



Budget 2019: Positive for Elderly, Negative for Companies?

SICC Post-Budget
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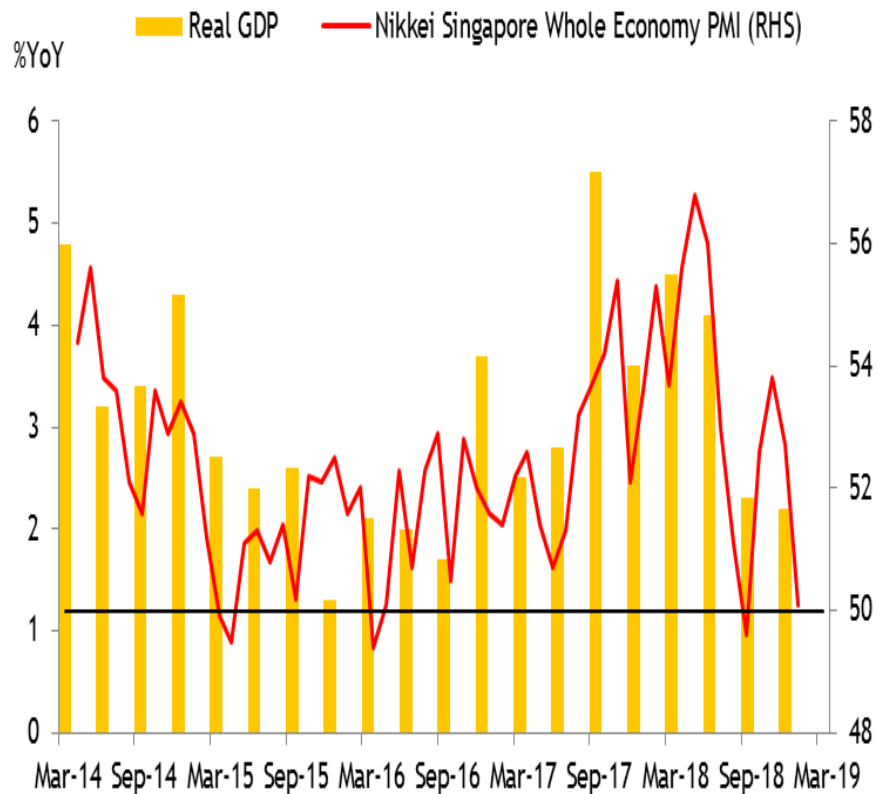
SEE APPENDIX I FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

	2016	2017	2018	2019F	2020F
GDP Growth (%)	2.0	3.6	3.2	2.2	2.1
Headline Inflation (%)	-0.5	0.6	0.4	1.2	1.0
MAS Core Inflation (%)	0.9	1.5	1.7	1.6	1.5
3M SIBOR	0.97	1.50	1.89	2.20	2.20
USD/SGD	1.45	1.34	1.36	1.35	1.37

Source: CEIC, Maybank KE, Maybank GM FX Research

Singapore's SIPMM Manufacturing PMI and Nikkei PMI Falling, Electronics Contracting

Singapore's Whole Economy PMI Falls Back to 50 Handle in Jan 2019



Source: CEIC, Markit, Maybank KE

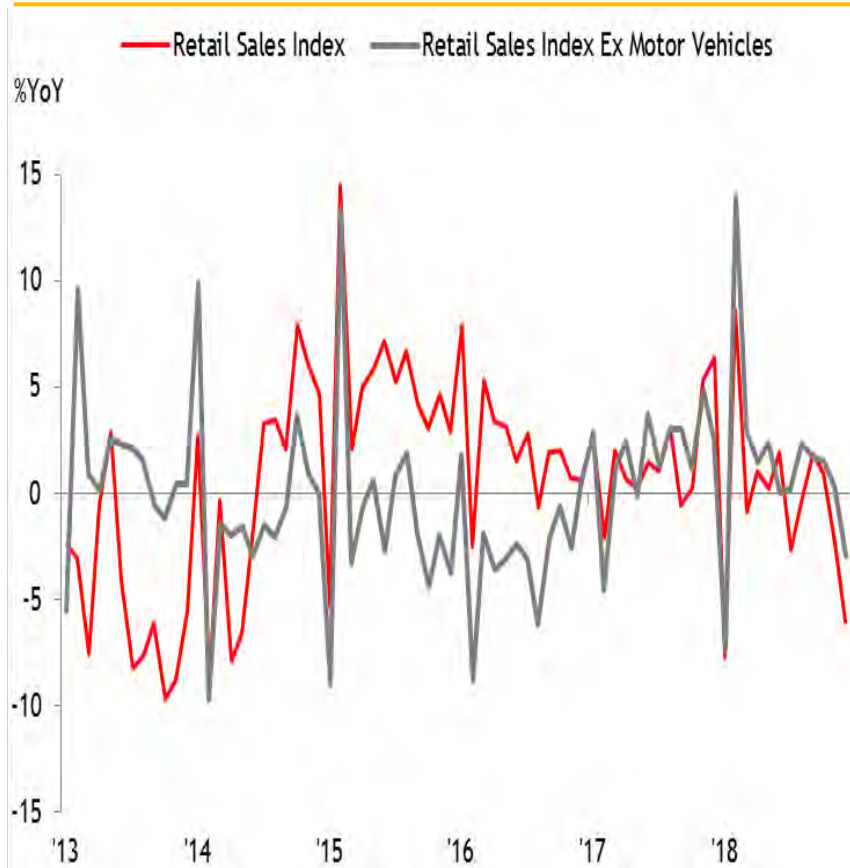
Electronics PMI Dipped Below 50 for the Third Consecutive Month in Jan 2019



