THE IMPACT OF SARS ON THE
SINGAPORE ECONOMY
AND ACTION TAKEN IN RESPONSE

By Asia-Pacific Economic Cooperation

INTRODUCTION
Singapore's economic outlook at the beginning of 2003 was clouded by the impending Iraqi war and its impact on oil prices. The war in Iraq has now ended, and oil prices have fallen, lifting some of these uncertainties. However, the outbreak of the severe acute respiratory syndrome (SARS) has created a new and greater uncertainty for the economy. It has caused fear and anxiety among Singaporeans and tourists, and inflicted a heavy toll on businesses.

This paper examines the impact of SARS on the economy and our response to the outbreak.

IMPACT ON THE SINGAPORE ECONOMY
TOURISM AND TRANSPORT-RELATED SECTORS
The tourism and transport-related industries — such as hotel, restaurant, retail, airline, cruise, travel agent and taxi services — have been most severely hit as a result of the sharp decline in visitor arrivals.

Tourism and related industries contribute significantly to Singapore's economy. In 2002, tourism receipts1 reached $7.8 billion, which was about 5% of Singapore's GDP.

Visitor Arrivals. Visitor arrivals in the fourth week of March have fallen by 57,400 or 30% from the corresponding period last year. This contributed to a 15% year-on-year decline in visitor arrivals for March. The situation worsened in April, with visitor arrivals dropping by 67%. All major markets registered double-digit falls in arrivals, with Japan (-75%), Malaysia (-72%), China (-64%) and Indonesia (-61%) recording the largest absolute declines.

The outbreak of SARS has also resulted in the cancellation or postponement of a number of cruiseship calls, tourism events, conventions and exhibitions.

Visitor Arrivals. Visitor arrivals in the fourth week of March have fallen by 57,400 or 30% from the corresponding period last year. This contributed to a 15% year-on-year decline in visitor arrivals for March. The situation worsened in April, with visitor arrivals dropping by 67%. All major markets registered double-digit falls in arrivals, with Japan (-75%), Malaysia (-72%), China (-64%) and Indonesia (-61%) recording the largest absolute declines.

Hotel Occupancy. The average hotel occupancy rate had fallen to 20% to 30% in April 2003, compared to 75% in February 2003 and 74% for the whole of 2002. Some hotels have reported occupancy rates as low as 10%.

Retail Sales. Visitor expenditure on shopping accounts for around 10% of retail sales in Singapore. Retail sales have fallen 10% to 50% since the SARS outbreak as a result of the sharp drop in visitor arrivals and fewer domestic shoppers (see Table 1). Most acutely hit are retailers of tourist products, particularly in the Orchard Road shopping belt. Sales of discretionary items like apparel have also suffered, whereas sales of basic necessities like foodstuff are holding out well.

---
1 Refers to “Exports of Travel” from Balance of Payments.
Restaurants, Travel Agents and Taxis. Revenue at some restaurants has been down by as much as 50%. The National Association of Travel Agents Singapore (NATAS) estimates that inbound business has fallen by 70%, while outbound business has fallen by 80 percent since the SARS outbreak started. Comfort Cab Pte Ltd has also reported that taxi drivers’ average daily take-home earnings have dipped from S$68.00 in late March to S$41.50 in mid April, before recovering slightly to S$48.75 for the week ending 4 May 2003. Average daily bookings at Comfort have also fallen, from 28,000 before SARS started to 18,600 in early April, recovering to 24,000 in the last week of April.

Flight Cutbacks. A total of 34 airlines with landing rights at Changi Airport have announced temporary cutbacks in their services, commencing between March to June. The largest cuts are for services to China and Hong Kong, China. Changi Airport handled 2,296 fewer flights in April 2003, a 17% drop from March 2003. The airport’s passenger movements fell by 50% in April 2003 compared to April 2002.

OTHER SERVICES SECTORS

Regional headquarter services have been affected as many companies have imposed travel restrictions on their staff. The healthcare services sector has likewise been hit, with hospitals experiencing a large fall in the number of foreign patients coming to Singapore. Similarly, in the education services sector, schools have been receiving fewer enquiries from foreign students. Costs have increased, as a result of the precautionary measures taken. Supporting industries like hostels have seen weaker earnings as the number of student exchange programs has dropped. Other services industries have also been affected although to a smaller extent, as many industries are closely interlinked in the value chain.

