



Press Releases

PRIME MINISTER'S NEW YEAR MESSAGE 2009

Singapore Government
MEDIA RELEASE

GLOBAL ECONOMIC CRISIS

1. 2008 has been an eventful and challenging year. The world is entering the most serious economic crisis in sixty years. The global financial system has seized up, companies are finding it harder to obtain credit, and economies everywhere are slowing down. Europe and Japan have joined the US in a simultaneous recession. Asia too is seeing a sharp slowdown.
2. As a small, open economy, Singapore cannot avoid being hit. We earn our living by trading with and servicing the world. So the fall in worldwide demand has hit our exports, our tourism sector, and our broader economy. We have gone into a recession, though growth for the year as a whole is still positive at 1.5%.
3. The outlook is highly uncertain. At each stage of this crisis, events have turned out worse than the experts predicted. Governments everywhere have been implementing monetary and fiscal measures, rescuing troubled financial institutions and key corporations and pumping money into the economy. But no one is sure how the financial systems and economies will respond, or which policies will work. There is a loss of business and consumer confidence and, hence, one thing is certain: things cannot turn around overnight. Quite likely the global recession will be followed not by a quick rebound, but by several more years of slow growth.
4. We must therefore prepare for a difficult year ahead, and especially the first half of 2009. Our economy will probably contract further. More companies will be forced to downsize. So far we have not seen many job losses, but I expect more retrenchments in the next few months. We must be psychologically prepared.

GOVERNMENT RESPONSE TO SAVE JOBS

5. The Government has responded promptly to this economic storm. Our key focus is jobs – keeping people in jobs, helping workers who lose jobs find new ones, and retraining them with new skills. To do this, we have to help businesses ride over this rough period. So long as people have work, they can take care of themselves and their families.
6. We have already implemented two significant initiatives. The first initiative is the Skills Programme for Upgrading and Resilience (SPUR), which was jointly launched by

the tripartite partners on 1 December. SPUR helps businesses pay for their staff training. The tripartite partners have reported good response. Already, more than 120 companies have come on board, which together will train more than 4,200 workers.

7. The second initiative is enhancing government financing programmes for companies. This is to ensure that basically sound firms, especially the smaller ones, can still obtain financing despite the tight credit climate, and so keep their operations going. We have also recently reduced interest rates and increased insurance premium subsidies under the schemes. These measures will benefit some 13,500 existing loans worth \$550 million and an estimated \$3 billion in new loans.

8. Apart from these two measures, we also lowered corporate taxes in 2008. New enterprises and smaller companies enjoy further tax exemptions, which mean that many pay little or no taxes. For households, the 2008 Budget package included Growth Dividends, U-SAVE, S&CC and Rental Rebates, and top-ups to Post-Secondary Education Accounts. These schemes are helping Singaporeans, particularly lower income families, to tide over the difficult period.

9. Our next major move will be the 2009 Budget, which we have brought forward to January. The emphasis is still to protect jobs. We will do more to help viable companies to stay afloat and continue to employ their workers. We will introduce measures to help them with their business costs, including rental and wage bills. We are also studying further financing support for companies.

10. Compared to the 1997 Asian Financial Crisis, this crisis is more difficult for us to overcome because it is global. Still, it will not last forever. After a few years, conditions will go back to normal, though we cannot expect a quick return to the boom years before the crisis. Meanwhile, a world in recession is not a world without opportunities. In the midst of the storm, we must keep pursuing new growth chances, and look beyond the immediate problems to ensure that Singapore emerges stronger after the downturn. Hence, the Budget will also contain measures to develop our competitiveness and build up new and long term capabilities. Some businesses may not recover from the slump in global demand, but most should survive. We will help them to build up their operations, and also encourage new businesses to grow, so that there will always be good jobs for Singaporeans.

11. The Budget package will not restore our economy to high growth overnight. But our measures will moderate the impact on Singaporeans, and on our economy. We will continue to monitor closely how events unfold. If more measures become necessary, we have the resources, and the will, to do more to see Singapore through this recession.

