

SG Budget 2018

Strategies To Cope With An Ageing Society

Francis Tan
UOB Global Economics & Markets Research

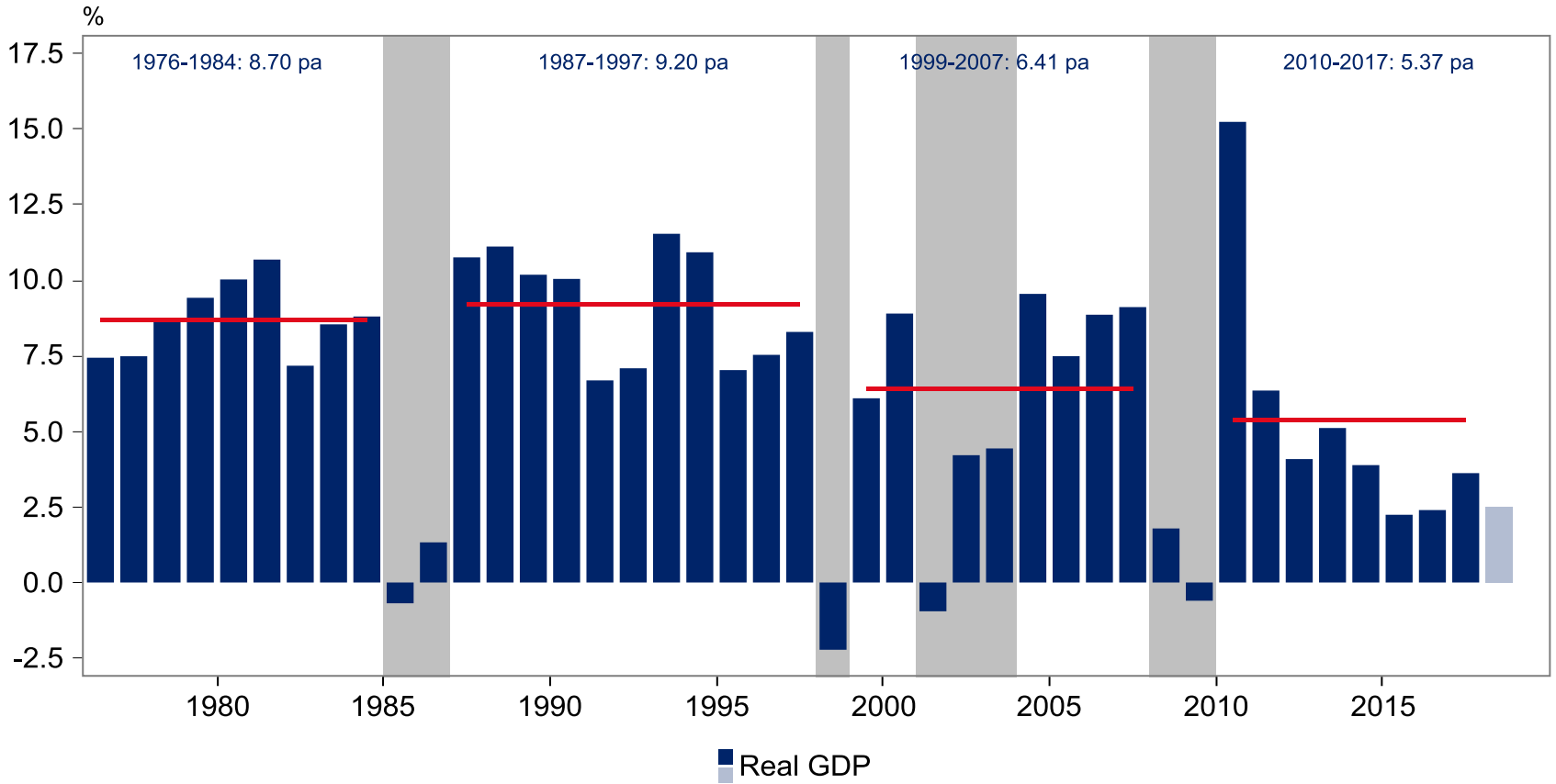
20th February 2018



Economic Conditions in SG

Slower Growth During This Recovery Cycle

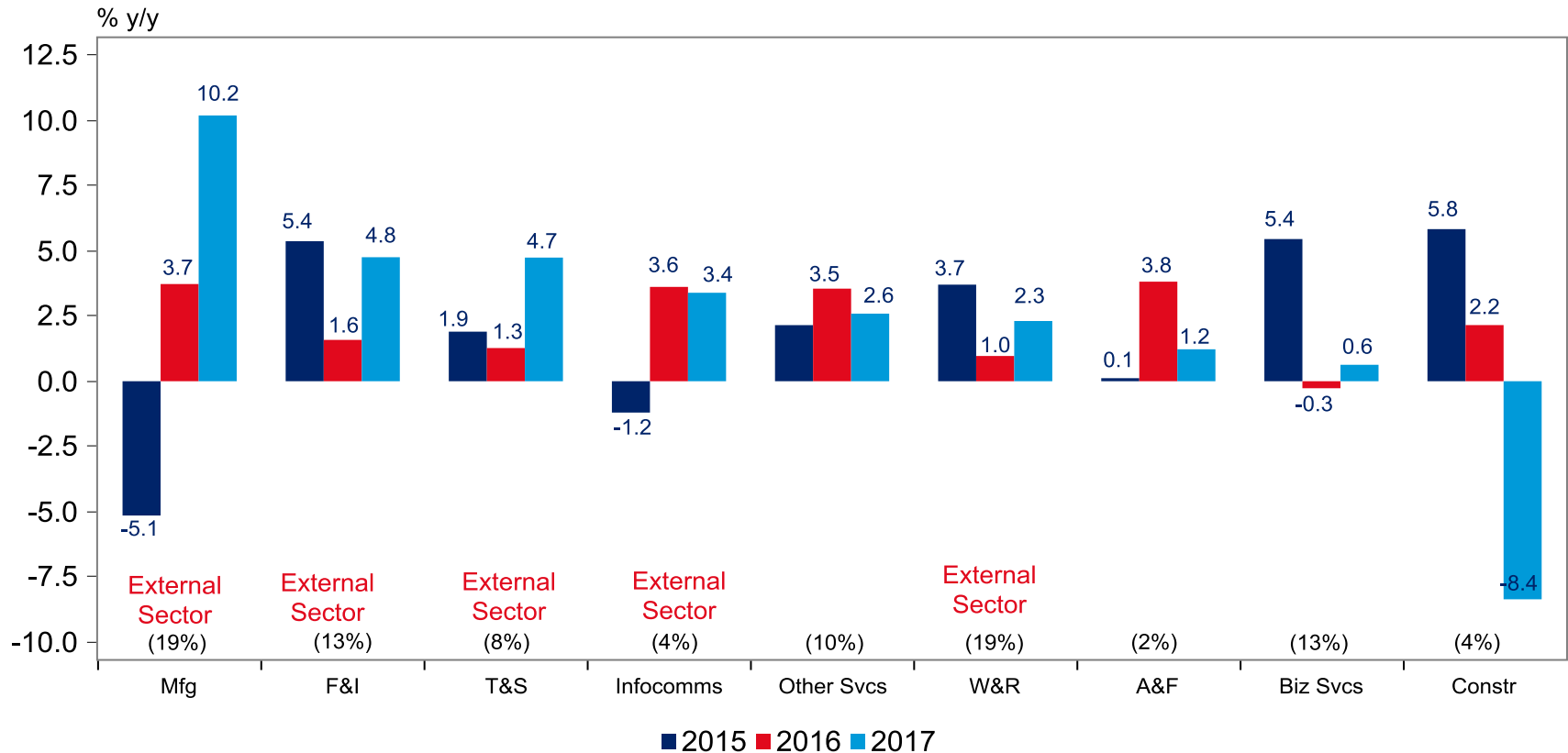
Singapore's Real GDP



Source: Macrobond, UOB Global Economics & Markets Research

External Sectors Are Picking Up Very Strongly

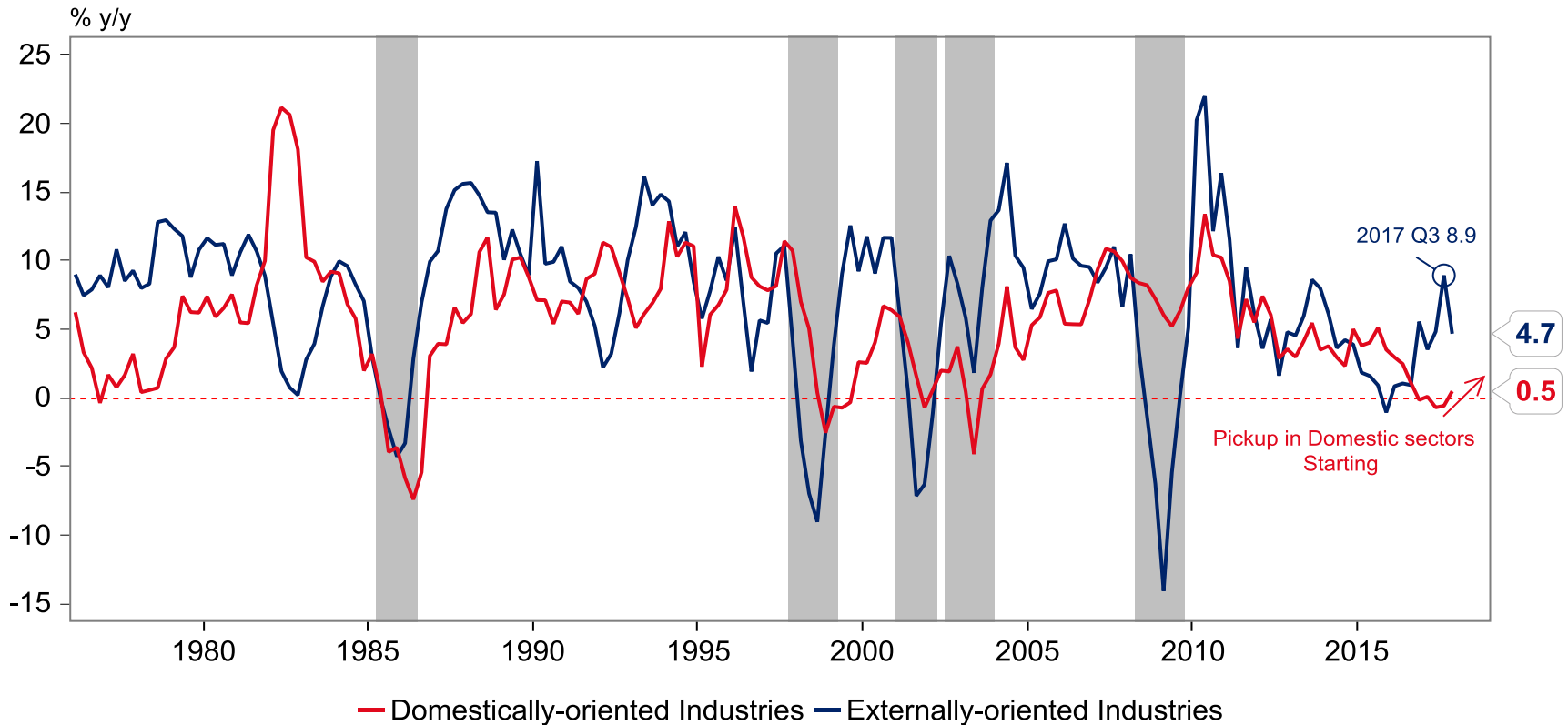
Singapore's Real GDP (Production)



