Singapore Budget 2020: Expansionary, but targeted and reassuring, say observers

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A Budget that was expansionary but targeted and reassuring - that was the consensus of experts from a post-Budget roundtable discussion organised by The Straits Times and Money FM 89.3.

While the Government chalked up a $10.9 billion deficit, the spending was prudent and necessary, four observers said on the panel yesterday, which was live-streamed from the multimedia studio in ST's newsroom.

"This (figure) is well above what markets were expecting, and rightly so," said United Overseas Bank senior economist Alvin Liew.

"The measures were very sensible, it wasn't spending on white elephants or useless projects."

The observers said the Budget met their expectations. There were short-term measures to deal with immediate issues such as the economic fallout of the coronavirus outbreak, and also measures that looked at the long term, for example, investing for climate change.

COUNTERING THE CORONAVIRUS

The Budget was generous but also targeted, with special attention for sectors badly hit by the outbreak, like retail, tourism, aviation and food, said ST associate editor Vikram Khanna. Many of these measures were mostly one-off, he said.

A corporate income tax rebate of 25 per cent, for example, is only for year of assessment 2020. And the $1.3 billion payout to offset 8 per cent of the wages of Singapore residents is for three months.

These measures show that the Government's priority is job protection during the coronavirus outbreak, in the short term, said Mr Khanna. "We can't be sure this coronavirus crisis will not stretch beyond three months, and I think we have to ask, then what?"

Mr Liew agreed. Comparing it to the "bazooka" 2009 Budget which dealt with the global financial crisis, he said the situation now is not as dire, so the current measures are enough. But if the situation takes a turn for the worse or is prolonged, there could be a supplementary Budget, said the economist.

In fact, if the public health crisis were to stretch to a year, supply chains would be badly affected, said KPMG Singapore tax partner Chiu Wu Hong, adding that the Republic would have to look at alternatives beyond China.

Apart from Wuhan, the epicentre of the outbreak, lockdowns and travel restrictions mean that trade flows from many other cities and provinces have also been affected.

But Mr Liew said sourcing for alternatives is easier said than done, with 90 per cent of the world's supply chains linked to China.

Firms are also affected by the travel restrictions on foreign workers returning from China, including needing to seek approval from the Manpower Ministry and the new 14-day stay-home notice.

Given the already tight labour market, there could have been more help on foreign worker levies, at least for the more vulnerable sectors, said Mr Khanna.

Part of the answer may lie in measures that seek to encourage employers to find other workers, such as reskilling more Singaporeans of different age groups, said Dr Gillian Koh, deputy director for research at the Institute of Policy Studies.

She said foreign worker restrictions mean "an even leaner labour situation... which means employers are going to be fighting for manpower" and be more market-driven to retain more senior workers.

Those aged 40 to 60, for example, will get an additional SkillsFuture Credit top-up of $500, and a new SkillsFuture Mid-Career Support Package will be introduced to double the annual job placement of locals in that age range to around 5,500 by 2025. Employers who hire those aged 40 and above through reskilling programmes will also get 20 per cent salary support for six months, capped at $6,000.

Mr Chiu said this tackles both the demand and supply side, incentivising not just workers, but also employers. He pointed out an added benefit: As more people work longer, the tax base grows, helping to increase the fiscal surplus.

But Mr Khanna was sceptical of whether the incentives could combat what he saw as deep-rooted ageism in Singapore's corporate culture, and added that SkillsFuture top-ups could be made annually, given how regularly reskilling is needed in today's job environment.

Apart from employment help, the average Singaporean also walked away with quite a bit of support in terms of expenses, Dr Koh noted. Measures like the decision to hold off on the goods and services tax hike for 2021, for example, have helped ease worries.

Mr Chiu said: "This has an important psychological effect when everything is challenging and not going very well."

Dr Koh added that voters will remember the help the Government has given them come the General Election, which must be held by April next year.

"Politicians would be saying, there is this GST rise, how will (Singaporeans) be affected… (now) it isn't just left hanging," she said.

FOCUSING ON THE FUTURE

The panel said the Budget also sent a strong signal that future plans will still power on, virus on no virus, whether for climate change or transforming the economy.

On the latter, Mr Khanna said: "This was a significant part of the Budget. It suggests that you can't pause transformation just because of Covid-19."

He was also delighted by the electric vehicle adoption incentives, which include tax rebates and an aim to phase out all vehicles with internal combustion engines by 2040. The Government also announced the first injection of $5 billion to a new Coastal and Flood Protection Fund to deal with the existential threat from rising sea levels posed by climate change.

Mr Chiu said that even though it seems expensive, such spending has an impact on how the world sees Singapore and whether it can attract talent in the long term. Managing it well will put the nation "in a good light".

Dr Koh said Singaporeans should not forget that apart from the coronavirus, the Government had already planned well ahead for the Budget, not least to deal with the economic effects of tensions between China and the United States.

"We can rest easy, knowing that we are in good hands," she said.