

The history of singapore inflation accelerates economics essay

[Economics](#)



Topics Covered
Lecture Topic 1: Introduction to Macroeconomics , GDP and Growth
Lecture Topic 2: Workers, Wages and Unemployment
Lecture Topic 3: Price Level and Inflation
Lecture Topic 4: Saving, Capital Formation and Financial Markets
Introduction
Topic 1 - Article Analysis written by Ang Hui Xin
Mabelline
Topic 2 - Article Analysis written by Chong Zhi Shen
Topic 3 - Article Analysis written by Bryan Tan Zhi Bin
Topic 4 - Article Analysis written by Dominick Poh Wei Ming
Conclusion
References

Use Times New Roman Font Size 12pt.

Number your pages.

Use single line spacing.

Save as Word document.

Your report should have a word count ranging from 1000 to 1500. Each Analysis (Part 4 – 6 in the template below) should have at least 200 words.

Introduction

Our group chose Singapore as the focus of our project, as the country's economy is heavily engaged in the global marketplace despite its small financial market. Singapore has been ranked by the Heritage Foundation's Index of Economic Freedom as the second most trade barrier free market-economy in the world[A] for two consecutive years, 2012 and 2013. Additionally, the country's economy is one of the most stable, racking up high government revenue, a consistently positive trade surplus, and having no foreign debt, despite possessing very limited land space and no natural resources of its own. The country had weathered the Financial Crisis in 1997, which Singapore's economy had stayed stable in comparison to its

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neighbouring countries' sliding economies, and again after the 2008 global financial crisis, where many developed economies were struggling with the backlash of the crisis, the Singapore economy had actually emerged as the world's fastest-growing economy in 2010.[B](150 words)

Topic 1 - Analysis 1 written by

Title

Singapore Economy Contracts 1. 4% in Q1 2013

Source

[http://www. tradingeconomics. com/singapore/gdp-growth](http://www.tradingeconomics.com/singapore/gdp-growth)

Summary

According to the article, Singapore's GDP is estimated to fall by 1. 4% in the first quarter of 2013, due to a fall in the manufacturing sector. This is a change from the the 3. 3% growth in the previous quarter. Looking at the manufacturing sector, it declined by 11. 3% compared to the increase of 3. 1% in the previous quarter. The construction sector had expanded by 15. 1%, an improvement compared to the contraction of 3. 9% previously. This is mostly due to the recovery in the private sector. The services producing industry dropped to an increase of 1. 8% as compared to the 2. 5% growth in the preceding quarter. This GDP growth is contributed by expansions in the finance and insurance sector, business services sector and other services industries, which offset the decline in wholesale and retail trade industry.

(143 words)

Analysis

Gross domestic product (GDP) refers to the "monetary value of all the finished goods and services produced within a country's border in a specific time period". (<http://www.investopedia.com/terms/g/gdp.asp>) It is calculated using the expenditure method: $Y = C + I + G + NX$, where C = consumption expenditure, I = investment, G = government purchases, NX = net exports. https://lh6.googleusercontent.com/obUTLfgg4ri4GTR-4w1eyJ_mlzkZTcToBkeaH2IcO0WdvO9XyektkoOJ9M5dpQRJK19TXZoicx0XwEKHWYJ_14oeSI2aelCk97ZKbvyQZrLjOaVX5hlpilLR Any change in rate of private consumption, investments, government purchases and net exports contributes to the GDP.

references

<http://www.tradingeconomics.com/singapore/gdp-growth>

<http://www.bloomberg.com/news/2013-04-12/singapore-gdp-unexpectedly-contracts-as-manufacturing-faltered.html>

http://www.singstat.gov.sg/statistics/browse_by_theme/national_accounts.html

Topic 2 - Analysis 2 written by Chong Zhi Shen

Title

Workers, Wages and Unemployment

Source

Unemployment - Ministry of Manpower

<http://www.mom.gov.sg/statistics-publications/national-labour-market-information/statistics/Pages/unemployment.aspx>

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Summary

In Singapore, the Ministry of Manpower's Labour Force Survey documented employment statistics over a period of 12 years; from 2001 to 2012.