Source: CEIC, SIPMM, Maybank KE

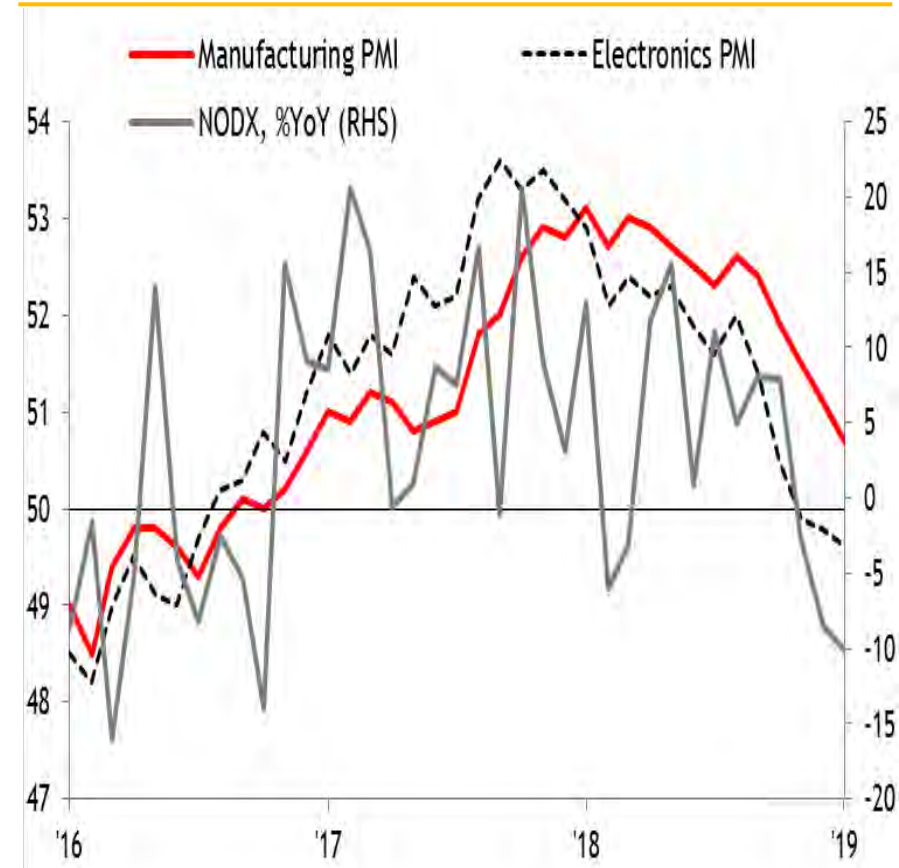
Budget 2019 Announced Amid Slowing Growth - Retail Sales Declining and Non-Oil Dom Exports Plunging