The business expectations surveys conducted in March 2003 showed that business sentiments have generally worsened. The commerce sector was the most pessimistic, with a net balance of 41% of the firms expecting business to worsen in the next six months (April-September 2003). Firms in the real estate and business services like legal, accounting and business consultancy, secretarial and security services also expected poorer business conditions. Similarly, banks, finance companies and insurance companies anticipated business would decline further. However, stock brokering firms were hopeful of a recovery in the stock market following the end of the Iraq war.

<table>
<thead>
<tr>
<th>No. of establishments*</th>
<th>Employment of sector*</th>
<th>Percent fall in sales due to SARS**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail 18,372</td>
<td>85,589</td>
<td>10 to 50 %</td>
</tr>
<tr>
<td>Catering Trade 3,356</td>
<td>48,202</td>
<td>Up to 50 %</td>
</tr>
<tr>
<td>Hotels 196</td>
<td>26,096</td>
<td>Up to 70 %</td>
</tr>
<tr>
<td>Taxi Drivers -</td>
<td>34,000</td>
<td>30 to 40 %</td>
</tr>
<tr>
<td>Tour operators 648</td>
<td>7,405</td>
<td>70 to 80 %</td>
</tr>
</tbody>
</table>

* Sources: Economic Survey Series 2000, Singapore Department of Statistics
** Singapore Tourism Board; Various Industry Sources
MANUFACTURING SECTOR

After recovering to double-digit growth throughout most of 2002, manufacturing output has slowed to 6.5% in March 2003 (Fig. 1). Growth came mainly from the biomedicals (BMS), chemicals and electronics clusters. On a seasonally-adjusted, month-on-month basis, output posted an increase of 9.5% in March compared to February.

On the back of geopolitical uncertainties and weak economic confidence, several leading indicators for Singapore's manufacturing sector have turned downwards. Although US consumer confidence improved in April 2003 after declining for the previous four months, US corporate profitability fell by 1.9% in the fourth quarter of 2002, the first time in five quarters, and this could result in a further tightening of corporate IT budgets. In addition, the US Purchasing Manufacturers’ Index (PMI) at that time indicated that a sustained US recovery remains uncertain.

All these factors have adversely affected the near-term outlook of the manufacturing sector. In the business expectation survey in March 2003, manufacturers expected the business environment to remain weak in the April-September period, due to the uncertainties arising from the outbreak of the SARS virus in Asia. The April reading for Singapore’s PMI (compiled by the Singapore Institute of Purchasing and Materials Management) continued to stay below 50, indicating that the manufacturing sector was contracting.

Nevertheless, there have been no major disruptions to production cycles and supply chain efficiencies. However, travel restrictions to/from SARS-affected countries have affected business development activities. Some trade and investment missions to Singapore’s key export markets, and some startups here have been postponed or cancelled as a result of the travel restrictions. A plant closed one night shift for sanitation after one worker was suspected of having SARS. Additional costs were also incurred as companies took precautionary measures and developed business continuity plans.
A VIGOROUS AND COMPREHENSIVE RESPONSE

• Tackling the SARS virus calls for an effective and comprehensive plan, vigorously implemented, with the full support and cooperation of Singaporeans. The whole government machinery has been mobilized for this purpose. The Ministry of Health (MOH) and the hospitals are fully engaged in the medical measures to combat SARS. In addition, a Ministerial Committee has been set up to coordinate all the ministries and departments involved and direct the broader response.

• The following section describes the government’s decisive actions in tackling the SARS outbreak during the period. As the SARS situation has been successfully contained in Singapore and elsewhere, some measures have been progressively lifted. However, a new probable SARS case was detected and isolated on 3 September 2003. Singapore is treating it as a probable SARS case pending further tests, although the WHO has indicated that the case does not fulfill the case definition for SARS as per the new WHO guidelines in the post-outbreak period.

BATTLEFRONT 1 - PUBLIC HEALTH

• Besides medically treating those who have caught the disease, public health measures have been taken to stop the spread of the illness, and minimize the number of people who fall ill. Lines of defense have been set up around three groups of people:
  a. Those who are already infected or who might be infected,
  b. Those who are not infected, and
  c. Those entering and leaving Singapore.

