

2017 Global Outlook

Singapore's Economic Future In The Midst Of Rising Anti-Globalisation Sentiments

Francis Tan

UOB Global Economics & Markets Research

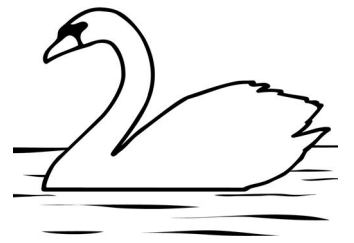
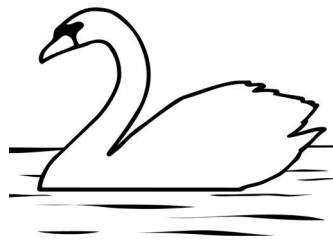
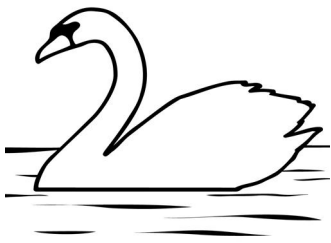
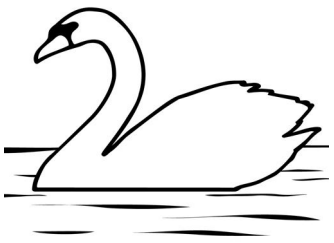
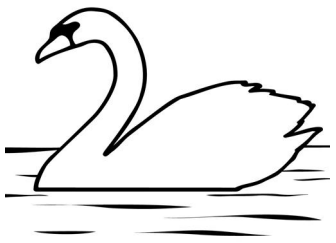
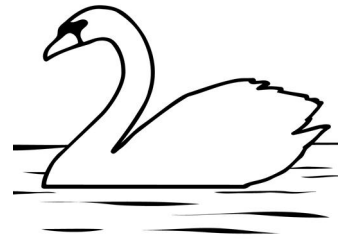
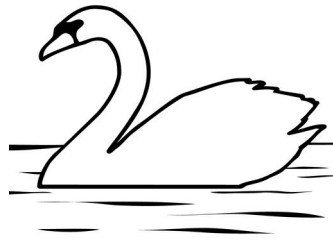
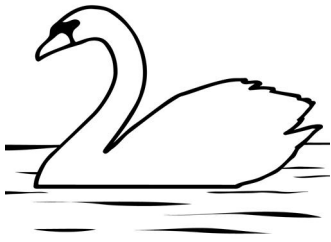
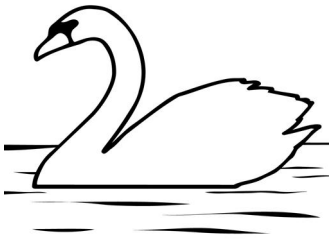
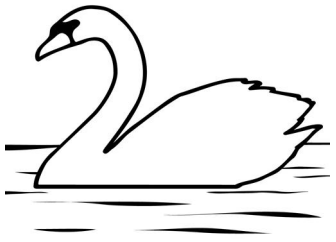
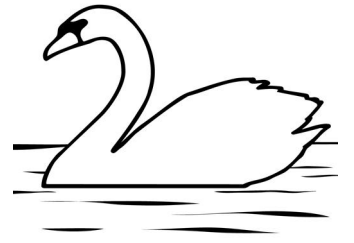
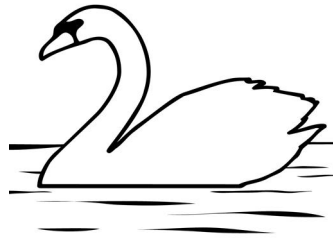
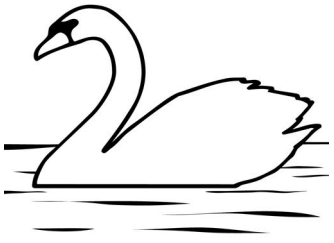
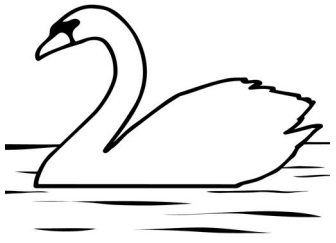
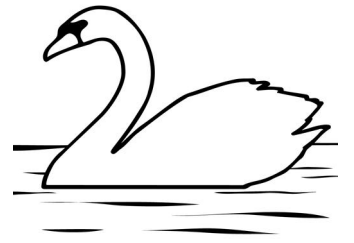
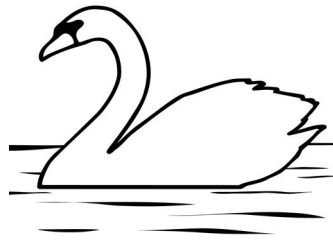
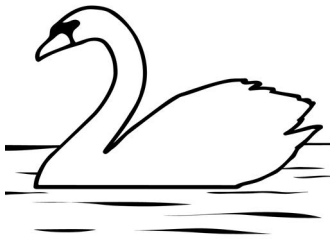
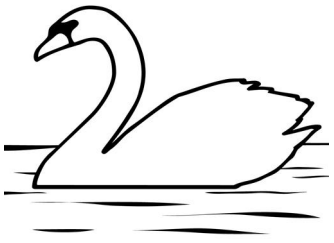
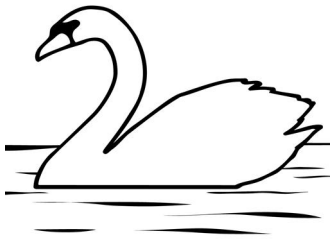
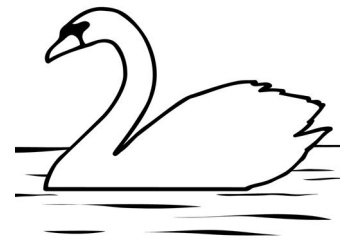
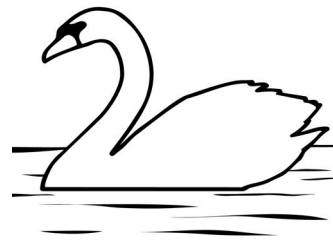
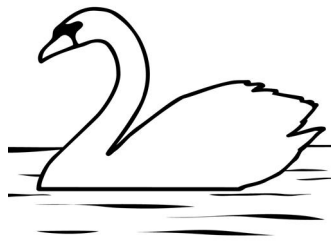
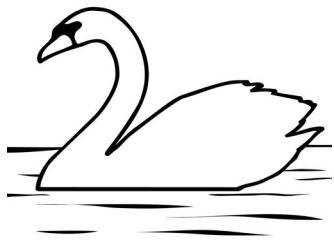
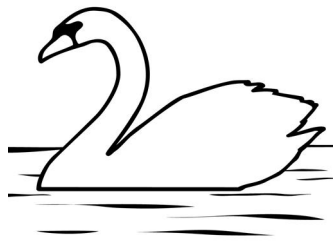
8th March 2017

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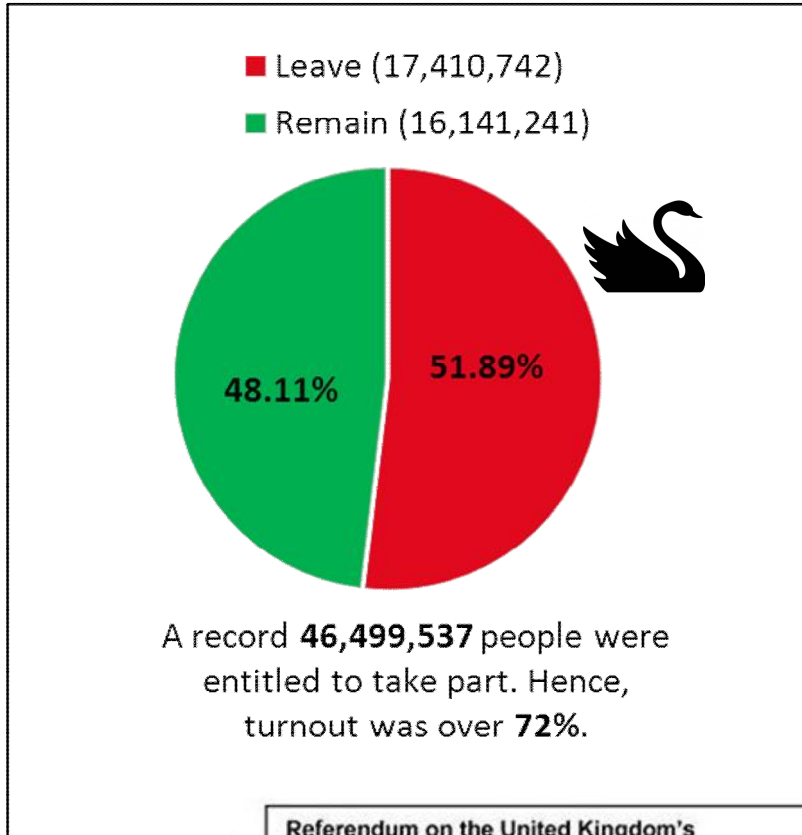
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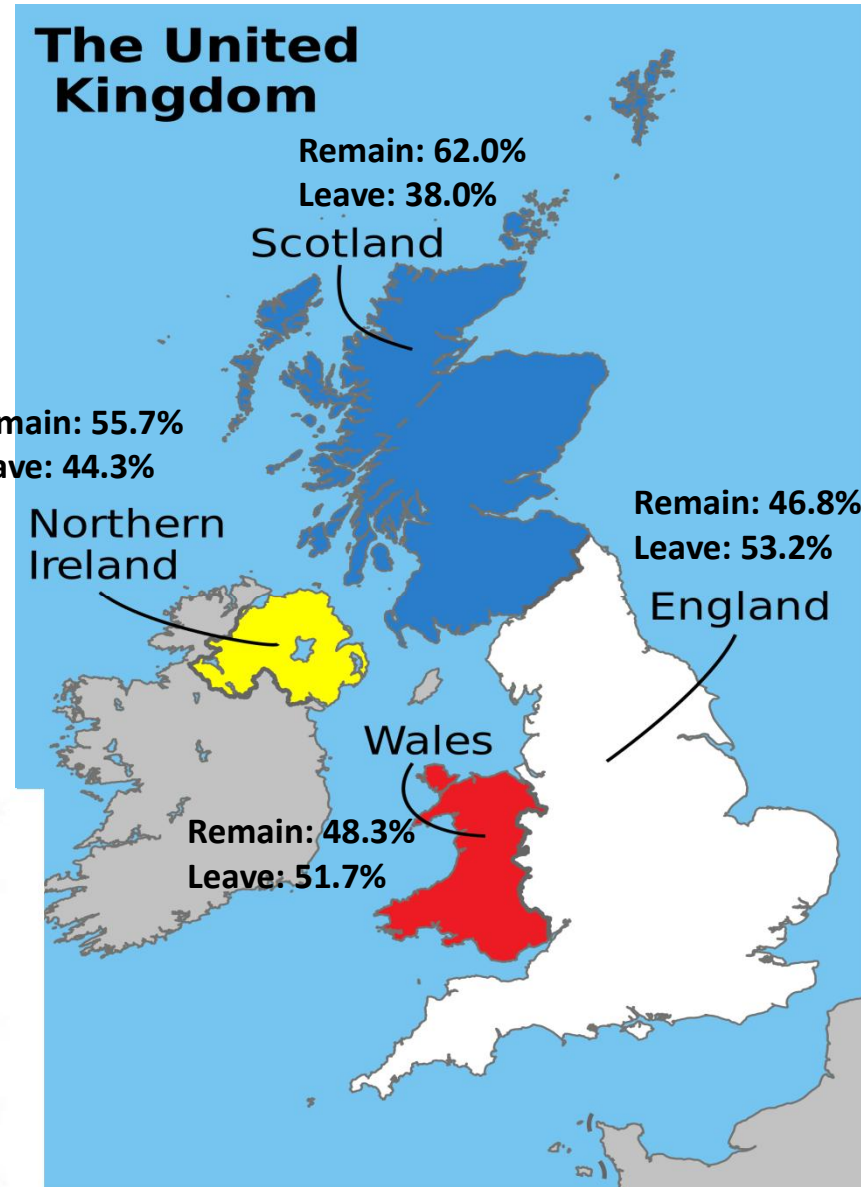


UK Referendum: The Outcome



A record **46,499,537** people were entitled to take part. Hence, turnout was over **72%**.