Retail Sales Ended 2018 on a Weak Note, Falling for 2 Consecutive Months



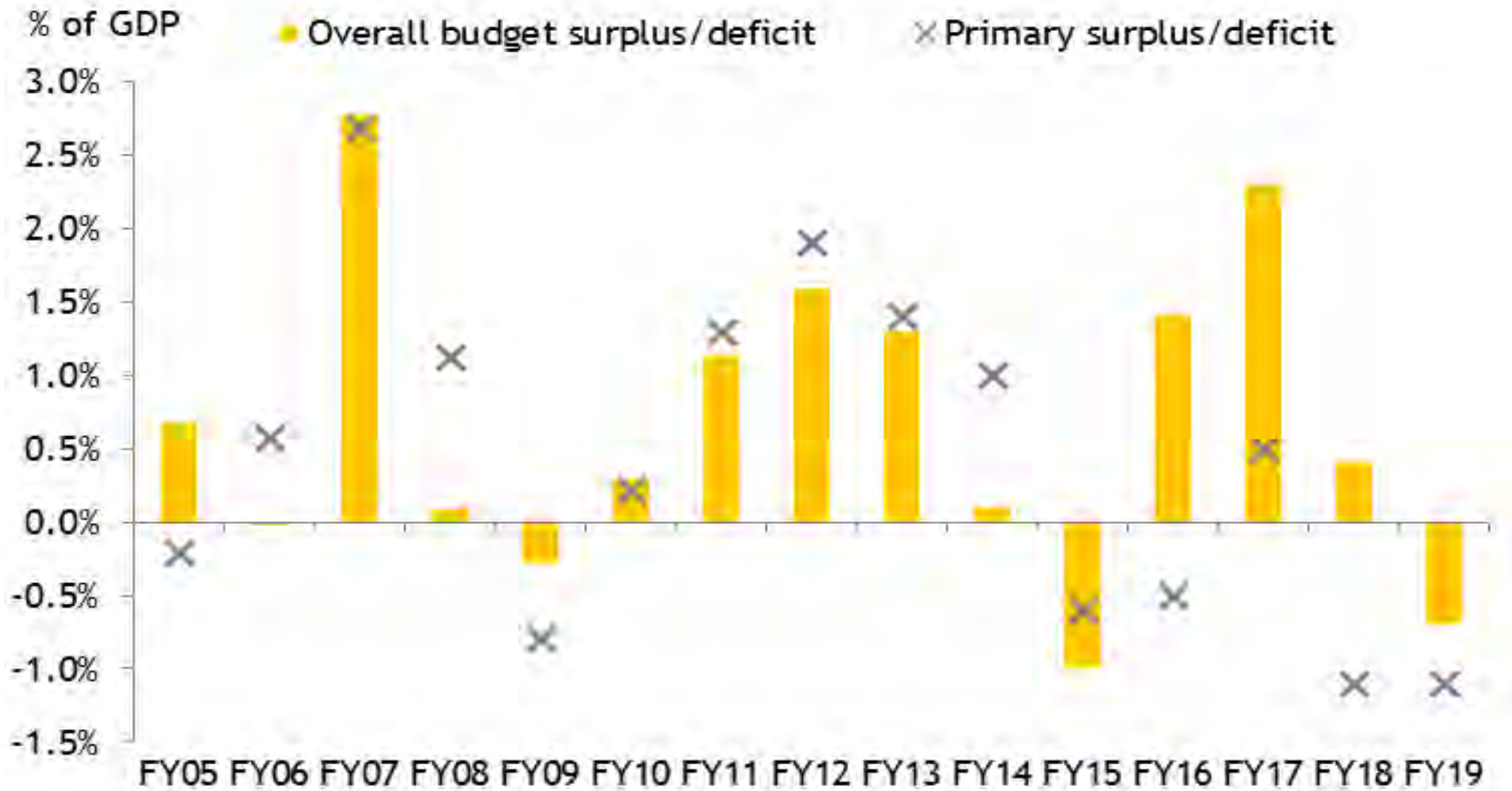
Source: CEIC, Maybank KE

Electronics PMI Below the 50 Level for 3 Months; NODX Plunged by -10% in Jan-19



Source: CEIC, Budget 2019, Maybank KE

Budget FY2019 Slightly Expansionary: Primary Deficit Projected at 1.1% of GDP



Source: CEIC, Budget 2019, Maybank KE

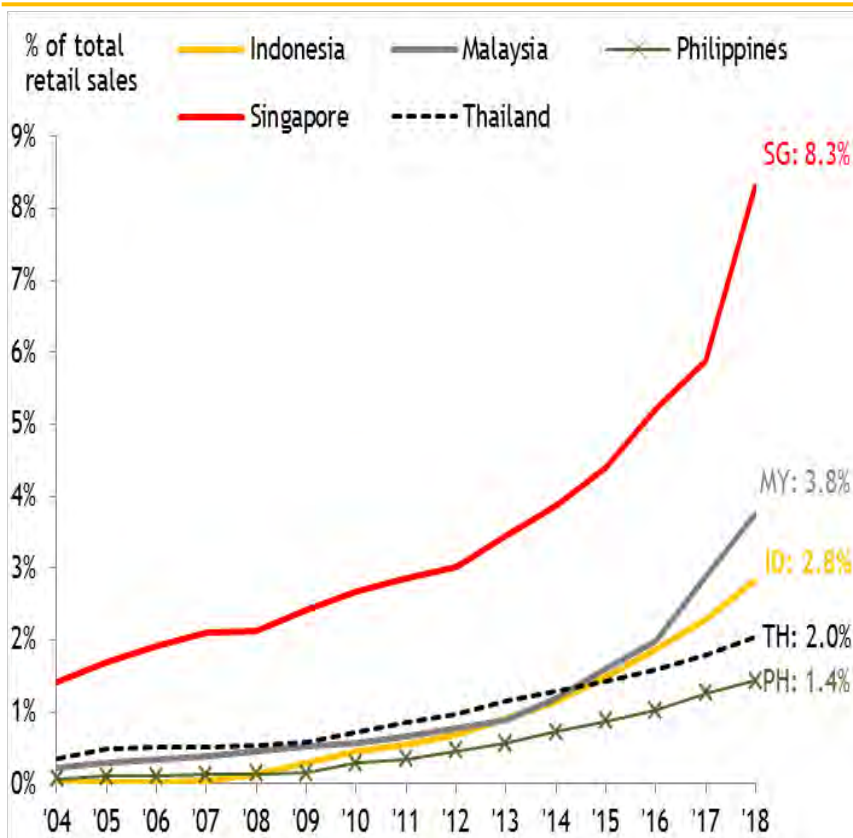
Fiscal Position in FY2017 to FY2019

	Actual FY2017	Estimated FY2018	Revised FY2018	Estimated FY2019	Change over revised FY2018	
	\$bn	\$bn	\$bn	\$bn	\$bn	% change
OPERATING REVENUE	75.8	72.7	73.7	74.9	1.2	1.7
Corporate Income Tax	14.9	15.1	16.1	16.7	0.6	3.6
Personal Income Tax	10.7	11.4	11.7	11.8	0.1	0.7
Withholding Tax	1.5	1.4	1.5	1.5	0.1	3.4
Statutory Boards' Contributions	4.9	0.5	1.5	1.3	-0.2	-13.2
Assets Taxes	4.4	4.5	4.6	4.7	0.1	2.2
Customs and Excise Taxes	3.1	3.4	3.1	3.5	0.4	11.8
Goods and Services Tax	11.0	11.4	11.3	11.7	0.4	3.5
Motor Vehicle Taxes	2.2	2.8	2.9	3.1	0.2	7.4
Vehicle Quota Premiums	5.8	5.6	3.3	3.4	0.2	4.5
Betting Taxes	2.7	2.8	2.7	2.7	0.0	0.4
Stamp Duty	4.9	3.8	4.6	4.0	-0.6	-13.1
Less:						
TOTAL EXPENDITURE	73.6	80.0	79.0	80.3	1.3	1.6
Operating Expenditure	55.6	57.7	58.6	60.8	2.2	3.7
Development Expenditure	18.0	22.4	20.4	19.5	-0.9	-4.4
PRIMARY SURPLUS / DEFICIT	2.3	-7.3	-5.3	-5.4		
(% of GDP)	(0.5%)	(-1.6%)	(-1.1%)	(-1.1%)		
Less:						
SPECIAL TRANSFERS	6.1	9.1	9.0	15.3	6.3	70.0
Special Transfers Excluding Top-ups to Endowment and Trust Funds	2.1	1.8	1.7	1.7		
BASIC SURPLUS / DEFICIT	0.2	-9.2	-7.0	-7.1		
Top-ups to Endowment and Trust Funds	4.0	7.3	7.3	13.6		
NET INVESTMENT RETURNS CONTRIBUTION	14.7	15.9	16.4	17.2	0.7	4.5
OVERALL BUDGET SURPLUS / DEFICIT	10.9	-0.6	2.1	-3.5		
(% of GDP)	(2.3%)	(-0.1%)	(0.4%)	(-0.7%)		