Detect, Isolate and Contain

• For those who are already infected or who might be infected, Singapore’s strategy is “detect, isolate and contain”. This means contact tracing-to identify and locate those who have had contact with SARS patients, and issuing Home Quarantine Orders (HQOs) to those at risk. This is to break the cycle of infection and transmission, and bring the outbreak under control.

• The most stringent precautions have been taken at the hospitals. Health care workers are required to don protective gear and monitor their temperatures closely. Visits by family members and friends to patients in hospital are restricted. These measures have worked. Since 31 March, no patients in Tan Tock Seng Hospital have fallen ill from SARS as a result of being infected in the hospital.

• These public health measures to detect, isolate and contain the disease are all the more necessary because there has been no reliable diagnostic test for SARS. Scientists in Agency for Science, Technology and Applied Research institutes in Singapore have been working as part of a worldwide effort to identify and understand the SARS virus. They have successfully mapped the genome of the SARS virus, confirming and extending the results of mappings done elsewhere.
Protect and Monitor the Healthy

• Vigorous measures have also been taken to prevent the healthy from contracting SARS. Special attention is paid to public areas with heavy human traffic, and large institutions such as schools and military camps.

• The Ministry of Environment (ENV) has taken preventive actions to raise the overall standard of public health and hygiene, to minimize the risk of environmental transmission of SARS. It cleans and disinfects public areas, eliminates pests, ensures proper waste disposal and makes sure that sewerage systems are in working order. Food handlers in all food establishments are required to take their temperatures twice a day.

• The Ministry of National Development has instituted measures to improve the cleanliness of public housing estates. These include stepping up the general cleaning of common areas and responding promptly to complaints of sanitary pipe leaks within 24 hours. Management corporations of private buildings have been reminded to maintain the sanitary pipes in their buildings in good working condition.

• The Ministry of Education (MOE) has also introduced a series of measures. Schools are educating students about SARS, issuing every student with a personal thermometer, and teaching them to check their own temperatures daily. Students and staff are also required to regularly declare their travel history. The Institutes of Higher Learning have segmented their large campuses into smaller sections, to reduce movement across the campus and to facilitate contact tracing should a SARS case occur. The MOE and the Ministry of Community Development and Sports (MCDS) have implemented standard operating procedures for child-care centers and kindergartens, to screen and manage the children.

• Singaporeans have also been encouraged to take their own temperatures daily, and if they have a fever to stay away from work or school and see their doctor. Temperatures are taken at many workplaces and large gatherings. This will reduce the chances of SARS spreading from one person to many others, and thus help to bring the outbreak under control.

Safeguard Borders

• A third major concern has been to prevent fresh cases of SARS from being introduced into Singapore by travelers, and Singaporeans infected with SARS from going abroad and infecting other people.

• Singapore started screening all inbound air passengers from SARS-affected areas, including passengers on transit at Changi Airport, and later extended screening to inbound passengers from all areas. All travelers arriving in Singapore are issued with health advisories on SARS and are asked to fill in health declaration cards. Outbound passengers departing from Singapore are also screened.

• Like the airport, both land and sea border checkpoints have been equipped with thermal scanners. Newly arrived work pass holders coming from SARS-affected areas are required to undergo a 10-day observation period to minimize the risk of their bringing SARS to the workplace.
ASEAN leaders have responded efficiently and decisively to the problem. ASEAN convened a meeting of the ASEAN health ministers and their counterparts from China, Japan and South Korea in Kuala Lumpur, Malaysia, on April 26. This was followed three days later by the Special ASEAN-China leaders’ meeting in Bangkok, Thailand to discuss the outbreak. The Leaders issued a joint declaration on the need to coordinate efforts and respond to SARS collectively as a region. This includes pre-departure and arrival screening of travelers, and the sharing of information to facilitate contact tracing.

BATTLEFRONT 2: THE ECONOMY

The second battlefront is the economy. The government is working with the Singapore Business Federation and business chambers to encourage businesses to adopt business continuity plans, so that they can continue to operate even if staff fall ill. Special attention has been placed on essential services, such as utilities, to ensure uninterrupted services. At the industry level, firms in the tourism trade are working with the Singapore Tourism Board to bring tourists back as the SARS situation stabilizes.

Relief Measures

To mitigate the immediate economic hardship brought about by SARS, on 17 April the government announced a relief package worth S$230 million. The package’s measures were targeted at the sectors most affected by the SARS outbreak, namely, the tourism and transport-related sectors. The measures would not fully offset the impact on these businesses, but would help tide them over the difficult period and save jobs, wherever possible.

