

# Singapore suffers 24pc hit to online economy

**Slump in travel sector is felt hardest during pandemic, but outlook positive in short term**

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While Southeast Asia continues to see a boom in its digital economy, Singapore recorded a stark contraction this year, according to a new report, primarily due to the decline in online travel as the coronavirus pandemic kept international borders shut and brought the world to a standstill.

The city state's digital economy shrank by 24 per cent, bringing in US\$9 billion in gross merchandise value, down from the US\$12 billion last year. Conversely, Indonesia and Vietnam clocked double-digit growth, at 11 and 16 per cent, respectively.

These were among the findings of a report yesterday by state investment firm Temasek, Google and management consultancy Bain & Company. It cited how almost 50 per cent of Singapore's digital economy last year was from online travel, which plunged by 70 per cent year on year.

Aadarsh Bajjal, partner and head of digital practice in Southeast Asia at Bain & Company, said this concentration in online travel was in part because it was the "most mature sector".

"It has been large and growing for several years, long before we started to talk about ... digital financial services and online video streaming [platforms]."

This statistic was also "not surprising" to Rohit Sipahimalani, chief investment strategist at Temasek, given how Singaporeans loved to travel, he said. Official figures estimate they spent S\$34 billion (HK\$196 billion) on international travel in 2018.

Singapore would continue to play an important role in driving the next phase of growth of the region's internet economy, said Rohit, adding that the city state was the regional hub for multiple e-commerce unicorns including Lazada Group and Sea.

"Aside from it being the gateway for funding, it also provides a vibrant ecosystem and a pipeline of talented people that will help start-ups to innovate, disrupt and thrive," he added.

The report noted that the pandemic had led to "big shifts" across the region, but it struck a note of confidence in Southeast Asia's digital economy.

There were 40 million new internet users this year bringing the total to 400 million, and about 70 per cent of the region's population was online. It projected the value of the region's internet economy would reach US\$105 billion this year and top US\$300 billion in the next five years.

There was also greater adoption in nascent sectors that this year's report had particularly looked at, such as health technology and education technology. It pointed out that digital health apps were used four times more than before the pandemic, while leading education apps were used three times more.

Stephanie Davis, vice-president of Google Southeast Asia, said the digital economy had held steady against the backdrop of a global pandemic.

"We remain optimistic about the region's internet economy and its potential, and with its use, its diversity ... we believe that the region will go on to define the future of digital ecosystems," she said.