

Looking forward: The political scene - Economy; Fresh impetus needed with growth expected to slow

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The forecasts for the economy predict a slow year for growth. But in anticipation of this, possible solutions are on the horizon.

This is through consultations and discussions on how to prepare for challenges, and how much to spend in doing so.

The economy is predicted to grow between 1 per cent and 3 per cent this year in tandem with slower job and workforce growth.

Against this backdrop, the Government needs to give fresh impetus to the economy and prepare the workforce for the future.

"The overall challenge faced by policymakers is how to achieve a swift yet decisive transformation on a scale deep enough to meet the demands of greater regional and global competition, while not ignoring the needs of a maturing and ageing society," said UniSIM economist Randolph Tan.

LOOKING FORWARD - THE ECONOMY

After the heat of the hustings and last year's general election, politics looks to be one defined by how the Government manages the demands brought by an economy that is slowing down and in the midst of restructuring. Singaporeans will have ample opportunities to be part of the decision making process this year, as a number of consultative panels and committees seek inputs on issues ranging from howto memorialise Singapore's founders to the economy's future direction.

Singaporeans should be prepared for fewer goodies in the next Budget, and perhaps tighten belts in preparation for stormier times.

"It will be very difficult to match the cornucopia of handouts of Budget 2015," said Professor Tan.

There is speculation the Government might implement policies to kick-start the slowing economy. But politicians and policymakers must think hard about whether to introduce measures in the Budget ahead of a further decline in the job market as doing so too early might stretch the Budget unnecessarily.

"It is too early to tell whether we will face a significant uptick in unemployment next year," said UniSIM economist Walter Theseira.

Prof Tan also thinks there may be more calls for government spending in response to the weak economy and a widespread belief the economy will weaken further in the next few months.

He, too, thinks it is better not to loosen government pursestrings too early: "Too sudden an increase in spending can have negative consequences," he said.

The conundrum of restructuring the economy will also be looked at by the Committee on the Future Economy, a panel of business and government leaders chaired by Finance Minister Heng Swee Keat. It aims to complete its work by the end of the year.

Deep restructuring of a sophisticated economy can be very disruptive, and may not produce the easy gains of earlier restructuring efforts, noted Prof Tan. "If it undertakes changes that are not massive enough, it may face questions about why there is not enough disruptive change."

While the source of pressure to restructure is clear, the way to restructure is much less clear, said Institute of Policy Studies senior research fellow Gillian Koh.

"At the heart of the process will be an important discussion about what part different groups play in that restructuring process."

In anticipation of slower economic growth, Singaporeans should be prepared for fewer Budget goodies and perhaps tighten belts in preparation for stormier times.