DBS Flash

Kopi Time E181: Singapore's economic path with Manu Bhaskaran

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Welcome to Kopi Time, a podcast series on markets and economies from DBS Group Research. I'm Taimur Baig, Chief economist. Welcome to our 181st episode.

Today, we will welcome back Manu Bhaskaran, founding partner and head of Centennial Asia Advisors. Manu has been an early supporter of the series. He appeared on episode 11 way back in 2020. Mr. Bhaskaran has had a long and distinguished career in economic analysis and advisory. With Singapore's 61st birthday approaching, I thought it's a great time to have him back on the show to discuss the present and future of our island nation.

Manu Bhaskaran, welcome back to Kopi Time. I cannot believe that it's been 6 years since you came on this podcast. I feel like I see you regularly enough that we have a regular exchange of views. But for our viewers, it's just fantastic for you to come back. Thank you.

Manu Bhaskaran

Thank you for having me.

Taimur Baig

So, Manu, what I'd like to do with the time that we have is to talk about Singapore's macro and structural economy. And I think it's sort of appropriate to take a stocktaking, not just at the very near term, but the medium term of this country with the 61st birthday coming up. So, start with a pet issue of mine, which is the issue of conditional convergence. Economics theory suggests if you are a very rich economy, you are very close to the frontier of production, so your growth rate should be much slower than an emerging market economy that is heading toward the frontier. But Singapore's growth rate in the last few years, we look at 2024 data, 2025 data, and what we have for the first half of 2026, is growing at an emerging market rate, 5% plus. What's going on?

Manu Bhaskaran

Well, I think Singapore, we're a fairly large economy in absolute terms, more than USD500bn, but still actually relatively small in global terms. Small open economies can be very volatile and can grow above trend or well below trend for one or two years or three years. And I think in Singapore, what we've seen is a confluence of positives that have really helped boost Singapore's growth. In particular, I think electronics has played an outsized role. As you know, the AI capital spending boom has been extraordinary in scale, and we are very big winners from that, given our large semiconductor and other related sectors that are exposed to that. So, I think that has a lot to do with that. We should not expect 5% as the norm. It's still going above trend.

Taimur Baig

Indeed. Manu, Singapore statistics and the authorities do publish some data on productivity measurement. And when I look at the TFA measurement data that's coming out, it suggests that it's not just accumulation of capital, accumulation of labor, but Singapore's productivity performance has been pretty impressive the last few years. A major source of frustration in the preceding decade, the authorities set up various councils to investigate it. So, do you think it's just an artifact of data, or are we actually being pretty successful in embracing tech and hence the productivity growth numbers being so favorable?

Manu Bhaskaran

The trouble with TFP growth, as you know, is a residual, and sometimes measuring what you're really trying to measure, which is how efficiently you put all the factors of production together, it can be a difficult task. And it's also, I would think, a bit difficult to draw strong conclusions from a couple of years of data, especially when you've had this unusual period of extraordinary growth in a couple of sectors. So, looking at the longer-term productivity picture, TFP growth has actually been quite disappointing until very recently, right? Is this a structural change for the better? I'm not convinced yet. I hope it is, but I think we need to wait for some more years of data before we can be sure of that.

Taimur Baig

I fully agree with you, Manu. I think that the artifact of the way we calculate TFP, it sort of always rewards the boom period, suggests that we're going through productivity enhancement, but then it also suggests that productivity declines during bust periods, which doesn't make that much sense either. So, I'm glad you pointed that out. But talk a little bit about the sectors beyond electronics. Singapore has a fairly large pharma sector, especially given what's happening in the Middle East. Singapore's fairly large oil and gas refining sector also comes to fore. How are those sectors doing?

Manu Bhaskaran

That's an excellent question. I think the root of this is to understand which sectors benefit. I think the root of this is we're in an era of great turbulence or uncertainty. A premium is being placed on countries that offer stability, regulatory certainty, a government that can pull things together so that you create the ecosystem that is favorable for investment. So, we are attracting investments that are highly leveraged to these factors where trust matters. If you're going to build a huge semiconductor plant worth billions of dollars, very high value added per worker, you're not going to be too worried about labor costs. You're worried about long-term stability. Will government policies change suddenly? Will there be violence of some kind that might affect your very large investment? Those things matter. And those things Singapore excels in. So, whether it is very high value added manufacturing or financial services that are leveraged on trust, on reliability and safety, I think that's where Singapore excels.

