Securing Economic Recovery and Transitioning to the New Normal

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Media Briefing
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Singapore’s economy is expected to recover strongly in 2021 and 2022.

Quarterly and Annual Real GDP Growth—Actual, Forecast
(Percent year-over-year)

Sources: Singapore Department of Statistics, AMRO staff estimates and projections.
Unprecedented fiscal support has mitigated the pandemic’s impact

Fiscal Revenue and Expenditure
(% of GDP)

Source: Ministry of Finance
The labor market continues to improve but is uneven

Source: Singapore Department of Statistics.
The financial sector has remained resilient
A sharp resurgence of COVID-19 infections is the main risk

Singapore Country Risk Map

Perennial Risks
- Aging
- Climate change
- Cyber attacks
- Geopolitical instability

Legend:
- Low Impact
- Medium Impact
- High Impact

Likelihood
- High
- Medium
- Low

Imminence
- Short Term (now up to 2 years)
- Medium Term (2 to 5 years)
- Long Term (> 5 years)

- Renewed waves of the pandemic
- Financial distress of hard-hit businesses
- Escalation of trade & technology tensions

Introduction of a global corporate minimum tax rate

Source: AMRO staff
The pandemic has accelerated long-term structural shifts

Longer-term Shifts

**Skills Training**
- Reskill displaced workers
- Intensify digital skills’ training
- Jobs redesign

**Technology & Finance**
- New growth areas: FinTech, digital banking, green finance
- Ensure sufficient manpower

**Climate Change**
- Green Finance Action Plan
- Bond issuances to finance green infrastructure

Source: AMRO staff
Summary

• Singapore’s economy is expected to recover strongly in 2021 and growth will likely continue to be firm in 2022, underpinned by the recovery in domestic economic activities and robust exports.

• The very large and timely fiscal support has largely mitigated the pandemic’s impact on the economy.

• Singapore’s financial sector has remained resilient. The credit support, debt relief, and bank regulatory forbearances have prevented a sharp increase in defaults and safeguarded financial stability.

• Targeted fiscal support for the affected businesses and workers may need to be extended further as the risk of a sharp resurgence of COVID-19 infections remains elevated.

• Beyond the pandemic, the accelerated shifts on many fronts present significant opportunities as well as challenges for Singapore.
Thank you

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Selected Issues
Selected Issue 1: Fiscal support was not only sizable but have also accounted for the nature of health crisis and lessons learnt.

ASEAN+3: Economic Stimuli
(Percent of GDP)

Comparison of Fiscal Packages Across Crisis Periods

<table>
<thead>
<tr>
<th>Problem to address</th>
<th>Policy intention</th>
<th>1985 Crisis</th>
<th>AFC</th>
<th>Dot.com bubble</th>
<th>SARS</th>
<th>GFC</th>
<th>COVID-19</th>
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<tbody>
<tr>
<td>Health crisis</td>
<td>Strengthen public health capacity</td>
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<td>Support frontliners</td>
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<td>Make premiums affordable</td>
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<td>Income shock to households</td>
<td>Support vulnerable households</td>
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<td>Maintain employment and strengthen workers’ skills</td>
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<td>Business distress</td>
<td>Reduce business costs</td>
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<td>Credit risk sharing and guarantees</td>
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<td>Decline in investments</td>
<td>CPF rate cuts</td>
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<td>Public infrastructure investment</td>
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<td>Contagion</td>
<td>Incentives for private investment</td>
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<td>Asset bubble</td>
<td>Stabilize property markets</td>
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Sources: National authorities via Haver Analytics; AMRO staff estimates

Note: From February 1, 2020 to September 30, 2021. Based on governments’ announced stimulus packages across regional economies. The non-budget financing component corresponds to the fraction of governments’ announced economic relief/stimulus packages financed by non-budget resources, for example, funding from public funds, public financial institutions or entities, or fiscal reserves.
Selected Issue 2: Workers face significant challenges in the new normal

Overall Unemployment Rate (%)

Training Participation Rate of Employed Residents by Occupation (%)

Sources: Ministry of Manpower, AMRO estimates

Selected Issue 3: Export of modern services is an increasingly important driver of growth, remaining resilient

Export of Services by Categories
(Percent share of GDP)

Exports of Services by Categories
(Index, Q4 2019 = 100)

Source: Singapore Department of Statistics via Haver Analytics; AMRO calculations.
Note: Traditional services refer to transportation services and travel receipts. Modern services refer to ICT, finance and insurance, charges for the use of Intellectual Property (IP), and professional services sectors.

Sources: Singapore Department of Statistics via Haver Analytics; AMRO calculations.
Note: Other services refer to construction services, manufacturing services on physical inputs owned by others, maintenance and repair services, government services and personal, cultural and recreational services.