 basis points impact on annualised growth during this transition. In addition, in the event of a slight shift in relative importance of regions like India or Mexico, Singapore's role as a re-exports and transshipment hub might be diminished as well, which could add another 10–50 basis points of hit to growth. But while a 60–140 basis points hit to potential growth sounds substantial, there is of course a lot of uncertainty around these estimates, and given our baseline for a moderate degree of diversification, the impact is expected to be at the lower-end of this range, especially given the ability for policy makers to provide fiscal offsets.



Source: ADB, CEIC, Temasek Macro Strategy team estimates

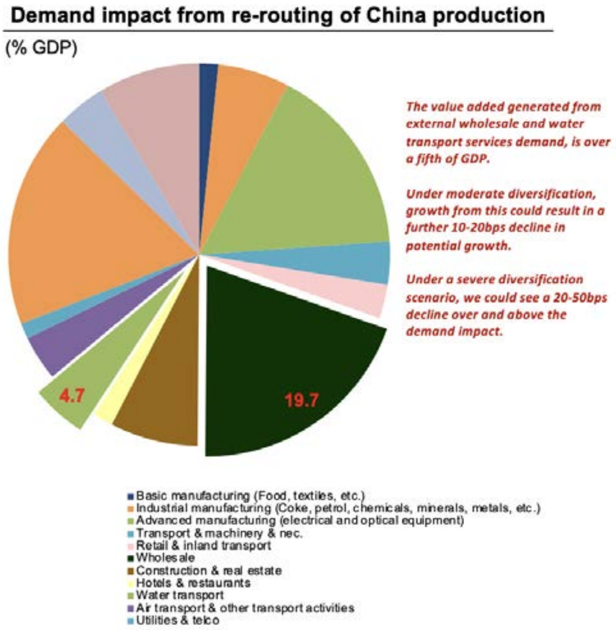


Fig. 4.14

Another important offsetting factor, that could not only dampen the impact of economic de-risking from China, but that could spark an opportunity for Singapore, is the fact that Singapore plays a significant role as a capital source for ASEAN and India, as many businesses have established themselves in Singapore to facilitate investments into these regions. If

ASEAN and India are able to not only capture some of the flow leaving China, but to spark a wave of strong investment and domestic-driven growth, the positive spillovers into Singapore could be very significant. As highlighted in Fig. 4.15, Singapore, having surpassed Mauritius as the leading source of foreign direct investment into India a few years ago, accounts for about 25 per cent of India's foreign direct investment.

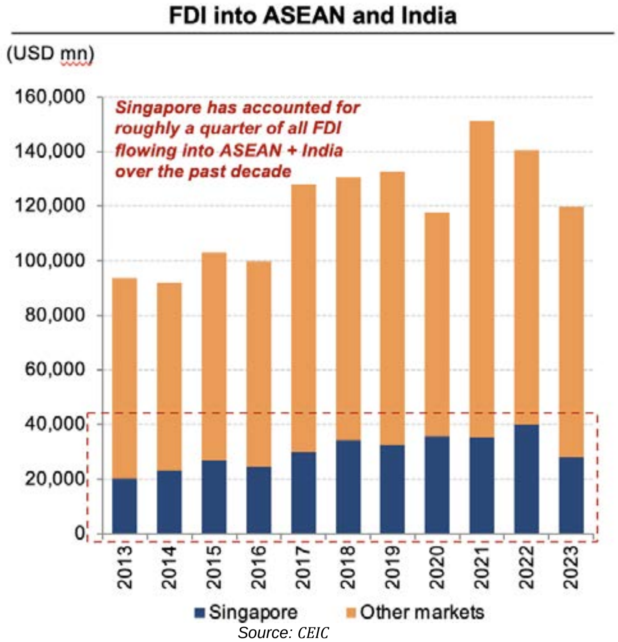
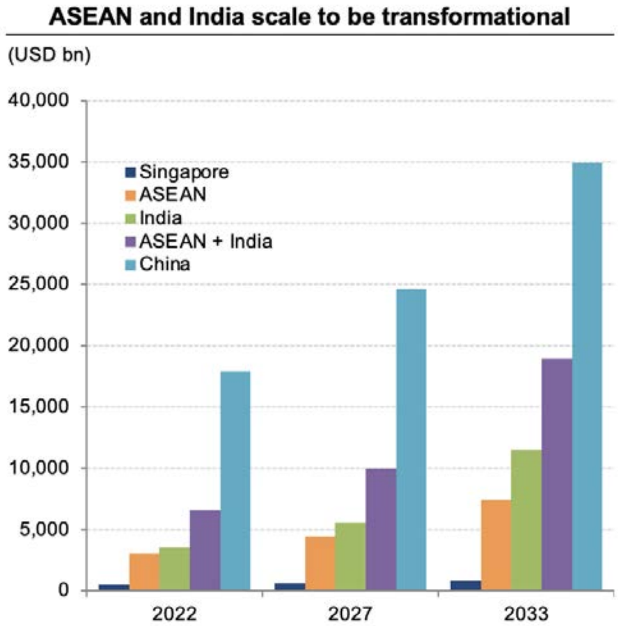