Taimur Baig

I would think that on energy, Singapore will not have a comparative advantage. Small space, no indigenous production of fossil fuel, and still Singapore refineries are consequential. Would you again associate that with trust, or is there like a longer memory of good quality labor and logistics and so on?

Manu Bhaskaran

I think you're right. There's a longer story here. I mean, we had the refinery here for almost 100 years now. And from that refinery there grew an ecosystem around that. And the far-sightedness of our economic planners in the 1980s to build on that by bringing in petrochemicals as well, I think, produced a critical mass of activities that support each other. And once you have a critical mass, it's very difficult to dislodge them.

Taimur Baig

Offer a few thoughts on the pharma industry, which is also fairly big in Singapore and in the past has been a substantial contributor to growth. There are a lot of cross currents taking place, tariffs on one side and some big consequential drugs that have gotten into generic status. Are global multinationals still bullish on Singapore's pharma sector?

Manu Bhaskaran

It would appear so, investments continue. And again, pharmaceutical plants are very high value. There's a premium on high quality, on skilled labor. You know, one of these canisters of active pharmaceutical ingredients can be worth a lot of money, and you don't want to be in a place where there's instability or where, if it is transported from the factory to the air cargo plant, the roads are bad and something might go wrong. You want a country like Singapore, which is safe and secure, where things are orderly and things work. And I think that's where we play to our advantages.

Taimur Baig

Manu, so we largely talked about foreign investors' perspective of Singapore with respect to electronics or pharma or refining. Say a few things about domestic demand. We have a travel tourism industry, which seems to be thriving after a few years of turbulence around the pandemic. But we also have a local food and beverage industry. We have a healthcare industry, not pharma, but healthcare. Is that also leveraged to external demand or does the domestic demand part play a pretty important role?

Manu Bhaskaran

Well, you know, tourist spending is highly sensitive to nominal currency values, and our currency has strengthened a lot. And we appear very expensive to our immediate hinterland, which is the natural catchment area for your tourist spending. So, I think clearly that sector is going to struggle a bit. We will get away with some special events. Our integrated resorts are being expanded. All these things will help. But fundamentally, I think we will have to be very inventive, very creative in order to keep that going. Domestic demand is still a bit of an issue in Singapore. As you know, our consumption to GDP ratio is lower than the average for, say, compared to Hong Kong, and there are many reasons for that. So, domestic demand, I think there is an issue there. And I think sectors like food and beverage have another issue, which is that they are labor intensive, and we have issues with securing enough foreign workers for that industry. And that can, I think, contribute to that sector's travails right now.

Taimur Baig

Manu, especially when I was asking you about productivity growth, of course, you and I discussed the shiny part of the economy, which probably does not require low wage labor. And therefore, a high productivity, high wage labor in a very capital-intensive environment. But when we talk about food and beverages, when we talk about various domestic services, it seems like it's still a long way to go before those sectors become very productive or shed reliance on cheap labor.

Manu Bhaskaran

Correct. I think if there's one downside to the model we pursued over the last 30 or 40 years, it's that a lot of our companies have become addicted, in my view, to cheap foreign workers. And that is a habit that's very hard to shake off. Because the whole structure of your business, your processes are all attuned to the assumption that you can get cheap foreign workers. When that is being taken away, it's very difficult for some of our industries to adjust. It takes a lot of time.

Taimur Baig

Of course. Manu, you briefly alluded to the financial industry as well. Let's talk a little bit about that because we are seeing substantial financial flows to Singapore. Private wealth, the portfolio flows have been very strong in the last few years. Now, you've already mentioned trust being an important part. What else is driving this flow?

Manu Bhaskaran

Well, finance is a sector that prizes talent very highly. So, the easy access to talent, if talent is not available in Singapore, can the financial institution get an employment pass or whatever for the foreign talent easily? And I think that is not as easy as it was before, but it is still relatively easy compared to the competition. So, I think talent is there.

