

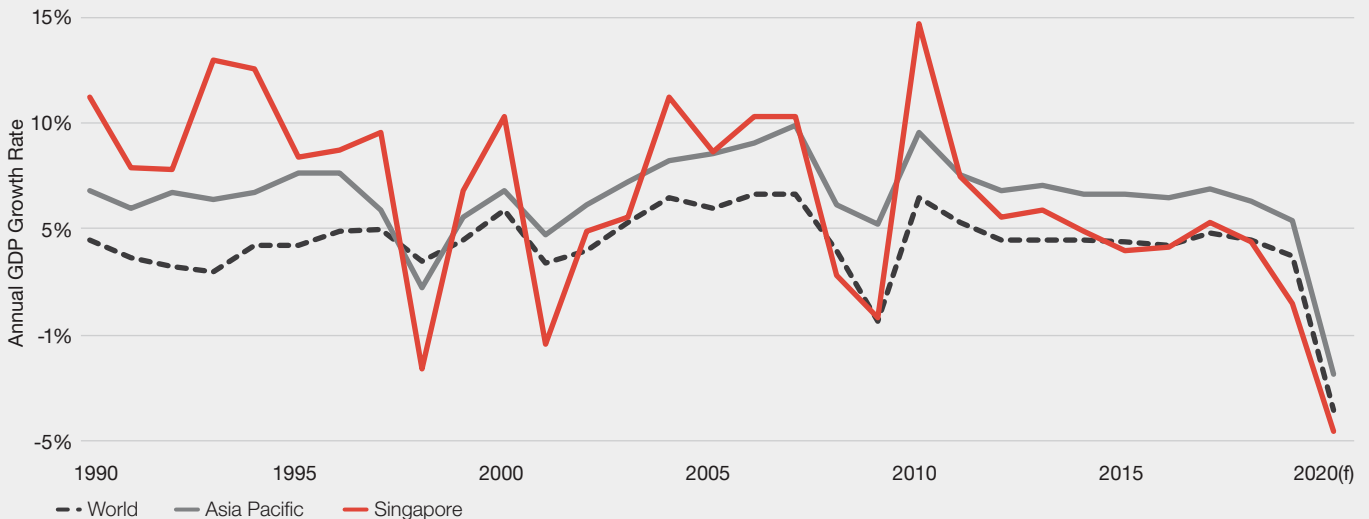


Time to Act Singapore

A nation on the move

Singapore has witnessed notable economic and social prosperity over the past two decades – with its gross domestic product (GDP) rising from US\$86 billion in 1999 to a significant US\$372 billion in 2019, while also establishing Singapore among leading nations in Asia Pacific in terms of per capita income and human development performance. Ranked by the World Economic Forum as the most competitive global economy in 2019, Singapore has over the years grown to become a key attraction for foreign direct investment (FDI), with FDI inflows rising 16 times from 1990 to 2019. This growth has been supported by robust institutions and favourable business conditions, with the government's strong fiscal performance further allowing Singapore to maintain high credit worthiness and improve investor confidence. More recently, the government's growing push towards digital adoption, enterprise transformation and skill development is also enabling Singapore to become a major innovation centre – helping boost productivity and establish a new growth platform for the future.¹

Economic growth trends for Singapore, compared to regional and global averages



Source: International Monetary Fund (October 2020)

Economic and Human Development Index (HDI) performance of key Asia Pacific markets



Source: International Monetary Fund (October 2020); United Nations

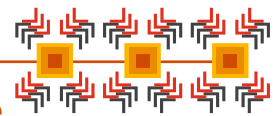
The need for change

While Singapore was consistently able to maintain positive growth over 2002 to 2019, GDP growth has slowed down to less than 1 per cent in 2019, a trend last witnessed during the global financial crisis in 2009. With the onset of the global pandemic, overcoming key growth challenges needs to be of utmost priority as Singapore seeks to revive growth and design a stronger future trajectory – creating an urgency to act now.²

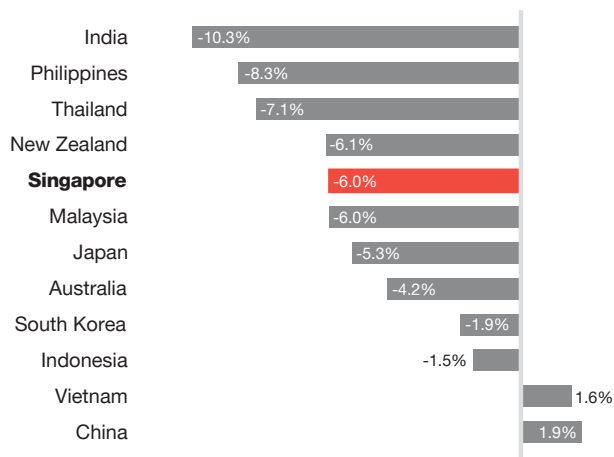
COVID-19 disruptions: The most immediate challenge for Singapore is to minimise the economic and social fallout of the pandemic. COVID-19 disruptions have significantly impacted the country with economic output projected to decline by 6.0 per cent in 2020. Restricted economic activity induced by the pandemic is also impacting the financial viability of businesses and the sustenance of livelihoods for vulnerable segments of the society. These factors have already driven significant financial support from the government, which could impact spending in other development areas in the near term.³