Source: Macrobond, UOB Global Economics & Markets Research
 Note: Percentages in parantheses represent sector's share of real GDP

Spillovers to Domestic Sectors in 2018

Singapore's Real GDP (Production)



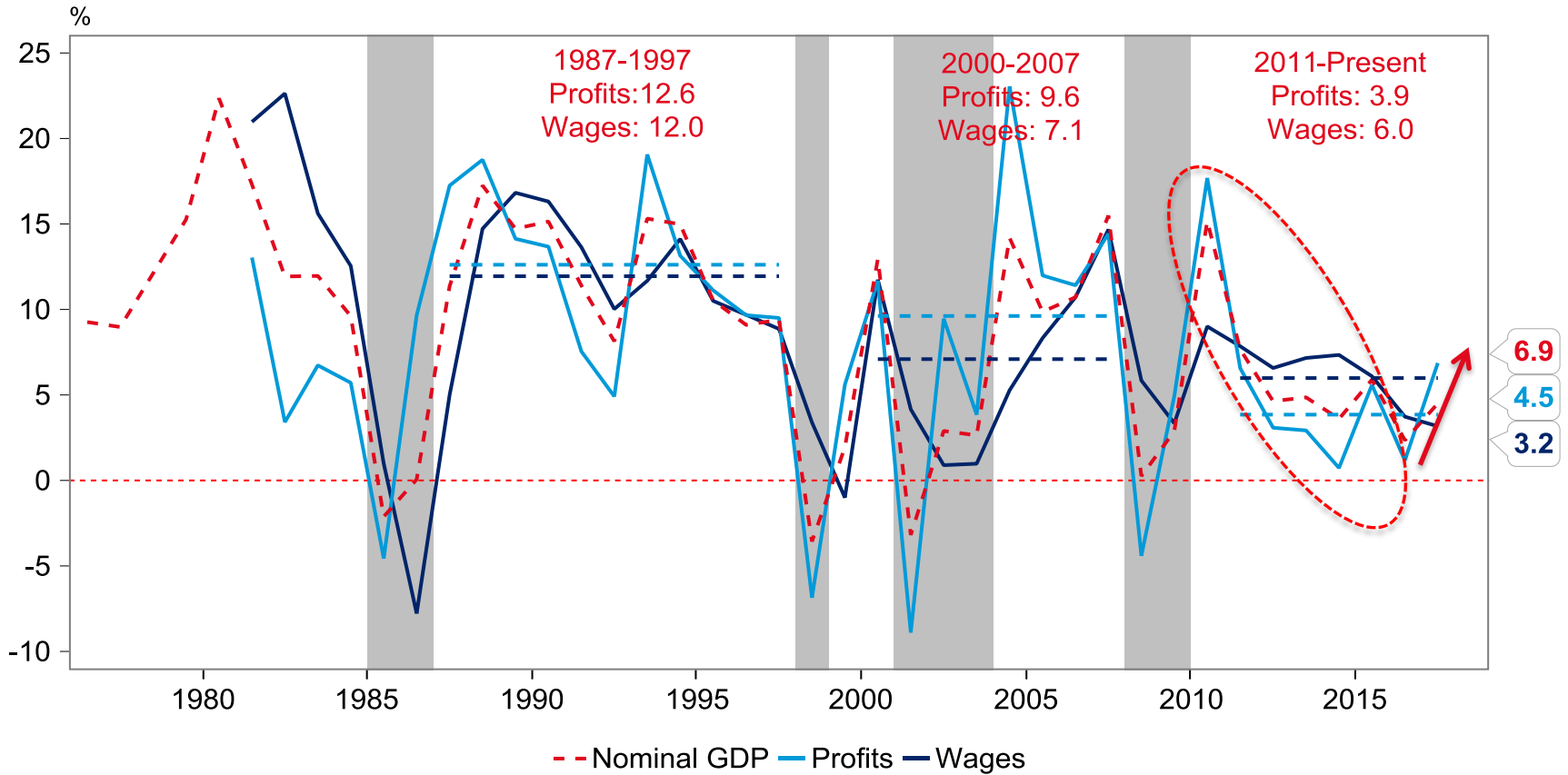
Source: Macrobond, UOB Global Economics & Markets Research

Note: External: Mfg, Wholesale & Retail Trade, Transport & Storage, Infocomms, Financial & Insurance Services

Domestic: Construction, Accom & Food Services, Business Services, Other Services

Corporate Profits Strongest Since 2010

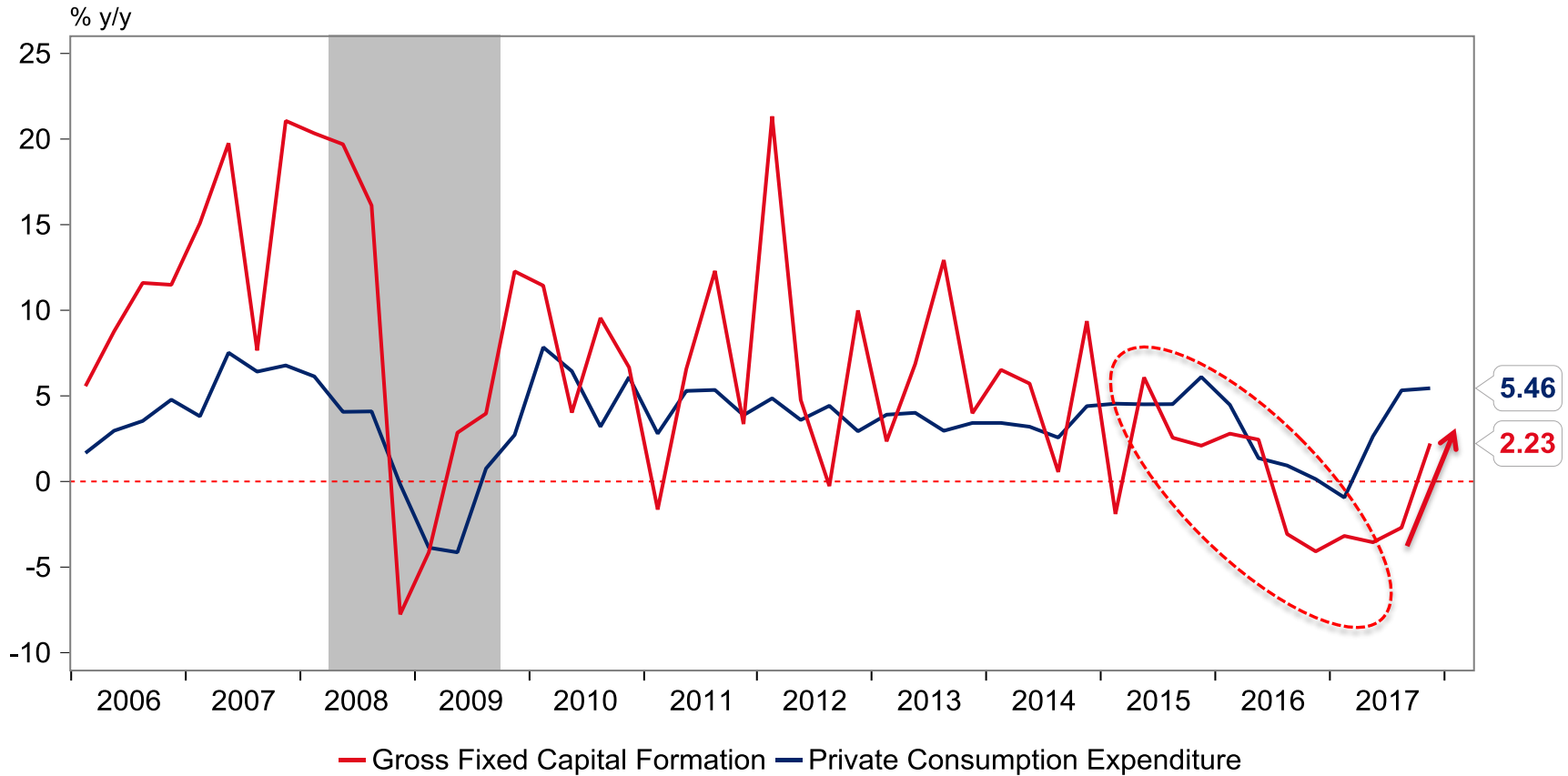
Singapore's Nominal GDP (Income)