Taimur Baig

I have been reading lately that Hong Kong has become very proactive in attracting overseas financial flows. I think at some point last year, private equity companies carry interest rate was made income tax-free in Hong Kong. And I believe as we speak, Hong Kong legislature is considering passing a bill to make hedge fund management fee which also includes basically the non-discretionary bonus aspect. Big draw for the buy side, whether it is in Singapore or Abu Dhabi or Switzerland. So, Singapore will continue to face tax competition.

Manu Bhaskaran

And we will have to be adept at responding to that. We don't have to respond with just tax changes. We could respond in other ways to make the overall package of living and working here highly attractive. But I think there's one important point here we must make. Financial centers are very competitive. They may go through periods like Hong Kong did, where something goes wrong, but they are able to come back, and I think Hong Kong is coming back. So, I think we must accept in Singapore that competition is going to be part of the picture, and we must be able to nimbly and flexibly respond. It might be tax changes in Hong Kong today; it could be something else tomorrow. It could be a gift city in India, for instance, becoming much more competitive as they gain a critical mass. I think we have to keep ahead of the competition, keep anticipating what the changes are and developing ourselves, our talent, our infrastructure, our regulations, so that we are always ahead of the competition.

Taimur Baig

Absolutely. Manu, I would also like to believe that it's not necessarily always a zero-sum game. That the pie is pretty big in this world. And just because Hong Kong is gaining, it doesn't always have to come at a loss for Singapore, that both jurisdictions can grow harmoniously.

Manu Bhaskaran

You're absolutely right. And Hong Kong is a very important partner of ours. And I think we should not worry that Hong Kong's making a comeback. We should actually exult in it because as you said, the pie will grow and we will both help each other. Singapore should not be afraid of competition. We have what it takes to meet the competition. In fact, we should welcome it because it'll spur us to even higher heights.

Taimur Baig

Absolutely. I think in recent years, we have seen the emergence of many areas where people think is like a source of competition for Singapore. For example, Dubai and the Middle East for a while was going through this big purple patch. We shouldn't discount their difficulties now. They may well come back a year from now. But at the same time, when I saw the emergence of these wealth centers in the Middle East, I didn't feel it was a zero-sum game. It seemed like as they were doing well, some of them were diversifying some of their holdings and bringing them to Southeast Asia.

Manu Bhaskaran

Exactly. And I think that's the game that's being played. However, I think we must ask ourselves, what do we want from our financial center? We are right now in the 2nd tier, right? I would say New York and London are in a class of their own. And next, well below is a clutch of others, Singapore, Hong Kong, maybe Seoul and Tokyo. What do we want to do? Do we aspire to go to the next level, which is what I think we should do, then we should think about what we need to do to get there.

Taimur Baig

I'm 100% with you on that. Manu, so far, we've talked about people making money. Let's talk about people who are not making money or not talk about just income, because a nation's well-being is not just measured by average income, social cohesion, health, education outcomes, equality. Let's do a little assessment of Singapore's six decades of outcome in that area.

Manu Bhaskaran

I think, on some measures, we've done well. So, let's look at the good news. Remember, we are a multiracial, multi-religious country, but it's been a long, long time since we had any major racial or religious violence of any kind. 1964 comes to mind. So, I think we've achieved something very precious and very important there, which no Singaporean should ever take for granted, but it's something that we have achieved, and I think that's good. In terms of healthcare, I think we are supposed to be one of the what's called Blue Zone countries and obviously we're doing very well. And remember, if you look at the charts, our performance in terms of fatalities during Covid is just completely off the charts as they say. I mean, so extraordinarily special that it must reflect something about the quality of our healthcare and the dedication of our healthcare professionals. So, I think on those counts, we've clearly done very well. Where I think we have not done too well is this whole issue of equality distribution. The numbers speak for themselves; there's the Gini coefficient. There are many ways to measure inequality. But I think there's a general agreement that inequality is a challenge. But I think the more important issue is social mobility. You can have an unequal society, but if there's social mobility and people think that there's a future, that my generation will do better than my father's generation and my son, daughter will do better than me, as long as you can grant that, I think people would accept a level of inequality. I think the data is beginning to show that social mobility is slowing. That is something we need to look at very, very carefully.