Referendum on the United Kingdom's membership of the European Union	
Vote only once by putting a cross <input checked="" type="checkbox"/> in the box next to your choice	
Should the United Kingdom remain a member of the European Union or leave the European Union?	
Remain a member of the European Union	<input type="checkbox"/>
Leave the European Union	<input type="checkbox"/>



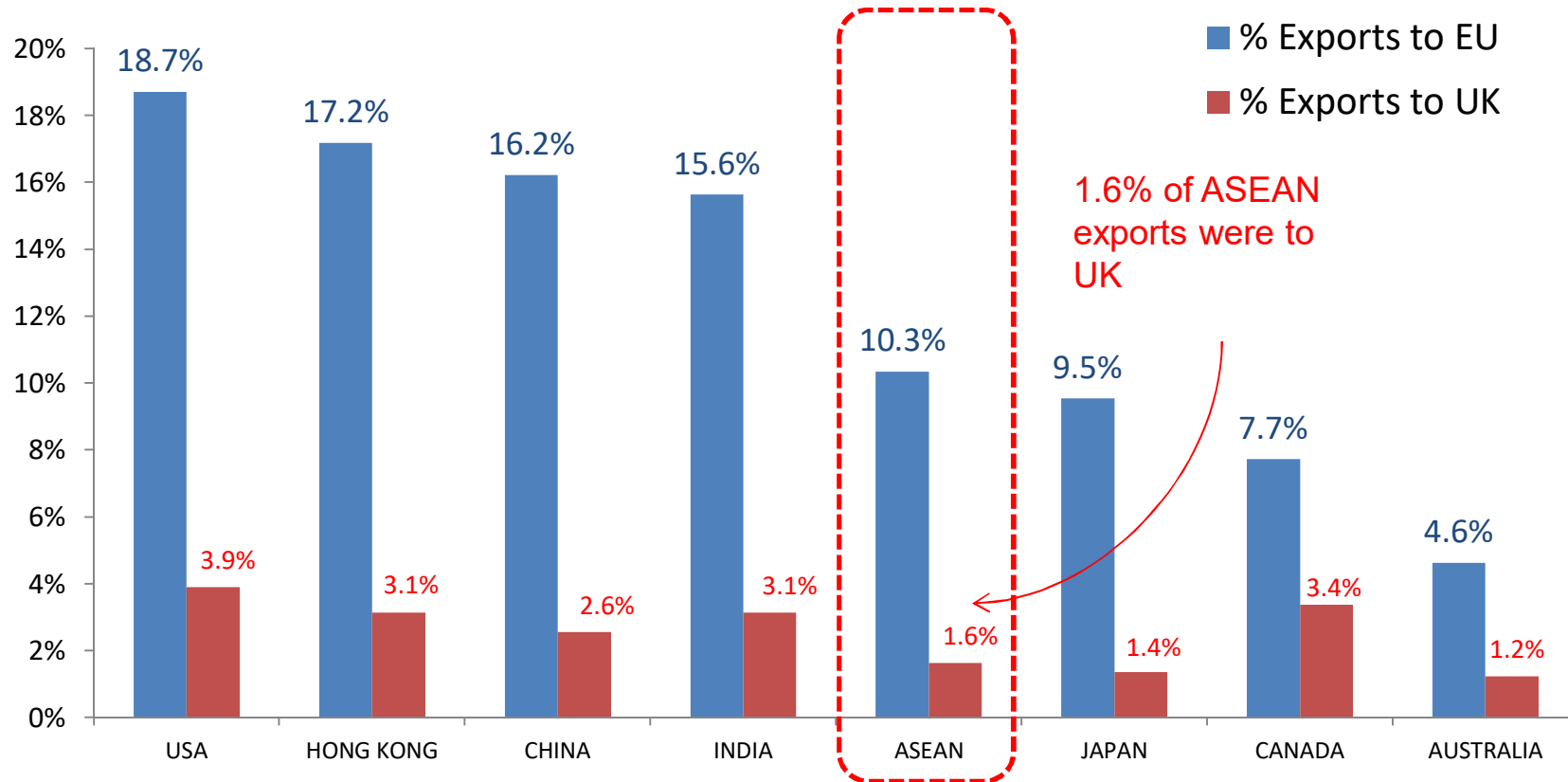
Euro Exposed To Political Risks

2017		
January	19	ECB rate announcement
March	9	ECB rate announcement
	15	Dutch General Election
April	23	French Presidential Election (1 st Round)
	27	ECB rate announcement
May	7	French Presidential Election (2 nd Round)
June	8	ECB rate announcement
July	20	ECB rate announcement
September	7	ECB rate announcement
October		Czech Legislative Election
	22*	German Federal Election
	26	ECB rate announcement
December	14	ECB rate announcement

1.6% of ASEAN's Exports Were To The UK; 10.3% to EU

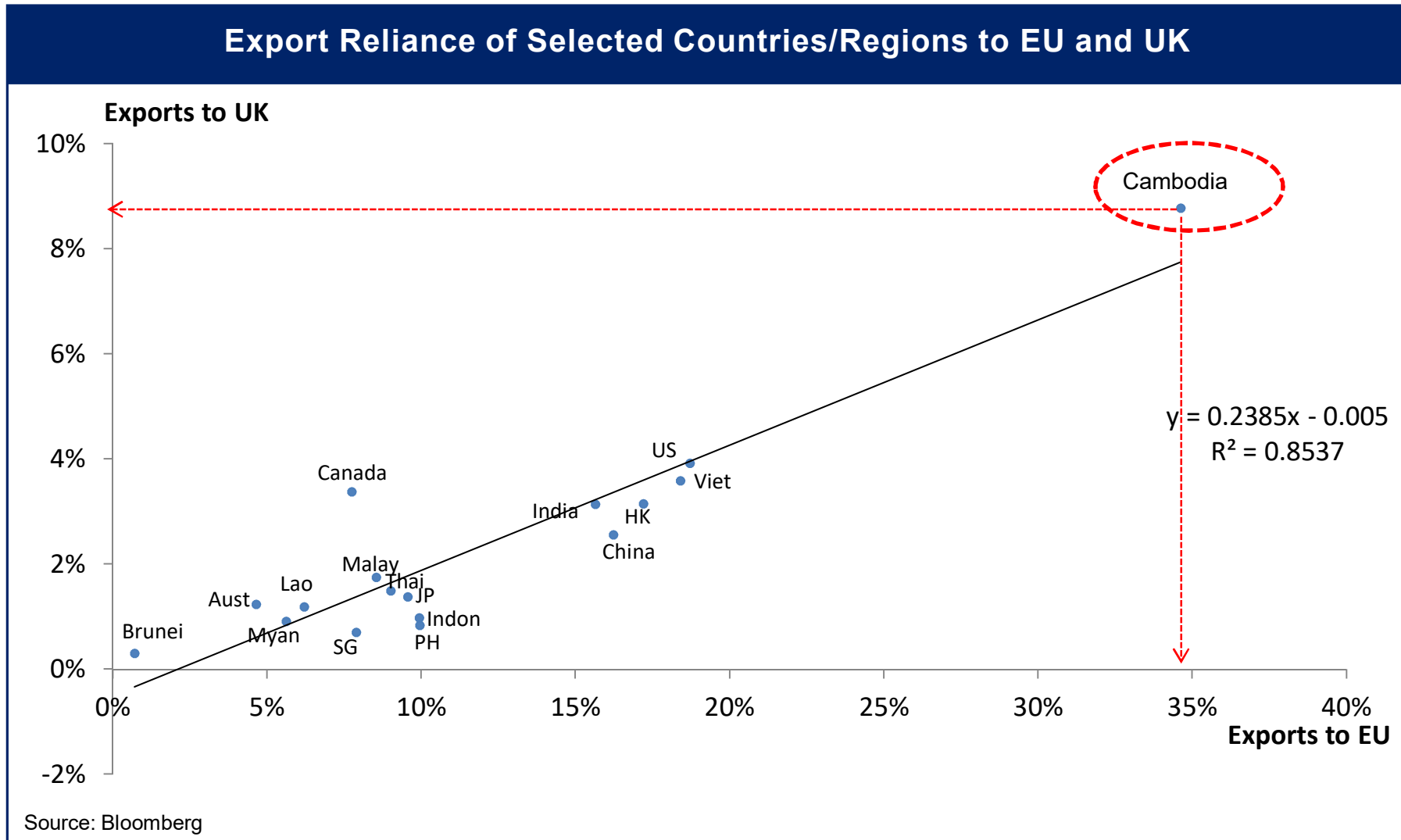
Export Reliance of Selected Countries/Regions to EU and UK (2015)

% Share Of Exports To



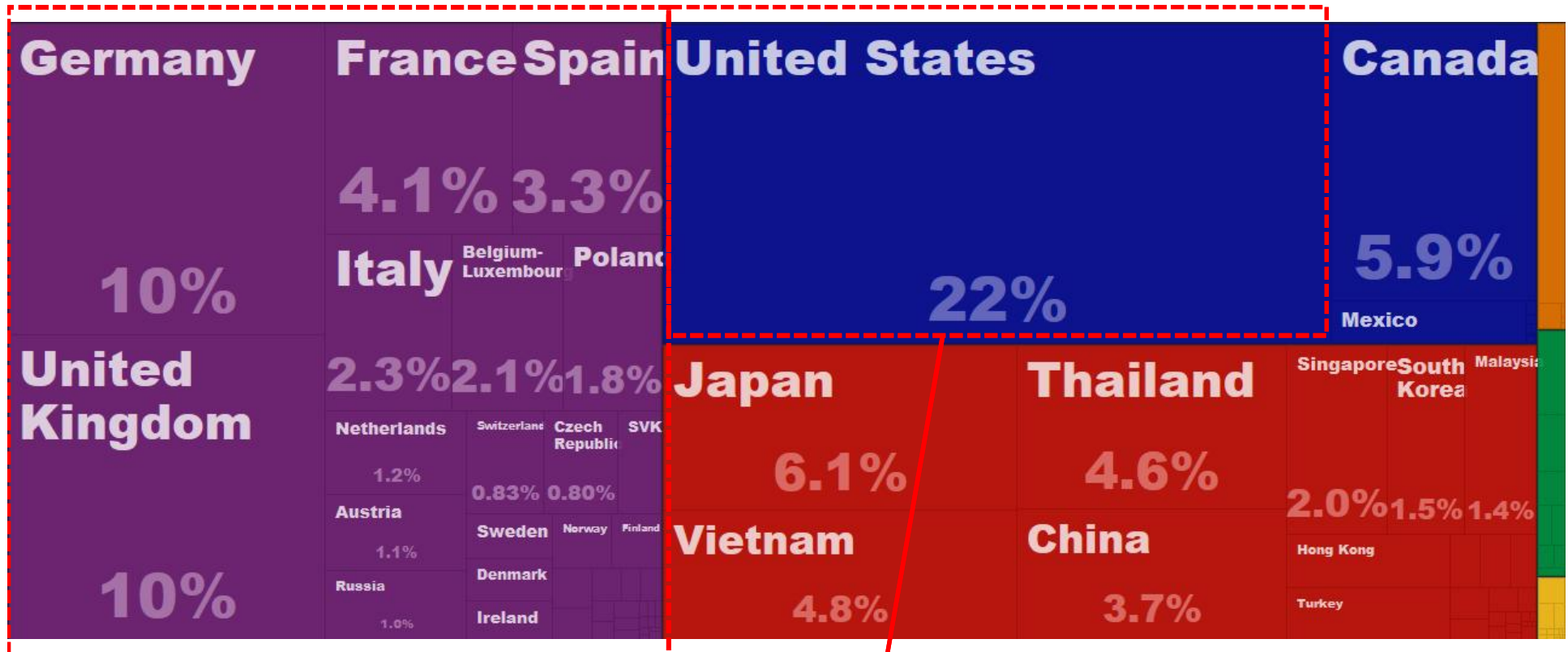
Source: IMF (Annual data)

However, The Reliance Is Very Different Across ASEAN Countries



Where Does Cambodia Export To?

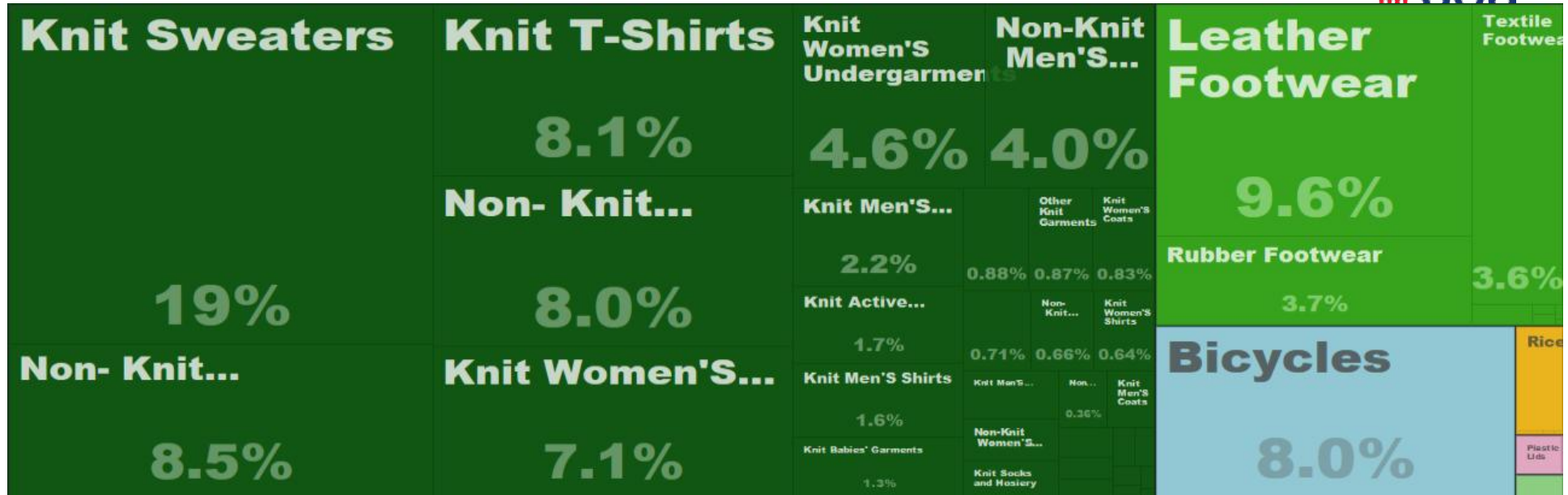
Total Exports from Cambodia: US\$12.6b (2014)



