

Resilience Budget 2020: In case of emergency, break glass

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- \$48bn allocated in second Covid-19 stimulus package, in addition to the \$6.4bn previously unveiled in Budget 2020 five weeks ago. In total, the Covid-19 support packages roughly equates to 11% of GDP. This is definitely a fiscal bazooka as we expected.
- 2020 budget deficit is expected to increase to 7.9% of GDP from 2.1% in Unity Budget 2020 just five weeks ago. The Government may draw as much as \$17bn from past reserves – the first time it is drawing down its reserves since the GFC in 2009. This is not unwarranted as the advance 1Q20 GDP slump suggests that this economic storm may be worse than the GFC with the official 2020 GDP growth forecast being slashed to -1% to -4% yoy.
- \$15.1bn is allocated to the Jobs Support Scheme to protect, support and create jobs. Inclusion of self-employed and gig workers will be welcomed. In addition, cash payments to families are tripled to provide relief and spur consumption amid the demand shock and social distancing measures.
- Overall the stimulus package exceeds most expectations but a full-year recession still beckons. All eyes are now on Monday's monetary policy meeting to further support the Singapore economy. At the minimum, MAS will flatten the S\$NEER slope to neutral in a one-two punch of coordinated fiscal-monetary policy accommodation to buffer the downside risks from here.
- **In case of emergency, break glass.** The Government did exactly that and rolled out the big guns in its supplementary budget, just five weeks after Budget 2020. \$48bn is pencilled in the second Covid-19 stimulus package, bringing the total support against the coronavirus to approximately \$55bn (11% of GDP). Using a health analogy, the shocking 1Q20 GDP growth print suggested that the Singapore economy was like a cardiac arrest and the Resilience Package is the CPR that is being administered. That said, it is still important to continue to monitor the economic vitals from here as the Covid-19 pandemic is still evolving rapidly.

- **When put into context with recent fiscal stimulus from other countries,** Singapore's Resilience Budget does not pale in comparison with other developed countries. At 11% of GDP, the Resilience Budget is only behind the European nations of Germany (21%), UK (17%), Spain (16%), France (14%), and is larger than the US (10%). Moreover, DPM Heng said that it need be, he will consider potential further drawdowns on past reserves, so it is very comforting that there is still dry powder available.
- **Job protection was the Government's top priority, and it delivered boldly on this front.** \$15.1bn of the Resilience Package – which roughly equates to one-third of the overall stimulus. Under the Job Support Scheme (JSS), the cash grant for wages is raised from 8% to 25%, with the ceiling raised by \$1000 to \$4600. Eligible self-employed persons may receive up to \$1000/month for 9 months (SIRS). This is probably in recognition of the growing importance of the gig economy - morale is very important here, especially with the cost-cutting and many places being closed due to the social distancing measures to combat the Covid-19 outbreak. To aid employment, the Government will provide support for up to 8000 traineeships across large and small enterprises.
- **Cash payments are also tripled to boost consumption.** The cash payout has been tripled, possibly with the hope that putting cash directly in the hands of households will result in a consumption boost. The effects of the fiscal multiplier from this policy should also help to cushion some of the economic fallout from the coronavirus, given the lack of spending due to trickling tourist arrivals and people choosing to stay at home in this period. Consumer confidence has taken a big hit, as we see this clearly in the services sector slump in the advance 1Q20 GDP growth estimates. Increased cash handouts are like a steroid jab in the arm for consumers who may feel a little more assured that the government is protecting jobs and providing some spending power in the interim.
- **Other measures to support the economy include** deferment of income tax payments for companies; property tax rebates for eligible commercial properties, including scraping property tax for hotels; bridging loans for the tourism sector; and enhancing the Enterprise Financing Scheme that doubles the maximum loan quantum to \$10mn, with the Government's risk-share rising from 70% to 80%.