Fig. 4.15

As highlighted in Fig 4.16, the scale of transformation in ASEAN and India we expect over the next decade is likely to be immense. ASEAN and India combined, will be close to where China is today, an increase of over USD10 trillion, while Singapore will only be USD200 billion larger. Even China, with a slower nominal growth rate in the coming decade, will provide significant scope for Singapore to expand its direct (financial and business services) and indirect (healthcare and education) service exports to the region.



Source: CEIC, Temasek Macro Strategy team estimates

Fig. 4.16

Conclusion

We are entering a new phase of supply chain reorientation, one which will see a more visible degree of economic de-risking from China. However, China's dominance and scale in global manufacturing means that de-risking over the next few years is likely to be limited, given the lack of obvious global capacity to fully offset China's production. At the same time, we see several winners within the emerging market space, with Mexico, India, Vietnam and Indonesia among the biggest beneficiaries.

This combination of limited impact to China, and opportunities for the region, esp. ASEAN and India, will provide an important offset to the negative impact a slower China will have on a small, open economy like Singapore.

The framework we introduced in this presentation will help us navigate this important mega trend, allow us to track the degree of economic diversification that is underway, and what to do about it.

Presentation by Professor Mark Goh

Director (Industry Research)
The Logistics Institute–Asia Pacific

Turbulent Times, Shifting Landscapes and the New Normal

The world is currently experiencing turbulent times, making it difficult to predict what might happen in the coming year. The ongoing possibility of the Russian-Ukraine war extending further is particularly concerning, as it could significantly impact trade flows and other developments. Additionally, the outcome of the US presidential election in November 2024 poses challenges for logistics, given that trade is a key driver of the logistics sector. The shifting landscapes have further contributed to this unpredictability, as the previous norms are no longer in place. This raises the question of what the "new normal" will be and whether there are measures that can be taken to adequately prepare for the future.

Many "black swan" incidents have occurred in the last 36 to 48 months. While COVID-19 is a black swan, it also allowed for more opportunities of technological advancement and innovation. For instance, the Singapore government provided loans to smaller companies in the country to support their adoption of new technologies, such as AI and related machine learning, with the aim of enhancing their supply chains.

Today, Singapore's players are nearly on par with those in China, although Singapore continues to face challenges in keeping up. Geopolitics remains a critical factor, as no supply chain, logistics provider or transfer service prefers to operate under uncertain conditions. At the core of these developments is the motivation to secure trade advantages, protect vested interests, ensure self-preservation and maximise welfare. These factors are likely to be the driving forces both currently and in the future.

Singapore and ASEAN Amidst Changes

In the context of shifting landscapes, the dynamics of trade flows and the emergence of new supply chains are very important. Singapore has a small advantage in the context of ASEAN. However, that advantage can be easily diminished, as neighbouring countries to the north and south are eager to assert dominance in the region. Although emerging markets are likely to develop, they may differ from those currently anticipated. In fact, it is suggested that once structural relocation takes place, Singapore should reconsider its role as a transition point for hard goods.

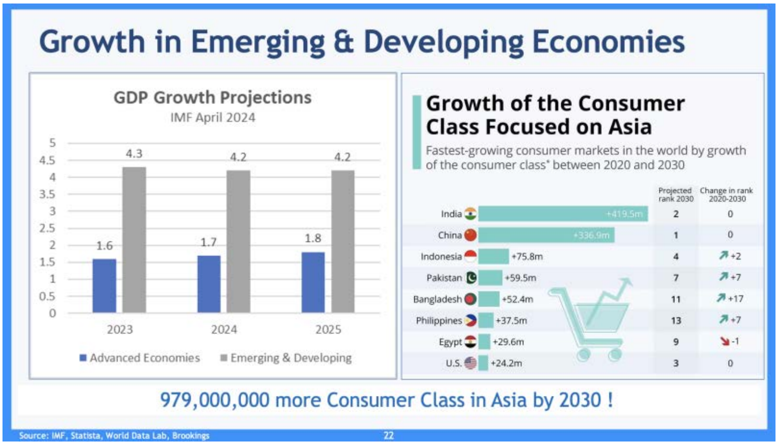


Fig. 5.1

The focus should be on ASEAN and India in the Asian region. In fact, Singapore companies have been making headway into India. For example, PSA has been building inland container depots (ICDs) in India, which is something that the PSA has never done before. This move by the PSA has led Singapore's neighbours to question if they could build ICDs in order to tackle the issue of congestion at the port.