Statistics were obtained from the survey on Singapore citizens and Permanent Residents, and foreign workforce data, excluding workers living in construction worksites a, dormitories and workers quarters at the workplace and persons commuting from abroad to work in Singapore. The labour force includes persons 15 years and over, and can be either employed or unemployed. The national unemployment rate has decreased gradually over the past decade, ranging from the highest at 5. 2% (in 2003) to the lowest at 2. 8% (in 2012). During the early 2000s, there was worldwide economic slowdown but through globalisation, the effect on Singapore was not as prominent. However, Singapore was badly affected with the outbreak of Severe Acute Respiratory Syndrome (SARS) in the world, which took the world by surprise as it infected thousands of people, costing \$30 billion losses worldwide. The Singapore economy gradually picked up as focus was put on the export and services industries. Furthermore, the opening of the casino in 2010 marked Singapore as a regional hub for wealth management, leading to new job openings and a decreased in the unemployment rate. 204 wordsAnalysishttps://lh6. googleusercontent.

com/MNO_r4b41pwJeHI9J0D9Uryvxzn1qd_T055EPYyy79-

877hCuA1Nda9Q_Rr_2CnEX5pkBcs-

5gt97aVuMG1QI6QWH_EWhAaEARXOspPXejeNQij_HYfqJbYghttps://lh3.

googleusercontent. com/a1R-

mkYPBvfH4MrlyQW42Hw5uyL_EHInGC5Egd2mZxLv0uzpm0O59Uwyhebb0SB

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pxxJgHmsFRCXCZbyheFDtvXbUoZigu-Amd1RACDmYfp2WZSH83eDAiyNJA

closer look at the details of the unemployment statistics by demographics and highest qualification attained shows a trend of there being more unemployed females. This could be attributed to the prime-age female workers who temporarily stay out of the workforce during maternity period, or the higher demand for males in certain industries such as construction sites. In the 15 to 50 age group, the youngest group at 15 to 24 has the highest unemployment rate. This could be due to this age group lacking the necessary qualification and experience in the workforce to be employed. In terms of highest qualification attained, from the statistics, the highest unemployment rate is constituted by workers who have primary and lower secondary qualification. Such workers are likely the unskilled workers who may not have the skills required. With the globalisation and the technological boom, Singapore's economic restructuring has moved significantly from labour intensive industry, requiring unskilled workers, to a capital intensive industry, requiring more skilled workers. Given that Singapore lacks land or natural resources, she relies heavily on her human resources to boost the economy. The education policy helps produce skilled workers; leaving a gap for the lack of supply of unskilled workers and a high demand for these workers for certain industries such as construction or cleaning services. This explains the local government's liberal policy regarding the influx of foreign workers to provide a supply for the lack of unskilled workers. 239 words

Topic 3 - Analysis 3 written by Bryan Tan Zhi Bin

Title

Singapore Inflation Accelerates

Source

[http://online.wsj.](http://online.wsj.com/article/SB10001424052702304707604577421520969453072.html)

[com/article/SB10001424052702304707604577421520969453072.html](http://online.wsj.com/article/SB10001424052702304707604577421520969453072.html)

Summary

The article describes how inflation in Singapore accelerated through the early part of 2012 due to increased accommodation rental costs, due to more rental contracts being renewed at higher rates than existing ones, despite the slower increase in transport and food prices. The consumer price index rose 5.4%, faster than the 5.3% which analysts anticipated. To combat the price hike, the Monetary Authority of Singapore (MAS) responded by tightening their monetary policy, setting the local currency appreciate to at a steeper rate in comparison to its key trading partners' currencies. Prior to the article's release, the economy had grown slightly faster than estimated, at 10% from the preceding quarter, and GDP is expected to rise by 1% to 3% in the year. 122 words

Analysis

Mr. Gaurav Raghuvanshi reported that the consumer price inflation accelerated in the first half of the year, which was largely due to the continued hike in accommodation rental costs, leaving the MAS to deal with stagflation-type environment. A state where economical growth is sagging while unemployment and inflation are at a steady high, raising a dilemma for <https://assignbuster.com/the-history-of-singapore-inflation-accelerates-economics-essay/>