Source: Budget 2019, Maybank KE

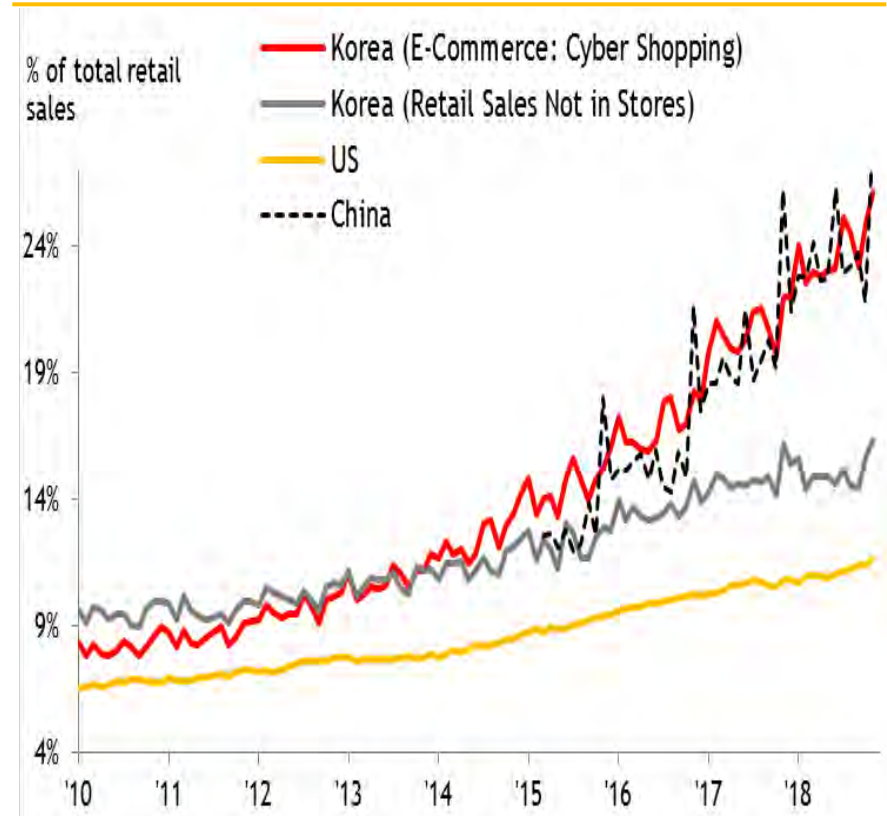
GST to be Extended to Imported Online Services in Jan 2020, But No Tax Yet for Imported Goods

Online Sales Share Still Small in ASEAN; Singapore's Online Share Soaring



Source: Euromonitor, Maybank KE

Rising Share of Online Sales in Korea, China and US



Note: China's numbers refer to online retail sales of goods & services as a share of total retail sales of consumer goods.

Source: CEIC, Maybank KE

Is This an Election Budget? Highest Ever Special Transfers on Record (S\$15.3bn)

Year	Budget Measures in Past Pre-Election Years
2001	<ul style="list-style-type: none"> • A one-off tax rebate of 10% on individual income tax was granted.
	<ul style="list-style-type: none"> • The government increased the Singapore Allowance (additional payment over and above the pensions that the government pays to pensioners) by \$10 to \$150 per month, and raise the gross pension ceiling from \$950 to \$1,050 per month.
	<ul style="list-style-type: none"> • In Oct, just weeks before the 1 Nov election date, a round of off-budget measures worth S\$11.3bn was announced, when the economy slipped into recession.
2006	<ul style="list-style-type: none"> • Singaporeans received between <u>\$200 and \$800 in cash</u> as part of the S\$2.6bn Progress Package, which was disbursed on 1 May (before the election on 6 May).
2011	<ul style="list-style-type: none"> • Singaporeans received between <u>\$100 and \$800</u> in Growth Dividends as part of the S\$3.2bn Grow and Share Package.
	<ul style="list-style-type: none"> • 20% personal income tax rebate, capped at S\$2,000.
2014	<ul style="list-style-type: none"> • A S\$9bn Pioneer Generation Package was introduced for all Singaporeans born in 1949 or before to help meet healthcare costs.