Source: Macrobond, UOB Global Economics & Markets Research

Investments Finally Turned Positive

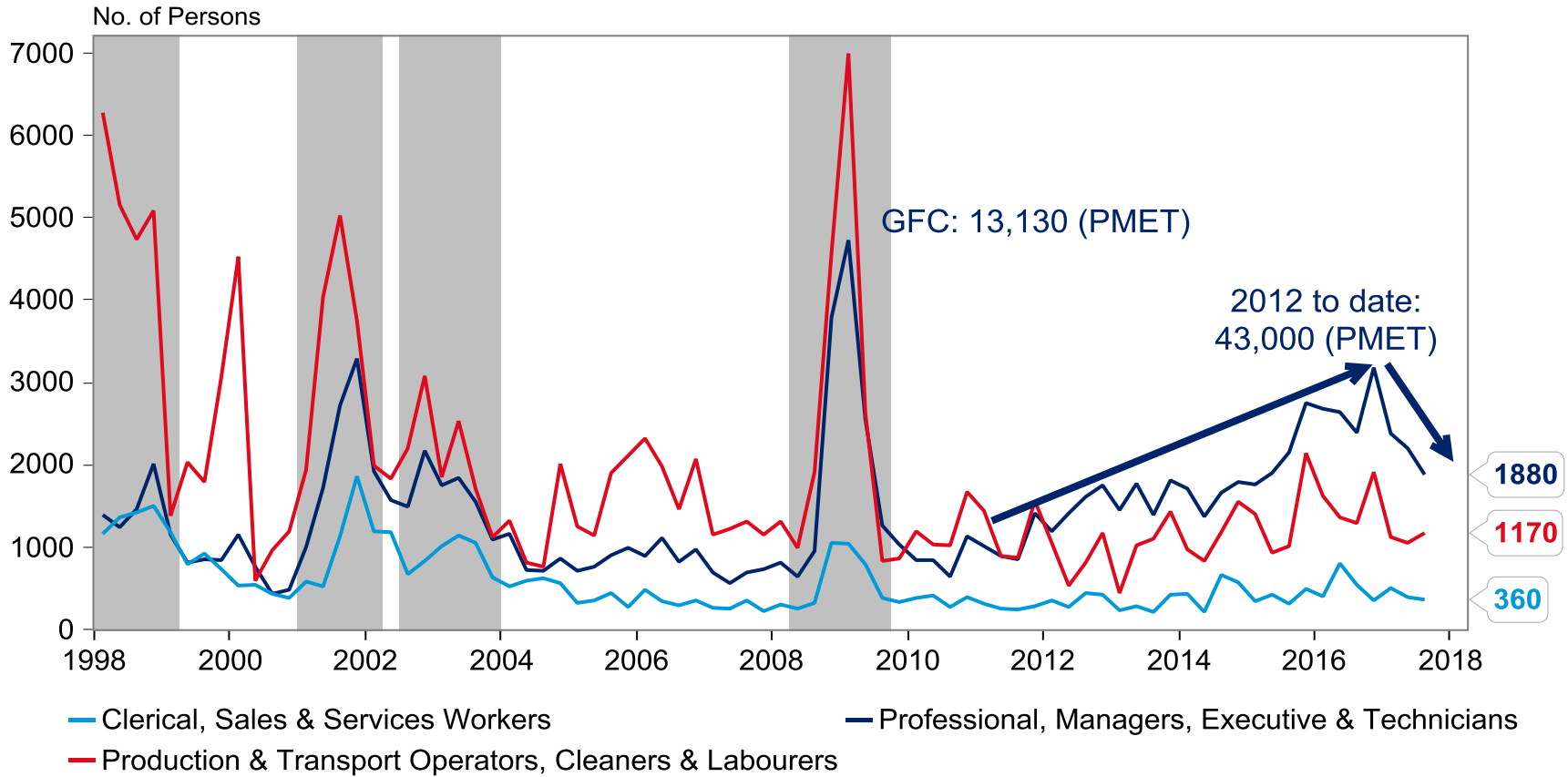
Singapore's Real GDP (Expenditure)



Source: Macrobond, UOB Global Economics & Markets Research

Falling Retrenchment Numbers Amongst PMETs Is A Good Sign

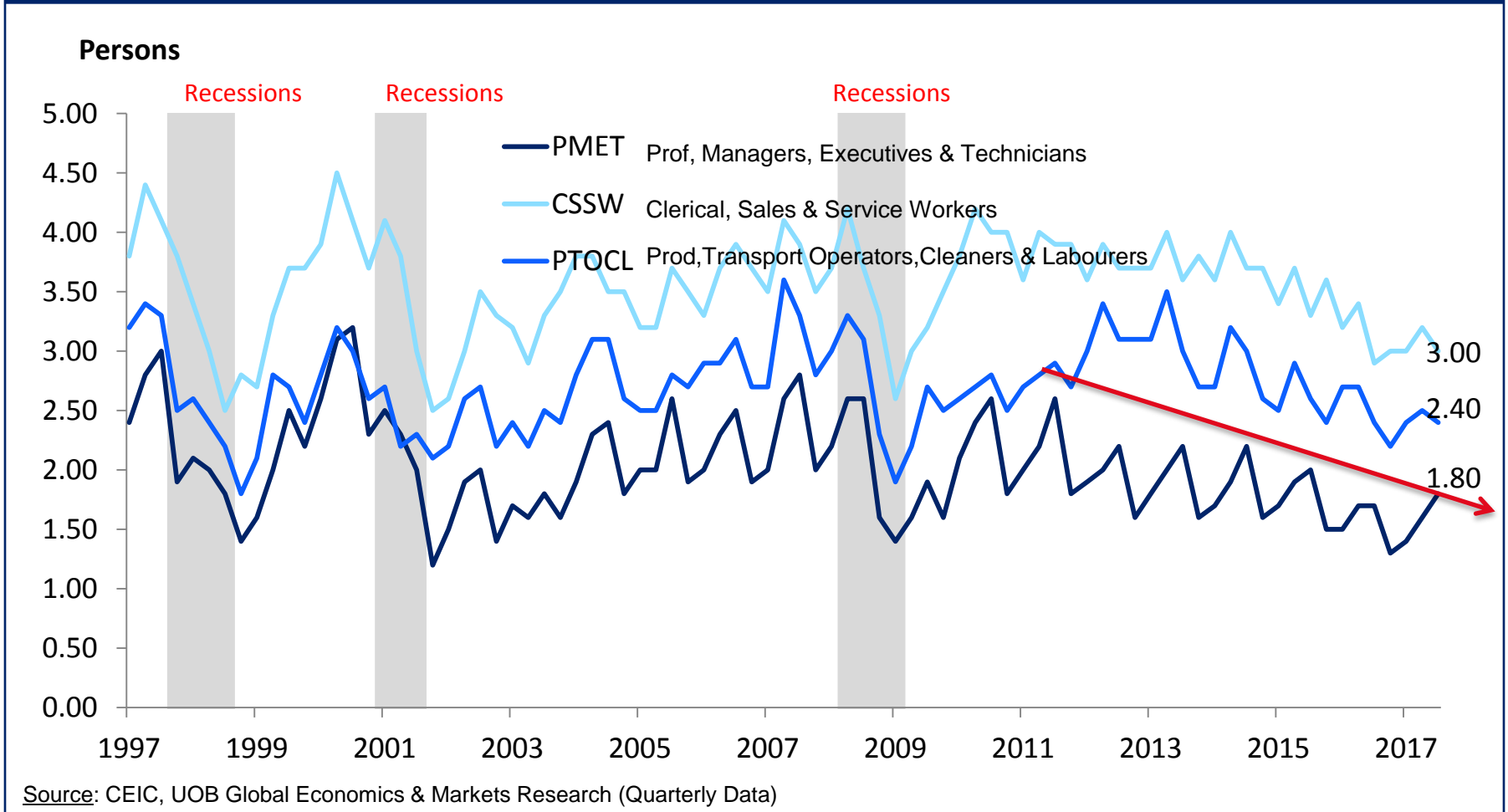
Number of Retrenched Workers by Profession



Source: Macrobond, UOB Global Economics & Markets Research

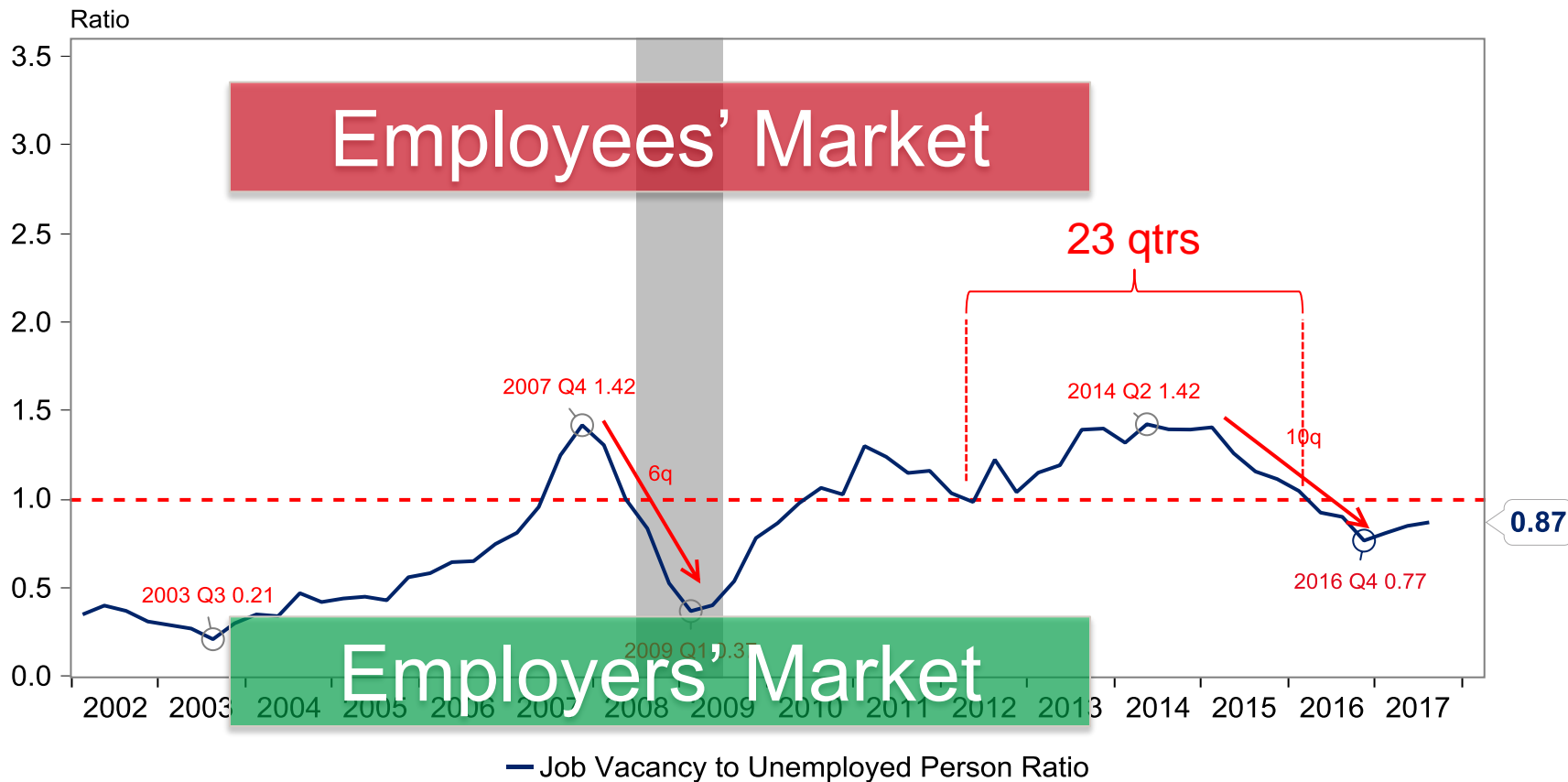
While Employers Are Holding On To Staff, They Are Hesitant In Hiring More

