BT Explains

# 7 things to watch for in Singapore's 2021 economic growth story

Singapore is poised for a slow and gradual economic recovery from the worst recession since independence, and these are the forces that could shape its trajectory. ***BY SHARON SEE***

**OFFICIAL 2021 GDP GROWTH FORECAST 4 to 6%**

## Vaccines

Unlike in previous recessions, a recovery from this pandemic-led recession is almost entirely reliant on the availability of effective vaccines. Singapore began vaccinating its frontline healthcare workers with the keenly-awaited Pfizer-BioNTech vaccine from Dec 30 and is in the midst of procuring enough vaccines for the whole country by Q3. Optimism surrounding vaccines could modestly boost business and consumer confidence in the lead-up to Chinese New Year and beyond.

## Unequal vaccine distribution

The rush for vaccines amid the pandemic has exposed a stark divide between the developed and developing world. Rich countries have been hedging on multiple vaccine candidates, leaving little left for the poorer ones. On top of that, distributing these vaccines, which require a cold chain, could pose great logistical challenges particularly in larger countries in the emerging market. While Singapore has had a headstart in procuring vaccines, the slower rate of distribution in the region could constrain the Republic's recovery and growth.

## New strains of virus

New and potentially more virulent strains of Covid-19 have emerged in Britain and South Africa, prompting reactionary travel bans in several countries. The pandemic could get worse before it gets better as countries struggle to contain new waves of the virus alongside vaccination programmes. Although Singapore has seen very low incidence of community cases, experts are urging caution even as the country enters Phase 3 of its reopening.

## K-shaped recovery

The manufacturing sector has been a bright spot for Singapore's economy, thanks to the burgeoning pharmaceutical industry. For the aviation and tourism industries though, there's never been a worse time – Singapore Airlines alone bled S$3.47 billion between April and September. This uneven growth is likely to extend into 2021, with manufacturing continuing to lead the pack while the construction and services sectors catch up from their setback in 2020. As borders remain mostly closed however, the crisis for aviation and tourism seems far from over.

## Digitalisation

Before the pandemic, digitalisation was an ideal that companies strived towards, but in 2020, this became a necessity in order to stay in business at all. The demands for e-commerce, digital services and remote working will continue to grow as the pandemic reshapes Singapore's economy. As was evident in 2020, companies that do push through with their transformation, while reskilling and training their employees, are likely to be the ones to emerge stronger from this crisis.

## Deglobalisation

The global backlash against globalisation culminated during the US-China trade war, having gained momentum for a number of years. As with most other underlying trends, the pandemic appears to have accelerated this one as well, disrupting global supply chains and exacerbating shortages in essential goods. The World Trade Organization is expecting a 7.2 per cent rise in global trade this year, following an estimated 9.2 per cent decline in 2020. But the pandemic has no doubt forced countries to rethink their domestic production priorities in order to be self-sufficient during the next one.

## Weak labour market

Although Singapore's labour market appears to be on the mend, progress is likely to lag economic growth, which could be constrained by factors listed here. At the same time, Manpower Minister Josephine Teo cautioned last month that layoffs could persist as businesses continue their transformation efforts. With the Jobs Support Scheme set to expire by March, more companies could throw in the towel, resulting in further job losses. Between January and September 2020, about 90 per cent of the 158,700 decline in total employment came from non-residents, and some of these jobs may never return.

## Economists' views

*"Singapore can ill-afford another 'circuit breaker'. Yet, it is also extremely difficult to continue to keep the borders closed without taking a huge toll on the economy. A cautious and calibrated approach has been taken in this regard, but much will also depend on the ability of its regional economic partners such as China, Indonesia, and Malaysia in keeping the pandemic in check."*

**– Irvin Seah, DBS senior economist**

*"Stricter foreign labour measures will also dampen the upswing… The jobs recovery will be slower than GDP recovery, because of digital disruption, sector dislocations and stricter foreign worker measures. We think total employment levels will not return to pre-pandemic levels until late 2022 or 2023."*

**– Maybank Kim Eng economists Chua Hak Bin and Lee Ju Ye**

Compiled by BT