

Singapore's FY2016 Budget

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Global outlook: Lukewarm

1Q 2016: market swings, but central banks accommodate

- Fed lowers median dots graph to two rate hikes this year, but market is sceptical.
- Central banks continue to push on a string (ECB & BOJ). Many point to need for fiscal stimulus and structural reform to step up.
- China cut its 2016 growth target to 6.5-7%, but need to at least 6.5% average growth for next 5 years to double GDP per capita between 2010-2020.
- Risk-off in January-February, but Emerging Markets bounce back in March.

What lies ahead?

- Brexit remains a concern for financial markets.
- China-centric risks, revolving around financial, housing and capital outflows.
- EM policymakers continue to be opportunistic on finding policy space.
- Crude oil price recovery potentially remains a double-edged sword.

Singapore's FY16 Budget:

Partnering
for the
Future



Pre-Budget: there were 3 burning questions:

1. New Finance Minister Heng Swee Keat?

- Key principles, strategic direction and tone.
- The continuation of a journey for the next 50 years.
- Key is partnership at the heart of the Singapore spirit.

2. Earlier concerns of a populist shift?

- Balance between economic and social priorities.
- Some of businesses' wishlist were met. Only a few unpopular moves.
- Foreign manpower policy.
- Property cooling measures.

3. What other policy implications?

- Progressive tax system.
- Addressing social inequality and safety nets.
- Upcoming MAS' monetary policy review

Transforming the economy through enterprise & innovation:

- ✓ Integrated approach for previously separate restructuring efforts.
- ✓ More targeted and sector-focused approach. Leverage on TACs.
- ✓ Greater emphasis on technology adoption and innovation.
 - ✓ Up to \$4b for Industry-research collaboration under the Research, Innovation and Enterprise (RIE2020) plan.
- ✓ \$4.5 billion Industry Transformation Programme.
 - ✓ New Jurong Innovation District (1st phase in 2022).

1. Addressing Near-Term Concerns

- Continued Fiscal Support
- Corporate Income Tax Rebate
- Special Employment Credit
- SME Loan Assistance
- Revitalisation of Shops Scheme
- Foreign Worker Levy Changes

2. Industry Transformation Programme

Integrated · Sector-focused · Partnerships · Technology

Transforming Enterprises

- Business Grants Portal
- Automation Support Package
- Financing and Tax Incentives to Support Scale-Ups
- Support for Internationalisation

Transforming Industries

- National Trade Platform
- Leveraging New Technologies
- Increasing outreach through Trade Associations and Chambers

Transforming through Innovation

- Deepening Innovation Capabilities
- Strengthening Innovation and Enterprise Networks
- Jurong Innovation District

3. Supporting Our People through Change

Investing in SkillsFuture

Helping Our People to Adjust

- Adapt and Grow Initiative

Enabling Our People to Seize New Opportunities

- TechSkills Accelerator

FY16 Budget: building a caring and resilient society

- ✓ Sustained strengthening of social safety nets:
 - ✓ Young, low wage workers, disabled persons, and seniors.
 - ✓ Silver Support Scheme to start in mid-July 2016.
 - ✓ networks of community partners to keep seniors active and engaged, with support to age better in place.

1. Caring For Our Young

Supporting Families with Children

- Child Development Account
- First Step Grant
- KidSTART
- Fresh Start Housing Scheme

Building Resilience In our Youth

- National Outdoor Adventure Education Masterplan



4. Other Measures Affecting Households

- Public Assistance and Singapore Allowance
- GST Voucher
- Service & Conservancy Charges Rebate
- Personal Income Tax Relief Cap



2. Caring for Our Low Wage Workers and Persons with Disabilities

- Enhancements to Workfare
- Supporting Persons with Disabilities at Work



5. Building a Caring Society

- Business and Institutions of a Public Character Partnership Scheme
- Supporting Community Chest Giving
- Our Singapore Fund