currency policy as actions to address and lower unemployment may in fact exacerbate inflation, and vice versa. As inflation rate increases, purchasing power falls; each dollar will be valued with a smaller percentage of a good as compared to a prior inflation rate. Thus central banks would attempt to stem severe inflation and deflation rates in order to avoid drastic changes in economic prices, such as the setting of steeper local currency appreciation rate by the MAS. Economists expect the local inflation rate to ease in the year, but predict that wage pressures and transport costs may keep the prices sticky for a while longer[3a]. Singapore's Consumer Price Index (CPI) had soared higher than anticipated during February due to the higher food costs during the Chinese New Year holiday, in addition to the spike in COE premiums which caused a significant rise in private transport costs[3b]. CPI is frequently used to identify periods of inflation or deflation by examining the weighted average price of " a basket of consumer goods and services, such as transportation" and food. These statistics are used to asses " price changes associated with the cost of living"[3c] in a country, with large rises in CPI in short periods usually representing a state of inflation and large drops denoting deflation in the economy. In a scenario where the global economy should fall sharply, local inflation would become stickier, more so if the US economy begins to falter and deflate, which would prompt action by the US Federal Reserve and in turn result in more foreign capital in Singapore, increasing local inflation. 320 words

Topic 4 - Analysis 4 written by Dominick Poh Wei Ming

Title

What you need to know about Singapore's compulsory saving scheme.

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Source

<http://sbr.com.sg/economy/commentary/what-you-need-know-about-singapores-compulsory-saving-scheme>

Summary

The article shows that Central Provident Fund (CPF), also known as a compulsory saving scheme, was first introduced into Singapore in 1955 and has since undergone many changes. Every employed Singaporean and permanent resident is included in the CPF scheme. A percentage of the employees pay as well as employer contributions will be placed into their CPF accounts. This money can only be withdrawn after the age of 55 as their retirement fund or when the account holder migrates overseas. Initially, schemes were introduced to allow the purchase of housing and shares with CPF funds. Following which, insurance payment, investment (special account) and medical expense (Medisave account) schemes were introduced. 110 Words

Analysis

Formula to calculate national savings: $\text{National Savings} = \text{Private Savings} + \text{Public Savings}$
 $\text{Private savings} = \text{Household (personal) Savings} + \text{Business Savings}$
 $\text{Public savings} = \text{Taxes} - \text{Government Spending}$
With the implementation of the Central Provident Fund, employed Singaporeans and permanent residents save more, increasing private savings which in turn increases national savings. Since the implementation of CPF, there has been a steady increase in Singapore's net national savings, in current USD, which can be seen from the diagram below. <https://lh6.googleusercontent>.

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com/Te6p6ctyynNTVeVCOJGrITFE15Sw0oN8v6pcahOXVH_pQMheJa6ES_e57Z
rHdgelY7Ok1jOGES_qWdVoevJB59nvwL8B54OfcT8w_PTTAS2o1rni0zxisRGKDi
agram from [http://www.indexmundi.com/facts/singapore/net-national-](http://www.indexmundi.com/facts/singapore/net-national-savings)

savings Relating what diagram shows to the main source article, the decrease in national income during 1985 was due to a recession caused by the adjustment in the CPF rates. This shows how changes in CPF are visibly reflected in the changes in national savings. As shown above, there was a drastic increase in national savings from 1987 to 1997. One of the important factors that affected it was the introduction of the CPF scheme which made savings compulsory for all employees, increasing public savings resulting in an overall increase in national savings. More household savings means a higher amount of money present in the CPF leading to a strong national capital formation. S (national savings) = Private savings ($Y - T - C$) + Public savings ($T - G$)
 $S = Y - C - G$
 $S = (C + I + G) - C - G$
Thus, $S = I$

(investments) when $I \uparrow$, $S \uparrow$ since $S = I$ In 1997, there was a decline in national savings which dropped to an all-time low during 2002, which was due to a technical recession experienced during that time. Additionally, the Gross domestic Product (GDP) during this period dropped dramatically, meaning that the decline of national savings was mainly due to the low national income, directly affecting the base amount of national savings. Despite the effectiveness of the CPF scheme, it is not wise to just rely on one method of increasing national savings during a recession. As such, it is more effective to increase national income by reducing government spending in certain areas while investing in capital goods during recessions, increasing generated income in the long-run. By implementing both the CPF scheme

and increased government spending on capital goods, the nation generates more income, directly affecting national reserves. This can be seen in the sharp increase in national savings in the years after 2002. 320 Words (excluding formulae) it is more effective to increase public savings by reducing government spending (G) such that the government saves by spending less. By implementing both the CPF scheme and reduced government spending, the whole nation saves together. This can be seen in the sharp increase in national savings in the years after 2002 when the government initiated a cut in expenses of certain areas to invest in the vital capital goods.

Conclusion

Summarize the main findings of the group project.

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