Trade tensions: Growing uncertainties in global trade pose new growth risks to export-driven economies such as Singapore, having a trade to GDP ratio of more than 300 per cent. As per the World Trade Organization, global markets imposed 102 new trade-restrictive measures over October 2018 to October 2019 – slowing down growth in exports. COVID-19 disruptions have also sharply impacted global goods trade and expectations of rising protectionism could further restrict trade growth in the immediate future.⁴

Evolving demographics: Singapore also faces the issue of a fast ageing demographic, with old-age dependency ratio for the country projected to reach 35 per cent by 2030 – above the world average of 18 per cent by then. Figures are projected to rise further for Singapore, almost touching 60 per cent by 2050. This could present a major challenge to reviving economic growth – with possible labour shortages, slower growth in labour productivity and rising healthcare and retirement costs becoming key concerns.⁵

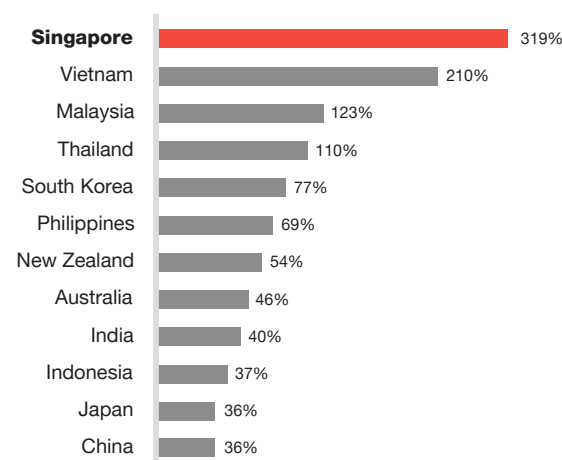


Annual GDP growth rate, 2020f



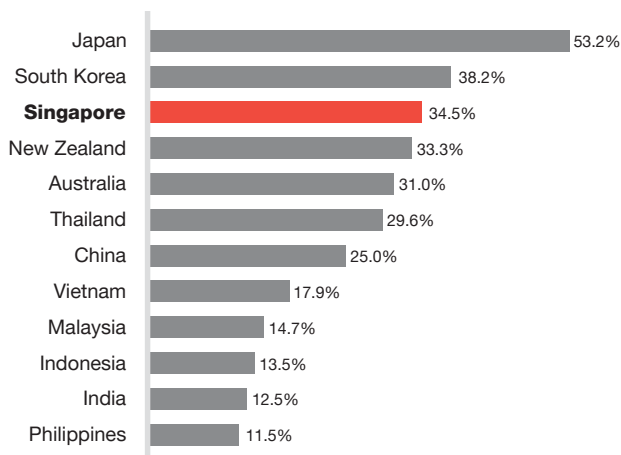
Source: International Monetary Fund (October 2020)