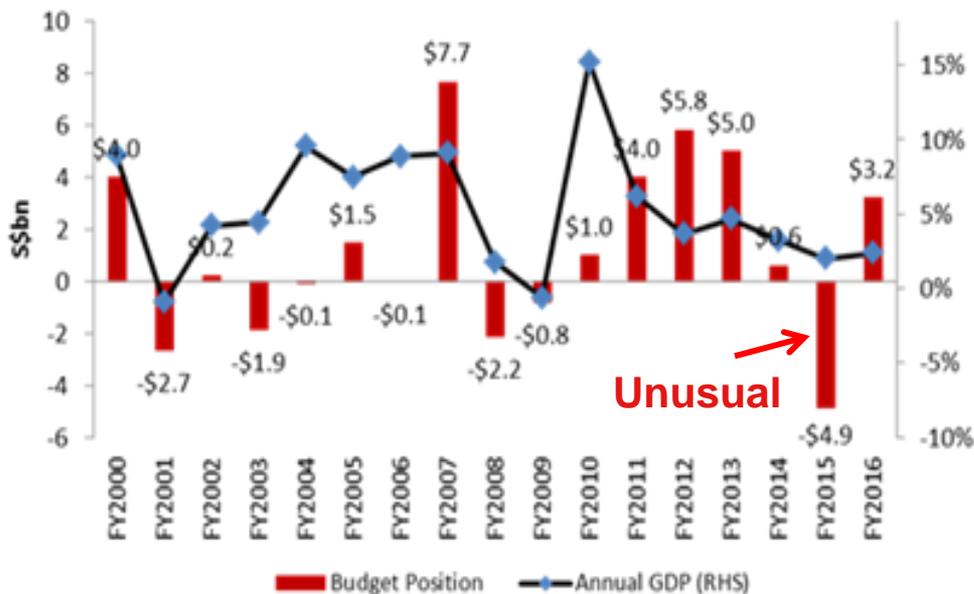
3. Caring for our Seniors

- Implementation of Silver Support Scheme
- Community Networks for Seniors



1. A fiscally prudent policy stance in the FY16 Budget:

- FY15 deficit of \$4.88b will return to a planned \$3.45b surplus in FY16. While total expenditure rose 7.3% to \$73.43 billion, operating revenue is projected to only rise 6.7% to \$68.44b.
- Special transfer moderates 40.5% from \$10.54b in FY15 to \$6.27b in FY16, whereas NIRC surges 48.5% to \$14.7b in the same period.



Singapore Budget Statistics

S\$ bn	FY 2014	FY2015	FY2016
	Actual	Actual	Forecast
Operating Revenue	60.84	64.16	68.45
Total Expenditure	56.65	68.41	73.43
Operating Expenditure	42.69	48.73	54.43
Development Expenditure	13.96	19.68	19.00
Primary Budget Balance**	4.19	-4.25	-4.98
% of GDP	1.07%	-1.05%	-1.21%
Less: Special Transfers	12.36	10.54	6.27
Add: NII Contribution	8.74	9.90	14.70
Overall Budget Balance	0.57	-4.88	3.45
% of GDP	0.1%	-1.2%	0.8%

