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S'pore's Fortitude Budget marks new milestones

Highlights

S'pore's Fortitude Budget marks new milestones: for the size of the fiscal deficit, draw on past reserves and also to create 100k job opportunities! To give context to the numbers here - the Fortitude Budget of $33b is more than 50% of the past three budgets (Unity, Resilience and Solidarity), while the cumulative Budgets of $92.9b is equivalent to nearly 20% of GDP which puts Singapore in the league of Germany and Japan. Separately, the $52b draw from past reserves, which marks the second draw since the GFC, is also 13x the $4b that drawn previously. This comprehensive and robust response is seen as a decisive move to prepare the S'pore economy for the post-Circuit Breaker period where a phased re-opening and concerns about further Covid-19 waves implies more structural challenges ahead.

Job creation and protection are the key focus to prepare for the Post-Circuit Breaker period in the Fortitude budget. The SGUnited Jobs and Skills Package, which is looking to create 100,000 job opportunities will help to buffer the expected fall out in the domestic job market due to the Covid-19 pandemic as well as minimize the accompanying structural shocks from the accelerated transition to digital platforms and e-commerce. Notably, 25,000 traineeships are expected to be created, including 21,000 for local first-time job seekers and 4,000 for mid-career changes as well. In addition, 30,000 skills training and 40,000 jobs are expected to be created from this package. The government is also providing incentives for hiring local who have gone through the eligible traineeship and training schemes, including paying 40% of the worker's monthly salary over six months (capped at $12000) for eligible workers aged 40 and above. While some of the jobs opportunities are temporary in nature, hopefully a proportion of the traineeships may build industry-relevant skills and translate into actual permanent jobs when the recovery is more entrenched.

The fourth budget in four months also saw more fiscal support for the domestic economy, particularly for SMEs. The Jobs Support Scheme (JSS) has been extended and enhanced as expected, with all eligible firms receiving an additional 1 month of payout till August 2020. For firms that are not allowed to re-open on 1 June, they will continue to receive wage support of 75% until August 2020 or when they are allowed to re-open. In addition, the Ministry of Law is proposing a bill next week that mandates landlords in commercial properties to provide 4 months of rental relief to SMEs. The government will provide cash grants through property owners to offset this cost. Foreign worker levy waivers and rebates will also be extended for businesses that face deferred re-openings, while the planned hike in CPF contribution for senior workers will also be deferred for one year to 1 January 2022.

The tide has also appeared to slowly shift from purely providing support to one planning for life after Covid-19. $500mn is dedicated for accelerating the digitalisation of the economy, riding on the wave of digital transformations that Covid-19 has brought about. DPM Heng laid out the Digital Resilience package, which provides grants for F&B businesses who adopt Paynow or e-commerce solutions. A $300 bonus per month over five months will also be on hand for hawkers who embrace e-payments. Firms that are able to adapt and evolve will be better positioned for the post-Covid environment where the new normal may be greater digital payments and transactions. Promising start-ups will also get additional financing support in the form of $285m being set aside to catalyse another $285m in matching private investments.

The Fortitude Budget also marks the second draw on Past Reserves given the unprecedented crisis posed by Covid-19. President Halimah has given her in-principle support for up to $31bn drawdown in Past Reserves, bringing the total draw on Past Reserves to $52bn this year. The Fortitude budget also brings the overall budget deficit for FY2020 to $74.3mn (15.4% of GDP), the largest since Singapore's independence. An additional $13bn has been set aside for the Contingencies Funds to lubricate future funding of the current Covid-19 fiscal responses and future crises. All this points to the COvid-19 pandemic which is still evolving and while policymakers have thrown significant resources at the Covid-19 challenge and while it may not be the end of the road yet, nevertheless, the bar to further tapping of fiscal stimulus may be higher from here.

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