34%

56%

Exports from Cambodia to UK: US\$1.27b (2014)



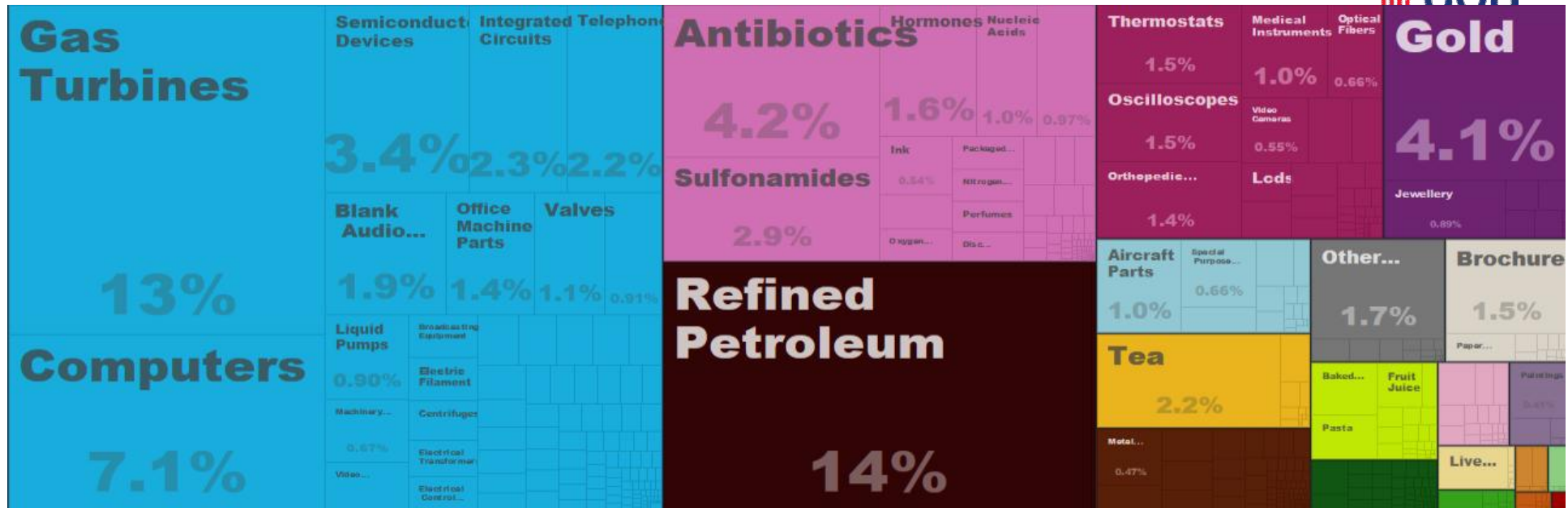
Exports from Cambodia to Germany: US\$1.29b (2014)



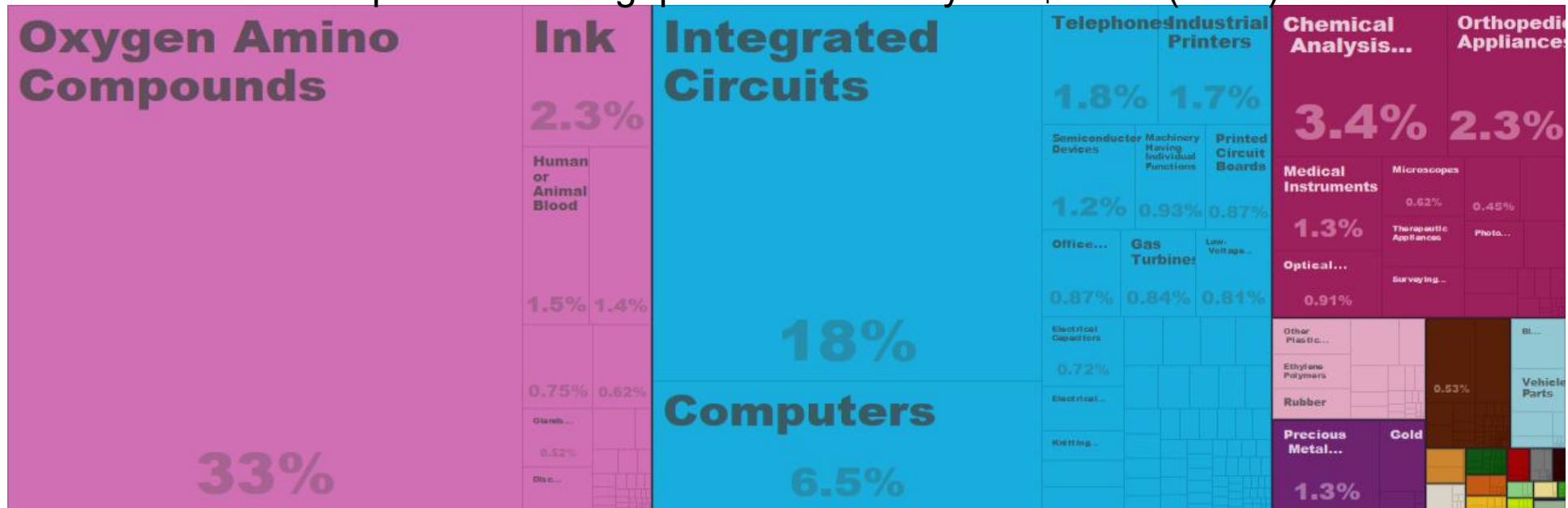
Exports from Cambodia to US: US\$2.82b (2014)



Exports from Singapore to UK: US\$2.17b (2014)



Exports from Singapore to Germany: US\$6.43b (2014)

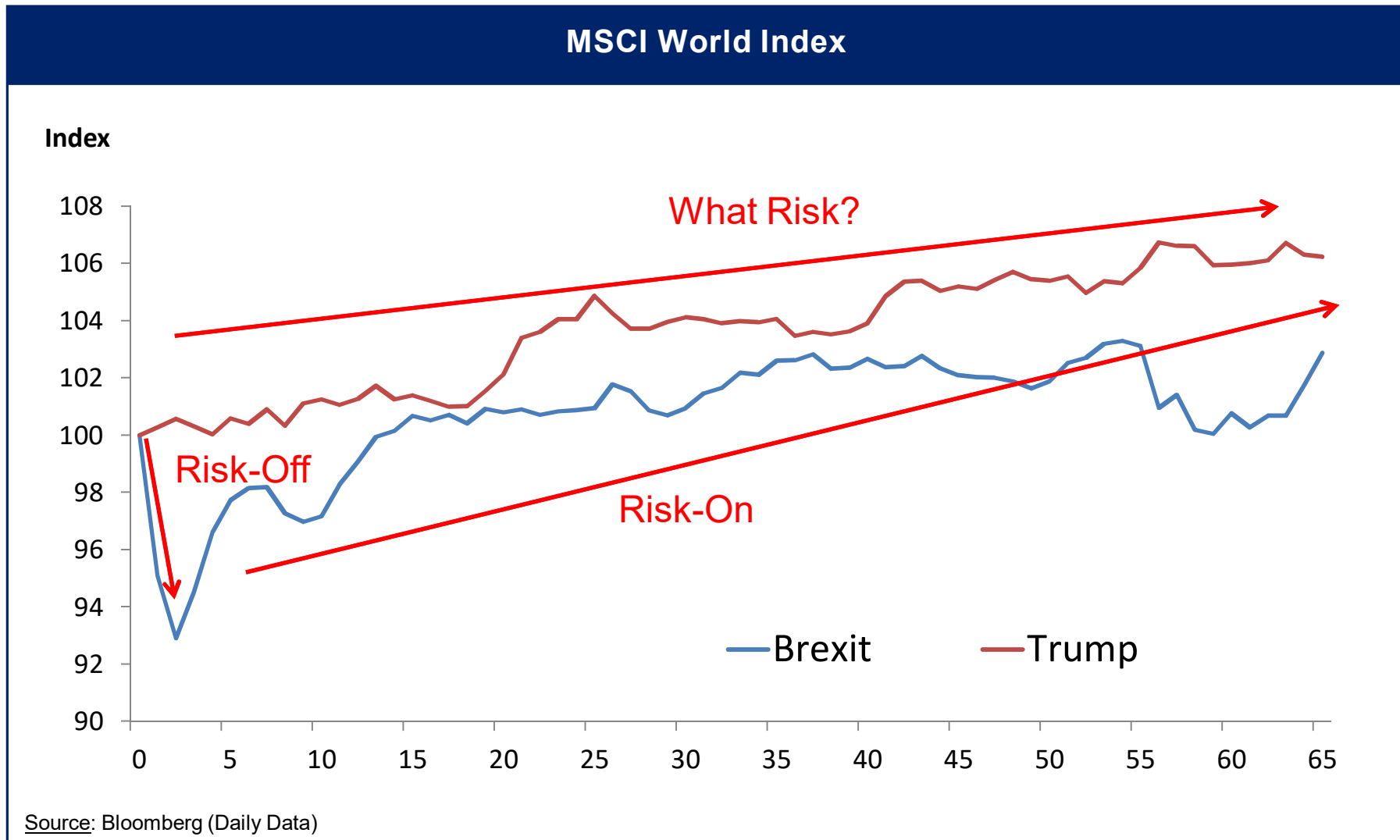


A photograph of Donald Trump from the chest up. He is wearing a dark blue suit jacket, a white dress shirt, and a bright red necktie. He has a small American flag pin on his left lapel. He is giving a thumbs-up gesture with his right hand. The background is a solid blue color.

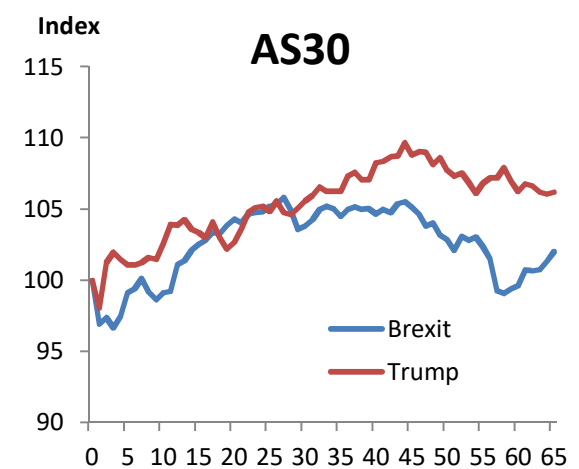
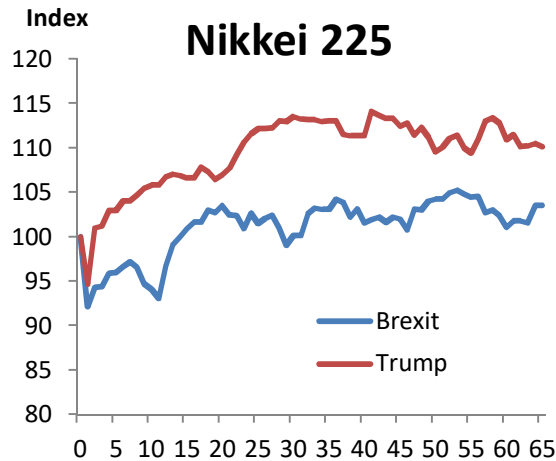
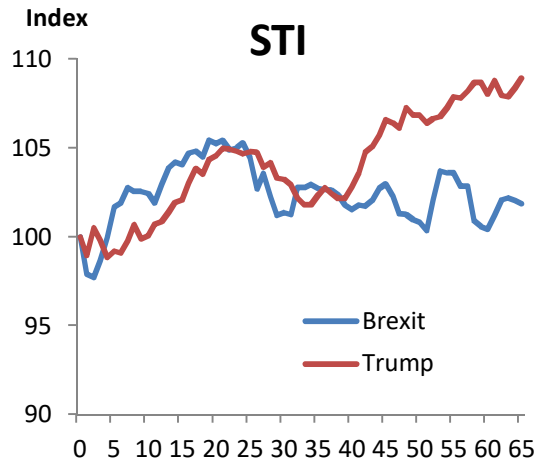
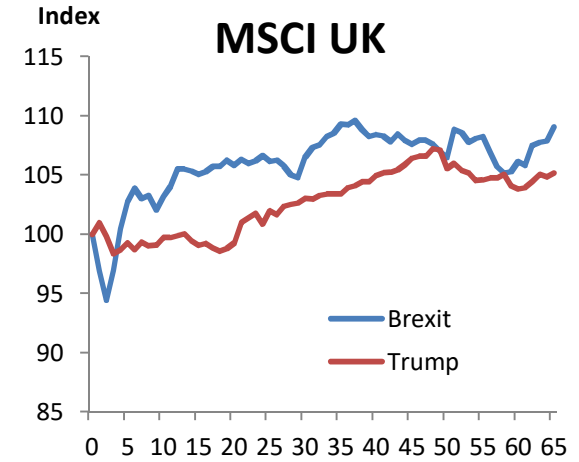
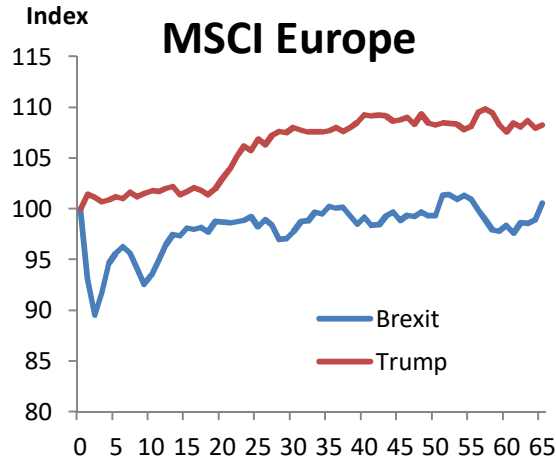
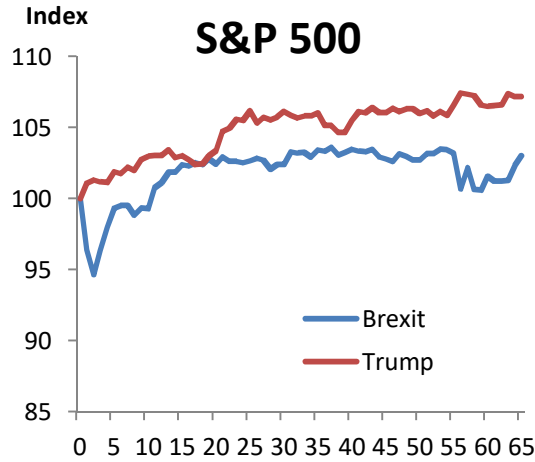
AMERICA is GREAT again!

