

Singapore economy introduction



**ASSIGN
BUSTER**

The Republic of Singapore is located in the southeast of Asia, 137 kilometres north of the equator; it has an area of 710 km² and a population of 5, 183, 700 people. It is made up of 63 islands and it has been urbanised and more land has been created for development.

After Singapore declared its independence from the Japanese, it then separated from Malaysia after two years and this separation caused a huge increase in the wealth of Singapore. Singapore is now the fourth financial centre in the world, and its port is one out of the five greatest ports in the world.

In this project we will be talking about the economy of Singapore and how it became one of the richest countries in the world and probably will still be until 2050. Singapore is a good business place as it is easy to start up a business due to the free economy and non-involvement of the government.

The sector of manufacture in Singapore provides a rate of 20% to 30% to the country's GDP yearly. For having a stable political and very supportive business environment it attracted a lot of banks and firms.

In 2009 Singapore has been chosen to be the tenth most expensive country in the world for residents to live in.

ECONOMY OF SINGAPORE

Although Singapore is small in size but it's big in business, it is known for its high standards of living.

Singapore does not have a centrally planned economy; it is a free economy; the second freest in 2012, where the government does not control any

aspects from business, trade, finance, investment...Etc. Singapore has an open business environment that is free from corruption and that gives the country a high score, with stable prices and low tax rate comparing to other developed countries. As the economy is a free economy most companies in Singapore are signed as private limited companies (Pte Ltd).

The main sources of income for the Singaporean economy are the exports (electronics, chemicals and services) and imported goods (that is a part of 26% of Singapore's GDP). The opening of the state's first casino caused an increase in the economy too which caused the country to purchase goods and resources that it never had. Singapore has no significant natural resources and as it operates the third largest oil refinery in the world it needs to buy raw materials from other countries and it gets its own from Saudi Arabia and due to its high developed market it ships the final products made to its neighbouring countries (US, Malaysia, china, Japan, Indonesia, south Korea).

Singapore's arose spectacularly from a third world country to a first world with no natural resources but with the help of its own people. It is really a great place to start and run a business; it is easy to start up along with very well ordered laws. Singapore's government is very efficient, stable and organized with low tax rates and low government outcomes and its main aim and focus to take the country to the top and make it one of the most and best industrialized nations.

“ A wonder created out of a tear drop”.

GDP

Singapore has one of the highest GDP (Gross domestic Product) per capita in the world, higher than most of the developed countries, beating out Norway, Hong Kong, USA and Switzerland. The GDP gives a total measure of changes in value of goods and services produced by an economy. In 2011, Singapore had a GDP of \$239.70 billion and a GDP per capita of \$33,529.83; it has been ranked the 19th richest out of 190 countries in World Bank.

From 2011 onwards, the rate of Singapore's GDP growth was expected to be set or stabilized from 4% to 5% for the next 5 years, yet it seemed like it would be increasing to 7%. From 2009 to 2010 Singapore's GDP (PPP) grew by 15.56%, this caused a strong economic recovery since in 2008 it had a global financial crisis where the GDP (PPP) has increased only by 3.70% although from 2011 until 2016 the GDP (PPP) is expected to be between 5.75% and 6.42%.

INFLATION

“Inflation is too many dollars chasing too few goods”. In 2011 the rate of inflation rose as high as 5.5% and as Singapore imports a very high amount of raw materials the cause of this high inflation is the causes of unexpected events.

There are four factors that increase the rate of inflation in Singapore such as;

1. “The supply of money goes up”
2. “The supply of other goods goes down”
3. “Demand for money goes down”

4. “ Demand for other goods goes up”

The quotes above mean as the banks produce more money paper it causes the supply of goods to go down because the value of money is very low, as the needs of money decreases the needs of other goods increases, here is the graph of the rate of inflation:

This graph above shows the rate of inflation in the years in between 2011 and 2012. In the beginning of the year of 2011 the rate of inflation rises to 5.5% it dropped down 1.5% until June. In July it started to rise rapidly between 5.4% and 5.7%. In 2012 the rate of inflation decreased and it wasn't as bad as the previous year it started at 5.3% and then it dropped until it reached 4.7%. Since the percentage in the table above is in between 4% and 5% then it's a stable inflation rate.

MONETARY POLICY AND INTEREST RATE

The currency of Singapore is the Singapore dollar (SGD). In Singapore the rate of interest and money supply is controlled by Monetary Authority of Singapore (MAS). MAS is the central bank of Singapore, their aim is to keep the economy non-inflated and a progressive financial centre.

Singapore is known for having a low interest rate; people are expecting that the interest rate will increase in the upcoming years.

UNEMPLOYMENT

Many countries suffer from unemployment; I think most of the countries in the world do. There are different types of unemployment but some aren't as

bad as others, in Singapore it has been measured that 30% of the unemployment rate is structural unemployment.

Structural unemployment is when the people are unemployed because they don't have the skills that meet the requirements of the new market or the place they live in. It's very bad as this could cause to go through training and learn something new or move to another place to where his skills are required.

In the past few years the unemployment rate has gone down due to probably the moving out of people from Singapore or probably they took courses to learn new skills. Below is the data for Singapore's unemployment rate: