

Singapore not ruling out using reserves for second support package

By Janice Heng

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WITH a second support package on the way amid the ongoing Covid-19 outbreak, the government is not ruling out the possibility of tapping past reserves to fund it, said Deputy Prime Minister and Finance Minister Heng Swee Keat in a roundtable held by The Business Times and The Straits Times on Wednesday.

In the few weeks since his Budget speech, the global economy and the novel coronavirus outbreak have taken a turn for the worse, he noted.

Since about 10 days ago, the government has started working on the need for a second package "to stabilise the economy and to emerge stronger from this". Just on Tuesday, he had a discussion with Prime Minister Lee Hsien Loong on the key measures needed for it, he added.

Mr Heng was speaking at the ST-BT Budget Roundtable 2020, of which OCBC Bank is the presenting sponsor.

Asked whether the government would tap past reserves to fund the package, he replied: "This is an option that we are looking at very carefully." Such a move would require the approval of the President and the Council of Presidential Advisers, he noted.

The current term of government has "a sizeable amount of current reserves", he said, adding: "But still I'm not ruling out the use of past reserves." The current surplus for the term is about S\$7.7 billion.

In a radio interview with MONEY FM 89.3 following the roundtable, he said he was "working through the different numbers" as it depends on how big the package needs to be, and "how much contingency" must be provided, noting that experts expect the virus outbreak to last "at least to the end of the year".

In a Facebook post on Wednesday afternoon, noting the worsened global conditions, President Halimah Yacob said: "In such a situation, we must do our utmost to support our people and our businesses, including considering using the past reserves if necessary. If our public health is at stake and our people's welfare affected, we need to do the necessary."

She added that the government has been keeping her and the Council updated, and that the situation was being monitored.

While the second package will mainly offer aid for businesses - akin to the Budget's S\$4 billion Stabilisation and Support Package - there will be elements relating to the broader need to transform and grow, to help firms "not just survive but prepare for the upturn", Mr Heng said.

The priority is supporting workers, as well as helping small and medium-sized enterprises (SMEs) use the downtime to strengthen their capabilities during this period.

Asked by panellist and Institute of Policy Studies senior research fellow Faizal bin Yahya if the additional help would be for specific affected sectors, Mr Heng replied: "We'll take both a targeted and a broad-based approach."

The economy is very inter-linked: if workers can keep their jobs, then they will continue to consume, benefiting related sectors, he added. Even measures such as SG Clean, to improve public hygiene, can boost consumer confidence and thus spending.

Mr Heng encouraged businesses to do their part to help others too, noting that it is in landlords' interests to help their tenants survive.

OCBC Bank has rolled out tailored support for individuals and customers, said panellist Linus Goh, OCBC Bank's head of global commercial banking. Mr Heng suggested that banks could also work with the Association of SMEs to educate SMEs on the risk-based approach to lending and see how risks can be lowered so that firms can take bank loans.

The government is looking at how to give support to self-employed persons as well. And even as efforts focus on preserving jobs, the second package will include help for workers who are retrenched.

"Our approach is, first and foremost, to prevent retrenchments," said Mr Heng. Apart from protecting workers, this would benefit companies in the long term, as they would not have lost experienced staff. But if a company does find that its business model is no longer viable, "releasing those workers to new industries that are growing will be important".

The government could encourage strong, healthy firms to hire during this period, said roundtable panellist Toby Koh, managing director of Ademco Security Group, suggesting that the second package could have wage support for new headcount.

Mr Heng agreed, hoping that firms with a long-term view will take the opportunity to hire - especially workers aged 40 to 60, many of whom have been displaced from jobs.

In this way, "the redistribution of our very scarce labour to productive uses can continue", he said. He noted that the Budget's SkillsFuture Mid-Career Support Package includes salary support for firms who hire locals aged 40 and above via reskilling programmes.

One way that the Covid-19 crisis differs from the global financial crisis a decade earlier is that the impact of the financial crisis was mainly through financial channels, said Mr Heng. The current crisis presents two problems at the same time: the virus itself, and the economic impact. The government has looked at various scenarios - to be made public later - of how the outbreak could play out, he added.

But global cooperation will be a major factor, with international organisations playing a key role and countries needing to cooperate in providing timely information and improving testing and response, as well as coordinating global monetary policy.

Asked how the outbreak will affect the timetable for the next general election, Mr Heng said the government is focused on containing the outbreak and managing the economic impact.

"But the elections have to be called before April 2021, so we cannot deviate from that. And what we must do is to create the conditions that will allow us to manage the situation to the best of our ability," he said, without elaborating on these conditions.

Asked again by reporters later, he said: "If you have big challenges ahead, then surely you want to be able to spend time on those challenges. Therefore the key question is, will the challenges be greater now or will the challenges be greater a year from now?"