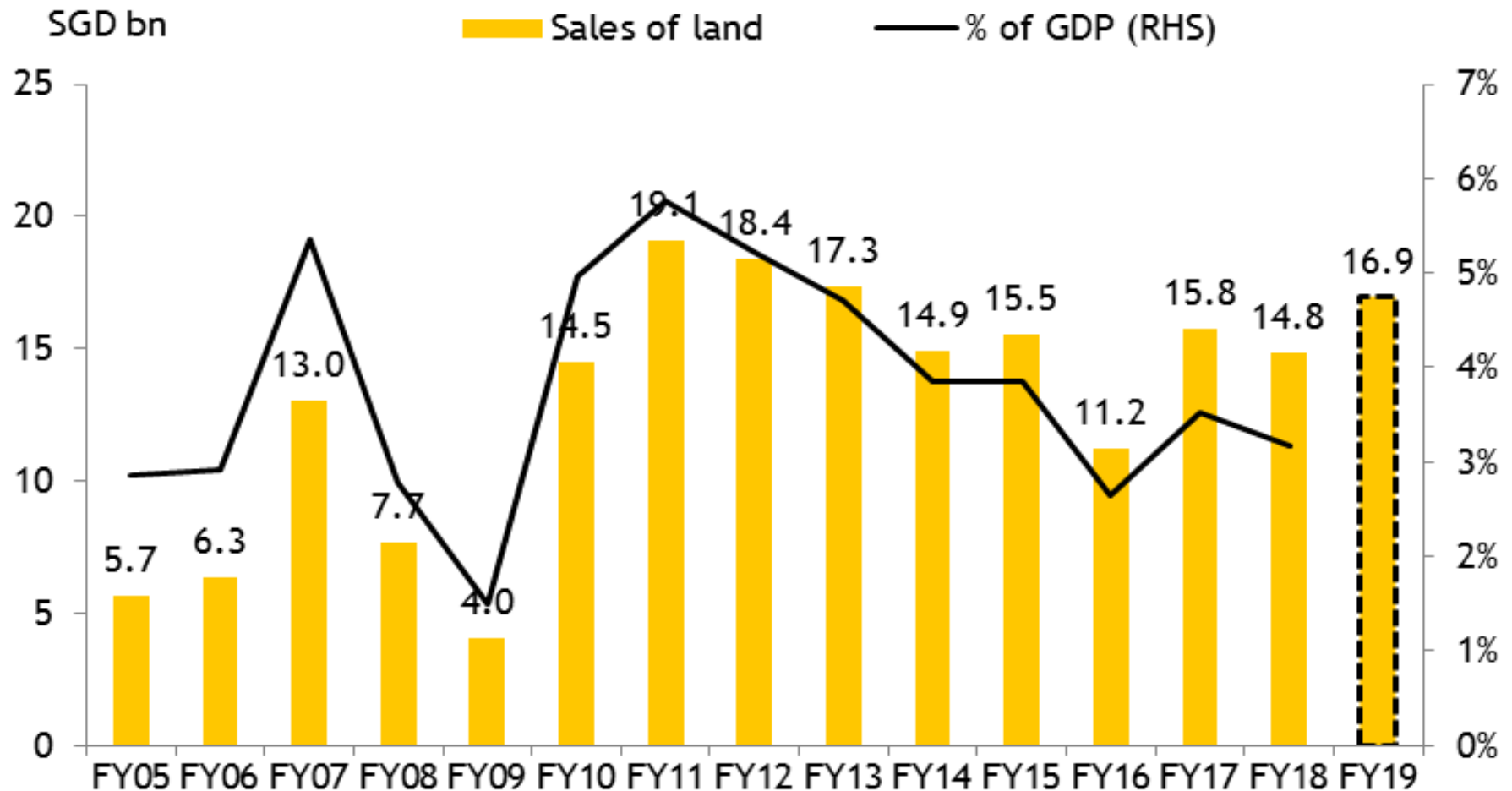
Source: Compiled by Maybank KE

Ample Fiscal Room: “Conservative” Forecasting & Accumulated Surplus (at \$15.6bn (FY16 to FY19))

	Initial estimates	Actual/revised figures	
	SGD bn	SGD bn	% of GDP
FY2016	3.45	6.13	1.4%
FY2017	1.91	10.86	2.3%
FY2018	-0.60	2.12	0.4%
FY2019	-3.49	-3.49*	-0.7%
Accumulated surplus (FY2016 to FY2018)		19.1	
Accumulated surplus (FY2016 to FY2019)		15.6	

**Refers to initial estimates from Budget 2019.
Source: Budget 2019, Maybank KE*

Government's Land Sales in FY2018 Slightly Lower than Previous Year, But Expected to Rise in FY2019



Note: FY2018 refers to revised figures released in Budget 2019 while FY2019 refers to government's estimate.

Source: Ministry of Finance Budget documents, Maybank KE

Is GST Hike Necessary? 2% GST Hike Raises About +S\$3.3bn vs. Government's Assets Rose by +\$90bn

STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST MARCH 2018

	Actual FY2017 S
ASSETS	
CASH	68,468,048,943
INVESTMENTS	1,019,373,228,207
Government Stocks	351,537,888,514
Other Investments – Quoted	415,081,347,885
Other Investments – Unquoted	246,969,718,358
Deposits with Investment Agents	5,784,273,450
	1,087,841,277,150

STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST MARCH 2017

	Actual FY2016 S
ASSETS	
CASH	83,871,512,143
INVESTMENTS	913,573,567,981
Government Stocks	292,777,803,584
Other Investments – Quoted	388,982,681,070
Other Investments – Unquoted	227,164,184,762
Deposits with Investment Agents	4,648,898,565
	997,445,080,123

Source: Budget 2018/2019, Maybank KE

Government Assets & Investments, FY2015 to FY2018, Big Jump in Magnitude & as % of GDP

	Assets		Investments	
	Amount (SGD billion)	% of GDP	Amount (SGD billion)	% of GDP
FY2015	878.0	218	761.6	189
FY2016	941.3	222	814.3	192
FY2017	997.4	223	913.6	205
FY2018	1,087.8	232	1,019.4	217

Source: CEIC, Ministry of Finance Budget documents, Maybank KE

Government Assets = S\$1,088bn (FY2018) vs. S\$997bn (FY2017), increase of **+S\$90.4bn (+9.1%)**

Govt. Investments (exclude cash) = \$1,019bn (FY2018) vs. \$914bn (FY2017), increase of **+\$105.8bn (+11.6%)**