Taimur Baig

Is that a Singapore specific phenomenon or is it a global phenomenon?

Manu Bhaskaran

It's a global phenomenon. But that doesn't excuse us from trying to do something about it.

Taimur Baig

Right. So, you know, Angus Deaton wrote that famous essay on the deaths of despair in the US. We have seen similar angst in Europe. We hear about jobless growth in China. So, Singapore seems to be on the cusp of struggling with those issues, that there's so much wealth creation at the top end of the income spectrum, that almost by definition, the top versus bottom spread widens. Assuming there isn't any magic solution to ending income inequality, what are your sort of policy expectations? Do you want more redistribution? Do you want more forceful actions on access to a higher quality education? Where do you lean?

Manu Bhaskaran

I'm a firm believer in tackling the root causes of inequality. I believe that much more aggressive early intervention in the early years of a child's development is critical. And I think we should be much more aggressive in terms of providing childcare, infant care, value-added, completely free. So that everyone benefits. And the amounts of money young couples have to spend on that particular item is really not healthy, and it also deters fertility. And which is something we want to tackle. So, I think, high-quality infant care, high-quality childcare, highly subsidized, perhaps even free, provision of all these kinds of services that help a young kid overcome his disadvantages. I think that's critical. Where we have problems today, it is usually because kids are growing up in households very sadly, parents have divorced, and sometimes a less educated grandmother, for instance, is helping to bring up the child. But you know, in today's highly competitive schools, if a child is not encouraged to read, if somebody's not reading to her or him at night, making him enjoy learning, then that child is going to underperform, and it's not that child's fault. It's not his fault that his parents were divorced or had some social problems. And this is where I think we can afford to intervene much more aggressively than we are today.

Taimur Baig

So, bit of a Scandinavian solution?

Manu Bhaskaran

It's a model, but every country must adapt the model to its own culture, to its own values. So, it must be a Singapore solution, but we must learn from others. I think the Scandinavians have a lot to teach us.

Taimur Baig

What about examples within Asia, say, Japan or Korea, because they seem to be very high-pressure environments as well. It doesn't seem to stop social mobility, but at the same time, there seems to be a lot of social tension about the stress that the kids face in their primary exams and so on. Are there things to follow or not emulate in with our Northern Asian neighbors?

Manu Bhaskaran

Oh, we can learn. I mean, Taiwan, for instance, has over the last 30 years developed what to me is a beautiful society in many ways. It's socially liberal, it's tolerant, not a perfect society, but in terms of healthcare and so on, I think they've done extremely well. So, we can learn from Taiwan. Japan and Korea have strong indigenous private sectors, which I think it's fair to say perhaps we lack, we can learn from that. So, there are always lessons to learn from it, and I think Singaporeans must always be willing to be open-minded and learn from anyone.

Taimur Baig

Ok, Manu, we've talked about what needs to be done for the young. I want to talk a little bit about the elderly. Singapore is aging rapidly. Regardless of which way immigration goes, we will have a very large chunk of our population over 65. We already do, and by 2030, it'll be even a bigger chunk. Unemployment insurance, pension, other healthcare provisions for those who cannot afford in their silver years. What is your thinking in that area in terms of mitigating social angst or social problems?

Manu Bhaskaran

I think it's a mark of a good society that it looks after the less privileged members of society. It saddens me greatly and I really feel strongly about this. When I see very old people struggling and working when they really should be at home resting, and they're doing so because they have to, they have no choice. And I know many personally who are struggling like this. I think that we have the ability to provide a state-funded pension, to at least meet the very basic needs, so that these people can enjoy their final years. And remember, that's the generation that helped to build Singapore, that built Singapore at a time when our economic model was based on low wages. So obviously, they have very low CPF savings. And I think we should really do more for that generation to begin with. The bigger question about a social safety net, I think, is something we also need to tackle, not just because we are an ageing society, but because I think retirement adequacy is important in any kind of society. We have a single pillar, retirement adequacy approach, which is basically the CPF system, which is a good system in its own way, but I think it can be supplemented with a multi-pillared system, which is what the World Bank actually advocates, a multi-pillared retirement adequacy approach. So, it could be a tax-funded, state pension, it could be the 401k type tax incentivized saving schemes, but we need multiple pillars.

