GORDON BROWN

Nobel prize winner Paul Krugman says you're a good man.

BUSINESS B1

TODAY

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Is our Gen Y ready for its first recession?

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THEY are articulate, confident and too young to remember the gloom of the 1997 Asian financial crisis, or the post-911 and Sars slumps of recent years.

Singapore's youth — aged under 30 — have until now had the world at their feet ... or so they were told. Faced with their first recession, how will they cope, should the world slip into a full-scale recession as many experts are predicting?

Headhunter Christopher Leong, for one, wonders how this group — known for its high expectations and consumerism — would buckle down and, in youth-speak, snap back to reality.

Mr Leong, a partner with Chris-Allen Executive Search, said: "Some of them have ridiculous aspirations. Many of them live with their parents and are not in a hurry to look for any work. They would think, 'If I can't find a job, I would just look for temporary work or go travelling around Europe'."

In recent weeks, various Government officials have warned of tougher times ahead, with unemployment expected to rise.

Young people do understand the gravity of the situation, especially when some relatives, or even parents, have lost large sums due to the collapse of the Lehman Brothers bank in the United States.

But it seems that job worries can wait — there are the examinations and partying to get through. "I don't think the media is hyping up the crisis ... it's real," said Ms Denise Goh, 22, a final-year student at the Nanyang Technological University. "But, our immediate concerns are to get through the rest of the year — the exams, and things like that."

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FINANCIAL CRISIS

'Answers not clear-cut'

Challenge is to manage trade-off between inflation and slowing growth, says Lim Hng Kiang

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IF ONLY economics textbooks had the answers to the financial crisis gripping the world.

Unfortunately, as Trade and Industry Minister Lim Hng Kiang pointed out yesterday, the real-world challenges are complex and mired in dilemmas in need of fresh and untried solutions. Chief among these challenges is managing the trade-off between inflation and slowing growth amid the global credit crunch — the peculiar situation that many countries are now finding themselves in.

"This backdrop of potential cost pressures amid slowing growth is a prime example of the challenges that policymakers and economists are now facing," said Mr Lim, who was speaking to undergraduates at the inaugural economics dialogue between the National University of Singapore and the Ministry of Trade and Industry.

"Your economics textbooks will tell you that if the Government uses the standard tools to deal with slowing growth, we will push inflation even higher. On the other hand, the tools to deal with inflation will dampen growth even more. How do we deal with this dilemma?" he asked.

While stressing that "new answers have to be found", Mr Lim said the Government relied on "some clear guiding principles" to help in its policy formulation, including the belief that markets and prices "work best when allowed to operate freely".

Which is why unlike many other countries in the region, the Government has shunned price controls and subsidies on commodities, which distort market forces, he said.

Also, the authorities would seek to "understand the underlying factors affecting our economy so that we use our tools most effectively", he said.

> Some economists regard monetary tightening as a blunt instrument ... The Government has to constantly balance these trade-offs, and the answers are seldom neat and clear-cut.
>
> Trade and Industry Minister Lim Hng Kiang

"For example, we recognise that most of our inflation is imported. Hence we assessed that exchange rate management offered the appropriate response."

Singapore manages its monetary policy by allowing its currency to rise or fall on a trade-weighted basis, instead of adjusting interest rates, a policy that has been criticised by some economists. Until last Friday, the Monetary Authority of Singapore (MAS) had allowed for a modest and gradual appreciation of the Singapore dollar. With the threat of inflation easing, the MAS has now shifted to a policy of zero appreciation.

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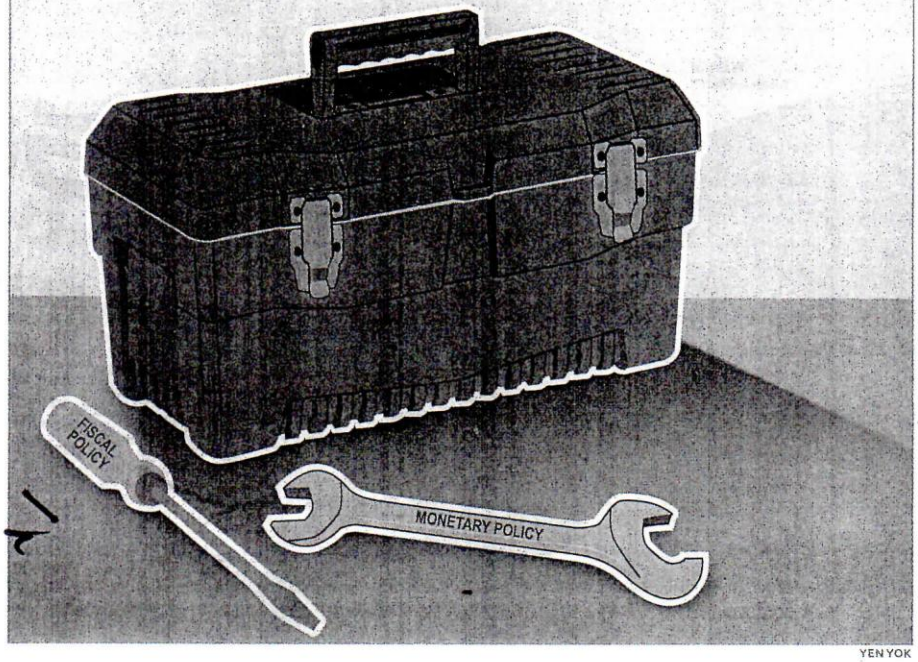

YEN YOK

In some cases, DBS will take responsibility

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DBS Bank says it will take responsibility for some of the Lehman Brothers products sold through its network in Singapore and Hong Kong if there was mis-selling.