Trade to GDP ratio, 2019



Source: World Bank

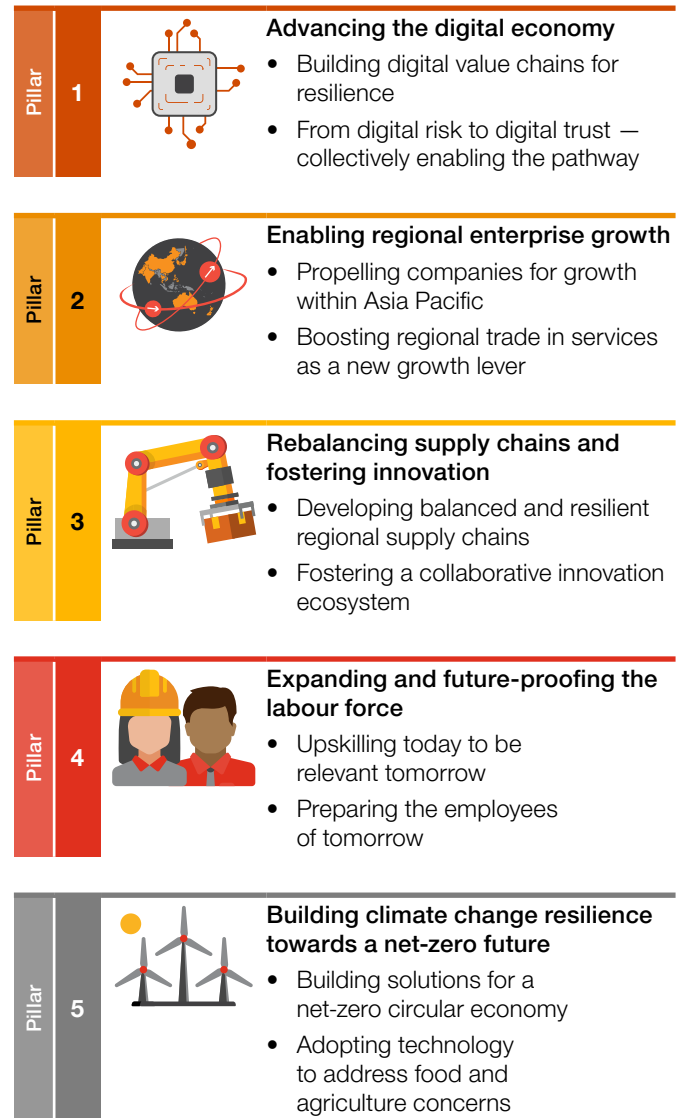
Old-age dependency ratio, 2030



Source: 'International Labour Organization

Building a new future

Tackling these growth challenges has become necessary to repair, redesign and rebuild Singapore's economy for a post-COVID-19 future – while enabling a more socially inclusive and environmentally sustainable growth trajectory. This requires all stakeholders (the government, businesses and the society) to shift from old conventional growth models and build new growth pillars for the future.



1

Pillar 1 - Advancing the digital economy

Digitalisation has been a growing need for ageing nations such as Singapore, to help address employment gaps and boost productivity. This has become even more vital in the future, with COVID-19 related disruptions making resilience a key priority. While Singapore already features amongst leading Asia Pacific nations in terms of digital readiness, businesses now need to focus on digital adoption at the right points across their value chains while becoming more cyber resilient. The government also needs to extend greater support to transform small and medium-sized enterprises (SMEs) and take steps to strengthen trust in digital systems, to establish an advanced and efficient digital economy.⁶

2

Pillar 2 - Enabling regional enterprise growth

Moving outside domestic shores has become crucial for business growth, prioritising expansion within Asia Pacific. Singapore's businesses will need to localise and be more agile in new regional markets, exploring alliances and acquisitions to lower entry risks. Accounting for 70 per cent of GDP (by value-added), the services sector can become a new growth lever for Singapore with digitalisation opening avenues for cross-border trade. Strength areas such as professional services, financial services and information and communications technologies (ICT) could lead the way – but will need government agencies to assist businesses in identifying target markets and in building their brand presence overseas. Traditional manufacturers can also explore shifting towards a product-as-a-service model for growth.⁷

3

Pillar 3 - Rebalancing supply chains and fostering innovation

With strong institutions and infrastructure, Singapore shows potential to emerge as a next-generation regional supply chain hub in Asia Pacific. Singapore's businesses accordingly need to better prepare themselves to benefit from a growing rebalancing of global supply chains with regional networks. Local suppliers need to focus beyond a price-based positioning strategy and offer more differentiated propositions (e.g. engineering excellence or technology leadership) to remain competitive. Businesses also need to take a lead in fostering more agile innovation – working with the government, funding bodies and academic institutions to build more specialised ecosystems suited to Singapore's and the broader region's fast changing requirements.⁸

4

Pillar 4 - Expanding and future-proofing the labour force

Aligned with Singapore's changing growth requirements, its workforce also needs to be equipped to foster digitalisation and drive higher value addition. The government needs to take a lead in this regard, highlighting its growth vision and driving more targeted engagement with other ecosystem participants, all across the “education journey”. Businesses need to build a more focused and agile talent development plan, in line with their industry's growth trajectory and the evolution of specific roles – while helping SMEs in their supply chains to bridge key capability gaps.⁹

5

Pillar 5 - Building climate change resilience towards a net-zero future

Facing sustainability risks in the form of rising sea levels and food and water security challenges, Singapore needs to prioritise action on minimising the economic and social costs of climate-change. Plans to build a circular economy need to be better designed for more visible impact – creating incentives to form a tri-entity partnership between the government, businesses and communities for large scale adoption. Local businesses also need to prioritise the sustainability agenda to remain relevant to a more environmentally conscious consumer, adopting new growth strategies and operations models to move towards a net-zero climate impact.¹⁰



The way forward

There is now an urgent need for action.

The government needs to become more proactive in enabling these new growth pillars, businesses need to take a lead in driving new solutions and the society needs to become a more active collaborator to sustain long term impact. More advanced markets such as Singapore also have a major role to play in making the entire region resilient and future-ready – leading efforts to enhance innovation capabilities, develop future-ready talent and foster institutional development for the rest of the region. Singapore in particular can also help address infrastructure gaps in Asia Pacific, sharing its project development, financing and implementation expertise by scaling up the reach of government-led agencies such as Infrastructure Asia across regional markets.

Much needs to be done. It's now the **'Time to Act'** and move together towards a stronger shared future.¹¹



Endnotes

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