Taimur Baig

So, there's the SRS, the supplementary retirement savings account, where you don't have to rely on the 4% return, you can invest in stocks. And it seems like there is move in that direction that even the CPA of a chunk of your income, you can put in long-term equity holdings as opposed to just relying on the interest income. So, in some ways, not very closely, but akin to a 401k type solution.

Manu Bhaskaran

We're moving in that direction, but I think we should be a bit more aggressive.

Taimur Baig

And unemployment insurance, especially with all this AI disruption coming in.

Manu Bhaskaran

I think we'll have no choice. It's not just unemployment insurance. Well, I think it's going to be a much more insecure world, and I think it actually helps society as a whole, not just from an equity point of view, but even from an efficiency point of view to have social safety nets, because that will encourage people to take risks and do things that our society has become a little risk averse.
But there's another issue which I think is going to be very pertinent. AI is going to affect jobs in ways that are difficult to predict right now. A lot of young graduates, I think, will struggle to get jobs. They will therefore not have the experience needed to move up the career ladder. I think in addition to unemployment insurance, we probably need an expanded government-funded internship program to give young graduates, not a 2-month, 3-month type internship, but a multi-year apprenticeship kind of scheme, so that they then have their foot firmly in the labor market, they gain the experience, and then from that they can branch out, learn, develop, and so on. I think in the end, that will become necessary. Our current approach is

to use Skills Future, which I think is good, and I think we were very far-sighted in developing the Skills Future program, but it's not enough. You can reskill people, but they still need to find jobs. So, you need to create an ecosystem where the jobs are available for these folks that have been reskilled.

Taimur Baig

Manu, you just reminded me that I have a chunk of money in my skills future allocation. I want to use it to learn a language or something. Yes, thank you for a reminder of that. I think we should all enhance our skills, especially if the government is giving us a hand in doing that. In terms of the programs that you suggested, I personally, working at DBS have benefited from the traineeship program, which is giving me some degree of latitude in hiring those who are longer than a summer intern, and some degree of financial incentive from the government is sort of helping do that. I fully concur with you that maybe that's the avenue we need to expand upon expeditiously, because this is coming like now.

Manu Bhaskaran

I honestly think we won't have a choice. Because I suspect that AI will actually displace a lot of fresh graduates.

Taimur Baig

Ok, Manu, I will digress a little bit because you brought in AI. A few weeks ago, a former colleague of mine, Tony Annette, and I published an article in Business Times on considering nationalizing certain aspects of AI. Now, small open economy like Singapore, sounds a bit weird, but our point was not that Singapore should just, you know, do it in a Soviet style nationalization, but write a licensing requirement or an FDA type approval process for companies that want to sell their models to Singaporean companies. Vikram Khanna at Straits Times last week wrote, I wouldn't call it a rebuttal, but a certain set of reactions. And again, the usual reaction was that we're so small. Other than doing some sort of a regulatory sandbox experiment, what more can Singapore do? So, have you had any thoughts on the pernicious aspects of potential AI models? And is Singapore really in a position of just helplessness, or are there certain things we can do?

Manu Bhaskaran

I don't think we are helpless. Remember, the general point I'd make is that we have never been afraid of trying new things. We tried road pricing decades ahead of other people. Other cities are now following us, and I think it was successful, at least in the initial years. So, let us not be afraid just because we're small, we don't try anything. Secondly, I think the pernicious effects, as you say, of AI are real. I mean, we are getting hundreds of economists, hundreds of social scientists all writing letters warning us. We're getting even some of the big tech CEOs telling us that this is going to be a problem. So, this is not something we can take lightly. I believe there's a role for judicious state intervention, whether it's a small country or a big country. Look at Australia, relatively small country, but it's taking the lead in things like social media bans and so on, and now the rest of the world is following. So, let us not be afraid of being innovative.

