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ECONOMY

Slowdown? S'pore 'shielded'

By Erica Tay

SINGAPORE'S economy will be sheltered from the full force of a global economic slowdown that is widely predicted to hit this year, according to a prominent local economist.

The factors that will help save Singapore: Reduced reliance on electronics manufacturing, and strong growth in Malaysia and Indonesia.

This was the view of economist Manu Bhaskaran, who spoke at the Institute of Policy Studies' (IPS) annual seminar 'Singapore Perspectives 2005: People and Partnerships' yesterday.

He was speaking in his capacity as adjunct senior research fellow at the IPS. He is also head of economic research and partner of Washington-based advisory firm Centennial Group.

In analysing the long-term resilience of the Singapore economy, he said current indications point to a weaker global economy this year.

But several events could make things worse if they happened.

These included a collapse of the United States dollar, a political flare-up in the Middle East or a recession in China after its recent 'over-investment binge'.

How, then, can Singapore's export-oriented economy weather this slowdown? The answer, according to Mr Bhaskaran, lies closer to home.

Firstly, Singapore-made electronics goods have traditionally dominated the nation's exports, leaving the economy extremely vulnerable to any downturn in global electronics demand.

But steps taken to restructure the economy have reduced the country's over-dependence on this industry.

'We have succeeded in diversifying our manufacturing businesses,' said Mr Bhaskaran.

Though still a key industry, electronics is now joined by new engines of growth such as biomedical manufacturing, fund management, creative industries and tertiary education. Also, the local property and construction sectors are showing signs of coming out of the doldrums, in time to make up for the decline in electronics.

Secondly, the economies of Malaysia and Indonesia are predicted to grow robustly this year, with positive spillover effects for Singapore's finance, property and other sectors.

'I think the region is coming back. Malaysia and Indonesia are looking good,' he added.

But Mr Bhaskaran warned that, in the long term, Singapore has to tackle the challenge of remaining competitive. For instance, for some years, capital investments by US multi-national corporations in Singapore have yielded higher returns per dollar than in developing Asian markets - but recent data showed that this was changing.

'Singapore is a premium economy delivering premium returns for foreign investments here,' he said. 'You have to deliver superior returns if you want to remain competitive.'

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