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# 11 Singapore's policy response to COVID-19

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**Danny Quah**

National University of Singapore

In this chapter, I describe Singapore's economic policy response to the 2020 COVID-19 outbreak. Although the core interest in this discussion is economic, two companion attributes in the suite of Singapore's policies feature prominently. The first concerns trust in political leadership; the second, confidence in technical competence and scientific expertise.

I argue that it is the coming together of these three – economic policy, assured political leadership, and expert evidence-based domain knowledge – that has made for Singapore's thus-far successful response to the COVID-19 outbreak.<sup>1</sup>

Unlike a routine economic shock, with an impact of perhaps up to a standard deviation on price and quantity, the introduction of the novel coronavirus into the national conversation brings into focus for market participants questions of heightened social fears, not least in the form of widespread health emergencies and a collapsed healthcare system. Will COVID-19 be just about disturbances to demand and supply, or will markets – organised systems of exchange – break down altogether?

In the COVID-19 outbreak, ordinary people confront changing restrictions not just through price variations affecting the value of their endowments of time and wealth. Instead, people face quarantine-related, non-price constraints on their physical mobility and thus contend with restrictions on their labour force activity and economic production. These social engineering constraints imply further that people are restricted in leisure group engagements and thus in consumption activity. The shock to people's psychological composure – from social distancing, self-isolation, and working from home – affects consumer confidence and worker efficiency.

<sup>1</sup> Following World Health Organisation convention, I will use "COVID-19" to refer to the disease but will refer to the virus itself by a different name, "SARS-CoV-2" or the "novel coronavirus", or when there is no ambiguity, just "coronavirus".

For COVID-19, therefore, the disturbance to aggregate demand and supply come together. So too should policy respond on multiple fronts. In this view, attempting to support just aggregate demand, say, will only result in distortion and further disruption to the economy. I therefore present Singapore's economic policy response to COVID-19 against a background that acknowledges the multiplicity and correlatedness of COVID-19's different effects.

The broad, general contours of Singapore's COVID-19 actions have already been described elsewhere.<sup>2</sup> Some of these accounts characterise Singapore as having undertaken "draconian tracing and containment measures", with its small population therefore "largely accepting of the government's expansive orders". One observer in New York noted how, in a public health crisis, Singaporeans seemed to show "more of a willingness to place the community and society needs over individual liberty".

My own view is that well-designed economic incentive schemes, working in tandem with established domestic laws and the population's confidence in scientific knowledge and political leadership, have been critical in reaching good outcomes in Singapore.

The narrative that follows presents, in the main, just facts, drawing directly from material on Singapore's ministry websites or first-hand accounts of speeches or other official engagement.

On 2 January 2020, Singapore's Ministry of Health (MOH) first began to issue public advisories on an emerging cluster of pneumonia cases in Wuhan, Hubei province, China. Temperature screening was set up for inbound travellers at Singapore's Changi airport the following day. The first case of COVID-19 in Singapore was confirmed on 23 January. In the week between then and 1 February, 18 cases were confirmed, every single one of them connected to a case having recent physical presence in Wuhan.

In late January, both in anticipation and in response, a number of housing properties (including at the National University of Singapore) were designated government quarantine facilities, to accommodate those who had been in close contact with confirmed cases of COVID-19. People who might also have been exposed but were thought to be at lower risk were placed on compulsory leave of absence (LOA), to be contacted regularly for health monitoring. All who were quarantined or placed on LOA were newly returned from Wuhan.

2 See <https://time.com/5802293/coronavirus-covid19-singapore-hong-kong-taiwan/>, <https://www.nytimes.com/2020/03/13/opinion/coronavirus-best-response.html> and <https://www.technologyreview.com/s/615353/singapore-is-the-model-for-how-to-handle-the-coronavirus/>.

Tuesday 4 February, however, changed that discourse: the first local coronavirus transmission was detected. MOH confirmed four cases, none of whom had recently travelled to mainland China. Three of these had had contact with recent travellers from mainland China. The fourth had not, but was a domestic worker for one of the three. This change in circumstances took infection possibilities to a new level, with the negative impact on aggregate demand and supply growing correspondingly larger. If up until then the strategy was one of border control, that strategy now needed to change to containment and social distancing.