Really?

Investors Seem To Shrug Off Trump's Anti-trade, Anti-world Rhetoric

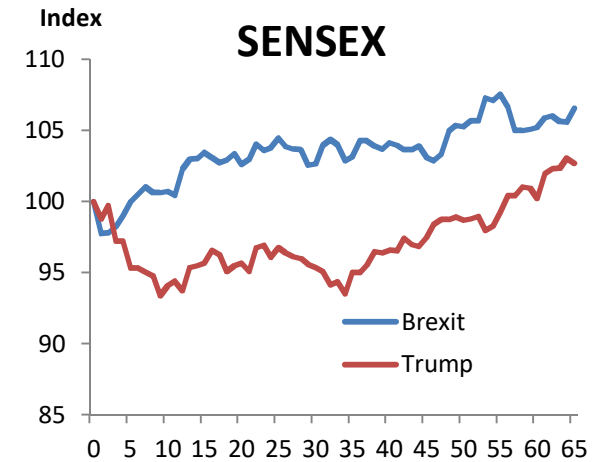
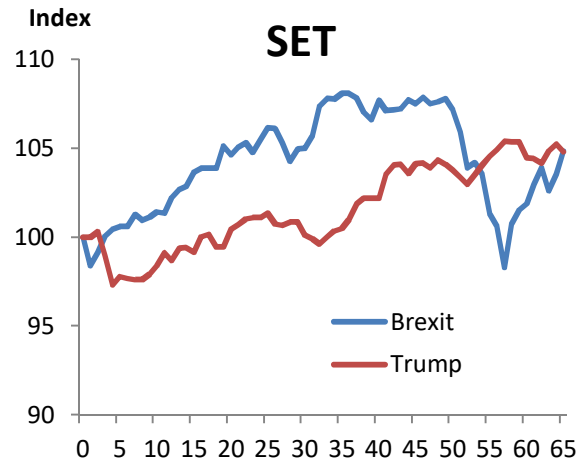
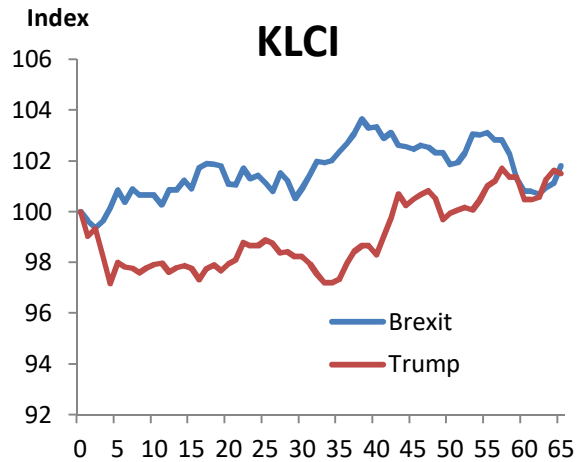
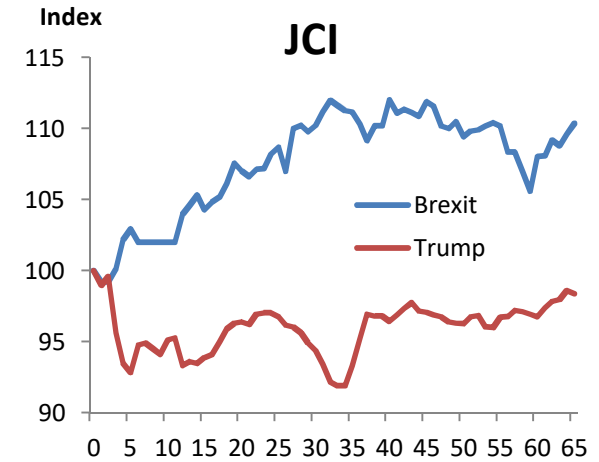
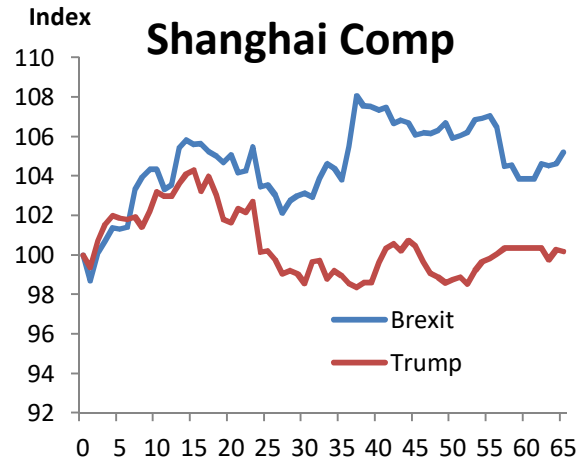
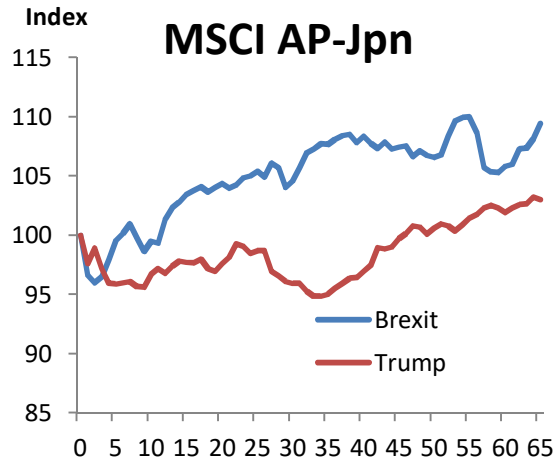


DM Equities Supported After Trump Win



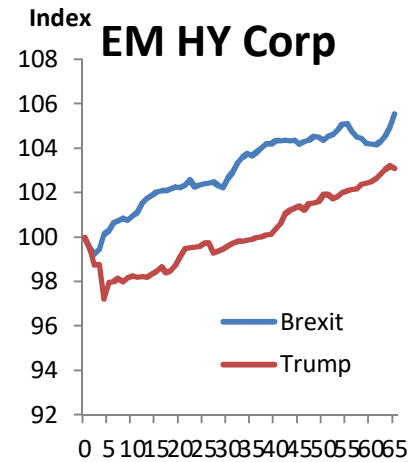
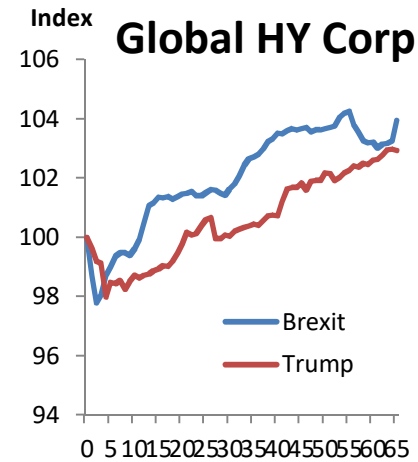
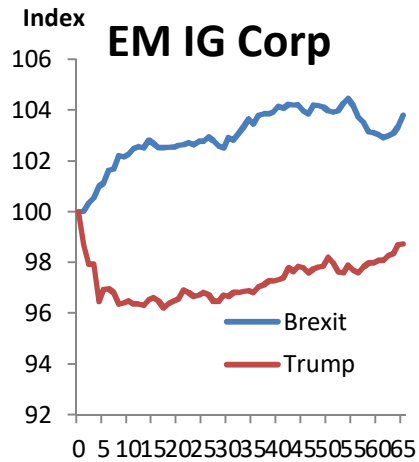
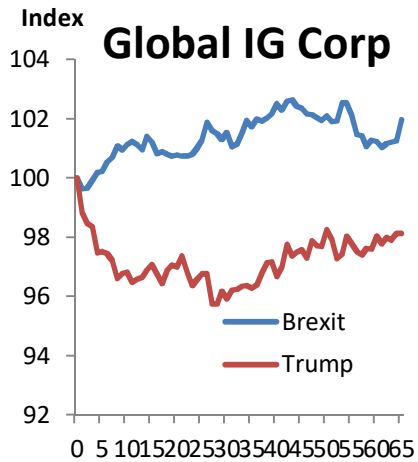
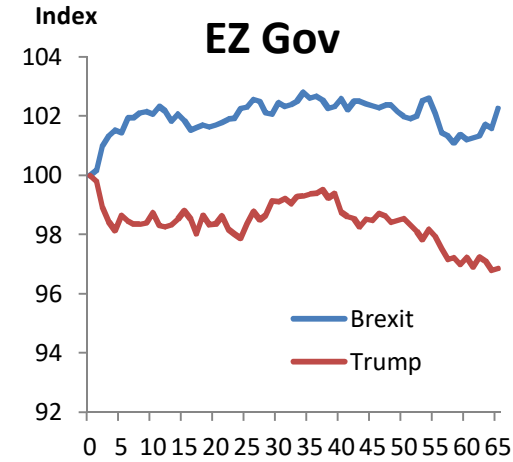
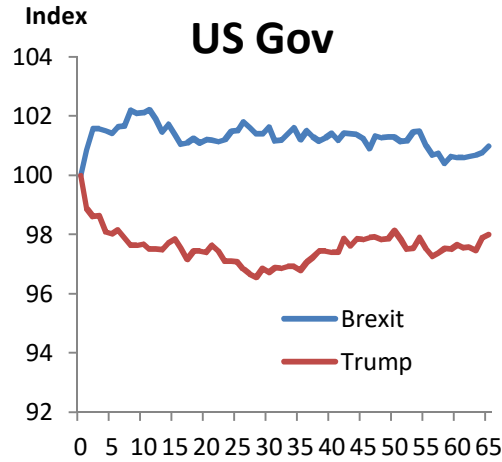
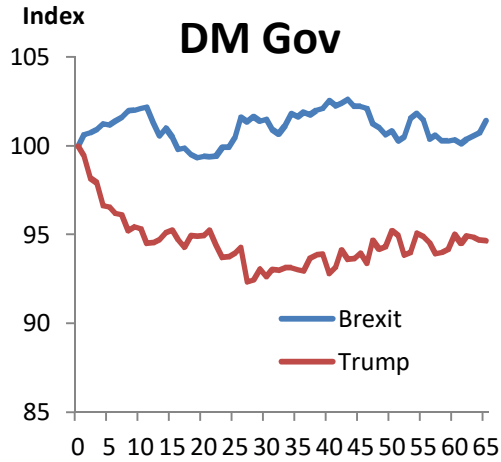
Source: Bloomberg (Daily Data)

Sell-off of EM Equities Supported After Trump Win



Source: Bloomberg (Daily Data)