- **Specific support for the embattled industries.** While the Government has raised its cash grants to 25% for employee wages under the JSS, the aviation and tourism sectors are set to receive up to 75%. An additional \$350mn aviation support package has been set aside to provide multiple lifelines for the embattled industry, including rebates on landing and parking charges and rental relief for ground handlers and cargo agents. The retail sector, however, may feel somewhat left out in that they do not get the enhanced 75% wage offsets even though they are also suffering the brunt of the Covid-19 pandemic. In a show of support and solidarity, ministers will take a further pay cut of 2 extra months, bringing the total to 3 months. This is also similar to what other governments around the globe had embarked on.
- **It is worth noting that the Government paid back the \$4bn it tapped from the reserves within two years.** While there is no legal or constitutional obligation for the Government to return drawn down reserves, the 2009 episode does suggest that they may seek to return at least a portion of the potential \$17bn that it may be tapping from the reserves this time. This may only come at a later stage when the Singapore economy recovers from the Covid-19 pandemic and the Budgetary surpluses suffice to make good the drawdown.
- **All eyes on Monday's monetary policy meeting.** Fiscal and monetary policies normally go hand-in-hand to ensure short term fluctuations in the economy are smoothened. The Covid-19 situation is a special circumstance that requires extraordinary measures. While the Resilience Package has exceeded most expectations and has done a portion of the heavy lifting, we expect a one-two punch with monetary policy easing to follow on 30 March. A recession likely still beckons this year, with risks firmly tilted to the downside. MAS is like to also do its part to support the Singapore economy that is facing unprecedented challenges from Covid-19 by flattening its S\$NEER slope to neutral at a minimum. .



SUPPLEMENTARY
BUDGET 2020

ADDITIONAL SUPPORT MEASURES IN RESPONSE TO COVID-19 PANDEMIC

IMPACT OF COVID-19

Economic Outlook

- ❖ The spread of COVID-19 has accelerated, and is now a global pandemic
- ❖ Global economy is now facing a supply and demand shock – supply chains have been disrupted and aggregate demand has fallen
- ❖ At Budget 2020, 2020 growth forecast was between -0.5% to 1.5%
- ❖ Growth forecast now expected to be between -4.0% and -1.0%



Resilience Budget

- ❖ Save jobs, support workers, protect livelihoods
- ❖ Help enterprises overcome immediate challenges
- ❖ Strengthen economic and social resilience so we can emerge intact and stronger



FISCAL IMPACT

Strategic Use of Past Reserves

- ❖ Our Past Reserves are our strategic asset, and reserved for very exceptional situations
- ❖ The President has given in-principle approval to draw on Past Reserves for COVID-19 measures, given the exceptional circumstances



Budget Position

- ❖ FY2019: \$1.7 billion deficit (0.3% of GDP)
- ❖ FY2020: \$39.2 billion deficit (7.9% of GDP)



SAVING JOBS, SUPPORTING WORKERS, PROTECTING LIVELIHOODS

Wage and Jobs Support Measures

- ❖ Enhance and extend Jobs Support Scheme (JSS)
- ❖ Self-Employed Person (SEP) Income Relief Scheme
- ❖ Enhance and extend SEP Training Support Scheme
- ❖ Enhance Workfare Special Payment
- ❖ SGUnited Traineeships
- ❖ Greater flexibility for ComCare applications
- ❖ Temporary Relief Fund
- ❖ COVID-19 Support Grant



Support for Households

- ❖ Enhance Care and Support Package
- ❖ Greater flexibility on Government fees and loans

EMERGING STRONGER

Resilience and Recovery Measures

- ❖ Ensure a stable supply of essential health supplies and food commodities
- ❖ Enhance SG Together Enhancing Enterprise Resilience (STEER) programme
- ❖ Enhance SMEs Go Digital Programme
- ❖ Enhance Productivity Solutions Grant
- ❖ Enhance Enterprise Development Grant
- ❖ Extend the enhanced training support, and to more sectors
- ❖ Early use of SkillsFuture Credits
- ❖ Broaden range of physical distancing measures, if needed
- ❖ Support businesses participating in SG Clean



SUPPORTING BUSINESSES

Cash Flow, Cost and Credit Support Measures

- ❖ Defer income tax payments
- ❖ Enhance Property Tax Rebate
- ❖ Enhance rental waivers
- ❖ Freeze all Government fees and charges
- ❖ Enhance Enterprise Financing Scheme – Trade Loan and SME Working Capital Loan
- ❖ Enhance Loan Insurance Scheme
- ❖ Expand and enhance Temporary Bridging Loan Programme



Support for Affected Sectors

- ❖ Enhance JSS for aviation sector
- ❖ Enhance aviation support package
- ❖ Enhance JSS for tourism-related industries
- ❖ Additional support for tourism industry
- ❖ Enhance JSS for food services sector
- ❖ Extend and enhance Point-to-Point Support Package
- ❖ Road tax rebate and waiver of bus parking charges
- ❖ Arts and Culture Support Package



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