Three days after that, on Friday 7 February, Singapore's Disease Outbreak Response Condition (DORSCON) was raised from yellow to orange, indicating the novel coronavirus outbreak was now estimated to have a moderate to high public health impact. Across the island, inessential large-scale events were cancelled or postponed. Universities and businesses put up thermal screening stations, and twice-daily temperature reporting by every individual was mandated. Soon thereafter a new category of medical isolation, stay-home notification (SHN), was introduced, in severity between a quarantine order (QO) and an LOA. Both QOs and SHNs attract the full force of the law under the Infectious Diseases Act, and so carry legal penalty.

## Economic policy

- **On economics, first some context and a sense of magnitude**

Singapore is a small open economy that trades in a typical year between three to four times its total GDP. In 2019 that total GDP stood at S\$508 billion, having grown that year at a 0.7% annual rate, down from 3.4% in 2018.<sup>3</sup>

In November 2019, Singapore's Ministry of Trade and Industry (MTI) officially forecast that 2020 GDP growth would fall within the range of 0.5% to 2.5%.

The COVID-19 outbreak swiftly changed that. MTI revised down its 2020 forecast interval to -0.5% to 1.5% – i.e. by a full one percentage point – within the space of, essentially, weeks. This assessment was conditioned on expected weaker growth in China, but keeping broadly unchanged the 2020 outlook for the US and euro area economies.

<sup>3</sup> On 15 December 2019, one Singapore dollar was worth US\$0.74, so Singapore's 2019 GDP amounted to US\$376 billion, or US\$66,000 per capita.

From the perspective of March 2020, China's growth will likely continue to be low even if COVID-19 containment appears to have been successful unexpectedly quickly. However, in the weeks since MTI's February assessment, the US and euro area economies have begun to look distinctly weaker than was thought then to be the case. Moreover, COVID-19's economic impact, not just on the US or the euro area but globally, will probably be larger than previously expected.

If the lower end of MTI's February forecast range materialises, 2020 will be a full one-year period of negative growth in Singapore – the first since 2001. Even the 2003 SARS outbreak **reduced GDP by 0.3% for just one quarter**, with record GDP expansion of 5.3% in the quarter that followed.

The predicted impact of the COVID-19 outbreak on Singapore's economy, therefore, is larger than any other event of the last two decades, including the 2008 Global Financial Crisis.

- **Second, what has been the economic policy response?**

The economic policies that have been applied can be divided, logically, into those formed within the 2020 government budget process (coincidentally announced in February 2020), and those constituted outside that process.

Beginning with the second category, with the COVID-19 outbreak leading to a range of quarantine-derived restrictions imposed on business and workers, the government quickly realised that, all else equal, the incentive was for even the ill and infected to keep coming in to work. The externality this inflicted was that those who were healthy but had a sick colleague experienced an increased risk that they too would fall ill. So, in mid-February the government put in place a scheme to help **compensate businesses and the self-employed for those under COVID-19-related leave of absence**.<sup>4</sup> Although the compensation is not 100%, this is a move towards guaranteeing paid sick leave.

Along the same lines of externality management, COVID-19 testing is free, although those suspecting infection but not yet showing respiratory symptoms are encouraged instead to practice self-isolation and social distancing.

Turning now to the 2020 government budget, Tuesday 18 February was when Singapore's Finance Minister Heng Swee Keat was scheduled to present the budget to Parliament.

<sup>4</sup> <https://www.mom.gov.sg/newsroom/press-releases/2020/0212-leave-of-absence-support-programme>

To better appreciate the significance of this budget, recall two facts. First, by then the name COVID-19 was only a week old. Second, Singapore's government operates on a principle of budget balance over each term of government. Thus, for instance, from 2001 to 2010, a period that included the 2008 Global Financial Crisis, Singapore's overall budget balance averaged to +0.1% of GDP.

The 2020 budget, by contrast, showed an expected deficit of S\$10.9 billion, fully 2% of GDP, with total spending by ministries amounting to S\$83.6 billion. This deficit exceeds the S\$8.7 billion of the 2009 budget during the Global Financial Crisis, although in relative terms 2009's did come to 3.2% of GDP.

