

Analysts expect provisions to be made in Budget for social spending

Huge surpluses allow bigger expenditures to fight Covid-19 and boost safety nets for the poor and vulnerable

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WHILE it is almost certain that Budget 2020 will be packed with economic assistance and tax reliefs to soften the blow of the Covid-19 virus on businesses and help them tide over this period of uncertainty, the poor and the vulnerable are not likely to be forgotten.

Private-sector economists and researchers whom BT spoke to in the past week expect bigger allocations for special spending in this year's Budget, even though the spotlight would be on the current plight of firms - small and medium-sized enterprises (SMEs) especially, whose businesses are disrupted by the coronavirus outbreak.

Prime Minister Lee Hsien Loong, Deputy Prime Minister and Finance Minister Heng Swee Keat, who will unveil Budget 2020 next Tuesday, and Second Finance Minister Indranee Rajah also gave assurance that the poor and vulnerable would not be neglected in the coming Budget.

Both OCBC Bank's chief economist Selena Ling and the Institute of Policy Studies senior research fellow Christopher Gee noted that social spending has already accounted for over half of government's budget for a number of years. In financial year 2019 alone, expenses on items such as health, education, financial security and family development and housing made up 54.5 per cent of the government's total operating expenditures, Mr Gee pointed out.

Eugene Tan, former Nominated Member of Parliament and an associate law professor at Singapore Management University, tipped social spending to increase by "no more than 15-20 per cent but still significant".

The economists and researchers said higher social expenses would be driven by Singapore's ageing population, which is likely to raise the number of Singaporeans aged 65 and above from one in eight of the total population in 2016 to one in four in 2030. This will mean bigger government spending on health care, re-skilling of older workers and living support in the years to come.

"Singapore's social needs, especially in health care and education, will continue to take centre stage this year as well as many years to come," said UOB Bank's Barnabas Gan. He expected increased expenditure to beef up social safety nets for the poor, elderly and vulnerable to be one of Budget 2020's five key thrusts.

Mr Gee projected public spendings on health care and long-term care to rise to "much higher" than the current 2.3 per cent of gross domestic product. He noted that the equivalent ratios in other developed countries are more than double that of Singapore's.

As the deadline for the general election to be held is nearing, it is tempting for many people to believe that Budget 2020 would be expansionary, with huge allocations for social spendings to win votes for the government.

"It will probably be the last budget before the election," said Assoc Prof Tan. "I would expect another significant package that would aim to strengthen social safety nets to protect the poor and vulnerable. It will help to blunt criticisms of persistent income inequality while raising the 'social credentials' of PAP (People's Action Party)".

Maybank Kim Eng's Chua Hak Bin, indicating special transfers in budgets "typically surge pre-elections", estimated that Budget 2020 would have a provision of over S\$10 billion in such transfers.

But the sum is still smaller than the record S\$15.3 billion in special transfers in Budget 2019. The money went mostly to health care, in particular the Merdeka Generation Fund (S\$6 billion) and long-term care (S\$5.1 billion).

Dr Chua expected higher spendings budgeted in 2020 for offsets in Goods and Services Tax (ahead of the GST hikes), rebates for services and conservancy charges, Medisave top-ups and government bursaries for students in the local universities, polytechnics and the Institutes of Technical Education.

DBS Bank's Irvin Seah estimated the special transfers, inflated by allocations to combat Covid-19 and its fallouts, to hit S\$17 billion. "This will be the biggest budget in a decade," he said.

The economists and researchers, following Ms Rajah's hint, thought Budget 2020 would also provide top-ups to the Silver Volunteer Fund which supports volunteer host organisations offering programmes with volunteer opportunities to seniors.

"It's about making it easier, meaningful and rewarding for the volunteer who is often the beneficiary as much as the giver," Assoc Prof Tan said.

While there is a consensus that Budget 2020 will be expansionary, not everyone thought it would be just a pre-election budget. The economists and researchers all pointed to huge surpluses that the government has accumulated in the past four years. These, together with the exigency to tackle the Covid-19 epidemic, calls for an expansionary budget.

The estimates for the surpluses range from S\$15 billion to S\$20 billion which, Mr Gee noted, provide "substantial fiscal space" to finance the fight against Covid-19 and enhanced social safety nets - with enough spare to put into reserves.