

MAY DAY MESSAGE 2008 BY PRIME MINISTER LEE HSIEN LOONG

1. 2007 was a good year for Singapore and its workers. The economy grew robustly, many jobs were created, and workers enjoyed good wage settlements. In unionised companies, bonuses were the highest since 1990. The mood was upbeat.

2. This year will be much more challenging. Our economy is still doing well, but dark storm clouds have gathered. The sub-prime mortgage loans crisis in the US has become a much broader problem. A US recession has probably already started. The question is how long, and how severe, the downturn will be.

3. The US government has acted boldly to stabilise the economy. They hope growth will be back on track by the second half of this year. But there is a possibility that the financial problems will worsen, and push the US economy into deeper trouble. Then Europe and Japan would be more seriously affected, and the impact on Asia and Singapore much more severe. This is one big uncertainty that we must be prepared for.

4. Our first priority is to keep the economy competitive and growing. This means continually upgrading and diversifying the economy, to make ourselves more resilient to external shocks. We are strengthening our ties with the vibrant Asian economies, and tapping new areas of growth. Industries like tourism, construction and marine engineering continue to do well, and will buffer us from the effects of a US recession. We still expect to grow by 4-6% this year. But we must watch closely how the situation in the US unfolds, and be ready to respond if things take a turn for the worse. We have the resources and the ability to do so.

5. With continued growth this year, the labour market will remain tight. In both manufacturing and services, many vacancies are waiting to be filled. As major projects like the two Integrated Resorts come on stream, many more jobs will be created, from frontline operations to supervisory and managerial positions.

6. In this environment, the vast majority of workers with useful skills and qualifications will have no difficulties getting a job. But they should take advantage of the many opportunities for continuous education and training (CET) to refresh their skills and knowledge, as the needs of industry change.

7. But older, low-wage workers remain vulnerable. They are less nimble in learning new skills, and need more structured training. The Government is doing all it can to help them. We are working with the NTUC, helping them to upgrade their skills, become more employable, and do better for themselves. Through the Workfare Income Supplement, we are rewarding those who make the effort to work, by topping up their take home pay and CPF savings.

8. Besides the uncertain economic outlook, another major issue is the rising cost of living. Like other countries, Singapore is affected by higher global inflation. We cannot insulate ourselves completely from worldwide price increases. However, the policy of the Monetary Authority of Singapore (MAS) to keep the Singapore dollar strong has moderated the impact of imported inflation and helped to maintain the purchasing power of workers' salaries.

9. Singaporeans are understandably especially concerned by the recent sharp increases in food prices, including essentials like rice. We need not worry about a food shortage, because we have adequate supplies, and can buy what we need from many sources. At the same time, we can and will directly assist those who are adversely affected by the higher cost of living. This is why this year's Budget included the Growth Dividends, Personal Income Tax Rebates, Medisave Top-ups and many other relief measures, targeted especially at lower- and middle-income Singaporeans. Together with measures such as the GST Offset Package that were announced previously, the Government will be giving out more than \$3 billion to Singaporeans this year.

10. Low-wage workers have already received their Workfare Income Supplements. On 30 April, all Singaporeans received their first payout of Growth Dividends. A second payout will come on 1 October. Altogether, a low-income family living in a 3-room HDB flat can expect benefits of around \$5,000 this year, far larger than the increase in their cost of living due to higher inflation. Middle-income families will also enjoy benefits that will offset the increased cost of living.

11. I hope that workers and employers will take into account these important factors in their wage settlements this year. They should aim for sustainable wage adjustments, and put increases into variable bonuses as far as possible to make our wage structure more flexible. Realistic settlements will address the concerns of workers, and yet allow companies to respond quickly to sudden changes in the economic environment.

12. Singapore's great strength in tackling these challenges is the strong tripartite cooperation we have built up over the years. Because of the mutual trust and understanding among tripartite partners, we are able to take a rational approach, and act together in Singapore's collective best interest. We must do our best to consolidate and strengthen this partnership. The external turbulence will put our solidarity under stress. But we must not end up arguing among ourselves, or worse quarrelling over how to divide what we have, or else we will all be worse off.

13. Overall, however the US financial problems play out, I am confident of our ability to cope. The global environment is in flux, and we are sailing into choppy waters. But our economic fundamentals are sound and we are in a strong position. Let us gird ourselves and keep our spirits up. Together, we will overcome the challenges ahead, and continue improving our lives.

14. I wish all Singaporeans a Happy May Day.