"In specific cases when evidence of mis-selling is established, DBS (Hong Kong) Limited and DBS Bank (Singapore) will take responsibility," the bank said yesterday.

It issued the statement in reply to queries about a recent report in the *South China Morning Post* that said it would consider full compensation for losses on one of Lehman's structured products sold in Hong Kong if its investigations showed that buyers had been misled by the bank's sales staff.

DBS also pointed out in a separate statement last night that customers in Singapore who had bought High Notes 5, a structured product sold with Lehman as one of the reference entities, may not get a cent back.

The collapse of Lehman triggered the early redemption of High Notes 5 and the unwinding process has begun.

"We expect that the final valuation of the Notes, which is market determined, will be completed on or around Oct 31. In the worst case scenario, customers could lose their entire investment," it said.

The bank has since set up dedicated Investor Care Centres in Hong Kong and Singapore, manned by experienced staff specially trained to handle queries about the troubled structured products.

Mr Rajan Raju, DBS' managing director and head of consumer banking, added: "More than 300 customers have approached our Investor Care Centre and we are addressing their concerns about their investments. As soon as each case is reviewed, DBS will inform the respective customers of the outcome."

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And, despite looming job cuts and a slower economy, they do not see the need to tighten their belts just yet.

Said Ms Lin Dongzheng, 20, who is employed as a temporary worker at a bank: "If I get paid more this month, I'll spend more."

Unsurprisingly, those who have mouths to feed are contemplating the worst.

Said Mr Kelvin Kao, a 28-year-old account manager whose wife recently gave birth to a son: "I started budgeting in greater detail just this month ... I also started measuring our household's energy consumption, and I tend to buy more house-brand stuff nowadays."

Associate Professor Annie Koh, dean of executive and professional education at Singapore Management University, feels the ongoing financial turmoil would "sieve out the men from the boys" in this age group.

"My advice to students is to be pragmatic and not too choosy," said Assoc Prof Koh, adding that students should take the opportunity to work with homegrown small and medium enterprises, at a time when some global firms are stumbling.

Mrs Ruth Chiang, director of SMU's office of career services, said graduating students "may not receive multiple job offers now and have to be prepared to accept job offers as they come".

Mr Leong felt it would be several months after graduation before young job-seekers adjust their expectations.

"After six months, after sending out 50 CVs, going for 10 interviews and getting no return calls ... then they will realise it's getting tough — but only after they see one or two of their friends taking on lousy jobs," he said.

Undergraduate Leong Fengzhi, 22, told TODAY she would give herself three months upon graduation to find her ideal job in the public relations industry.

> After sending out 50 CVs, going for 10 interviews and getting no return calls ... then they will realise it's getting tough – but only after they see one or two of their friends taking on lousy jobs.
>
> **Headhunter Christopher Leong**

Said Ms Leong: "I'm willing to settle for lower pay, but it should be a job in the same industry. If not, I would consider entering a similar industry, like hospitality."

Still, entrepreneur Elim Chew, founder of streetwear chain 77th Street, who is a member of the National Youth Council, believes the recession could have a positive impact on a restless generation — just as the '70s oil shock gave rise to the punk sub-culture among British youth.

Said Ms Chew: "This crisis may be their baptism of fire. With the energy of this generation, this recession will inspire creativity."

Answers not clear-cut: Lim Hng Kiang

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Acknowledging that excessive strength in the Singapore dollar could hurt the Republic's export competitiveness and further dampen economic growth, Mr Lim said: "Some economists regard monetary tightening as a blunt instrument, especially when the economy is slowing down.

"In our daily work, the Government has to constantly balance these trade-offs, and the answers are seldom neat and clear-cut."

Despite the current global financial turmoil, Mr Lim reiterated that Singapore "cannot lose track of longer-term issues that could affect our economic competitiveness" since the global economy will "eventually recover and we have to be positioned to bounce back".

Singling out energy as a key emerging challenge, the minister said: "Manufacturing is a key pillar in our economy, contributing about a quarter of our GDP.

"This sector includes energy-intensive industries such as petrochemicals and electronics. As these industries continue to grow, their energy demands and their carbon dioxide emissions will increase."

"Ideally, we want to achieve a balance between economic competitiveness, environmental sustainability and energy security. This is not an easy feat," he said. It would also be increasingly difficult to sustain Singapore's economic growth as the country matures, said Mr Lim.

Singapore, ham-strung by its lack of land and manpower, has little choice but to tap into ways to raise total productivity, such as innovation, entrepreneurship, creativity and technology.

And as Singapore conjures ways to maximise its limited resources, the Government has to ensure that the benefits of economic growth "are spread to all Singaporeans".

Pointing out that the Government has implemented measures such as workfare, direct financial assistance, scholarships and skills upgrading, Mr Lim said: "Our economists are at the forefront of thinking about how we can help low-skilled and low-wage workers and their families ... But these tools are not the complete answer.

"More importantly, we need to spur hope in our citizens so that they can achieve success through hard work and determination."

TODAY FILE PHOTO