

Is Singapore the new sick man of Asia?

Its economy is going through challenging times but its core strengths are reasons for optimism

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On Dec 8, I read in the online publication Asia One a report emanating from Hong Kong about the Singapore economy. The report stated that "morale in Singapore is at rock bottom" and that "some economists call Singapore the new sick man of Asia".

The report motivated me to think more deeply about the current state of the Singapore economy and its future prospects. In this essay, I wish to discuss four questions.

First, what is the current state of the Singapore economy?

Second, is the Singapore economy the worst-performing economy in Asia?

Third, are the problems of the economy cyclical or structural?

Fourth, should we be pessimistic or optimistic about the prospects of the Singapore economy?

STATE OF THE ECONOMY

The Singapore economy is projected to grow at 1.4 per cent this year.

With the exception of tourism and related industries, the other sectors of the economy are not doing well. Manufacturing, finance and insurance, construction, wholesale and retail are all experiencing weak growth. Non-oil domestic exports have actually shrunk, compared with a year ago. Fortunately, the unemployment rate remains very low at 2.1 per cent.

In view of these facts, it is not surprising that the Business Optimism Index is in negative territory.

WORST IN CLASS?

Is the Singapore economy the worst-performing economy in Asia?

Singapore is investing wisely in education and skills training. Led by the Committee on the Future Economy, we are preparing to reinvent ourselves again in order to take advantage of the new opportunities in the digital economy, in the disruptive technologies and much more. Singapore is very fortunate to sit astride the three biggest growth stories of human history, namely, China, India and Asean. We will participate in these growth stories.

Singapore's per capita gross domestic product (GDP) last year was \$72,711, the highest in Asia. Singapore's performance should not be compared with those of low-income or middle-income countries because they are at different stages of their economic development.

Singapore should be compared with other high-income economies in Asia, namely Japan, South Korea, Taiwan and Hong Kong. Those four economies are projected to grow at 2.4, 2.6, 1.1 and 2.1 per cent, respectively, this year. Singapore is not the worst in class. Taiwan is.

PROBLEMS CYCLICAL OR STRUCTURAL?

Are the problems of the Singapore economy cyclical or structural in nature? I would argue that they are mainly cyclical but there may be some structural issues which we should consider.

It is a well-known fact that Singapore's external trade is three times the size of its GDP. We are the most trade-dependent economy in the world. World trade is weak and this has affected our economy very badly.

In addition, with the exception of India and Asean, all the other major trading partners, such as China, the United States, Europe and Japan, are experiencing sub-optimal growth.

Another factor which has affected us is the downturn in the oil and gas industry.

Some of our thoughtful economists have, however, pointed out that there are some structural problems. They point to high costs, restrictive labour policy and risk-averse policymakers as three of the problems.

They point out that many small and medium-sized enterprises are being squeezed by high rental, on the one hand, and the inability to employ more foreign workers, on the other hand.

Some of my friends have decided to close their businesses. They told me that they could not survive the constant pressure of escalating rental. The invention of the real estate investment trust (Reit) is a boon for investors but a bane for tenants.

An Irish friend who has lived in Singapore for over three decades recently warned me that Singapore is in danger of becoming a rentier society.

PESSIMISM OR OPTIMISM?

Should we be optimistic or pessimistic about the future of the Singapore economy? I am optimistic for these reasons:

- Singapore has a corruption-free business environment and the rule of law is strong.
- We have world-class infrastructure and good connectivity.

- It is easy to do business here and we enjoy industrial peace.
- We have a skilled and hard-working workforce.
- We have a critical mass of interlocking activities in our financial and regional business hubs.
- We have an IT-literate population and we aim to transform Singapore into a smart nation.
- We have a culture of accepting change and embracing technology, including disruptive technologies.

HUMAN RESOURCE DEVELOPMENT

In our new world, the most important resource of a country is its people. Brain power is more important than muscle power. Knowledge-intensive industries represent the future. Innovation, creativity and productivity are the new engines of growth.

Singapore is doing a very good job in educating and training its young people. Singapore's Primary 4 and Secondary 2 students were ranked No. 1 for maths and science in the 2015 Trends in International Mathematics and Science Study, organised by the International Association for the Evaluation of Educational Achievement.

Singapore's 15-year-old students also came in at No. 1 for mathematics, science and reading in the 2015 Pisa survey conducted by the OECD in 72 countries.

Finally, the National University of Singapore and Nanyang Technological University have been ranked No. 1 and No. 2 respectively in the 2016 Times Higher Education ranking of premier universities in Asia.

INTERNATIONAL ENDORSEMENT

There are two highly respected Swiss institutions, the World Economic Forum (WEF) and the Institute of Management Development (IMD), which publish an annual index ranking the countries of the world according to economic competitiveness.

In the WEF's Global Competitiveness Index (2016-2017), Singapore is ranked No. 2, after Switzerland. In the IMD's 2016 World Competitiveness Scoreboard, Singapore is ranked No. 4, after Hong Kong, Switzerland and the US.

I am confident that when the world economy recovers and world trade bounces back, Singapore's economy will experience an upturn.

Singapore is investing wisely in education and skills training. Led by the Committee on the Future Economy, we are preparing to reinvent ourselves again in order to take advantage of the new opportunities in the digital economy, in the disruptive technologies and much more.

Singapore is very fortunate to sit astride the three biggest growth stories of human history, namely China, India and Asean.

We will participate in these growth stories.

In my view, Singapore has a very bright future.

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