Included in this unusual government expenditure is a S\$4 billion **Stabilisation and Support package<sup>5</sup>** targeted specifically at COVID-19 issues. The ingredients of the package provide support on both aggregate demand and supply:

- A jobs support scheme (S\$1.3 billion) whereby the government pays 8% of the wages of local workers for three months, up to a S\$3,600 monthly cap. Singapore has 1.9 million local workers.
- A wage credit scheme (S\$1.1 billion) whereby the government co-funds approximately wage increases of approximately 30% for Singaporean employees, up to a S\$5,000 gross monthly wage (the exact parameters taper over time).
- A care and support package (S\$1.6 billion) whereby the government provides one-off cash payments of between S\$100 and S\$300 to every Singaporean aged 21 or higher, thus helping households defray the cost of living.

Beyond these large components, the 2020 budget also includes corporate income tax rebates of up to 25% of total tax payable in 2020; faster write-down for investment incurred in 2021; government co-financing of working capital loans; increased flexibility in rental payments for commercial enterprises on government properties; and retraining and reskilling programmes in tourism, transport, and other affected sectors.

In comparison with historical fiscal spending averages, the scale and extent of this expansionary support policy are remarkable. The policy is targeted, moreover, with the most vulnerable and affected in the Singapore economy receiving greater, albeit still time-limited, attention. Both demand and supply side considerations are taken into account: businesses receive investment relief at the same time as consumers see an immediate boost to their cash holdings, thus raising economy-wide spending power.

<sup>5</sup> [https://www.singaporebudget.gov.sg/budget\\_2020](https://www.singaporebudget.gov.sg/budget_2020)

Further, in February the Monetary Authority of Singapore, the nation's central bank, announced that it was "prepared to recalibrate monetary policy" if the economic outlook deteriorated further.<sup>6</sup>

At the end of February, to show solidarity with other Singaporeans coping with the coronavirus outbreak, the President of the Republic of Singapore, the Prime Minister, all Cabinet Ministers, and all political office-holders took a one-month pay cut. At the same time, the Finance Minister announced that healthcare frontline workers would receive an extra month's special bonus.

Finally, in his 12 March speech, Prime Minister Lee Hsien Loong added to what was in the Finance Minister's budget by announcing that, as needed, the government was already putting together a second package of support measures to continue to help businesses, workers, and households.

### **Technical knowledge and scientific expertise**

Beyond economics, Singapore's other domain experts have approached the job in a way that has, by all accounts, continued to build trust among Singaporeans.

Throughout January, even as the first isolated, imported COVID-19 cases were being confirmed, MOH maintained clear, consistent, and informative messaging on their website. The current state of confirmed cases would be reported each evening, normally with precise information on where the confirmed cases had travelled, and continuing updates on individuals with whom the various confirmed cases had come into contact. Singaporeans could develop a clear picture for themselves of what was happening with COVID-19 across the nation.

Within a week of the first confirmed case in Singapore, researchers at Duke-NUS (National University of Singapore) announced they had cultured the novel coronavirus from a patient's clinical sample, thus aiding the development of new diagnostic methods and the testing of potential vaccines.

When spatial clusters of COVID-19 emerged, MOH and affiliated agencies painstakingly undertook contact tracing until practically every individual was accounted for. Again, Duke-NUS developed a crucial new serological test able to establish links across infected individuals, even when, after recovery, patients had cleared the virus from their

<sup>6</sup> <https://www.straitstimes.com/business/economy/singapore-downgrades-2020-economic-growth-forecast-to-05-15-on-coronavirus-impact>

systems. This was put to use to connect two previously distinct clusters in Singapore, clarifying the transmission mechanism and identifying the individuals who had served to link the clusters.

That Singaporeans understood why such detailed knowledge mattered and how the risks were asymmetrically distributed also helped the process of confidence-building. South Korea had also carried out systematic and exhaustive monitoring. Their first confirmed case was discovered 20 January: “Patient 1” had flown from Wuhan to Incheon International Airport in Seoul. Upon discovery, she was isolated. In the weeks that followed, in a city of 10 million, only 30 new cases occurred, even with “Patient 6” having contracted the virus locally. But then “Patient 31” (how she became infected remains unclear), who denied she had been told to get tested for the virus, attended service twice at the Daegu branch of the Shincheonji Church of Jesus along with 9,300 others. Within weeks, **hundreds tested positive for COVID-19**,<sup>7</sup> with South Korea’s total cases now numbering in excess of 8,000.