Generous Bicentennial Bonus Worth \$1.1bn to be Shared with Singaporeans

Target	Item	Details
1) Lower-income Singaporeans	GST Voucher: Cash (Bicentennial Payment)	Up to \$300 for 1.4 million Singaporeans
	Workfare Bicentennial Bonus for lower-income workers who receive WIS payments	Receive an additional 10% of their WIS payment for 2018, with a minimum payment of \$100
2) Middle income earners	50% Personal Income Tax Rebate	Subject to a cap of \$200 for YA2019
3) Parents with school children	\$150 top-up to Edusave accounts	On top of the annual Edusave contributions already received by government
	\$500 in Post-Secondary Education Accounts	For Singaporeans aged 17 to 20 to help save for tertiary education
4) Additional support for older Singaporeans (50 to 64 age group)	CPF top-up of up to \$1,000	For eligible Singaporeans aged 50 to 64 years old in 2019, who have less than \$60,000 of retirement savings in their CPF accounts
	Five-year Medisave top-ups	For those aged below 60 that do not receive the Merdeka Generation Package
	WIS enhancements	For those who qualify for Workfare
5) Other support measures	Service & Conservancy Charge (S&CC) rebate	Eligible HDB households to receive 1.5 to 3.5 months of rebates
	Top-up of Public Transport Fund by \$10mn	Help commuters in need with their transport expenses

Source: Budget 2019, Maybank KE

Bicentennial Bonus and Merdeka Generation Package May Help Boost Consumer Sentiments

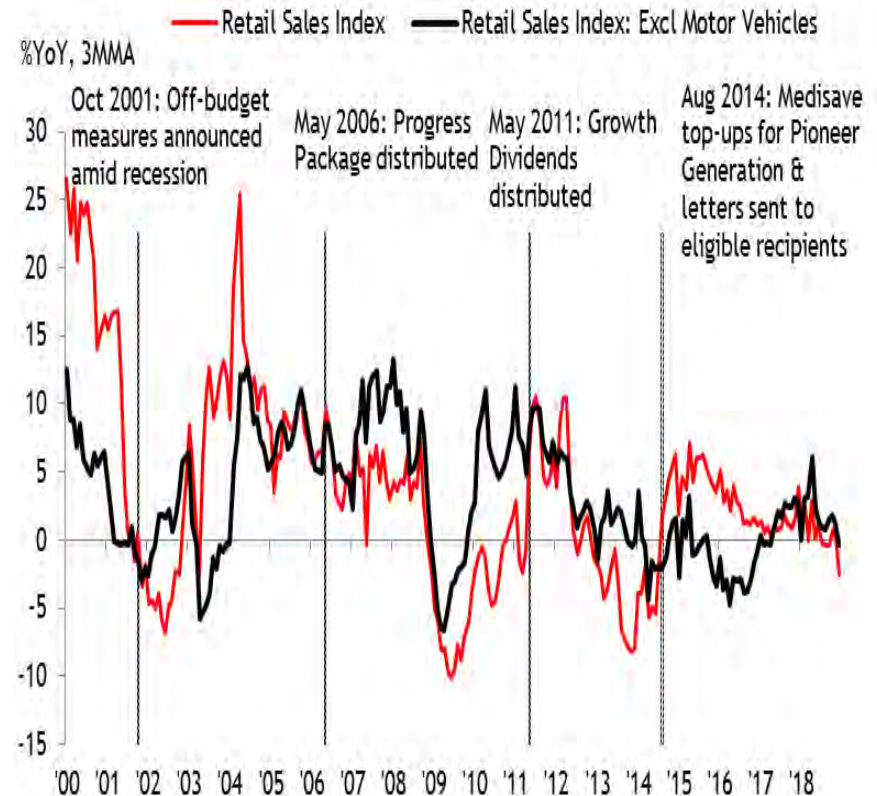
\$6.1bn Allocated in FY2019 for Merdeka Generation Package

Five key benefits for Merdeka Generation (MG)