Taimur Baig

Absolutely, Manu, and since we published that article, I've seen that, you know, Sam Altman of OpenAI offering to the government of the US that a chunk of their share be held in public interest because again, the public repercussions are so large. So, I think we did a good job by writing that article. We shouldn't be afraid, and I'm glad that you're with me on this issue. Earlier in the discussion, when we're talking about Singapore's domestic sector, you were mentioning the reliance on foreign labor or the higher cost of doing business. One valve is the neighboring economies. Singaporeans go across the border to shop. For example, or some Singaporeans buy property across the border. Now, we might actually get a tailwind in that dynamic as the RTS opens between Singapore and Johor at the end of this year or early next year. What are your thoughts on the Singapore-Johor symbiosis?

Manu Bhaskaran

I'm a great supporter. You know, earlier on, I mentioned that our next ambition should be to be a global city on the same level of sophistication and value-addedness as New York and London. We cannot do that unless we have an understanding of some kind with our hinterland, because if you look at those two big megacities, the hinterland is very important. You need a place where lower paid workers can repair to, and live in comfort in relatively lower cost areas. Yeah, you need that critical mass. All these big global cities have multiple airports. We have one and that's not a coincidence. You need a secondary airport, maybe a tertiary airport. Our great fortune is that actually the Malaysians have built our secondary airport for us. It's called Senai, and we just need to work out how to work with them so that it's mutually beneficial and everyone benefits, and I really believe that Singapore's future will require us to do more in terms, not just Johor, but perhaps even Batam, Bintan and Karimun as well. And then we create a cluster of activities around us that gives us a critical mass that can move us as well as our neighbors to a much higher level of activity. Honestly, I really don't think we have a choice.

Taimur Baig

So, pursue a win-win strategy. What about the fear of Singapore getting hollowed out?

Manu Bhaskaran

If we have the right policies in Singapore, if we get the basics right, why should we be afraid? Let's take an example, a real example, right, of competition across the straits. 25 years ago, or so, a very vibrant Malaysian entrepreneur built a port called Pelepas. And on the first day, two of our biggest customers at PSA moved to Pelepas. What happened? Well, we got our act together, we improved ourselves, we became very competitive, and today, PSA is once again one of the most premium, one of the most impressive ports in the world. And Pelepas, by the way, is also doing well. So, the cake is growing. We don't have to fear competition. Like I said earlier, we should welcome it, it'll be good for us.

Taimur Baig

Just on a superficial basis, when I look at cities like Geneva or Basel, which have basically open borders with France and Germany and so on. They remain vital as a cultural tourist destination as well as financial centers and manufacturing sectors. Although when you go there, you realize that the low wage workers in Geneva, they live across the border in France, or the citizens of Basel cross the border to Germany to buy meat or cross the border into France to buy wine, but that doesn't mean that there are no grocery stores left in Basel. That doesn't mean that there is no restaurant left in Basel either. I also don't think that the hollowing out argument is that dramatic. I mean, I see the fear we've seen this in the case of Hong Kong, that once the fast connection to Shenzhen happens, Hong Kong service sector industry has come under pressure. No question about it.

Manu Bhaskaran

The root of that problem is not the high-speed access to Shenzhen or to Johor. The root of the problem is our cost structure. So, we got to get that right.

Taimur Baig

Absolutely. I want to ask you a broader meta question, since most of the time I begin my conversation with this, which is the so-called great power rivalry. A year ago, at this time, if you and I were having a conversation, we would have just discussed trade war and nothing else. Or, at some other times, you know, we've heard all sorts of issues around South China Sea or, with us or against us sort of dynamic, a narrative ultimatum coming from Defense Department officials in the US. What's your sense? How are we doing in balancing this rather delicate issue?

Manu Bhaskaran

This is going to be a constant challenge, and I think it's going to get worse over time. My own view is that the contestation between China and the United States is a permanent feature. It's almost a zero-sum game. I think for China, it will not feel secure until it controls the Western Pacific. And the United States needs the Western Pacific for its own security. It has had a stake in the Western Pacific since 1853 when the United States was a minor power and it sent a fleet into Tokyo Bay, remember, to open up the Empire of Japan because it was in its interest to do so.