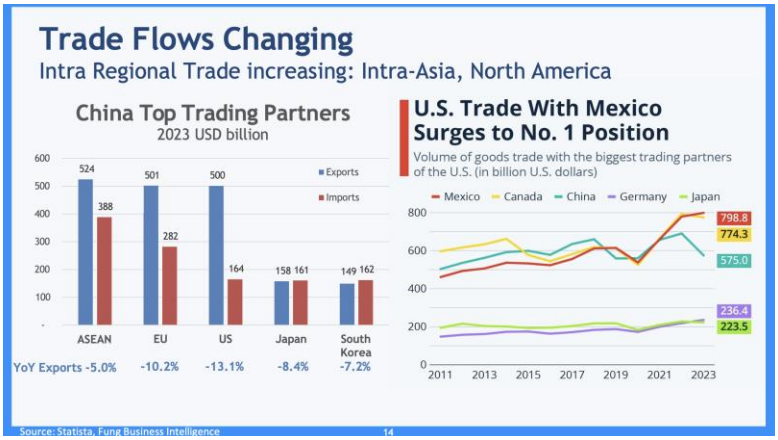


Fig. 5.2

This raises the question of who Singapore's new partners will be. Will it be the United States? Or will it be China? The data has indicated that regardless of what Singapore or the US does, China possesses enough land and a large domestic market that can enable China to survive independently. However, for Singapore, there is need to rely on neighbouring countries in ASEAN.

A more fractured trade flow between US and EU is also expected. If Singapore aims to ensure its security for the next five to 10 years, it needs to strategically leverage four key entities: Malaysia, Vietnam, Indonesia and India.

In terms of reconfiguration, a publication has surveyed all the business leaders of the Fortune 500 and reported that 58 per cent of business leaders are citing political unrest and geopolitical issues as the main causes of supply chain moves. This leads to the question of how Singapore can ensure that this region remains one of stability?

First, Singapore would need to work towards achieving and projecting the country's political stability, as this would attract investors to this region. Second, Singapore must prepare for more resilient logistical infrastructure, as disruptions in logistics are common in ASEAN because of frequent natural disasters in the region. The Philippines is a prime example of where such disruptions are prevalent. Third, Singapore must establish a robust regulatory framework that can effectively attract investors and key players in the logistics sector. Lastly, and most importantly, Singapore must leverage on its human capital and overcome the big hurdle of training people to be more versatile amidst an evolving labour market.

In conclusion, a leverage that Singapore has for the time being is in the critical successes of its business partners. These networks have been built on business, political and personal levels as well as on the reputation of Singapore's middle-level managers who are good at executing work.

Presentation by Dr Sharad Parashar

Partner
Boston Consulting Group

Singapore has been greatly impacted by the changing markets due to existing geopolitical issues and ongoing wars. This impact is evident in Singapore's energy security, fuel prices, etc. An observation that has been particularly pressing is the current political activism of protectionism, which may lead to negative repercussions on the market.

The world is transitioning from a "just in time" supply chain to a "just in case" supply chain. Previously, the world operated with complex value chains where materials were produced in emerging markets, with China being the manufacturing hub. This allowed everyone to benefit from cheaper prices, and overall satisfaction was high. However, due to recent events, a new normal has emerged.

Leaders today consider resilience to be the second most important factor for businesses, after cost. In fact, leaders are consistently concerned with maintaining business operations in the same way, highlighting resilience as a key priority. This shift is closely related to changes in the supply chain, and it has also been noted that investment funds are being allocated by chief procurement officers and chief financial officers towards developing local suppliers, even if it means higher costs. From here, it is apparent that this move is becoming a significant part of business procurement strategies.

Referencing the previous presentation's analysis and similar surveys conducted across different companies, ongoing conversations about China were discussed. The surveys investigated highlighted which companies were making significant shifts away from China; and compared these companies to those who were choosing to remain in China. The results of the surveys were mixed — not all companies were moving out. Specifically, it has been observed in industries such as aerospace and agriculture that more companies were shifting away, either in small or substantial proportions. However, many companies in the energy industry were choosing to continue to maintain their operations in China, which remains a significant part of their business.

