Singapore should aim to grow faster than eventual 2-3% long-term rate: Gan Kim Yong

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Even as a mature economy, the Republic's growth rate does not have to slow down yet, he says

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THE Republic should aim to "grow as much as (it) can" in the next few years, so that it will be "a much bigger economy" when its growth rate stabilises, said Deputy Prime Minister and Minister for Trade and Industry Gan Kim Yong on Monday (Aug 25).

Economists say that as a "more or less a mature economy", Singapore can expect annual growth of 2 to 3 per cent, he noted at the ministry's annual Economic Dialogue.

Such a rate is "marvellous" for larger economies, but may be too low for a small economy such as Singapore's, he said.

"If we continue to grow 2 to 3 per cent a year for the next 10, 15, 20 years, over time, we'll find that our economy may become marginalised. It will no longer be an important economy from the perspective of the world.

"It's therefore important for us to see how we can push our economy, at least for the next few years, to grow as much as we can."

He added that the double-digit growth of the past is no longer possible, but that Singapore should aim to grow faster than 2 to 3 per cent – perhaps by 3 to 5 per cent at a stretch, or even beyond 5 per cent in "a very good year". This is so that the economy can be larger by the time its growth eventually stabilises at the rate of 2 to 3 per cent.

"Don't accept the given that we are a mature economy," the minister added. "We must continue to try to create economic miracles, to grow faster than what we are expected to grow."

DPM Gan was responding to a question about Singapore's most pressing challenge in remaining globally relevant and resilient.

The dialogue, themed "Navigating Economic Uncertainty in a Polarised World", was held at Singapore Management University.

Earlier, in his opening speech, he noted that the dialogue is taking place against a backdrop of heightened uncertainties in the global economy, following the US' imposition of its "Liberation Day" tariffs.

DPM Gan also warns of "next-order effects" – that of tariff-hit countries adjusting their trade and investments in moves that would affect their trading partners.. PHOTO: ST

Though the US has made deals with key trading partners and extended its trade truce with China, "significant uncertainties" remain, he said.

Negotiations with China, India and Switzerland are ongoing. Details of the implementation of the deals that have been struck are unclear, and conflicting interpretations have emerged. The US has also hinted at further sectoral tariffs, such as those on semiconductors and pharmaceuticals.

Tariff effects will take time to flow through supply chains, said DPM Gan, warning that they will put pressure on margins and prices "in time to come". "This will impact both consumer and corporate spending, and slow down growth in the global economy."

DPM Gan also warned of "next-order effects" – that of tariff-hit countries adjusting their trade and investments in moves that would affect their trading partners. If a country decides to buy more agricultural products from the US, for example, it may buy less from elsewhere.

One of Singapore's neighbours has "quite explicitly" decided to buy more oil from the US, and therefore less from Singapore, he noted. In May, Indonesia said it would likely shift the source of some of its fuel imports to the US.

Similarly, countries that commit to investing in the US may scale back investments elsewhere.

Companies are also likely to re-evaluate longer-term plans in response to the tariffs. They might diversify their markets and supply chains, or restructure production and supply chains to take advantage of the lower US tariffs on certain markets.

Though Singapore is trade-dependent, it is "in a strong position to find opportunities", he said in the dialogue. Its small size enables it to respond nimbly to changes in the global environment.

It also has "a very strong foundation", with efficient infrastructure and good connectivity, and is "one of the countries with the largest number of free-trade agreements" – of which there are 28, with a 29th about to be completed.

Most importantly, Singapore has a highly skilled and highly adaptable workforce, in which it continues to make "enormous" investments, he said, citing the SkillsFuture programme.

He had earlier given a recap of the efforts of the Singapore Economic Resilience Taskforce, formed to help the country navigate these uncertainties.

These include the upcoming Business Adaptation Grant, which co-funds changes to operations or supply chains, and the Graduate Industry Traineeships programme. The task force has also convened an Economic Strategy Review to develop an economic blueprint for the future, in areas from technology to human capital.