Taimur Baig

Commander Perry.

Manu Bhaskaran

Exactly. So that's not going to change. This is deep strategic interest and it's a clash of interests, and it will not go away. It will intensify as both countries become more alarmed by the other's defense buildup, tech technological buildup, and so on. So, it'll get more and more difficult for us, and I think it's vital to continue doing what we are doing, which is to try and have multiple relationships. So, we're not just balancing between the United States and China. We're developing relationships with middle powers. We're getting together this federation of small states so that we can act in unison, at least on some areas. So, I think we need to continue doing what we are already doing, building multiple relationships and being strategically useful and let us never forget, we must have our own defense and even if it requires 5%, 6% of GDP and 2 years of any man's life in Singapore devoted to national service, we must be prepared to do that. We must be very clear-minded and hard-headed about that.

Taimur Baig

Now, you mentioned China's desire to have some degree of control over Western Pacific, but that comes from China's almost congenital insecurity on energy, on food, and so on. Singapore being so small also has serious insecurity with food and energy and so on. What more can this tiny island do in terms of building partnerships on these areas?

Manu Bhaskaran

Well, we've done well. I mean, in a period of great supply disruptions, we've kept the flow of food, of energy going. So, clearly, we've done the right thing. We have multiple sourcing, we have inventories, we have companies, affiliated to the government that take care of some of these aspects, so that they're not just driven by short-term profits, but by the longer-term resilience, objective. And I think we've done that quite right, and we should just continue doing that.

Taimur Baig

All right. I'm going to end with the beginning of this conversation, which is the 5% plus growth that we have seen in the last few years. You're not going to jump at that being a permanent feature or going forward. But what's your sense of Singapore over the next 5 to 10 years, steadily growing at 2% to 3%, despite demographic headwind or even that should not be taken for granted. The likelihood is even lower. What's your sense?

Manu Bhaskaran

I think we should aim for about 2% plus growth, which is, which should be entirely driven by productivity, which I think is possible, not just because of AI, but because we have multiple technological revolutions, not just AI. I mean, we have all kinds of exciting things going on in the biomedical sphere, in renewable energy, in material sciences, and so on. And if we leverage on these, I believe we can generate the kind of productivity growth that we need. The focus though should not be on numbers like 1%, 2%, 3%. The focus must be on the quality of life as you referred to earlier. I mean, is Singapore offering its citizens a hopeful life, a life where we can look forward to something and not just feel stressed the whole time. So, it's these qualitative things that I think will become important. I think, can we offer Singaporeans a stake in their society that the income growth will be fairly distributed, that if you are a small, privately owned domestic indigenous company, you are given a possibility of growing rapidly because you have the right ecosystem, the right government incentives, and so on to help you grow. That's an area I think we have been a bit weak in because our domestic private sector is relatively weak compared to the other elements of the economy.

Taimur Baig

I think those are really good points. And I just want to touch on that issue that you said that having a sense of having a stake in the economy. Raghuram Rajan wrote a book called The Third Way a few years ago, where he talked about the importance of stability of neighborhoods, that if I deal with the same vendor at the hawker center on a regular basis, and he or she recognizes me, I recognize them. If my neighborhood is stable, where I live for 20-30 years and I feel a sense of belonging, that adds a massive value to citizenship. And I think that while Singapore is very focused on constant change and building, it needs to probably keep a close eye on those issues because people should not feel unmoored or unincurred.

Manu Bhaskaran

I really feel for that because if I look at the area around where I grew up, everything has changed except one small Chinese temple which is so precious to me. Even the road alignment has changed. So, there's a sense of impermanence. A lot of the hawker centers, football fields and all that I grew up in, they're gone. Farrer Park is gone. I think we really need to think very hard about that approach.

Taimur Baig

Let's work on this together, Manu, in the coming years. It was great to have you. Thank you so much for your time and insight.

Manu Bhaskaran

Thank you very much.

Taimur Baig

Thanks to our listeners as well.

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