Source: Ministry of Finance

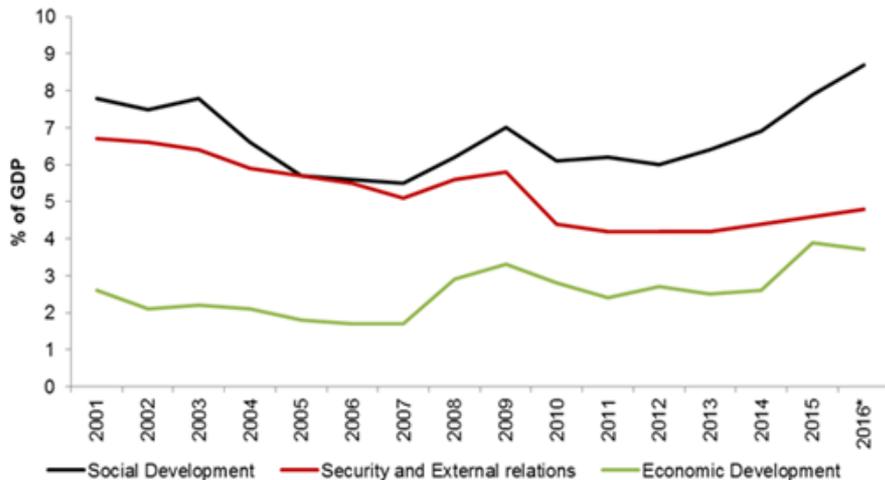
* Figures may not add up due to rounding;

** Surplus/Deficit before Special Transfers and Net Investment Income (NII) Contribution

2. Continued evolution of the budgetary priorities

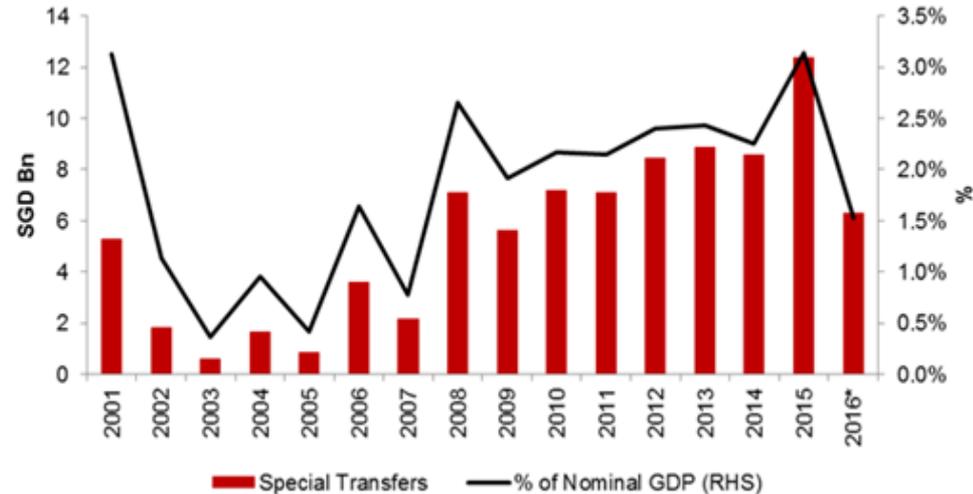
- Social development expenditure continues to increase at a faster pace than security & external relations and economic development.
- Special transfers fell dramatically in FY16 and has normalised back to around 2009 levels.
- We anticipate special transfers will likely continue to range between 1-3% of GDP in coming years.

Government Expenditure
(% of GDP)