The government has also implemented a Home Quarantine Order Allowance Scheme that would pay an allowance to self-employed persons who are served HQOs, to make up part of their income. An allowance would also be given to establishments whose employees have been affected by HQOs. This would defray part of their manpower costs for the duration of the HQO. It would be especially helpful to smaller businesses, which might otherwise be unable to survive.

To deal with the economic problem, the National Trades Union Congress, the Singapore National Employers Federation, and the Ministry of Manpower have issued a joint statement recommending temporary cost reduction measures, including a shorter work week, layoffs and wage cuts. They have also acknowledged that, despite these measures, retrenchments would be unavoidable in the tourism and transport-related sectors, and advised employers to treat fairly workers who have to be retrenched. This realistic and constructive approach would help companies to stay afloat, and help as many workers as possible to keep their jobs.

BATTLEFRONT 3: THE SOCIETY

The third battlefront against SARS is in mindset and society — the way each Singaporean responds to the problem, and cooperates with the measures which will help us to solve it. This is the most critical battlefront.
To support the public health measures, Singaporeans have been urged to follow the precautions recommended by the MOH. The government has been emphasizing the need for each individual to be keenly aware of social responsibility to their families, friends and fellow citizens, in containing the spread of SARS. For instance, at a basic level, individuals should not only measure their own temperature, but also the temperatures of family members on a daily basis. They should see a doctor when they are unwell and heed medical advice seriously. Singaporeans have also been reminded to go to Tan Tock Seng Hospital if they suspect themselves of having contracted SARS, and abide by the quarantine orders.

Government agencies have implemented schemes to boost the confidence of the public, to bring life back to normalcy. For example, SPRING Singapore has implemented a “COOL Singapore” scheme, which provides the assurance of stringent SARS preventive measures in places where people congregate, e.g. shopping malls, restaurants and supermarkets, schools and workplaces. All these establishments will have to meet a stringent set of criteria before being certified as “COOL”. For instance, staff in these establishments will have to monitor their temperature daily. The program would also give business travelers and tourists peace of mind while they are in Singapore.

The STB has also launched a complementary campaign, “Step Out! Singapore”, to encourage Singaporeans and residents to come out and have fun while exercising social responsibility by taking all necessary precautions.

Spanning two months, it involved a festival of activities and events like the Great Singapore Sale, and special promotions held at hotels, tourist attractions, retail and food and beverages outlets.

With these measures, life has returned to normalcy. Nevertheless, Singaporeans are urged to adopt sensible precautions and socially responsible habits, while carrying on with their normal day-to-day activities.

CONCLUSION

The outbreak of the severe acute respiratory syndrome (SARS) has created public anxiety and taken a heavy toll on businesses. The tourism and transport-related industries, such as hotel, restaurant, retail, airline, cruise, travel agent and taxi services, have been most severely hit. Many supporting industries are also affected, as industries are closely inter-linked.

The Singapore government has taken decisive actions to prevent the transmission of SARS in Singapore. Its transparent and decisive approach to acknowledging the problem and tackling the issues have won praise. For example, a few Chambers of Commerce have issued press releases recently, commending the robust strategy, transparency and groundbreaking use of technology such as the thermal imaging systems. As Singapore has remained vigilant, with strong and effective procedures in place, it is much better prepared should there be a recurrence of SARS during the coming months.
About APEC

Asia-Pacific Economic Cooperation, or APEC, is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia Pacific region.

It is the only inter governmental grouping in the world operating on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants. Unlike the WTO or other multilateral trade bodies, APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis.

APEC has 21 members — referred to as “Member Economies”— which account for more than 2.5 billion people, a combined GDP of 19 trillion US dollars and 47% of world trade. It also proudly represents the most economically dynamic region in the world having generated nearly 70% of global economic growth in its first 10 years.

Contact Details:

APEC
Contact: APEC Secretariat
Address: 35 Heng Mui Keng Terrace,
Singapore 119616
Tel: +65 6775 6012
Fax: +65 6775 6013
URL: www.apec.org

Upcoming APEC Reports

Vol. 8, No. 13 Taiwan
Vol. 8, No. 14 Thailand
Vol. 8, No. 15 United State