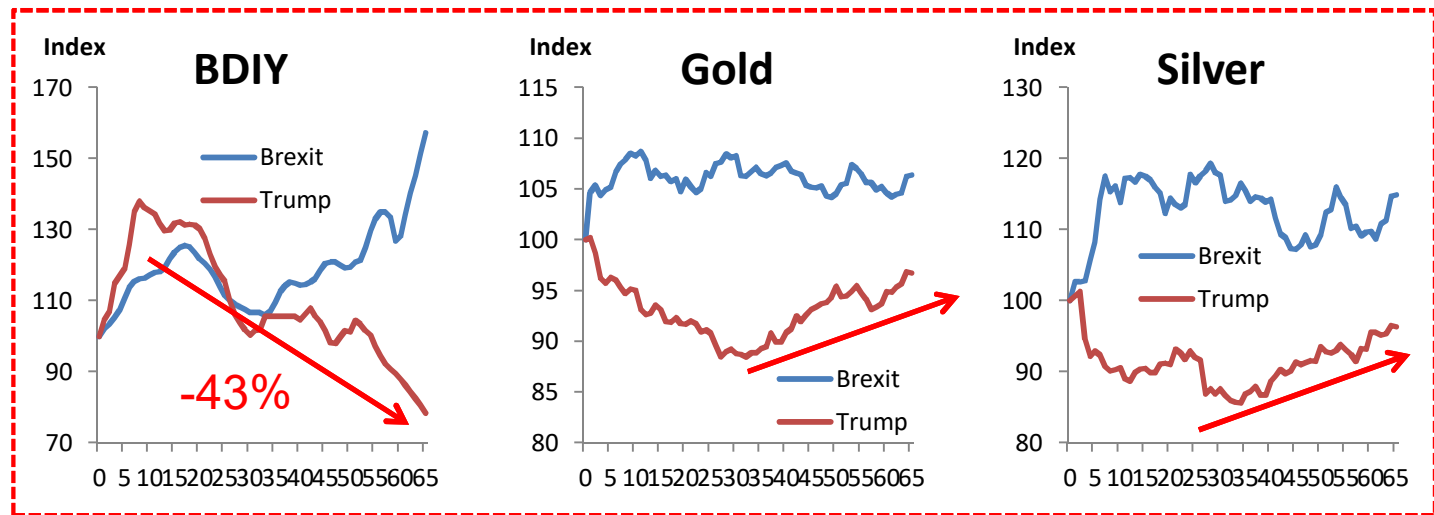
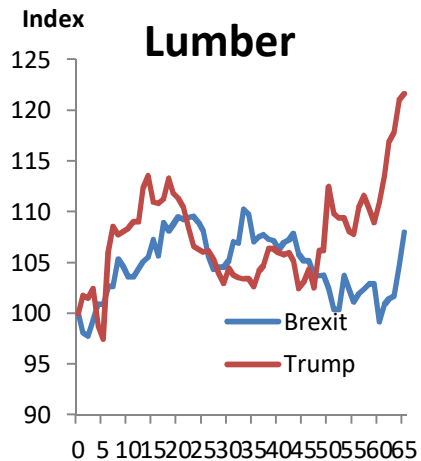
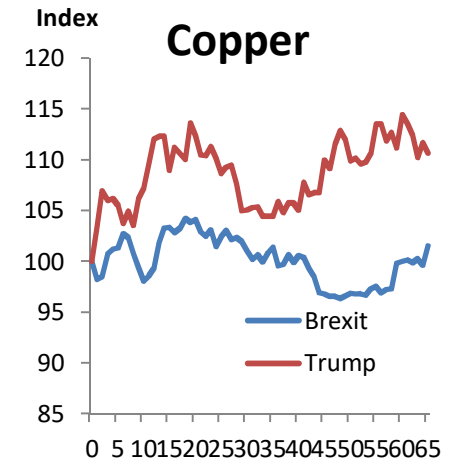
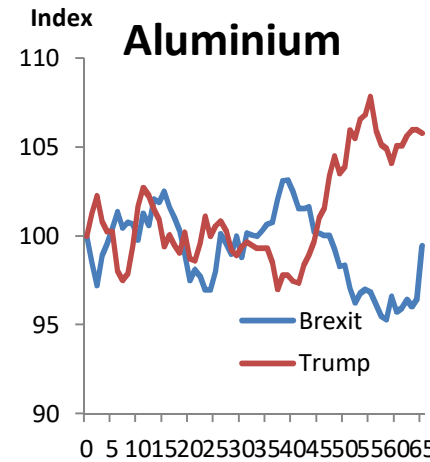
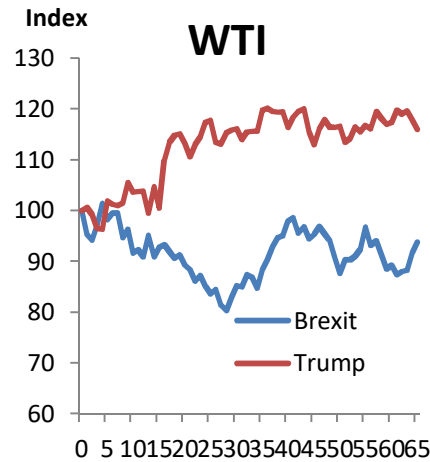
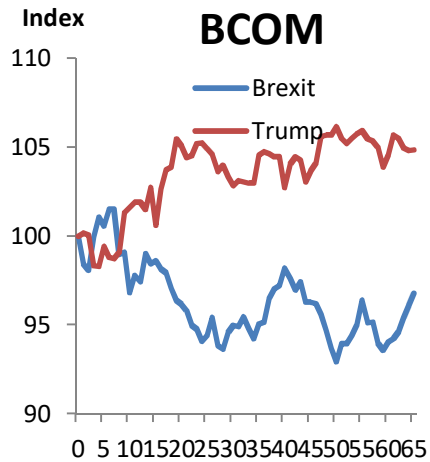
Selling Off Safe Havens



Source: Bloomberg (Daily Data)