*Official Estimates

Special Transfers

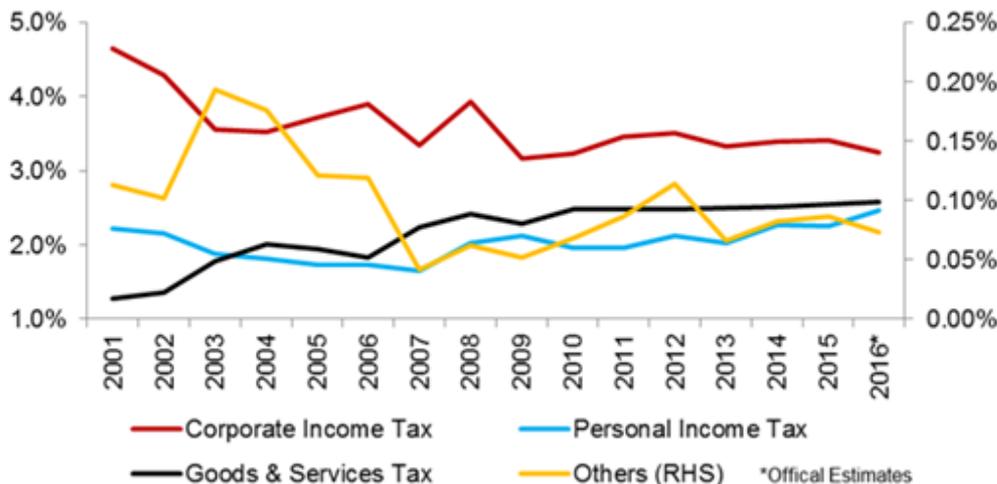


*Official Estimates

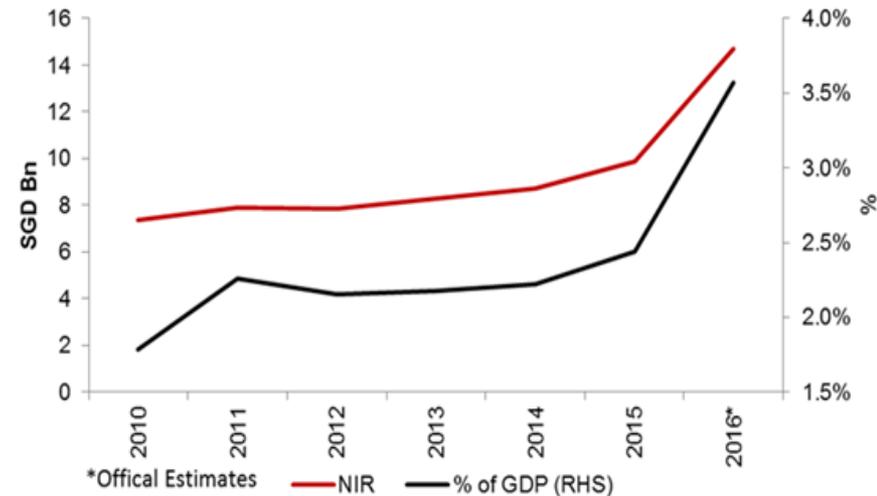
3. Growing importance of NIRC for policy flexibility

- Social development expenditure continues to increase at a faster pace than security & external relations and economic development.
- Special transfers fell dramatically in FY16 and has normalised back to around 2009 levels.
- We anticipate special transfers will take the cue from NIRC contributions in the years to come.

Tax Revenue (% of GDP)



Net Investment Return Contribution



4. Positives of FY2016 Budget:

1. Partnership theme: integration, engagement and alignment of all stakeholders.

- Business Grants Portal – make application of government schemes easier.
- Cluster champion teams to develop “Industry Transformation Maps” for 20 sectors that cover 80% of Singapore’s economy.

2. Innovation (over productivity?):

- Up to \$4b for industry-research collaboration, \$1.5b top-up to National Research Fund, and SG-Innovate and Jurong Innovation District.
- Facilitate training for ICT skills in demand through TechSkills Accelerator.

3. Supporting the People through change:

- “Adapt and Grow” initiative – helping people grow their skills and adapt to changing job demands. Expand wage support schemes for workers facing difficulties in finding new employment.

4. Business and IPC partnership scheme: 250% tax deduction on associated cost incurred for businesses which organise employees to volunteer at Institution of a Public Character (IPC), including secondments from July 2016 – end-2018.

Capped at \$250,000 per business and \$50,000 per IPC.

5. Future budgetary considerations:

1. How to tackle high business costs:

- What else can be done to manage business costs in Singapore.
- Singapore continues to be ranked as the most expensive in the world.

2. Smart Nation drive is ambitious with its hyper-connected nation vision.

- Next generation ERP system from 2020 provides more flexibility in managing traffic congestion with distance-based road pricing, but risks privacy?
- Can coding skills per se eventually democratize Singaporean workers?