Singaporeans could clearly see the dynamic unfolding between new, carefully reported scientific evidence and the corresponding policy measures taken. The same evening (Tuesday 4 February) that the first local coronavirus transmission was recorded, the Minister of Education informed that primary and secondary schools would suspend large group and communal activities. That weekend, universities, business, and most other establishments set up thermal scanning stations ahead of the coming workweek.

In an environment where, for example, social distancing is asked of the population, it does not take a great deal of convoluted calculation to evaluate costs and benefits, and to take on board the advice from both science and political leadership. Policies are simply that much more effective when there is trust in science.

## **Communication and political leadership**

The evening of Friday 7 February, after MOH announced Singapore was going DORSCON Orange, some supermarket shelves across the island quickly emptied, famously including those that should have held toilet paper.

<sup>7</sup> <https://graphics.reuters.com/CHINA-HEALTH-SOUTHKOREA-CLUSTERS/0100B5G33SB/index.html>

The following day Prime Minister Lee Hsien Loong went on TV to address the nation. By all accounts, the message was the very model of good communication and national leadership. The speech explained to the audience what economic and social reserves Singapore would be able to draw on, what was new in the threat posed by the novel coronavirus, what measures were in place, and how individual Singaporeans could help.

Most critically, the speech pointed to how strategies would need to be reconsidered as the situation continued to unfold and scientific understanding grew with more data. When Singapore's Foreign Minister Vivian Balakrishnan was interviewed on CNBC on 11 March, he set out how the challenge is now global and likely to continue perhaps into the next year. He described how Singapore will need to meet the challenge by working together with others, both in the region and worldwide. The approach is one where "We prepare for the worst. We get all our measures lined up, coordinated. We communicate with our people, people understand what we are doing."

In Singapore the messaging has remained clear, consistent, and well-informed. Credibility is high. This has continued to reassure the population appropriately to and maintain trust in the system. Demand and supply work best when there is confidence in social mechanisms.

Contrast this with how in the US the Trump administration went from one week boldly announcing the US would have zero cases to the next week having to deal with more than 2,000 confirmed infections and nearly 50 deaths. The US president refused to accept responsibility for testing delays, blaming instead others within and outside of his administration. He continued to contradict his own health officials. All this has [elevated anxiety and uncertainty among Americans](#).<sup>8</sup>

Even the most expansionary monetary policy will face a steep challenge restoring American consumers' confidence in the face of such erratic top leadership.

The US Centers for Disease Control and Prevention (CDC) suggest a [simple formula for public health communication](#): "Be consistent. Be accurate. Don't withhold vital information. Don't let anyone onto the podium without the preparation, knowledge, and discipline to deliver vital messages."<sup>9</sup> If a threat is going to make many ill, don't falsely reassure them. Information that is frightening still needs to be conveyed, but do so with empathy. Help people see at an individual level what they can do to help.

8 <https://www.washingtonpost.com/health/2020/03/14/cdc-manual-crisis-coronavirus-trump/>

9 <https://www.washingtonpost.com/health/2020/03/14/cdc-manual-crisis-coronavirus-trump/>

Singapore's political and scientific leadership seem to have taken the CDC formula to heart for their public announcements; the Trump administration, the complete opposite. One might have been tempted to say the Singapore approach is only one of plain common sense. That the US approach has been so different suggests that there is little plain or common in that approach.

## **Conclusion**

I have suggested that Singapore's policy response to the COVID-19 outbreak has taken three broad strands:

- Economic, to repair potential falls in aggregate demand and supply and possible market failures.
- Scientific, to confront head on the health and medical challenges, and to build confidence in the system.
- Political, with leadership showing itself to be in command of the situation to the extent possible, and admitting to continuing to learn as knowledge gaps closed and to be willing to adapt policies as a result.

Each of these strands is, by itself, sensible and effective. But they also feed off each other, and through positive spillover effects strengthen the policy response. What appears to have worked for Singapore is scientific and political leadership both communicating a clear understanding of the situation – identifying risks and challenges – together with economic policies that address both demand and supply considerations and that support a continued stable social system for productive exchange.

## **About the author**

**Danny Quah** is Li Ka Shing Professor in Economics at the Lee Kuan Yew School of Public Policy, National University of Singapore.