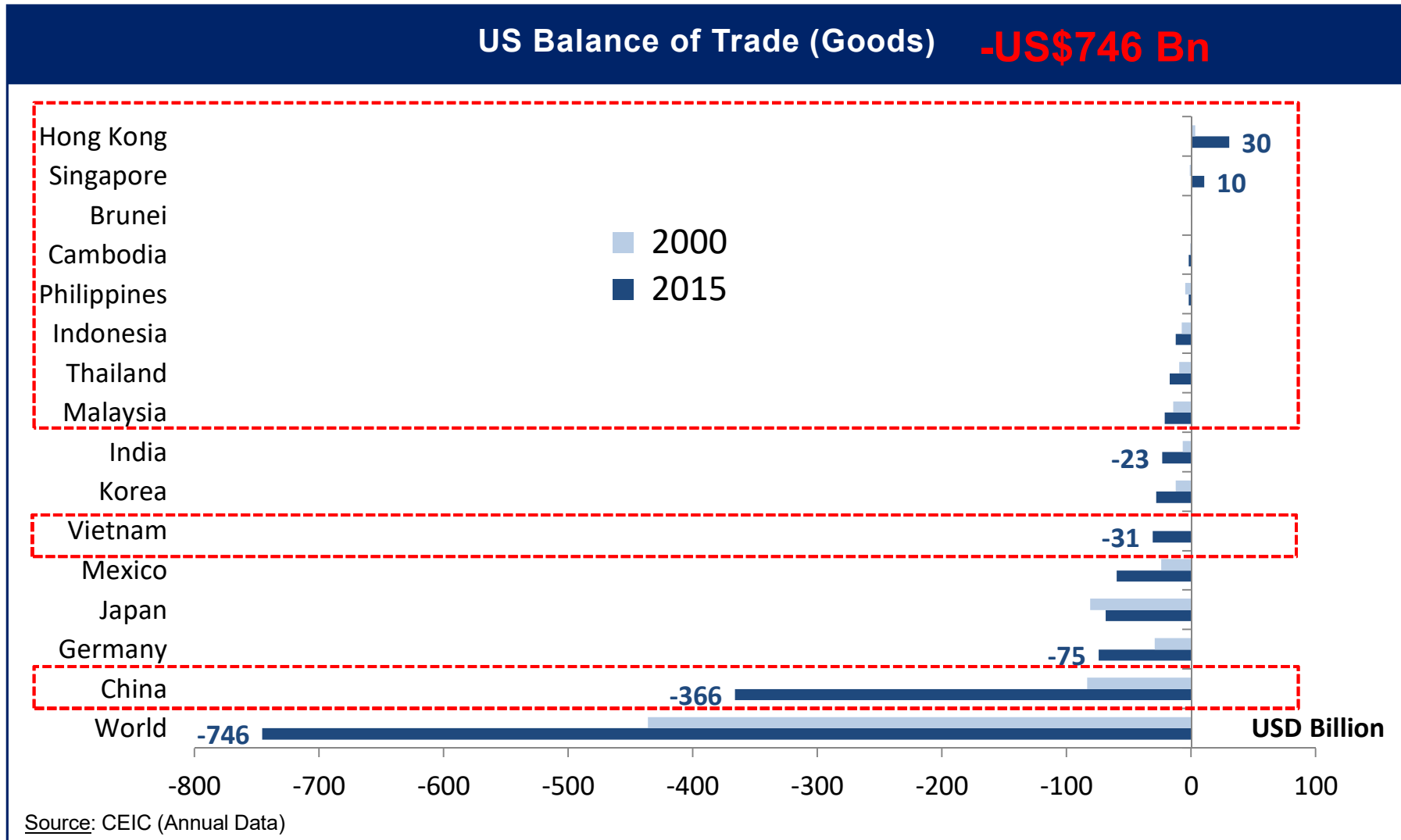
HYs Are Supported

Commodities Prices Run-up Is Not Rational

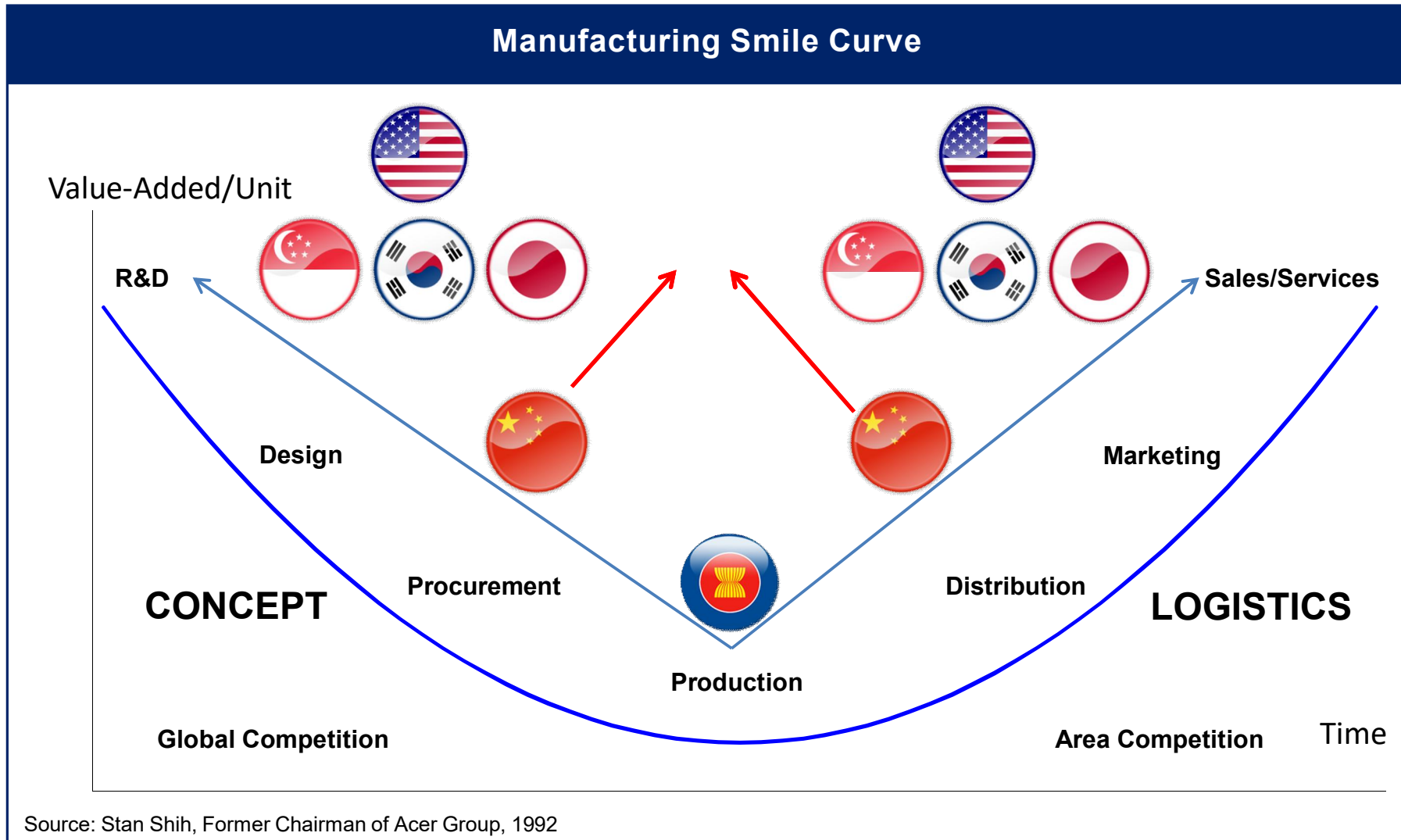


Markets Getting Nervous

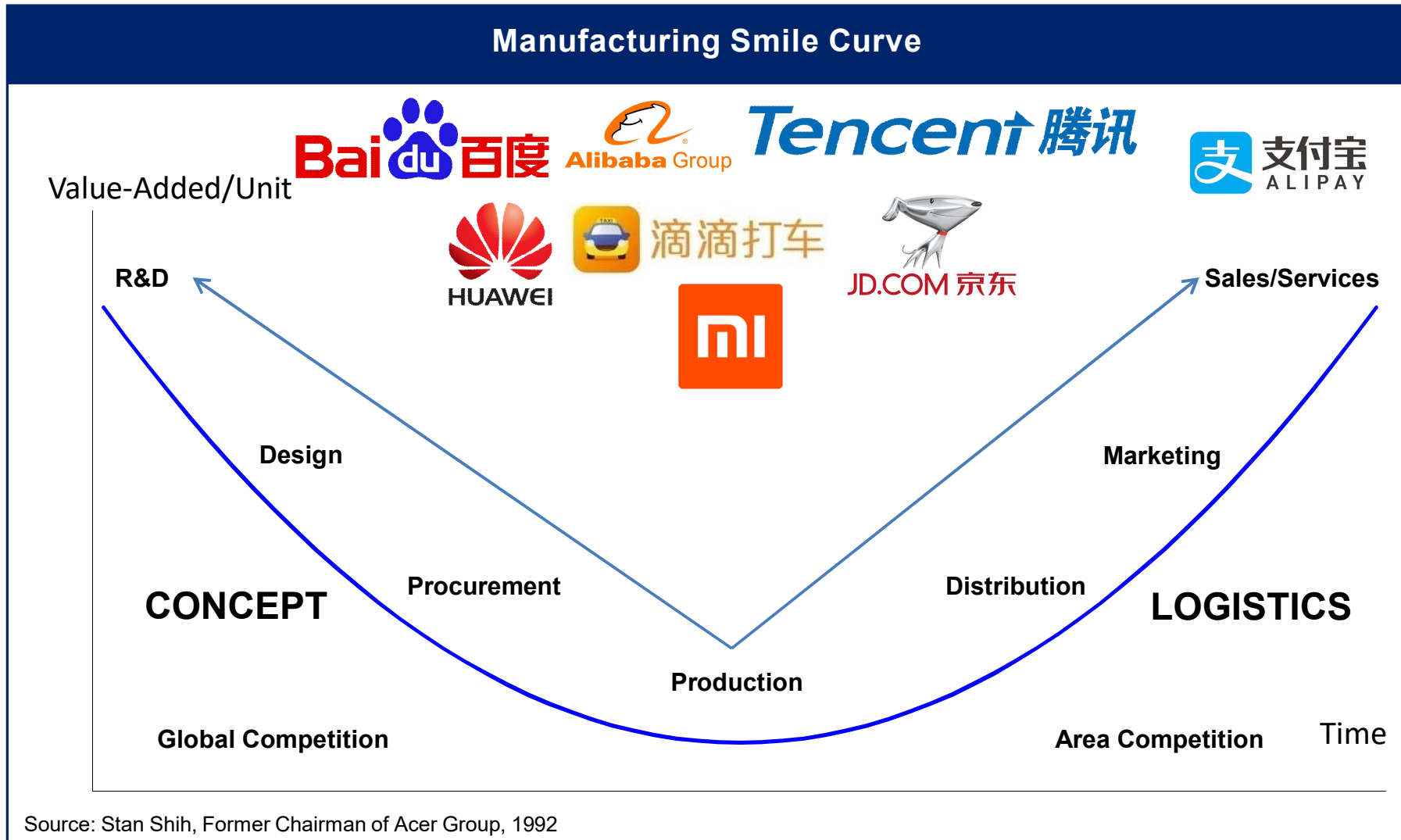
ASEAN Countries Didn't Account Much of US Trade Deficit



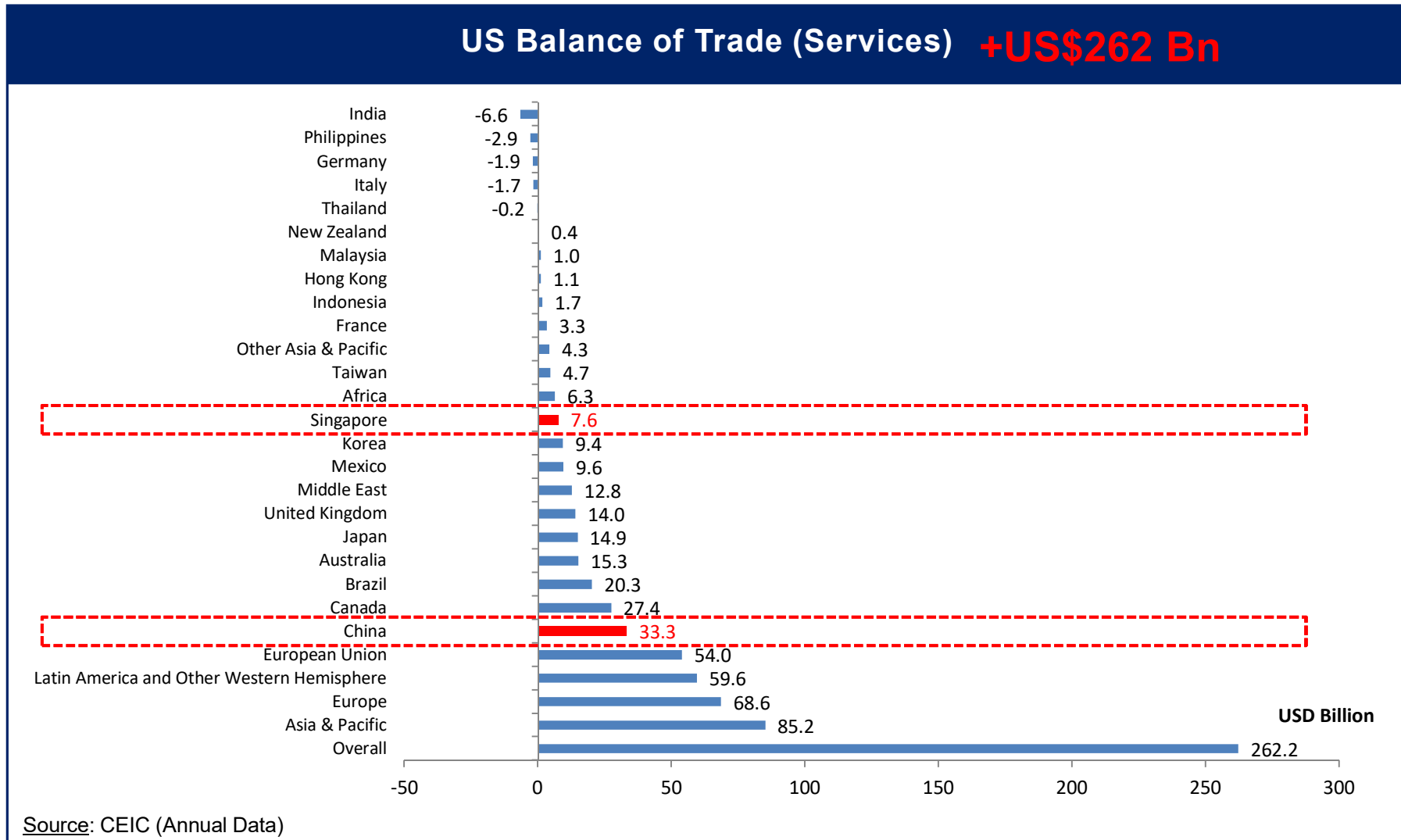
Let's Learn About Manufacturing!



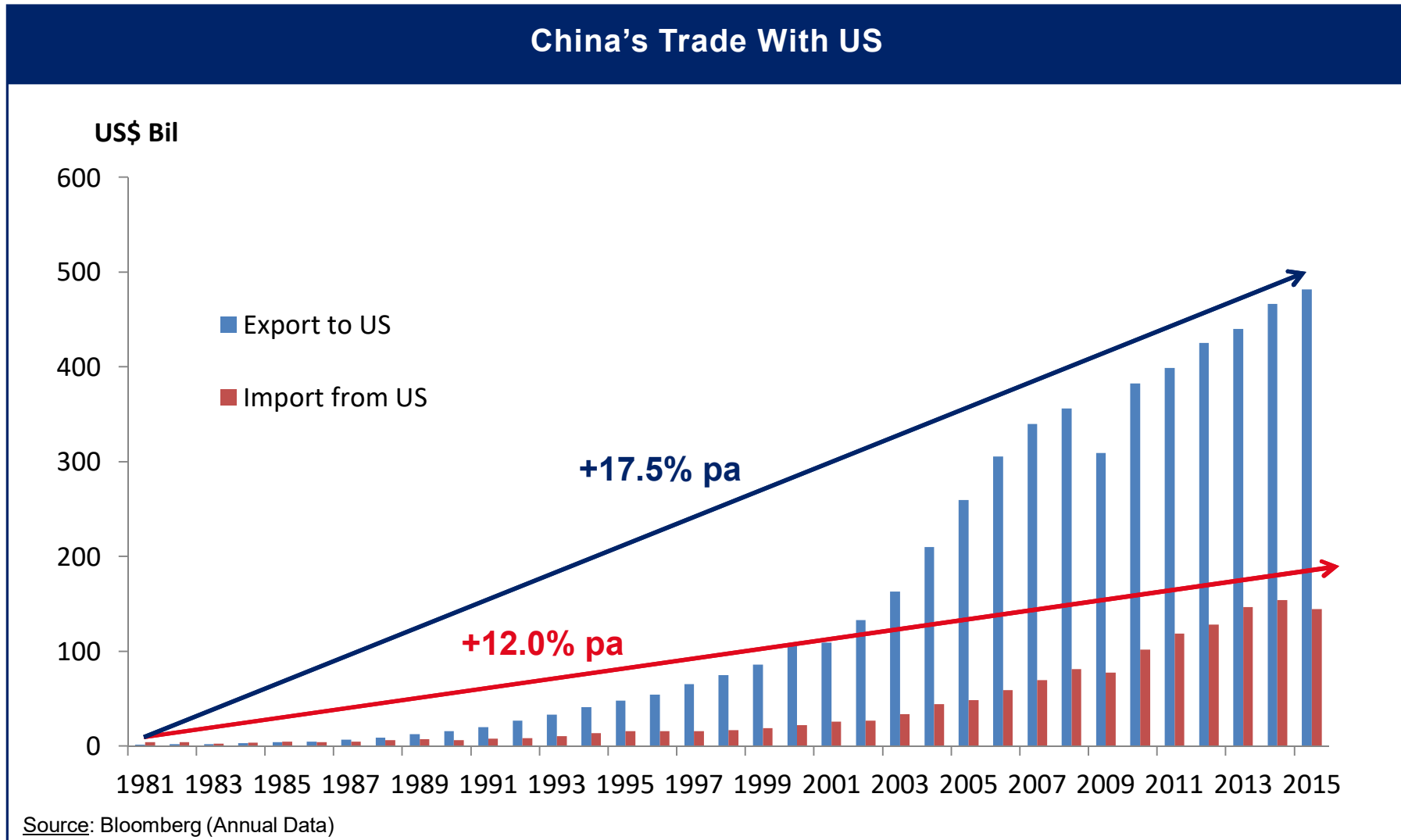
Let's Learn About Manufacturing!



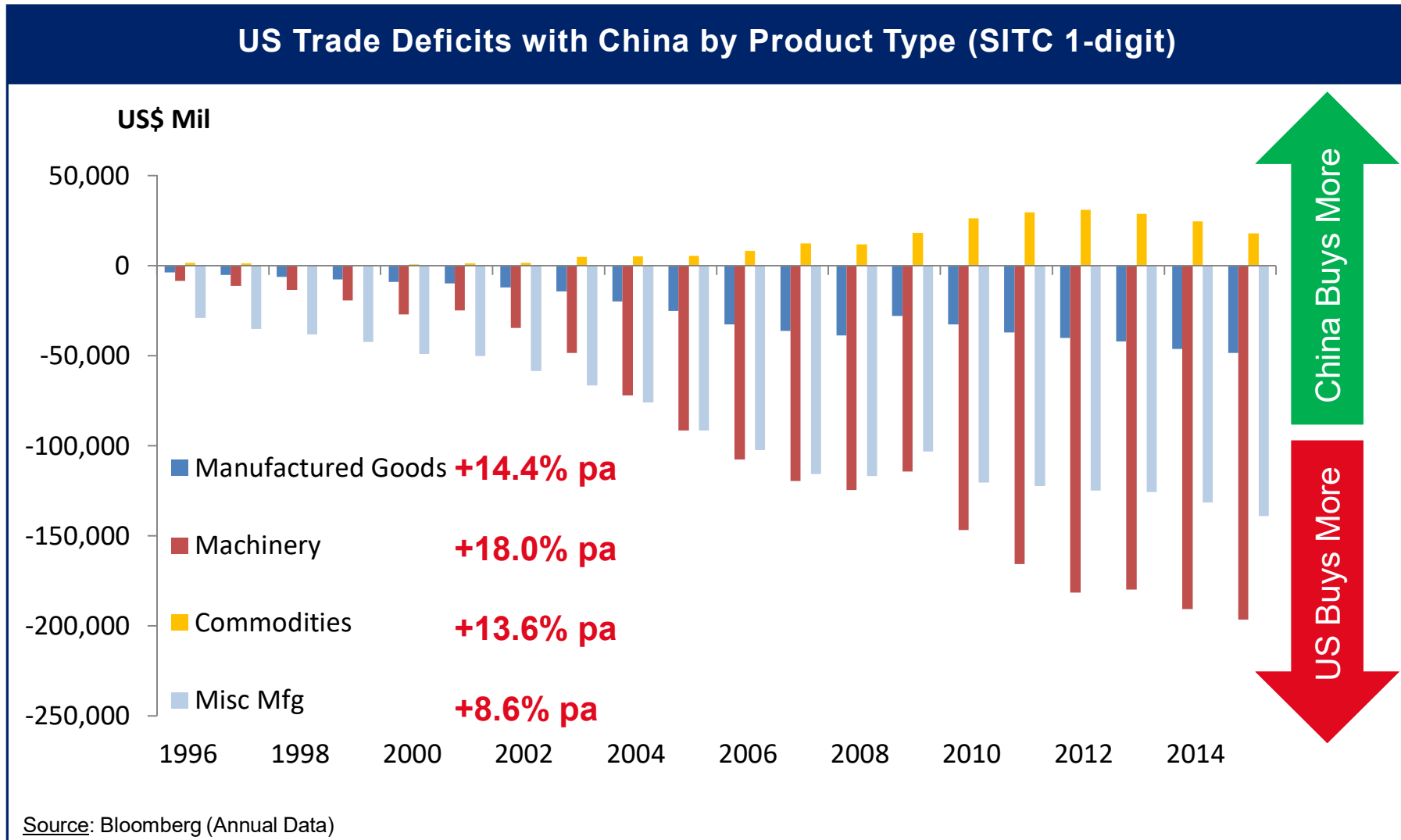
And The US Should NOT Complain Too Much...



