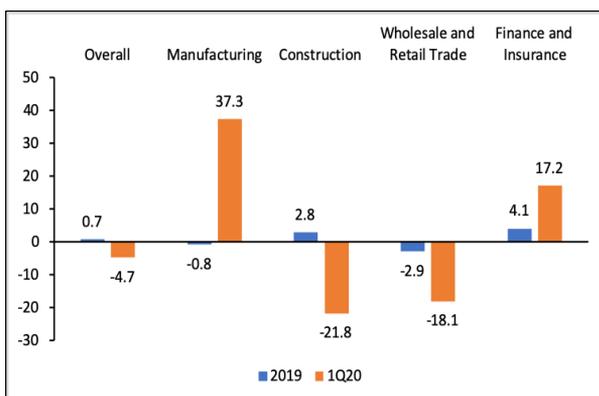


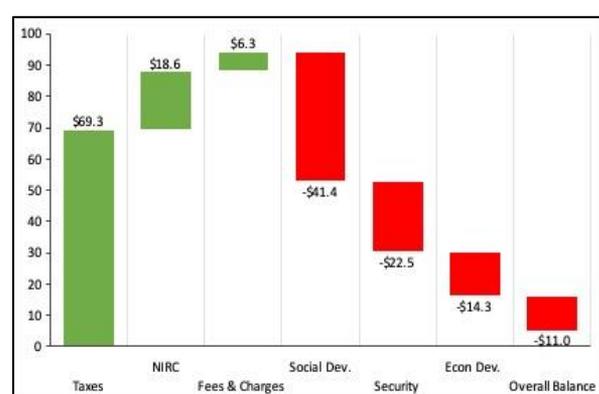
Country Insights – Singapore

Fig 1: Sectoral Growth Rates – Percentage Change



Source: *Ministry of Trade and Industry, May 2020*

Fig 2: FY2020 Estimated Inflows and Outflows (in \$ Billions)



Source: *Ministry of Finance, May 2020*

Once in a while, nations and peoples are severely tested, as we are now. COVID-19 will remain a problem for a long time yet. It will take at least a year, probably longer, before vaccines become widely available. We need every one to work with us to take Singapore safely through this crisis."

Singapore Prime Minister Lee Hsien Loong. June, 2020.

Singapore's first case of Covid-19 was confirmed on 23rd January. This kickstarted a response system set in place after the SARS outbreak of 2003, consisting of extensive contact tracing and self-quarantining, allowing the island nation to keep its numbers low till March. However, the tide turned in April when clusters emerged in multiple foreign worker dormitories. As cases surged, the country entered the 'circuit breaker' phase between 7th April to 2nd June which consisted of the closure of most offices, schools, F&B and retail outlets – essentially the closure of most of the economy. Widespread testing and community enforcement through this period resulted in so-called "community" cases falling and consequently, restrictions have begun to be eased in phases. Today, Singapore has the highest number of cases in ASEAN, totalling 40,197 as of 13th June, and 25 deaths, one of the lowest fatality rates worldwide.

Measuring the Economic Impact

The pandemic has led to a severe contraction in the nation's economy, and Singapore is projected to enter a recession this year with -4% to -7% growth, according to its central bank. Based on the extent of supply chain disruptions, travel restrictions and domestic demand decline, DBS bank predicts a dip of -5.7% growth. Due to its export-oriented economy, Morgan Stanley economists slate Singapore to have one of the longest recovery periods in Asia, till the first quarter of 2021.

The worst hit industries are aviation, accounting for over 12% of GDP, as the flagship Singapore Airlines Group announced its first ever loss in its 48-year history. Trade, which had a lacklustre run of -5.9% growth in 2019 amidst US-China trade conflicts, took a further hit of 12.8% in April due to the pandemic. With one of the highest global value chain participation rates in the world, Singapore's dependence on global supply chains makes it especially vulnerable to current volatilities. The effect on employment is significant, and about 100,000 people are expected to lose their jobs in 2020, according to the Ministry of Manpower. On a positive note, however, foreign currency deposits in local banks quadrupled from 2019 levels in April. Singapore could stand to benefit as the leading financial hub in the region as risk averse investors pull their money out of Hong Kong and elsewhere, which could help speed up post-pandemic recovery.

Strategies for Recovery

The Monetary Authority of Singapore (MAS) announced its first ever flattening of the slope of the policy band for the Singapore dollar's value against a basket of currencies, while keeping its width the same (which controls the fluctuation). Furthermore, it drew a new currency swap line with the U.S. Fed to provide US\$60 billion to Singaporean banks to ease liquidity. This was accompanied by debt deferments, credit restructuring and moratorium measures by commercial banks. As for the citizens, the government has put in place a spending package of US\$ 70.4 billion, amounting to a whopping 20% of the country's GDP, released in four different budgets. As the money is entirely drawn from state reserves built over years of prudence, the country does not have to resort to deficit financing. Key highlights of the broad-based measures include a Job Support Scheme which subsidises wages, grants income tax rebates and increases the government's risk-share in working capital loans from 50% to 80%. Apart from sector-based aid, the package also provides cash handouts to all citizens, household assistance, and traineeship programmes. Preparations are also underway for the 2021 General Elections, which may be held earlier given the evolving situation, with the current government in a clear pre-election campaigning mode.

Singapore's Role in ASEAN's Recovery

Singapore's recovery is strongly interlinked with ASEAN's, which is the nation's single biggest trade partner. Recognising this, PM Lee proposed a coordinated regional response at the ASEAN+3 Summit in April which consisted of sharing information, keeping trade routes open and coordinating border re-openings. Singapore also donated test kits and PPE to most other ASEAN member states to overcome shortages. Another key issue is of labour flows, given the many shared borders in the region. From the stranded Malaysians in Singapore to the exodus of migrant workers from Thailand to Myanmar and Laos, the pandemic shed light on the extent to which migrant populations are inextricably linked with local ones. Thus, it is in Singapore's interest to account for them through more comprehensive health and welfare policies. Going forward, the region should continue to push for economic integration through the conclusion of the RCEP negotiations to hasten recovery. Singapore can play a leading role in this by helping other governments digitize and upskill their citizens in the post-Covid world.