Job Recruitment Rate



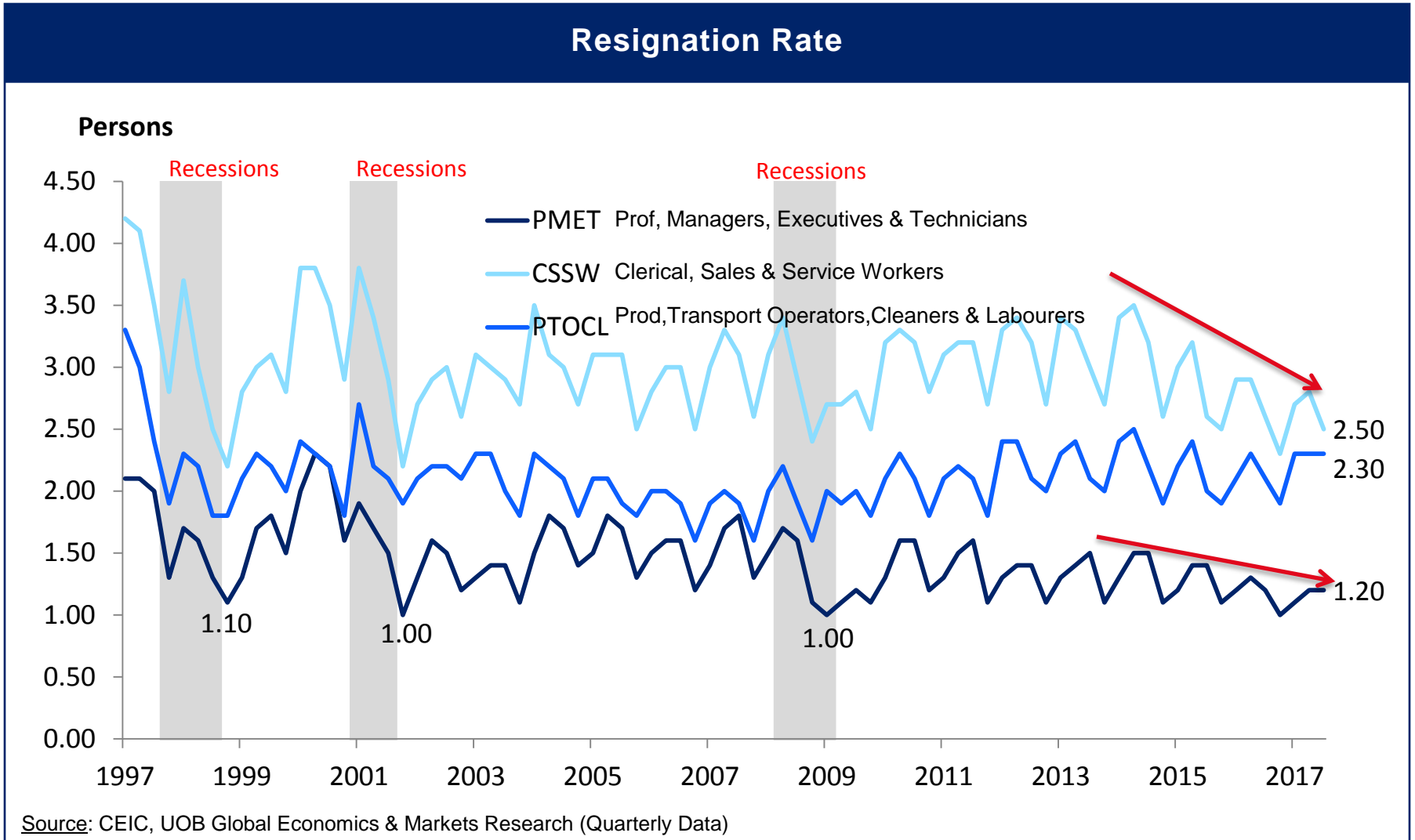
Slight Improvement In Labour Market Tightness, But It's Basically Still An Employers' Market

Job Vacancy-to-Unemployed Ratio



Source: Macrobond, UOB Global Economics & Markets Research

And Employees Are Hanging On To Their Jobs Dearly, Esp. PMETs

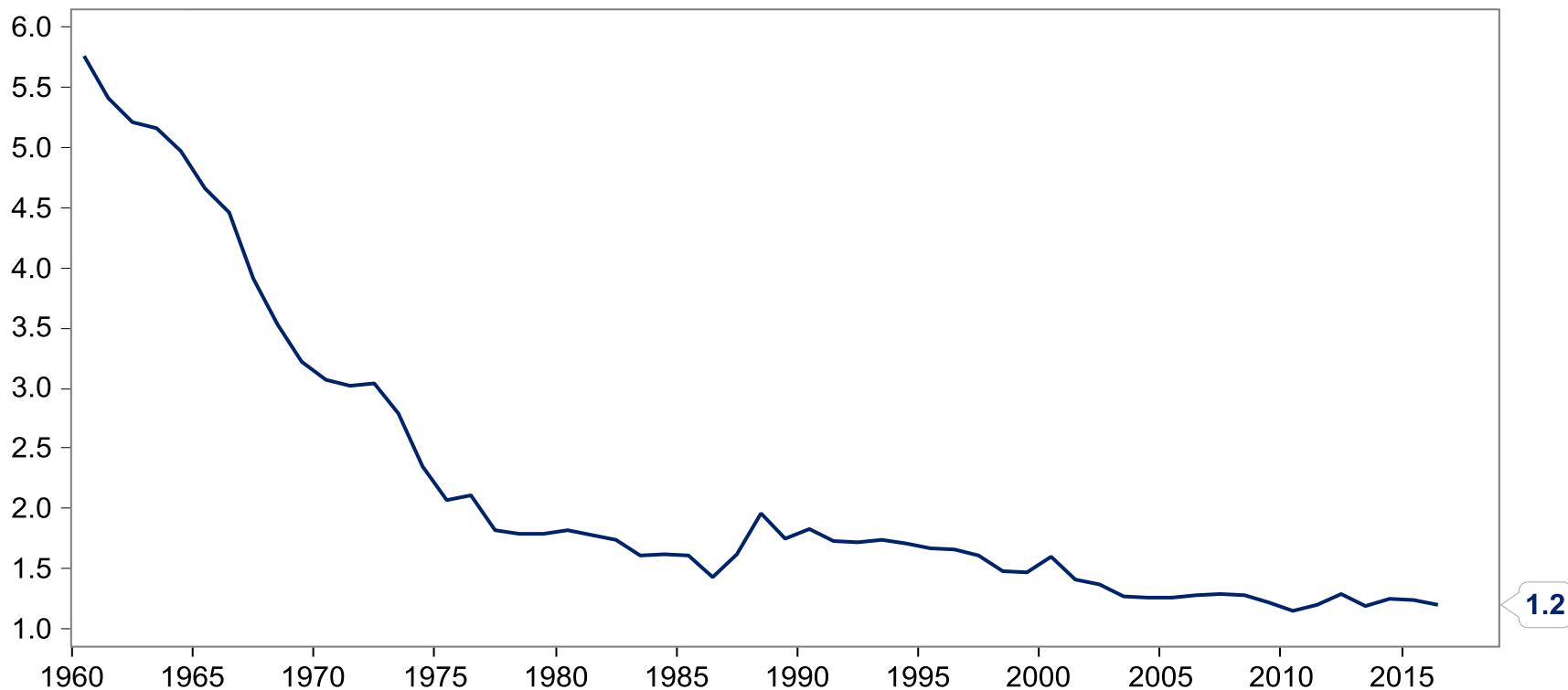




Longer Term Concerns

What is This?