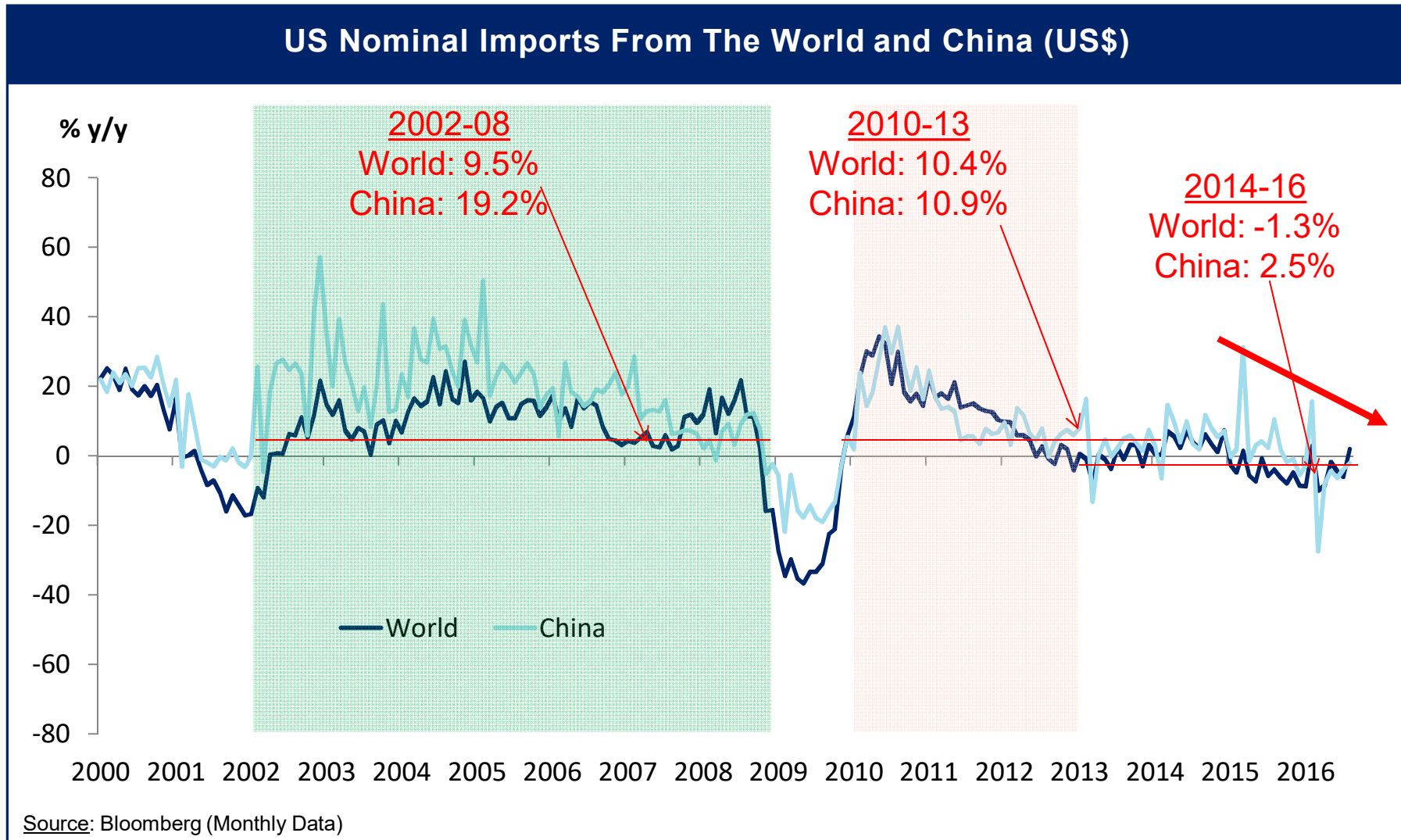
China is America's 3rd Largest Exporting Partner (10%) ; America is China's Largest Exporting Partner (18%)