MEETING THE CRISIS AS ONE NATION

12. However, Government help alone will not solve the problem. Every one of us has a part to play. Companies should work with the unions to find ways to cut costs, and consider downsizing only as a last resort. During a downturn, businesses should try hard

to keep their core team together, to hold on to their critical knowledge and skills. They should also take advantage of this slack period and the available schemes to build new and better capabilities. Such a far-sighted approach will pay off when the upturn comes.

13. On their part, workers should go for upgrading and pick up new skills. There are still many good jobs even now. Singapore has attracted exceptionally high investment commitments in the last two years. For 2009, EDB forecasts that investment commitments will be lower, but could still exceed \$10 billion. When these projects are completed they will create many new jobs.

14. In addition, sectors like construction and marine which have not been popular with Singaporeans still offer many jobs. There are also vacancies in the service industry, such as in healthcare and education, the IRs and retail trade, and in the Home Team and security. There are jobs not only for the rank and file, but also supervisory and technical positions for professionals, managers and executives. If you are job hunting, I hope you will venture beyond your comfort zone to take up these available jobs, even if they are not your first choice.

15. In this difficult period, families must bind together, as Asian societies have always done in times of trouble. We must all fulfil our duties to our parents, our spouses and our children. In particular, we must safeguard our children's future. Parents must ensure that children continue to attend kindergarten or childcare centre, and keep up their school attendance and school work.

16. Singaporeans must also take care of one another beyond our immediate families. Community and welfare organisations, as well as grassroots organisations all over the island, have expanded their schemes to help needy citizens – food hampers, Fairprice vouchers, bursaries, and pocket money for needy students. The Government will also continue to play its part, by helping the poor through ComCare. These efforts must be supported by all Singaporeans. If you are able to contribute, do volunteer your help.

TACKLING SECURITY CHALLENGES

17. Besides the economic downturn, 2008 has also brought political instability and security threats to some countries in our region, making it harder for these countries to focus on their economic problems.

18. Extremist terrorism is a continuing threat. The recent terrible attacks in Mumbai were a vivid reminder of this. Singapore was not the target, but tragically a Singaporean, Ms Lo Hwei Yen, became a victim. We all mourn her loss. We must also understand what this incident means for our security, and how we can protect ourselves better from the threat of terrorism.

19. We are doing our utmost to prevent something like this from happening here. Our security and intelligence agencies monitor potential threats closely, and cooperate quietly with their counterparts in neighbouring countries. We are tightening up border security, and taking physical precautions at major events. Ordinary citizens can help in this too, by being on the alert and reporting anything suspicious.

20. But there is no 100% guarantee that we will never be hit. Therefore, we must strengthen our psychological resilience and our social cohesion, so that should an attack ever occur despite all our efforts, we can absorb the shock, pull together and recover from the blow.

21. Most importantly, extremist terrorism must not be allowed to undermine our racial and religious harmony. Singaporeans understand that terrorism is a threat to all of us. All religious groups have unequivocally condemned the Mumbai attacks. We need to work continuously to further strengthen this unity, trust and resilience. This is the purpose of the Community Engagement Programme (CEP) – to prepare ourselves to respond to any crisis not as individuals or different communities, but as one nation.

CONCLUSION

22. Despite the storm clouds, we have good reasons to be quietly confident. Around the world, people recognise that Singapore started with precious little but built a prosperous and cohesive multi-racial nation through our ingenuity and effort. On my recent journeys abroad, I found everywhere a high regard for Singapore. Whether in Latin America, China or the Middle East, people admired what we have achieved, and were eager to learn from our experiences. I was asked many questions about how we tackle our problems, and in particular how we are responding to the crisis. They were confident that we would pull through and wanted to pick up ideas from us. Perhaps that is why the World Bank is setting up a World Bank-Singapore Urban Hub in Singapore, to share some of our experience and expertise with other developing countries.

23. Singapore's key strengths are our honest and capable leadership, sound policies which look beyond the short term, social cohesion and talented and hardworking people. These strengths have brought us peace, prosperity and progress for decades, and they will see us through these difficult times. When the environment was favourable, we upgraded and grew our economy, lived within our means and patiently built up sizeable reserves. So when this sudden, severe storm struck, we were ready.

24. Together, we will overcome this downturn, as we have overcome many previous ones, and emerge stronger from the experience. Together, we can meet the future with confidence.

25. I wish all Singaporeans a Happy New Year.