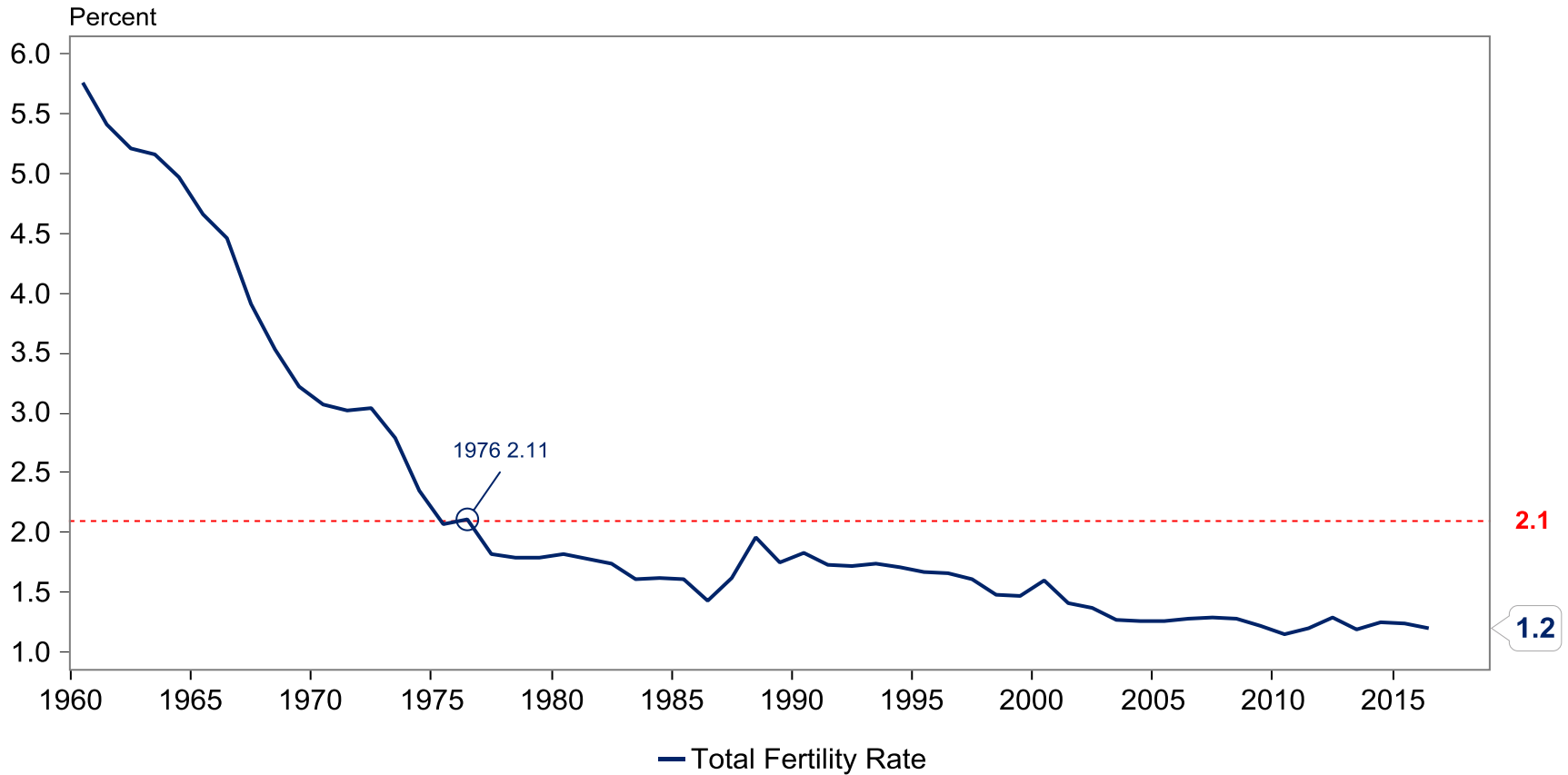
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Source: Macrobond, UOB Global Economics & Markets Research

On Average, Every 10 New Couples Have 12 Children

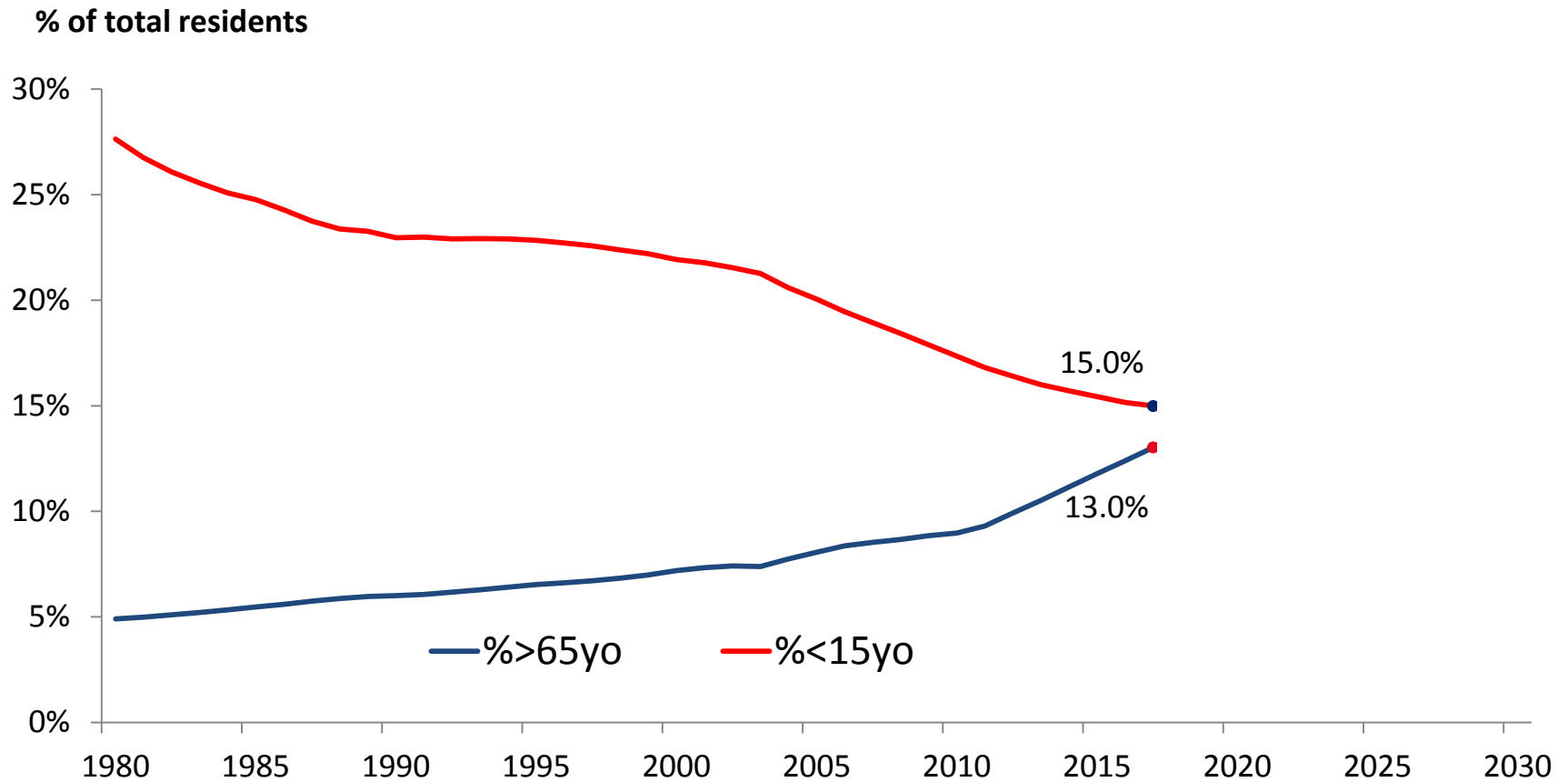
Singapore's Total Fertility Rate



Source: Macrobond, UOB Global Economics & Markets Research

Longer Term Challenges

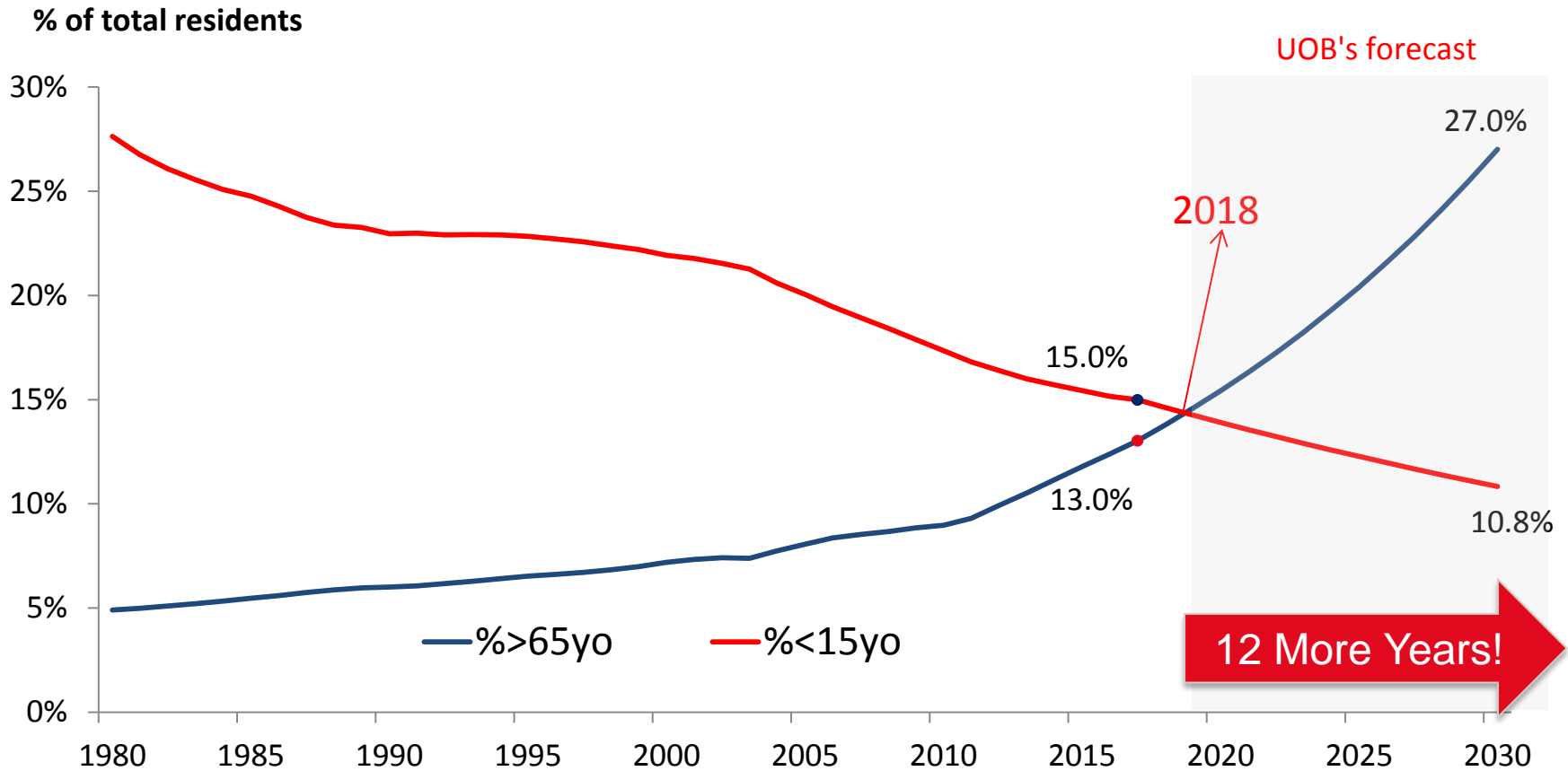
Singapore's <15yo and >65yo as % of Total Resident Population



Source: CEIC

Longer Term Challenges

Singapore's <15yo and >65yo as % of Total Resident Population



Source: CEIC



S'pore's 'demographic time bomb' starts ticking next year: UOB report

By FAR...

