**Singapore**

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# Singapore extended its one-month circuit breaker (CB) for another month until 1 June.

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**Highlights**

**The Singapore government has decided to extend the one-month circuit breaker by four weeks beyond 4 May to 1 June 2020.** In addition, the list of essential services would also be tightened further to cut back on the number of commuting workers to bring down the proportion from the current 20% to 15% of the workforce. These announcements came as Covid-19 infections in foreign workers continued to climb and new local unlinked cases suggest a hidden reservoir of cases in the community that have not been detected.

**In response, DPM and Finance Minister Heng Swee Keat announced another $3.8 billion in extended support as follows**. This adds to the $59.9b of support earlier announced in the Unity, Resilience and Solidarity Budgets.

- To extend the 75% wage support for local workers in all sectors to May under the Jobs Support Scheme (JSS) which applies to the first $4,600 of gross monthly wages. The JSS will also be extended to now cover employees who are shareholders and directors of companies registered on or before 20 April and have assessable incomes of $100k of less for YA2019. The latter group is estimated to be around 50,000 persons.

- Foreign worker levies due in May will also be waived and employers will get a further $750 in levy rebates for each Work Permit or S Pass holder. This came as foreign workers in dormitories are now barred from going to work and includes those working in companies that had previously applied for and received exemptions.

**Other measures included bringing forward the mid-year school holidays forward to start on 5 May**, as schools will only re-open on 2 June but students and teachers will enjoy an additional 1 week break from 20-26 July during Term 3.

**The extended circuit breaker is likely to inflict more significant economic pain for Singapore**, whereby 2Q GDP growth could contract by more than 20% yoy with the manufacturing, services and construction sectors all likely to register sharp double-digit contractions as well since the list of essential services is being tightened further. Given that exiting the circuit breaker period will involve incremental opening up as highlighted by PM Lee, this suggests that even the expected recovery in 2H, especially for 3Q, may be fairly muted due to the likely staggered easing of containment measures as well as the weak job market outlook that would contribute to households tightening their belts further and saving rather than spending in the interim until there is sight of a vaccine. As referenced to the Hokkaido example, another wave of infections could re-emerge and tightening measures may be required to be reasserted again. Moreover, many other countries globally have also extended their lockdown periods which would weigh on near-term demand conditions, as illustrated also by the oil price slump in recent days. The more protracted the lockdowns globally, the more uncertainty there will be that the global economy can eventually see a V-shape rebound in late 2020 or even 2021.

**Notwithstanding the additional $3.8b of extended fiscal assistance for companies and workers, all these factors highlighted above still pose downside risk to our 2020 full-year growth expectations for the Singapore economy as well. A more severe recession of -6% to -10% yoy this year cannot be ruled out for Singapore, with the later assuming that a recovery timing may be delayed as businesses and consumer confidence remain dented into 3Q20 and any 2H stabilisation is even more subdued than earlier expected.** The coming days and weeks will be key to watch - until the number of daily infections fall sharply to single digits or even zero, it is premature to talk about normalisation in economic activity near-term. From the policy perspective, fiscal rather than monetary policy stimulus will continue to do the heavy lifting going forward, albeit the S$NEER did test below its parity band on the circuit breaker extension announcement yesterday. The focus of fiscal policy will continue to target aiding companies and workers with cashflow, cost and credit, as illustrated by the recent announcement that MAS will lend SGD at 0.1% pa interest rate to eligible financial institutions to make loans more affordable for SMEs.

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