3. Unemployment benefits/insurance?

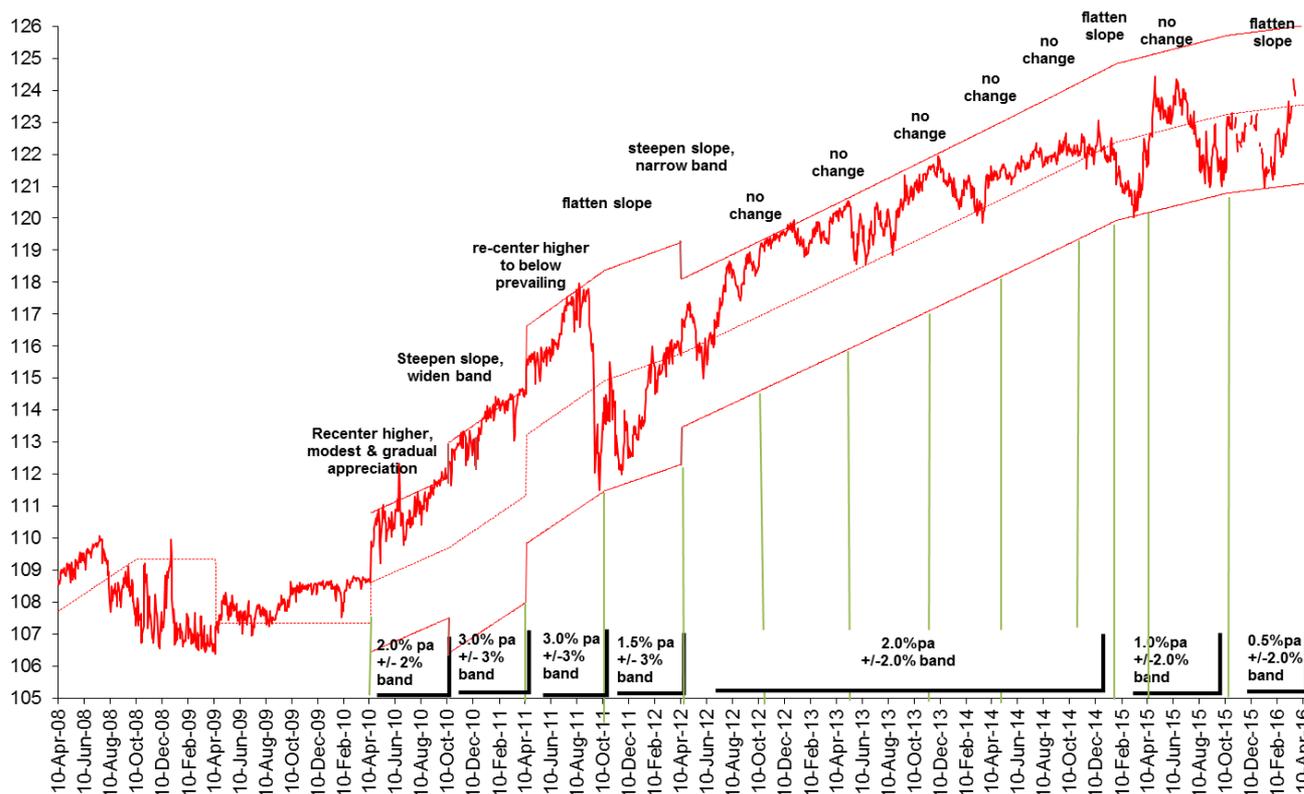
- PMETs are among those who face challenges adapting to an ever-changing workplace/industry demands.
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4. Ageing with grace, community support and family infrastructure:

- Different care settings, both residential and non-residential.
- Quality, accessibility and affordability issues.

Other policy arm: April monetary policy review status quo?

- Sluggish 2016 GDP growth at 2% yoy, with negative headline inflation but steady core inflation. Policymakers are watchful but not in panic mode.
- The labour market may soften slightly. No unwinding of property cooling measures yet.
- Near-term prospects remain challenging. A technical recession remains possible.





Thank You