The changes driven by global economic and geopolitical issues, as well as trade dynamics, were also emphasised. Historical contexts were highlighted, tracing back to 1995 with the formation of the World Trade Organization, and China's subsequent entry and economic boom. At that time, global trade grew at about 7.5 per cent. However, there has been a noticeable decline; and for the first time, global trade is projected to be lower than global GDP. This indicated a rise in protectionism and regionalism.

Positive outlooks for ASEAN, including Singapore were presented despite these global shifts. According to econometric models, global trade growth is expected to increase by 2.5 per cent; and within ASEAN, trade growth would be at 5 per cent. This presents opportunities for ASEAN countries in the changing global trade landscape, provided that supply chains in ASEANs are integrated.

In discussing the question of whether ASEAN companies could be replaced by Singaporean companies, four key imperatives were explored and elaborated.

The first imperative is understanding how Singapore can ensure that its supply chain remains integrated while being both cooperative and competitive. It is important to emphasise the need for competition, not only from a regulatory framework perspective but also in terms of infrastructure development.

The second imperative is in technological breakthroughs, especially with AI. How can Singapore move forward with technology and become a supplier of technologies? Can Singapore complement other countries as a co-developer of new technologies?

The third imperative pertains to the digital world, in particular the rise of digital businesses and physical business workplaces becoming increasingly digital. By going digital, flexible work arrangements such as remote working is quickly becoming the new normal. This has affected the employment market, where new hires find greater difficulty integrating into a new working environment when the rest of the team is working remotely. However, the upside in going digital is how it has allowed for business costs to become more efficient

The final imperative concerns the environmental, social and governance (ESG) aspects. Within Southeast Asia, Singapore is taking a lead in these areas. For instance, in creating carbon taxation policies, green lanes, researching in alternative fuel sources, etc. These new domains would be providing the country with many new opportunities.

Another good example of a country that is moving into ESG would be Indonesia, which is also has the ability to be a big carbon sink through reforestation. Currently, Indonesia is attempting to establish their own carbon trading systems and is finding ways to collaborate with Singapore to potentially set up a regional carbon trading system.

The above are the four imperatives that are believed to provide Singapore with an advantageous edge, especially if Singapore is able to seize good opportunities and execute them excellently.

4.

Discussion Session 2

There were two main questions that surfaced during the second discussion session. The first highlighted the issues surrounding China moving up the value. The second being whether ASEAN would be negatively impacted by China's advances.

Investment in the Strategic Sectors

Participants were curious about the views on China moving up the value chain — if this was in response to the tariffs imposed on China and what implications this would have on the world and the region. Questions about what conditions China must meet to move up the value chain more decisively were also posed to the panellists.

Their responses noted that many would agree that China is moving up the value chain and that it, like many other countries, is deliberately working towards that. However, it was also noted that it might take China one to two decades to successfully do so. Another response underlined that China has been very capable to value-add to sectors such as construction, but there exist other challenges that China needs to address. While China has been an extremely strong force the past few years, its current challenges in the property sector, external demands, geopolitics as well as its own structural issues, need to be properly addressed for further growth.

Economic Competition in ASEAN

There were questions about how China's advancement up the value chain and the Chinese competition that follows would impact ASEAN countries negatively, especially ASEAN countries whose industrial structure overlaps with China's.

The response to this question was that competition over the long run is likely to have a positive effect. If the market is truly growing as well as projected, Singapore is likely to benefit from this.

Appendix 1: List of Participants

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Mr Manu BHASKARAN

Adjunct Senior Research Fellow

Institute of Policy Studies, Singapore

Speakers

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Economic Surveillance and Forecasting Department

Economic Policy Group

Monetary Authority Singapore

Mr Khoon GOH

Head

Asia Research

ANZ

Discussant

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Mr Girija PANDE
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Ms ISHITA Dhamani
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Ms Jillian LIM
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Mr Keith KEE
Director
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Asian Resources Centre Pte Ltd

Mr LAW Tat Win
Singapore Country Chairman / General Manager
International Fuels & Lubricants, JV Assets
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Dr LEI Hsien-Hsien
Chief Executive Officer
AmCham Singapore

Mr LI Shiwen
Assistant Vice President
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Economic Development Board

Mr LIM Eng Hong
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Mr LIM Kim Cheong
Partner
Lim Kim Cheong Consultants

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Ms Penny GOH
Senior Adviser
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Mr Raymond YEE
Vice President
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Mr SAKTIANDI Bin Supaat
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Mr SALIHIN Samsudin
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Appendix 2: Curricula Vitae of Presenters, Discussants & Chairperson