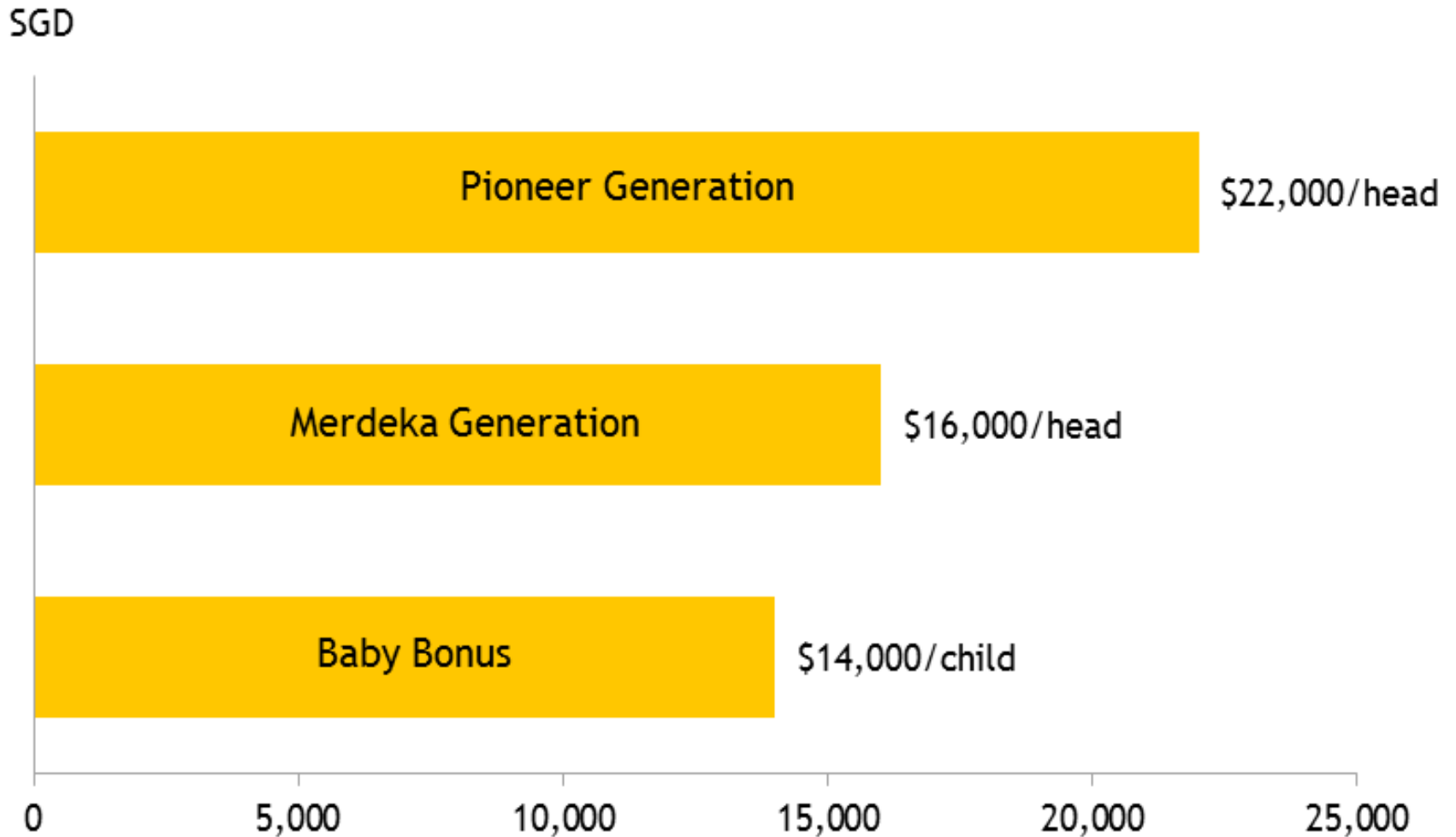
- 1 One-time \$100 top-up to their PAssion Silver cards
- 2 MediSave top-up of \$200 a year for five years, from 2019 until 2023
- 3 Additional subsidies for outpatient care for life; and receive special Chas subsidies for common illnesses, chronic conditions and dental procedures
- 4 Additional MediShield Life premium subsidies for life
- 5 Additional participation incentive of \$1,500 for MG seniors who join CareShield Life, when it becomes available for existing cohorts in 2021

Source: Budget 2019, Maybank KE

Some Modest Pickup in Retail Sales Following Pre-Election Generous Budget Measures



Source: CEIC, Maybank KE



Source: Maybank Kim Eng estimates

Programme	Details
Scale-up SG Programme	Set up by Enterprise Singapore in partnership with private & public sectors to work with aspiring, high-growth local firms to identify and build new capabilities, innovate, grow & internationalise.
Innovation Agents Programme Pilot	A 2-year pilot programme for enterprises to obtain advice on innovation opportunities from experienced industry professionals, as well as to facilitate connections to valuable technology & business partners.
SME Co-Investment Fund III	Set aside additional \$100mn to catalyse investment for Singapore-based Small-Medium Enterprises (SMEs), and continue supporting firms in their efforts to scale up and internationalise. Similar to existing funds under the Co-Investment Programme (CIP) launched in 2010, Temasek Holdings will participate as a co-investor in the SME Co-Investment Fund III.
Enterprise Financing Scheme	<p>Financing support for young companies through a single streamlined financing scheme to cover 6 financing areas: working capital (for SMEs), fixed assets (for SMEs), trade, venture debt, mergers & acquisitions and project financing. To be launched in October 2019.</p> <p>Extend SME Working Capital Loan scheme by another two years till 31 March 2021 to help address Singapore SMEs' near-term cash-flow concerns & growth financing needs.</p>
SMEs Go Digital Programme	<p>Expansion of programme to:</p> <ol style="list-style-type: none"> 1) Develop Industry Digital Plans (IDPs) for more sectors, starting with Accountancy, Sea Transport & Construction; 2) Extend support for wider range of pre-approved digital solutions, e.g. AI-infused & cybersecurity solutions, to boost technology adoption among SMEs.
Digital Services Lab	A 3-year pilot programme to bring together industry and research community to co-develop solutions to address digitalisation challenges in the services sector.
Automation Support Package (ASP)	Extension of ASP for another two years to 31 March 2021, to further support and encourage companies to embark on large-scale automation projects to achieve significant productivity gains.

Source: Budget 2019, Maybank KE

Tighter Foreign Labor Measures: Lower DRCs for Services - May Hurt Retail, F&B, Hospitality

Sector	Current	Changes
DRC		
Manufacturing	60%	No change
Services	40%	To be reduced to 38% on 1 January 2020, and to 35% on 1 January 2021
Construction	87.5%	No change
Process	87.5%	No change
Marine Shipyard	77.8%	No change
S Pass sub-DRC		
Services	15%	To be reduced to 13% on 1 January 2020, and to 10% on 1 January 2021
All other sectors	20%	No change

Source: Budget 2019, Maybank KE

Foreign Worker Levy Increase for Marine Shipyard and Process Sectors Deferred for Another Year

