The Economic Fallout of Corona Pandemic on Singapore: For How Long?

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May 12, 2020
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Abstract
Impending global economic impact of the COVID-19 pandemic is believed to be unprecedented. The severity and duration of the downturn will be made clear when the official data are released some months down the road. Nevertheless, early assessments provide useful warning lights for policy purposes. In this exercise we offer a methodology for such an assessment within the framework of intervention analysis. The exercise combines estimates from pre-crisis data with calibrated estimates for the intervention effect. The analysis is carried out in a structural vector autoregression framework to account for sectoral interdependence. As a result, it can generate direct and indirect impacts on sectoral growth from the intervention variable, COVID-19.

Under the scenario that COVID-19 effect withers away after three quarters as a result of effective policy interventions a V-shape or U-shape recovery within about six quarters is likely for all the sectors in Singapore except for construction, which is subject to its own dynamics. What is noteworthy is that no sector is spared because of the indirect growth impact. The direct impact is more dominant on accommodation & food services and transportation & storage resulting from restricted visitor arrivals. In the less likely scenario where the COVID-19 effect lingers on more than one year then it would be a wild guess as to how severe the downturn is going to be across all the sectors.

Data description: Value added growth rate of 10 sectors of Singapore, export-share weighted growth rate of 61 trading partners (including the rest of the world) of Singapore, growth rate of visitor arrivals, pulse dummies to represent episodes like the Asian financial crisis, SARS, and global financial crisis.

JEL Classification: C32, C51, E23, E37

Key Words: COVID-19, Singapore economy, sectoral growth, severity and duration of economic downturn, intervention model, SVAR model, direct and indirect growth effect.