

## Commentary

# Four Asian Tigers ready to roar in the Year of the Tiger, but challenges lie ahead



**Xu Le**

For The Straits Times

The Year of the Tiger is approaching. A symbol of power, boldness and speed, will the Tiger bring strong economic recovery to Asia?

The region is home to several high-growth economies, including Singapore, Hong Kong, South Korea and Taiwan.

Also known as the Four Asian Tigers, these economies look ready to leap in the new year. But first, they have to overcome the uncertainty brought by Covid-19 variants and inflationary pressure.

### SINGAPORE

The Omicron variant has cast a shadow over economic recovery in the United States and Europe. This has also put the world economy at risk.

Omicron has not struck in full force in Singapore yet, but some experts predict that infections will hit at least 15,000 cases a day in one or two months.

The worry that the new variant will hamper Singapore's economic recovery is not unfounded. However, looking at the overall picture, it is less likely to derail

growth as long as the Republic does not face a labour crunch or large-scale business disruptions.

Singapore has one of the world's highest vaccination rates, with many employers implementing regular testing for staff in order to reduce the risks of workplace transmission.

Vaccination and the relevant workplace protocols will help to prevent potential business disruptions so the probability of work stoppages is considered small.

However, Singapore is still facing challenges in its path of reopening. According to the Ministry of Trade and Industry, Singapore's economy will continue to recover, albeit at a slower pace. The growth rate is expected to slow down to a range of 3 per cent to 5 per cent this year, down from about 7 per cent last year.

Most sectors are expected to recover and contribute to growth in the current year.

Construction, especially, is seen as one of the main drivers of this Tiger economy. Manufacturing will make this a prosperous Tiger year too. The sector performed well last year and it is likely to lift Singapore's economy, but probably at a lower rate.

Some growth drivers, such as electronics and precision engineering, are already operating at near-full capacity, according to a Maybank report. This may slow growth in the sector.

In general, Singapore will continue its growth trend. But retail trade, food and beverage

services and other tourism-related industries still have significant room for catch-up in the Year of the Tiger.

### HONG KONG

Hong Kong's economic outlook this year is relatively more unpredictable compared with Singapore's as it faces more uncertainties, such as China's policy on Omicron, inflationary pressures, supply chain bottlenecks as well as geopolitical factors.

Some economists have already cut the economic growth forecasts for Hong Kong, considering the impact of new Covid-19 cases on its border-control policy.

For example, recent new infections in nearby Shenzhen blew Hong Kong's hope of reopening with the mainland, putting a damper on its plan. The tightened travel restrictions may hinder international supply chains, increase costs and exacerbate the inflation problem.

The Year of the Ox has been a "recovery" year for Hong Kong as a result of "the further revival of global economic activity and stable local epidemic situation", said Hong Kong's third quarter report in 2021. Exports are expected to be strong this year, which will be a booster to the economy.

But Omicron is very likely to pose risks to this export-reliant economy. The new and hard-to-control variant will decelerate global economic growth. It has already tempered



The economies of the Four Asian Tigers have to overcome the uncertainty brought by Covid-19 variants as well as inflationary pressure in the new year, says the writer. ST PHOTO: JASON QUAH

expectations of a fast recovery in the Year of the Tiger.

Hong Kong will probably need to cope with more business activity disruptions, which may slow economic growth.

In addition, the impact of geopolitical tensions on Hong Kong's economy should not be ignored. It adds more uncertainties to the course of economic recovery this year.

In summary, Hong Kong's economic growth will rely more on global export demand and Beijing's Covid-19 control policies.

### SOUTH KOREA

South Korea expects its economy to continue to recover, propelled by strong export demand, domestic demand rebounds as well as fiscal stimulus, according to Reuters.

Exports last November hit the

highest monthly record, soaring 32.1 per cent from a year earlier. This is mainly because global economic recovery has driven up the demand for chips and petrochemicals.

The strong export demand will continue as its trading partners gradually return to production normalisation. South Korea's Finance Ministry forecasts GDP growth at 3.1 per cent.

However, the country still faces downside risks. On the one hand, the Omicron threat increases the uncertainty of its economic growth. On the other hand, it is still facing supply chain issues. These may disrupt the production process, endangering South Korea's manufacturers.

The supply crisis pushes up product prices, inducing the prolonged cost-push inflation and reducing the competitiveness of the country's products.

For example, Hyundai Motor, one of the hardest-hit carmakers, cannot predict how many key parts, including semiconductors, it can secure, given the shortage of automotive chips, according to The Korea Economic Daily.

To resolve the supply chain problem is essential to further boost the country's economy.

Generally speaking, South Korea will have a better-than-expected performance if it can resolve the supply chain crisis and further stimulate domestic consumption.

### TAIWAN

Taiwan's economic growth is projected to be 3.85 per cent, according to Academia Sinica, Taiwan's top research institution.

One of the biggest contributors to Taiwan's growth is its semiconductor industry, due to surging global demand for chips. The output is expected to expand this year to NT\$4.5 trillion (\$\$219 billion), according to a report by the Industry, Science and Technology International Strategy Centre.

To overcome capacity constraints, Taiwan Semiconductor Manufacturing, the world's largest contract

chipmaker, is investing in a new factory. In light of the production expansion and high demand, the advanced semiconductor manufacturing sector will continue to be a main driver of economic growth this year.

However, Taiwan still needs to tackle the same problems that the other Tiger economies face in 2022, such as new Covid-19 variants, supply chain bottlenecks and high inflation risks. In addition, both United States-China relations and Beijing's Taiwan policy will likely affect the performance of the economy.

To have healthy and robust economic growth, Taiwan must boost domestic spending. The local government has issued vouchers to residents to stimulate spending. However, it is not a sustained measure and the effect will be limited.

Controlling the spread of the virus, reopening the border and revitalising the tourism industry will be more effective in helping Taiwan's economy return to prosperity.

Taiwan's recovery is continuing this year, but there are many deft steps it needs to take among the undergrowth of risks.

### OVERALL

Overall, the Four Asian Tigers have a positive economic outlook in the Year of the Tiger. But, at the same time, each economy should prepare well for the upcoming challenges.

The World Bank has just adjusted its forecast for global economic growth, which is expected to slow to 4.1 per cent in 2022. This may have an influence on every Tiger economy's export and import demands, as well as supply chain efficiency.

The Tigers will still leap, but it's just that there will be more economic bumps ahead.

• Xu Le is a lecturer in the Department of Strategy and Policy at National University of Singapore (NUS) Business School. The opinions expressed do not represent the views and opinions of NUS.