Axcess News

Business News



Singapore's Aging Population a Major Concern in 2018

Singapore's

By Michelle Jamrisko
December 5, 2017, 8:06 PM

Singap bomb'

- Popula
- Faster

UOB economist ex
says raising GST is

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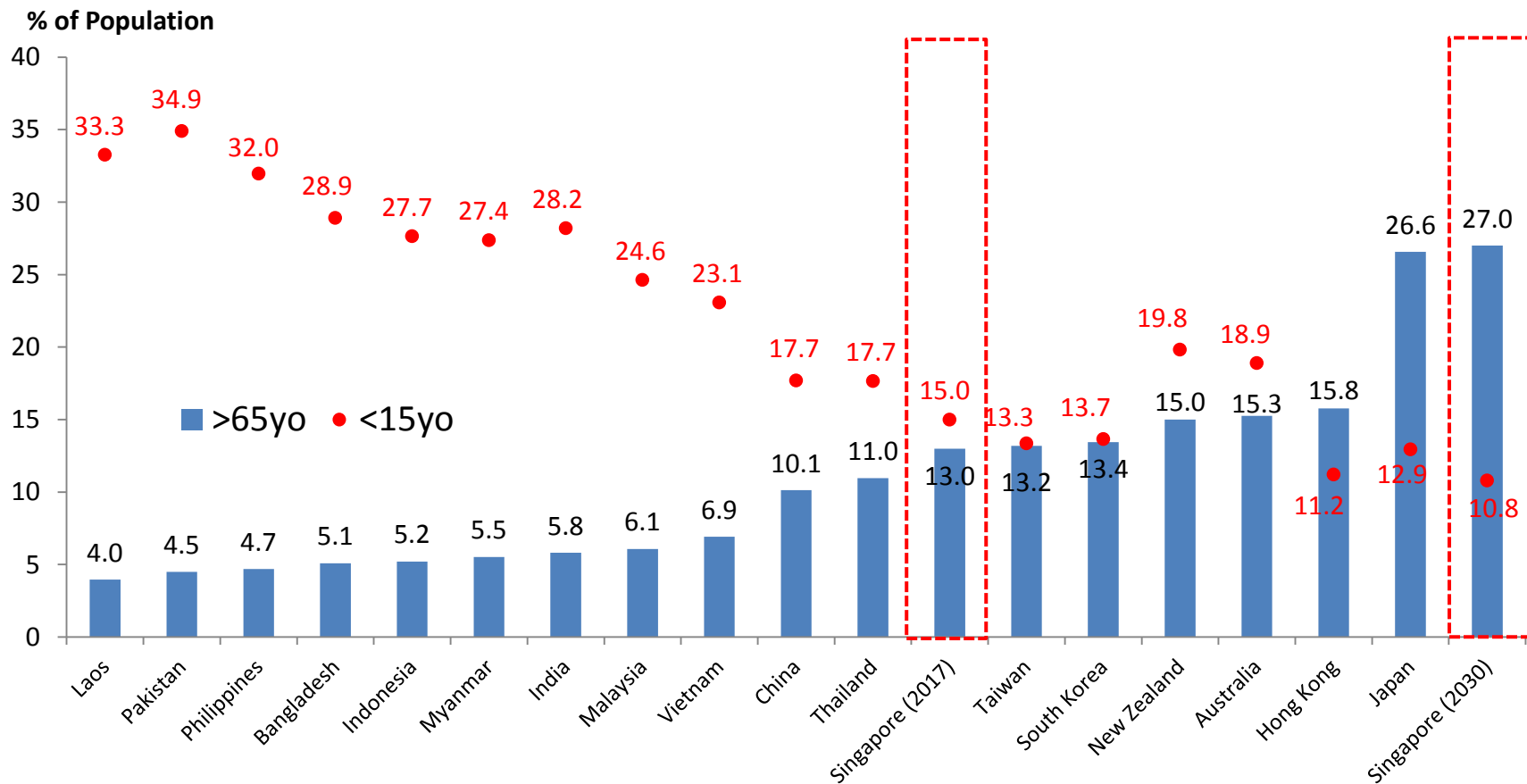
VIVIEN SHIAO

THE Star ONLINE



Strong Demographics Is On ASEAN's Side, But Not For Some

% of Population >65yo and <15yo (2016)



Source: Bloomberg, UN Census Bureau (Annual Data)



Singapore Budget 2018



*Building Our Future,
Strengthening Social Security*



Partnering for the Future



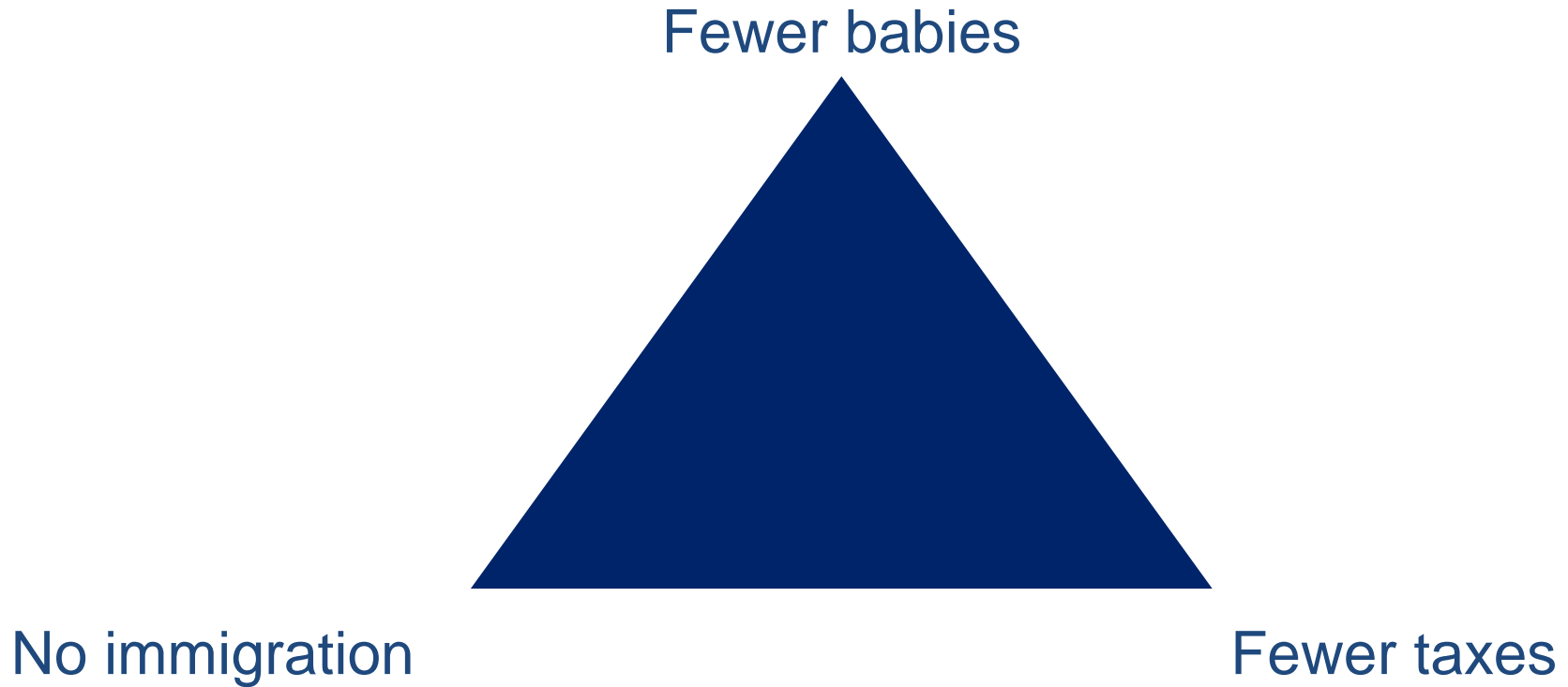
Moving Forward Together



Together, A Better Future



The Trilemma of Increasing Government Revenue



You Can't Have All 3!



GST

The government plans to raise goods and services tax (GST) by two percentage points from 7% to 9% sometime in the period from 2021 to 2025.



BUYERS' STAMP DUTY

Buyers Stamp Duty (BSD) to increase from 3% to 4% from 20 February 2018 on residential properties with value of more than S\$1million.



TOBACCO TAX

10% increase in tobacco excise duty with immediate effect.



CARBON TAX

Carbon tax of S\$5 per tonne from 2019. Government intends to increase it to between S\$10 and S\$15 per tonne of emissions by 2030.



SUPPORT FOR SENIORS

S\$300mn top-up to the Community Silver Trust (CST) and S\$100mn top-up to the Seniors' Mobility and Enabling Fund (SMF).



FOREIGN DOMESTIC WORKER

The foreign domestic worker (FDW) non-concessionary levy rates will be raised from S\$265 to S\$300 for the first FDW and S\$450 for the second effective from 1 April 2019.