Chairperson

Manu BHASKARAN is Adjunct Senior Research Fellow at the Institute of Policy Studies. He is concurrently Partner and Member of the Board, Centennial Group Inc, a policy advisory group based in Washington DC, where he heads the group's economic research practice. Mr Bhaskaran co-leads the institute's work in the area of economics. His major area of research interest is the Singapore economy, and the policy options it faces. Prior to his current positions, he worked for 13 years at the investment banking arm of Societe Generale as its Chief Economist for Asia. He began his professional career at Singapore's Ministry of Defence, focusing on regional security and strategic issues. Mr Bhaskaran graduated from the University of Cambridge with a Master of Arts and has a Masters in Public Administration from Harvard University.

Speakers

Sherilyn CHEW is a Senior Economist in the Economic Policy Group at the Monetary Authority of Singapore (MAS). She currently surveils and forecasts Eurozone economies in MAS' Economic Surveillance and Forecasting Department. Prior to this, she covered inflation and exchange rate developments in Singapore. Ms Chew holds a bachelor's degree in economics and accountancy from the National University of Singapore.

Khoon GOH is the Head of Asia Research for ANZ, based in Singapore. He oversees and coordinates the Asia economics and strategy research functions. His particular area of focus is on Asian macro and currencies. Mr Goh has over 20 years of experience working in various economic and strategy roles across both the public and private sectors. He is often quoted in the business media and makes regular appearances on radio and television. Prior to joining ANZ, he was the manager in charge of the New Zealand Treasury's Macroeconomic Forecasting Team and was responsible for producing the official government forecasts that underpin the budget and key policy decisions. He also served as Economic Adviser at the Reserve Bank of New Zealand.

Grace LIM joined UBS in November 2022 as Senior ASEAN Economist. Prior to joining UBS, she worked for South Korea's National Pension Service (Singapore Branch) in the Investment Research team (2017–22), where she was mainly involved in conducting macroeconomic analysis for investment strategy. Earlier, she began her career at the Monetary Authority of Singapore's Economic Policy Group (2010-17), where she worked on economic modelling, Singapore's monetary policy and inflation forecasting. She holds a BSc degree in Econometrics and Mathematical Economics and an MSc degree in Economics from the London School of Economics.

Carl RAJOO is a Director in Macro Strategy at Temasek International. Within Macro Strategy, he sits in the Emerging Markets excluding China (EMXC) group, providing views on economic growth, equity strategy, rates and FX. In addition, he also plays a leading role in the development of Temasek's long-term portfolio equity return projections, which are used as part of Temasek's Net Investment Returns Contribution (NIRC) every year. Prior to Temasek, he was a regional economist with FX advisory firm 4Cast, and an economist at Centennial Asia Advisors. He graduated from the National University of Singapore with Honours in Economics, and holds a Masters of Science in Statistics from The London School of Economics and Political Science.

Dr Sharad PARASHAR is a Partner with BCG Singapore with 20+ years of consulting and functional industry experience in solving the most pressing supply chain and operations challenges for fortune clients in Asia. He has worked extensively across the spectrum of supply chain topics such as integrated business planning, distribution network modelling, SC operating model design, inventory strategies and logistics optimisation with Fortune 500 clients. He has led multi-million digital supply chain and procurement transformation, supply chain resilience and sustainability agenda with multiple clients globally. He has extensive, hands-on industry experience in manufacturing shop floor, supply chain planning and distribution with leading companies like Glaxo, PPG Industries, Siemens and Nokia. He has a doctorate in supply chain and leads thought leadership and primary research in domains of digital supply chain & procurement transformation, supply chain resilience, and sustainable supply chain on global platforms like the United Nations.

Mark GOH holds the appointments of Director (Industry Research) at the Logistics Institute-Asia Pacific, at the National University of Singapore (NUS) — a joint venture with Georgia Tech — and Principal Researcher at the Centre for Transportation Research, also at NUS. He was a Program Director of the Penn-State NUS Logistics Management Program. He was Regional Director of Supply Chain Solutions for Asia/Middle East with APL Logistics, crafting logistics engineering solutions for major multinational corporations. Dr Goh served as a board member of the Chartered Institute of Transport (Singapore), chairman of the Academic Board of Examiners for the Singapore Institute of Purchasing and Materials Management, member of the Advisory Committee of the Transportation Resource Centre (NUS), and vice president of the Operations Research Society of Singapore. He was a member of the Global Advisory Council (GAC) on Logistics and Supply Chain with the World Economic Forum. Dr Goh holds a PhD from the University of Adelaide.