Sector	Tier	Dependency Ratio Ceiling (DRC)	Levy Rates (\$) (R1/R2)		
			1 Jul 2018	1 Jul 2019	1 Jul 2020
S-Pass	Basic Tier (All)	≤10%	330	330	To be announced in 2020
	Tier 2	10-20%	650	650	
Construction WPH	Basic Tier	≤87.5%	300/700	300/700	300/700
	MYE-Waiver		600/950	600/950	600/950
Services WPH	Basic Tier	≤10%	300/450	300/450	To be announced in 2020
	Tier 2	10-25%	400/600	400/600	
	Tier 3	25-35%	600/800	600/800	
Marine Shipyard WPH	Basic Tier	≤77.8%	300/400	350/500 300/400	
Process WPH	Basic Tier	≤87.5%	300/450	300/500 300/450	
	MYE-Waiver		600/750	600/800 600/750	
Manufacturing	Basic Tier	≤25%	250/370	250/370	
	Tier 2	25-50%	350/470	350/470	
	Tier 3	50-60%	550/650	550/650	

Source: Budget 2019, Maybank KE

Foreign Manpower Growth: Picking-Up Slightly in 2018, But Not Really Alarming

Unit: Person (th)	Dec-11		Dec-12		Dec-13		Dec-14		Dec-15		Dec-16		Dec-17		Jun-18	
Pass Type	Total	Total	chg	Total	chg	Total	chg	Total	chg	Total	chg	Total	chg	Total	chg	
Employment Pass (EP)	175	174	-1.6	175	1.3	179	3.8	188	9.0	192	4.4	188	-4.6	184	-3.3	
S Pass	114	142	28.5	161	18.5	170	9.2	179	8.5	180	1.1	184	4.7	190	5.3	
Work Permit (Total)	909	943	34.2	974	31.6	991	16.9	997	5.8	993	-4.4	965	-27.5	966	1.0	
- Work Permit (Foreign Domestic Worker)	206	210	3.3	215	4.9	223	8.0	232	9.0	240	8.2	247	7.1	250	3.2	
- Work Permit (Construction)	265	293	28.8	319	25.6	323	3.8	326	3.3	316	-10.5	285	-30.6	280	-4.5	
Total Foreign Workforce	1,198	1,268	70.4	1,322	53.3	1,356	34.1	1,387	31.6	1,393	5.7	1,368	-25.0	1,372	3.7	
Total Foreign Workforce (excluding FDW)	992	1,059	67.1	1,107	48.4	1,133	26.1	1,156	22.6	1,153	-2.6	1,121	-31.9	1,122	0.3	
Total Foreign Workforce (excluding FDW & Construction)	699	731	32.2	748	16.8	764	16.4	780	15.8	788	7.5	788	0.8	794	6.0	

Source: Ministry of Manpower, Maybank KE

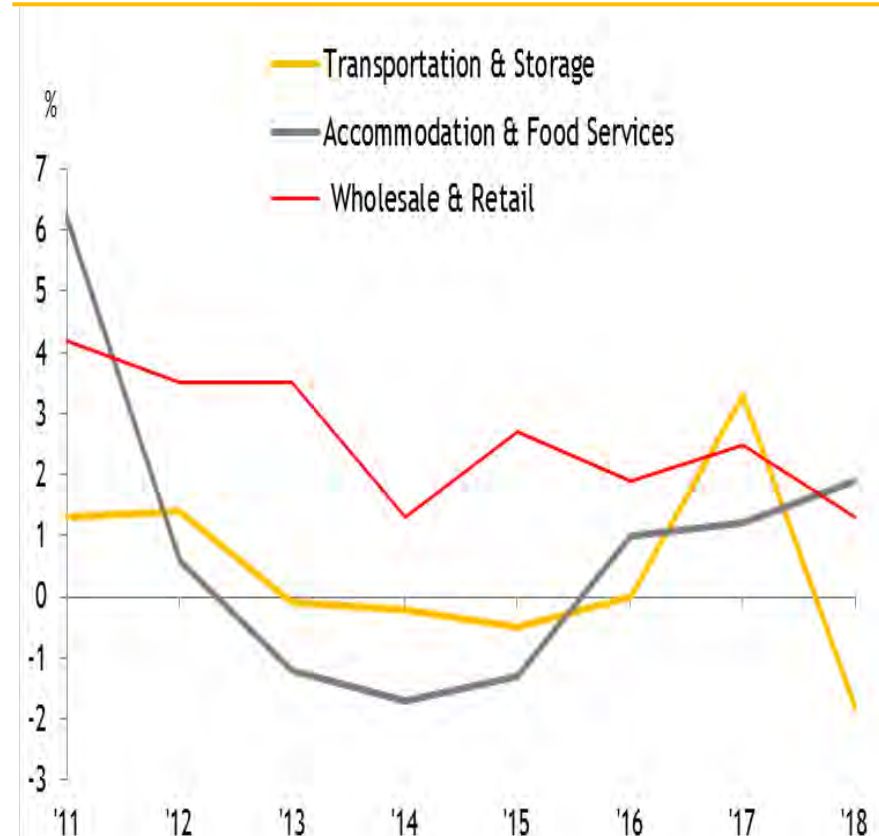
Labour Intensive Services to be Hit by Tightening of Foreign Worker Quota

Ministry of Manpower: Sectors that Will Feel the Greatest Impact from Tightening

Sector	Person th	% of total employment
Transportation & Storage	259	7.0%
Food & Beverage Services	218	5.9%
Retail Trade	163	4.4%
Real Estate Services	86	2.3%
Arts, Entertainment & Recreation	57	1.5%
Accommodation	35	0.9%

Source: CEIC, Maybank KE

Labour Productivity Improved in Hotels/F&B, But Falling for Transportation & Storage



Source: CEIC, Maybank KE

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