SG BONUS

One-off SG Bonus for all Singaporeans aged 21 and above in 2018 of S\$100 to S\$300, depending on income.

BUSINESSES CONTINUE TO RECEIVE SUPPORT



Corporate Income Tax (CIT) rebate will be raised to 40% of tax payable, capped at S\$15,000 for YA2018 and extended to YA2019 at a rate of 20% of tax payable, capped at S\$10,000.



CORPORATE INCOME TAX

Extension of the Wage Credit Scheme (WCS) for three more years. The WCS will provide 20% co-funding for 2018, 15% for 2019 and 10% for 2020.



WAGE CREDIT SCHEME

Defer the earlier-announced increases in Foreign Worker Levy rates for the Marine Shipyard and Process sectors for another year.



FOREIGN WORKER LEVY

Budget 2018's Four Pillars



Comparing Budgets 2017 and 2018

		Budget 2018	Budget 2017
Social		A Caring and Cohesive Society	A Caring and Inclusive Society
Economy		A Vibrant and Innovative Economy	An Innovative and Connected Economy
		Overcoming Near-term Challenges	Managing the Transition
		Capturing Future Opportunities	The Future Economy
		Fostering Pervasive Innovation	Strengthening Capabilities in Our Enterprises
		Building Deep Capabilities	Deepening Our People's Capabilities
		Forging Strong Partnerships	Partnerships for Shared Success
City		A Smart, Green & Liveable City	A Quality Living Environment
Prudence		A Fiscally Sustainable & Secure future	A Sustainable Fiscal System

Budget 2018



Together, A Better Future

	Budget 2018	Pages	Number	
Social	A Caring and Cohesive Society	28 to 36	9	
				(23%) 2017=16%
Economy	A Vibrant and Innovative Economy			
	Overcoming Near-term Challenges	9	1.5	
	Capturing Future Opportunities	10	1	
	Fostering Pervasive Innovation	11 to 13	3	11.5 (29%) 2017=40%
	Building Deep Capabilities	14 to 16	3	
	Forging Strong Partnerships	18 to 20	3	
City	A Smart, Green & Liveable City	22 to 26	5	(13%) 2017=15%
	A Fiscally Sustainable & Secure future	38 to 47	10	(25%) 2017=10%

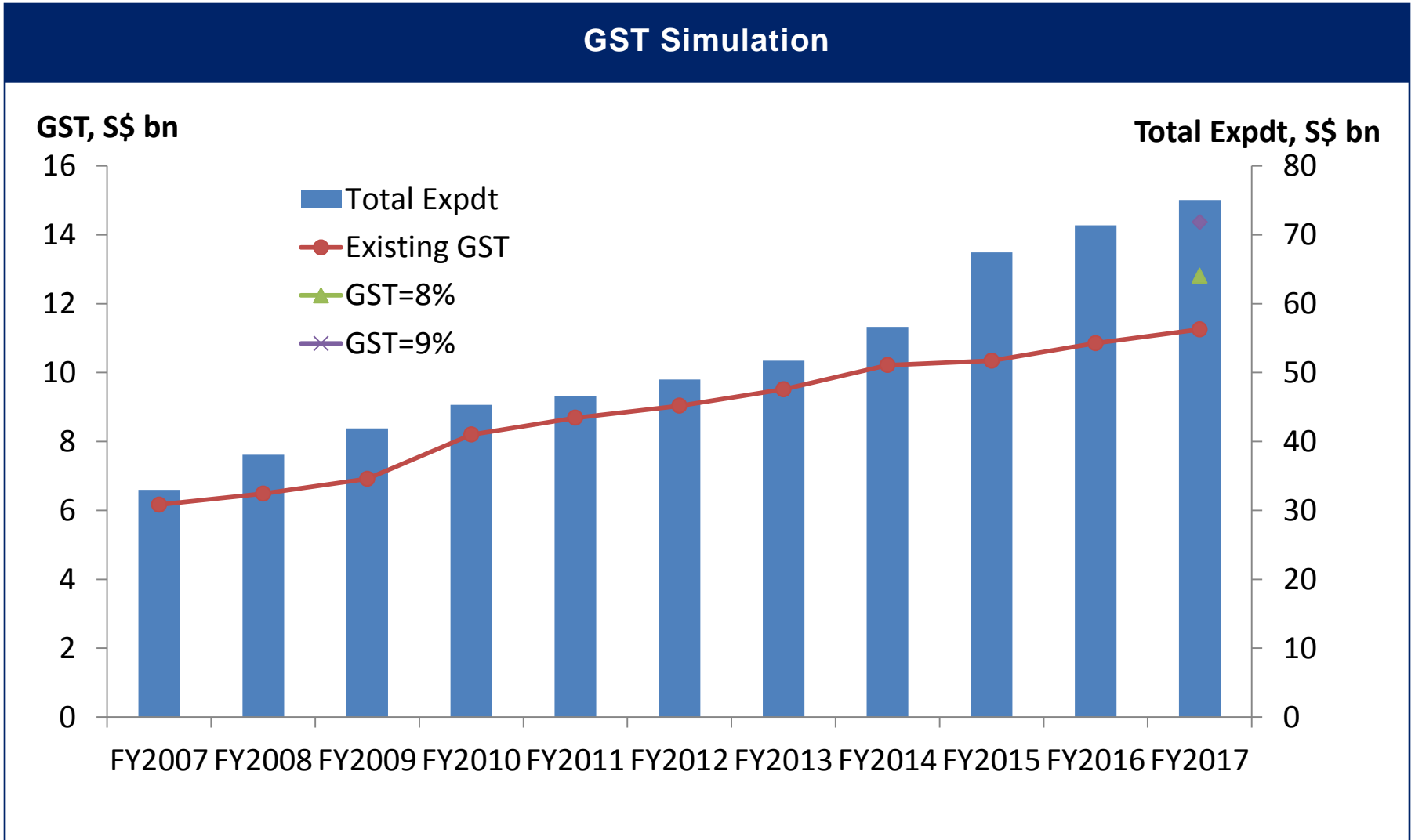
Budget 2018



Together, A Better Future

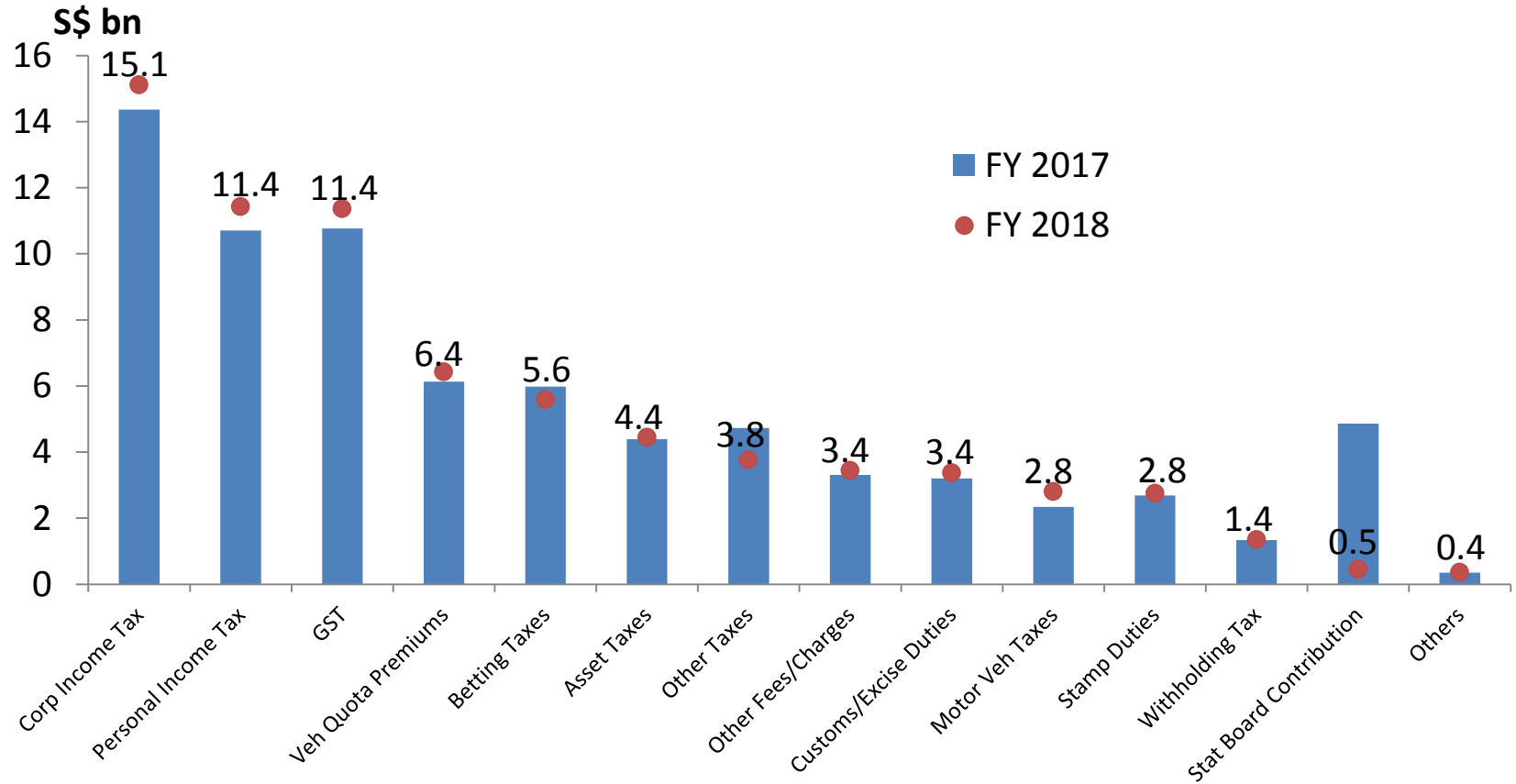
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Social	A Caring and Cohesive Society	28 to 36	9	
			(23%) 2017=16%	
Economy	A Vibrant and Innovative Economy			
	Overcoming Near-term Challenges	9	1.5	(13%)
	Capturing Future Opportunities	10	1	2017=25%
	Fostering Pervasive Innovation	11 to 13	3	
	Building Deep Capabilities	14 to 16	3	(87%)
	Forging Strong Partnerships	18 to 20	3	2017=75%
City	A Smart, Green & Liveable City	22 to 26	5	(13%) 2017=15%
	A Fiscally Sustainable & Secure future	38 to 47	10	(25%) 2017=10%

Total Expenditure (8.6%pa) Rose At Much Faster Pace Than GST Revenue (6.2%pa)



Operating Revenue for FY2018 at S\$72.7bn, a 2.5% Drop from FY2017 (S\$75.2bn)

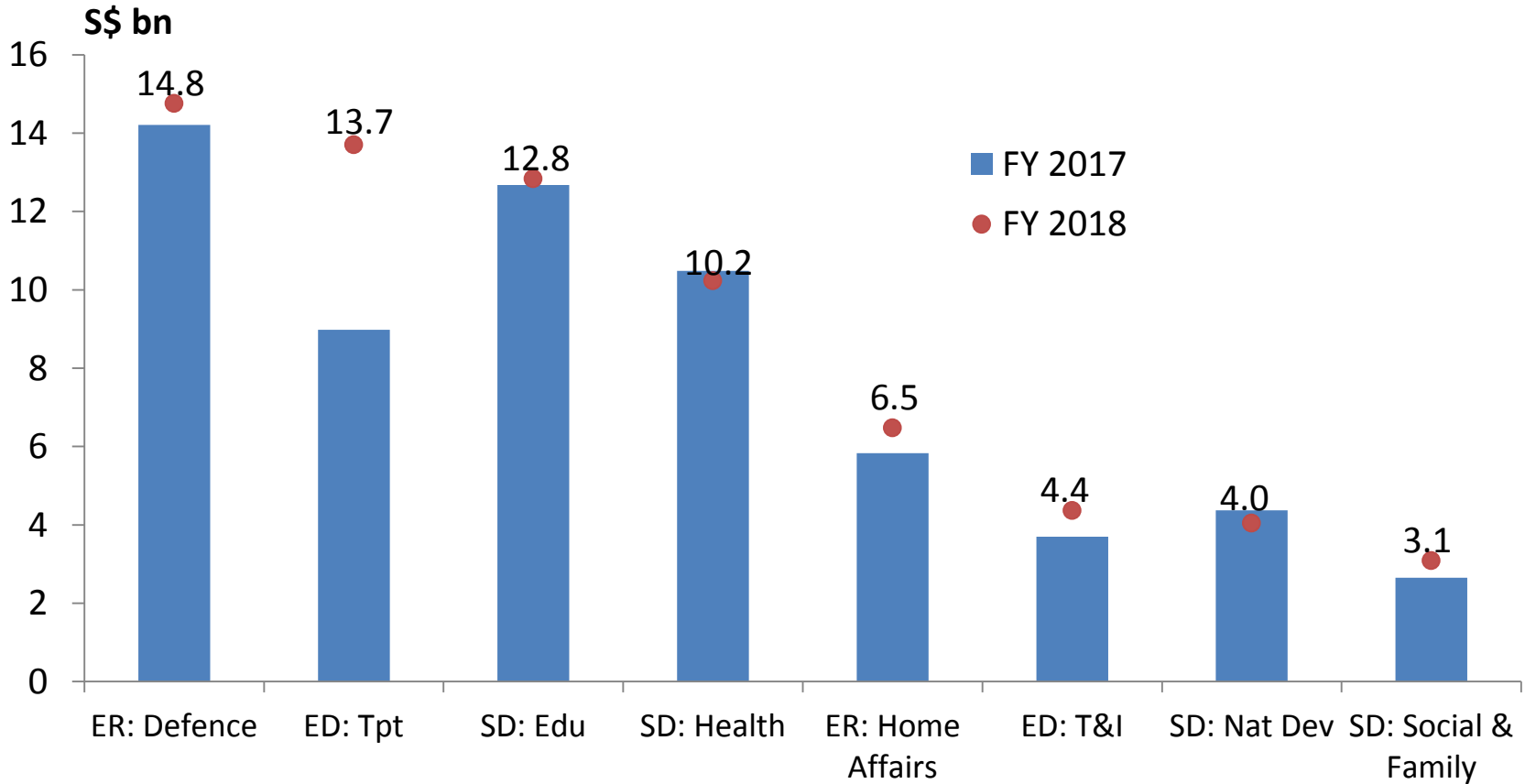
Operating Revenue (Est FY2018 vs Actual FY2017)



Source: CEIC (Annual Data)

Total Expenditure for FY2018 at S\$80bn, a 8.3% Increase from FY2017 (S\$73.9bn)

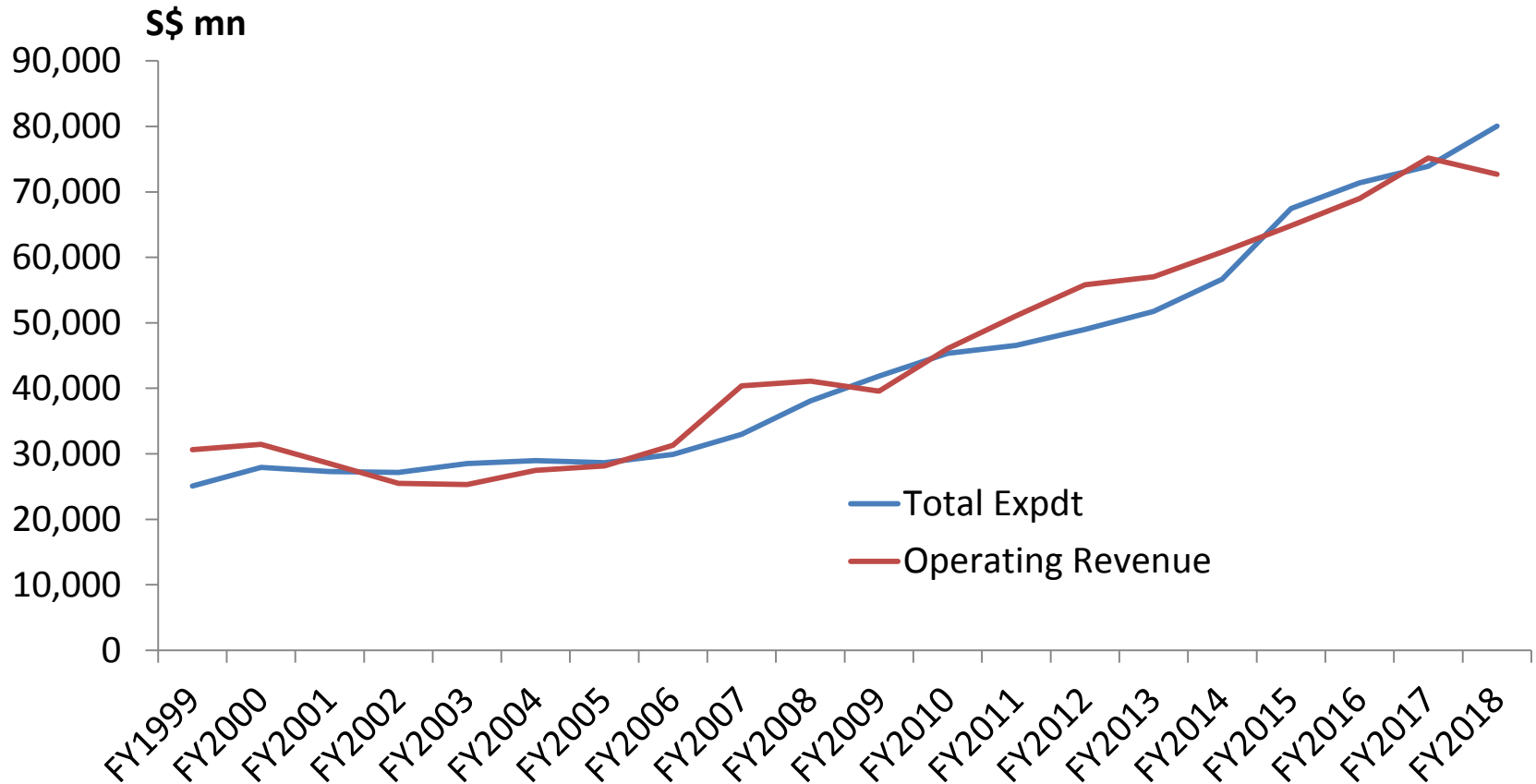
Total Expenditure (Est FY2018 vs Actual FY2017)



Source: CEIC (Annual Data)

Operating Revenue Lagging Behind Total Expenditure

Operating Revenue vs Total Expenditure



Source: CEIC (Annual Data)

Question & Answer Session

Contact Details

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About The Speaker

Francis is an economist with the United Overseas Bank's Global Economics & Markets Research team. His interest is in the field of development and financial economics, where he is passionate about the future development and economic opportunities for ASEAN nations via financial innovation. While going about his daily research work running economic models and crafting reports, he also provides regular economics commentaries in both English and Mandarin on TV and Radio and is frequently quoted in the print media.

Before joining UOB in 2012, Francis was an investment strategist at Phillip Capital where he used macroeconomics, business cycle theories, market timing and technical analyses to develop a systematic top-down investment approach for discretionary portfolios. Prior to that, Francis served as an Investment Manager in the wealth management arm of the Royal Bank of Scotland. His career also included stints as an economist at the Ministry of Trade and Industry and the Singapore Tourism Board, where he specialised in Tourism Economics.

Francis obtained the Bachelor of Social Science (Honours) in Economics in 2002 and the Master of Social Science in Applied Economics in 2003 from the National University of Singapore.

Continuing his academic interests in the field of applied economics, Francis had also contributed a chapter titled "Tourism Demand in Singapore: Estimating Neighbourhood Effects" in the Handbook of Tourism Economics published in 2013, and had published a paper titled "Growth and Environmental Quality in Singapore: Is There Any Trade-off?" in the "Ecological Indicators" journal in 2014.

Thank You