US Buying Higher Value-added Items & Capital Goods at Faster Rate



Although US Is Recovering, It May Not Translate To More Global Trade

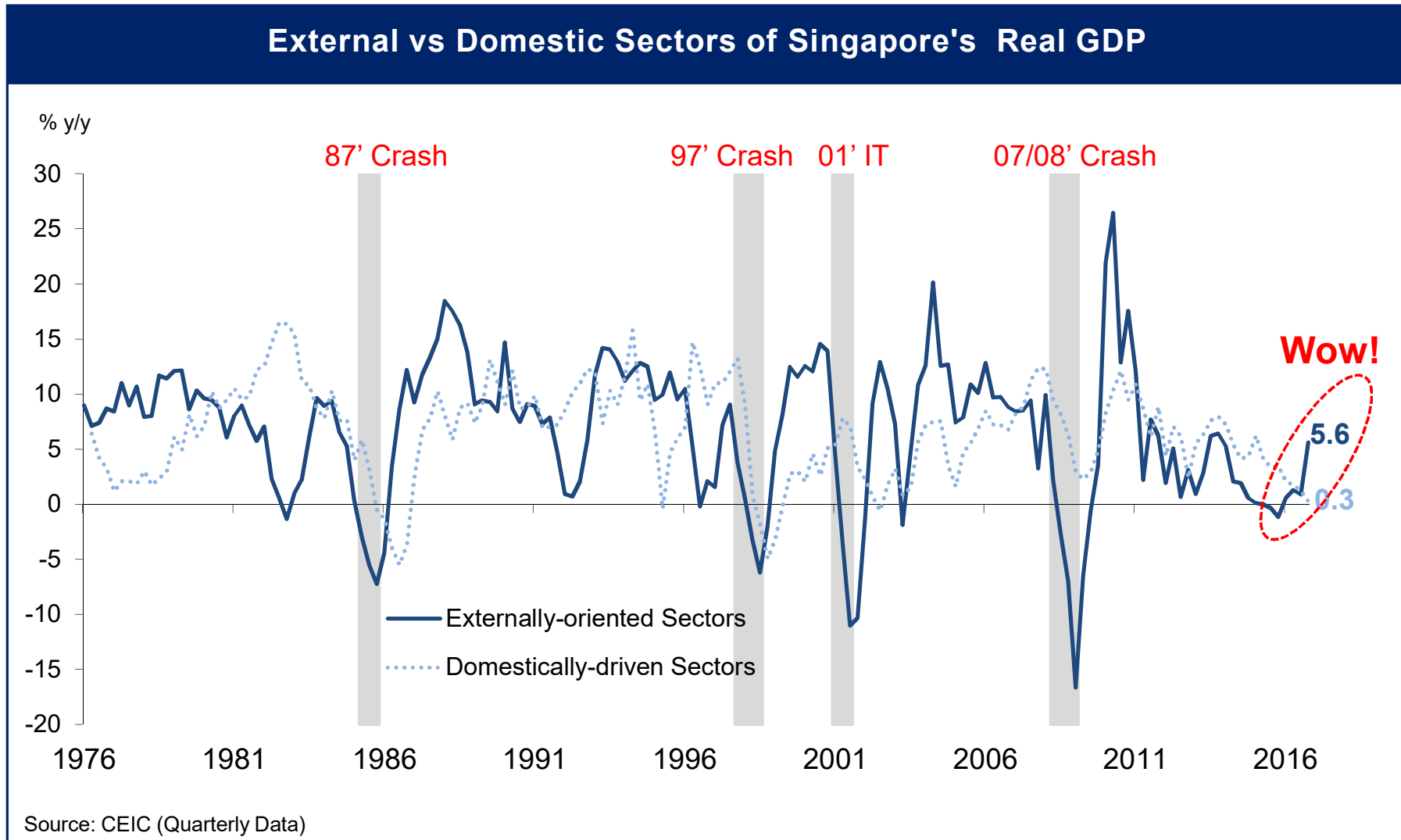




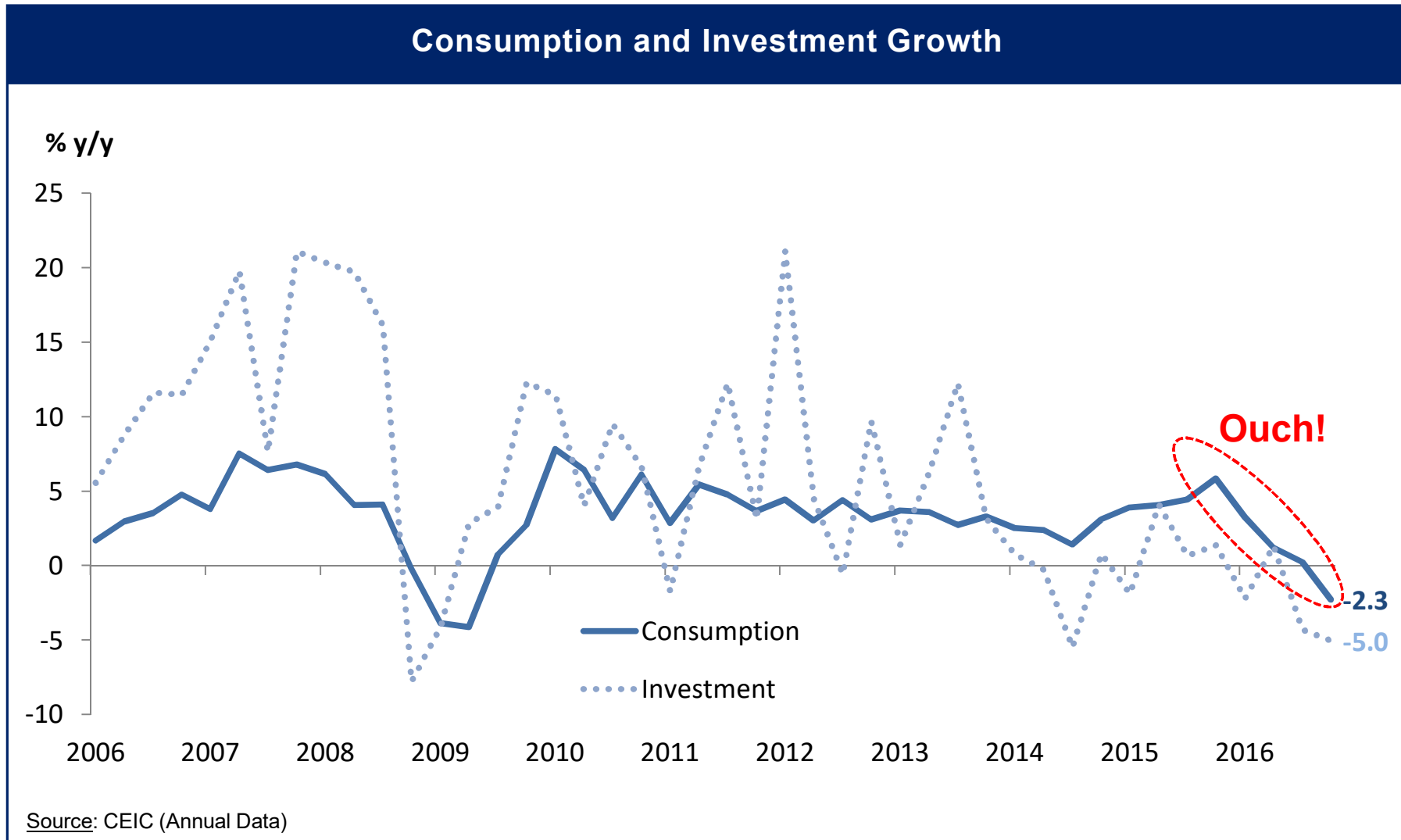
Singapore's Economic Fate

The Good Years of Blind-driving are Over

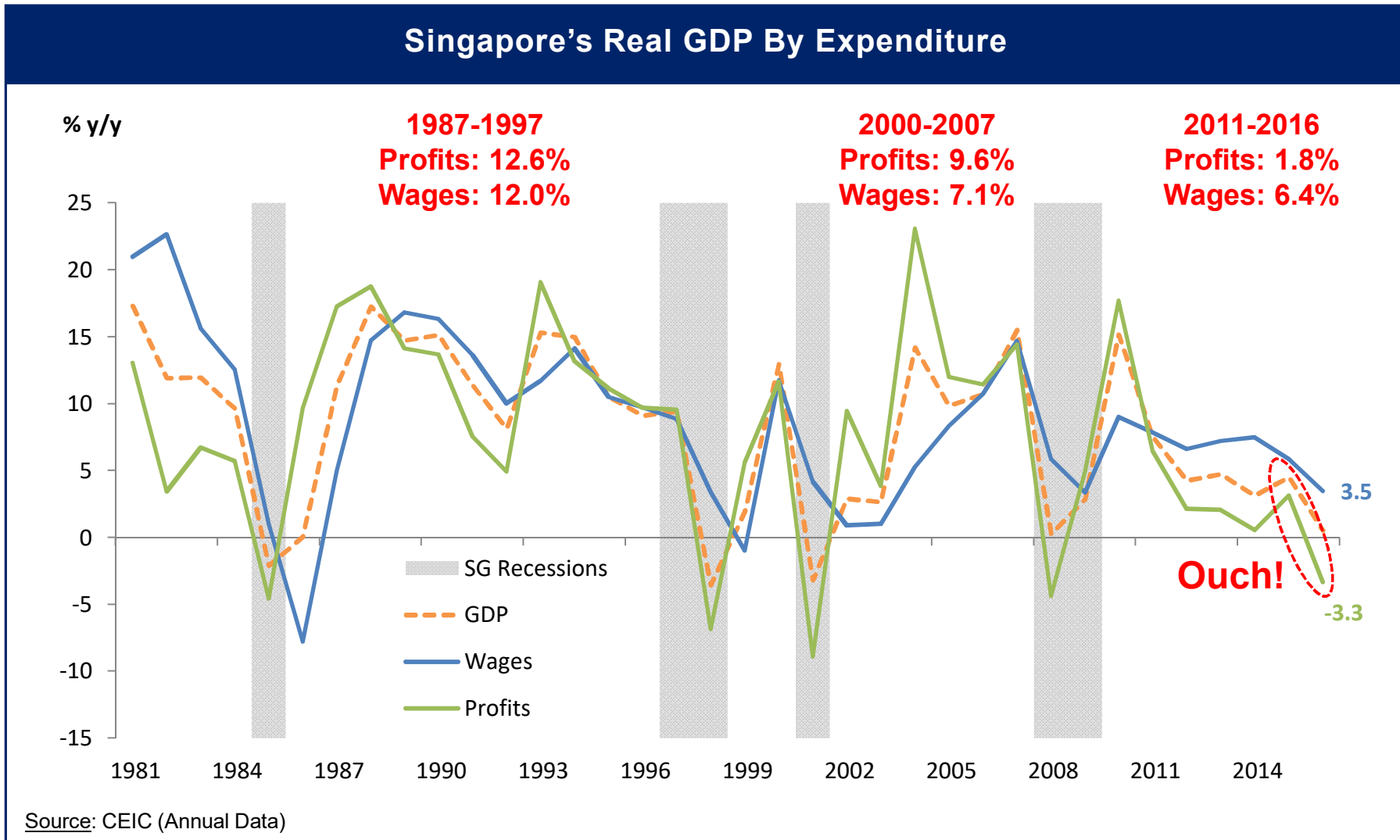
Bright Spots in External Sectors since 2H 2016



Nevertheless, Weak Consumption and Investment Growth



Labour Market Tightness Since 2011 Resulted In Lower Profits Growth For Firms



A Brief History of Our Economic Strategy





2010 Economic Strategies Committee



- 1. I
- 2. A
- ent

own

- 3. Growing human and knowledge capital;
- 4. Creating high-value jobs for Singaporeans;
- 5. Maximising finite resources such as land and energy

$$Y = AL^{\beta} K^{\alpha}$$



2016 Committee For Future Economy



Future growth industries and markets. Identify and design growth strategies for priority clusters in Singapore, and to enable companies to seize opportunities in the global marketplace.

Corporate capabilities and innovation. Recommend strategies to enable companies and industry clusters to develop innovative capacities, and use technology as well as new business models and partnerships to create value.

Jobs and skills. Assess the impact of demographics and technology on the labour force, and recommend strategies to create and re-design jobs, and to equip Singaporeans with the skillsets needed for the future.

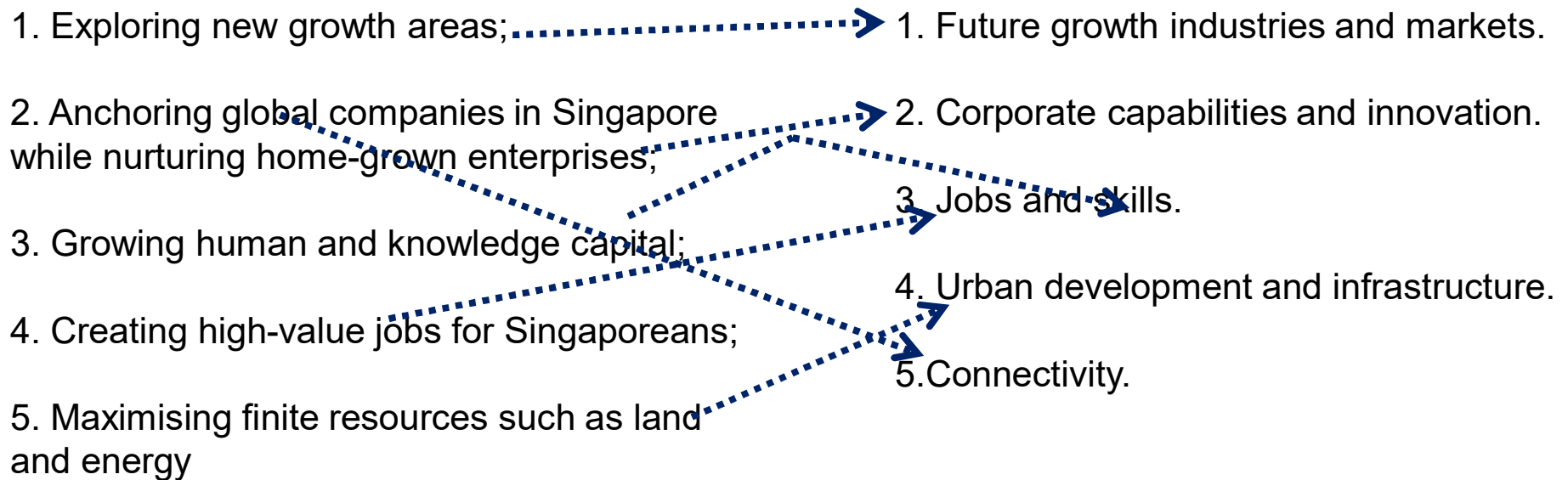
Urban development and infrastructure. Recommend strategies to enhance our infrastructure and develop sustainable urban spaces, so as to create an outstanding living environment for our people and reinforce economic advantage.

Connectivity. Study modern connectivity and flows in the future global economy and recommend how Singapore can continue to be a hub that brings value to Asia and the world.

Comparing The 2016 Goals With 2010's

2010

2016

- 
- 1. Exploring new growth areas; → 1. Future growth industries and markets.
 - 2. Anchoring global companies in Singapore while nurturing home-grown enterprises, → 2. Corporate capabilities and innovation.
 - 3. Growing human and knowledge capital; → 3. Jobs and skills.
 - 4. Creating high-value jobs for Singaporeans; → 4. Urban development and infrastructure.
 - 5. Maximising finite resources such as land and energy → 5. Connectivity.

$$Y = AL^{\beta} K^{\alpha}$$

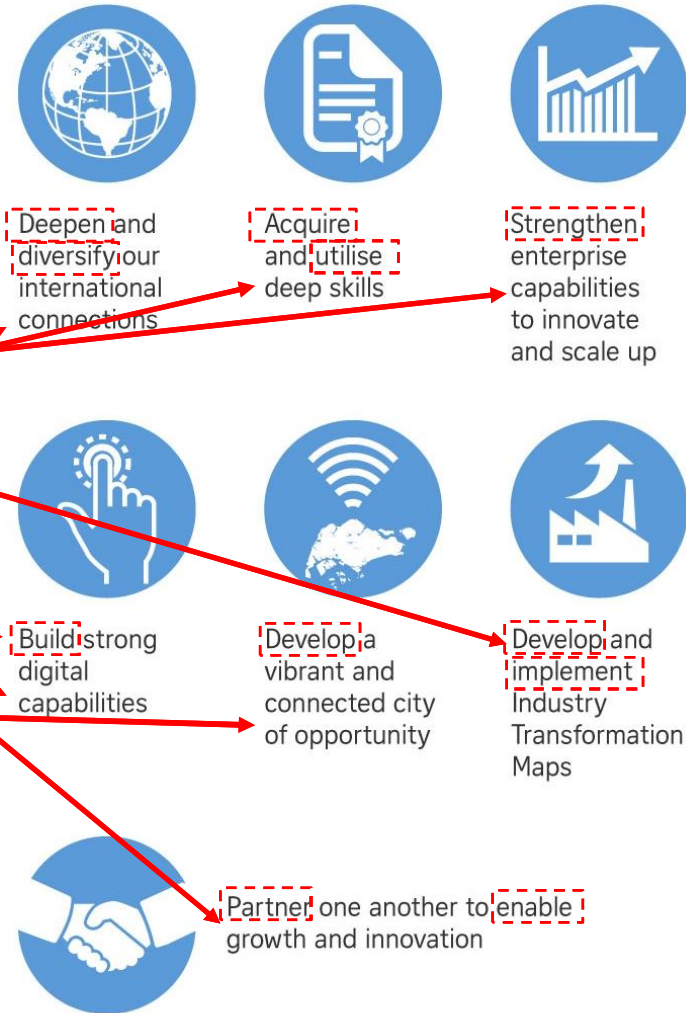
“Old Song, New Singer”

Tackling 5 Areas

Using 7 Strategies

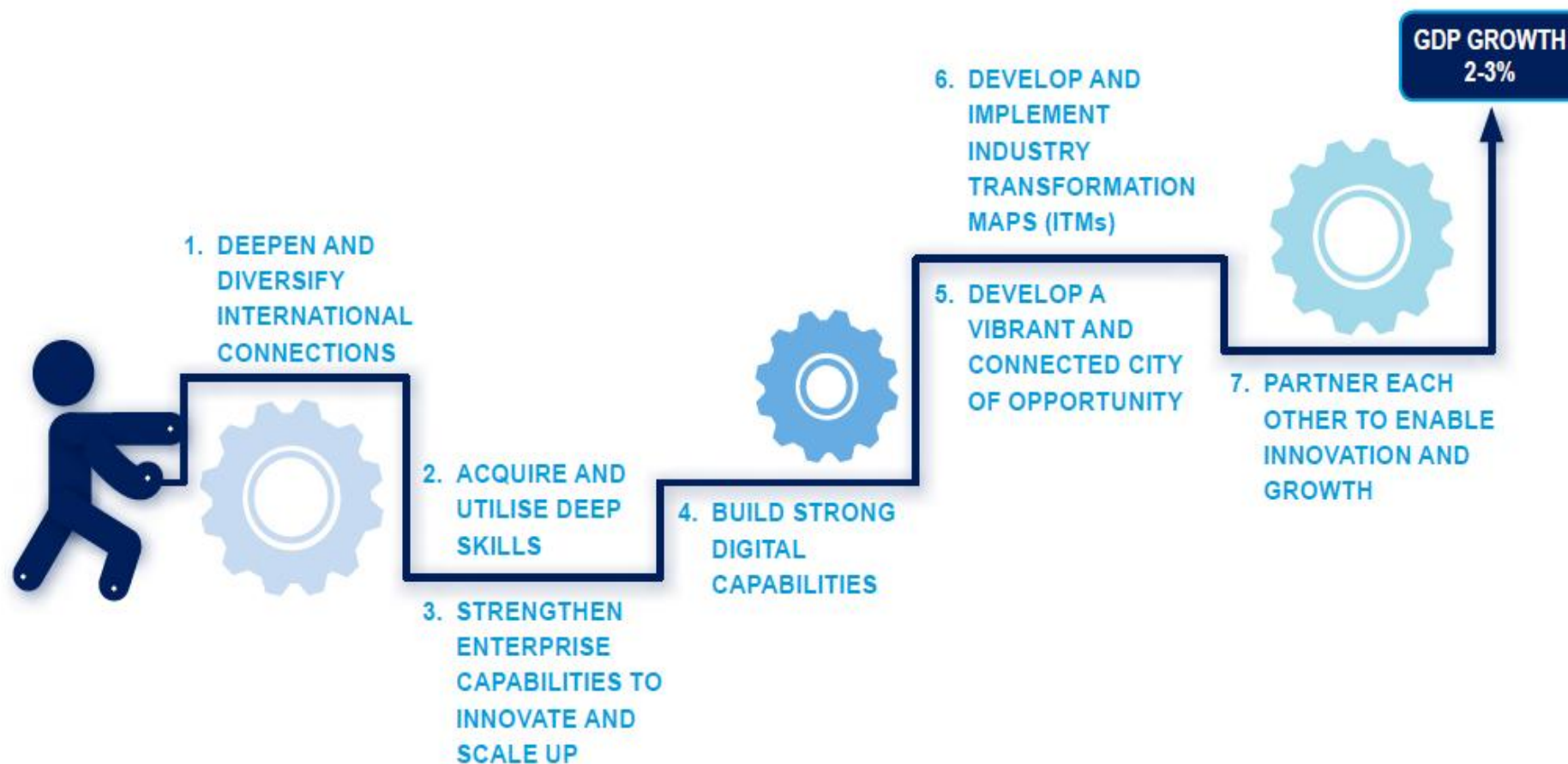


1. Future growth industries and markets.
2. Corporate capabilities and innovation.
3. Jobs and skills.
4. Urban development and infrastructure.
5. Connectivity.



Source: COMMITTEE ON THE FUTURE ECONOMY
STRAITS TIMES GRAPHICS

The 7 Strategies Identified By The CFE...



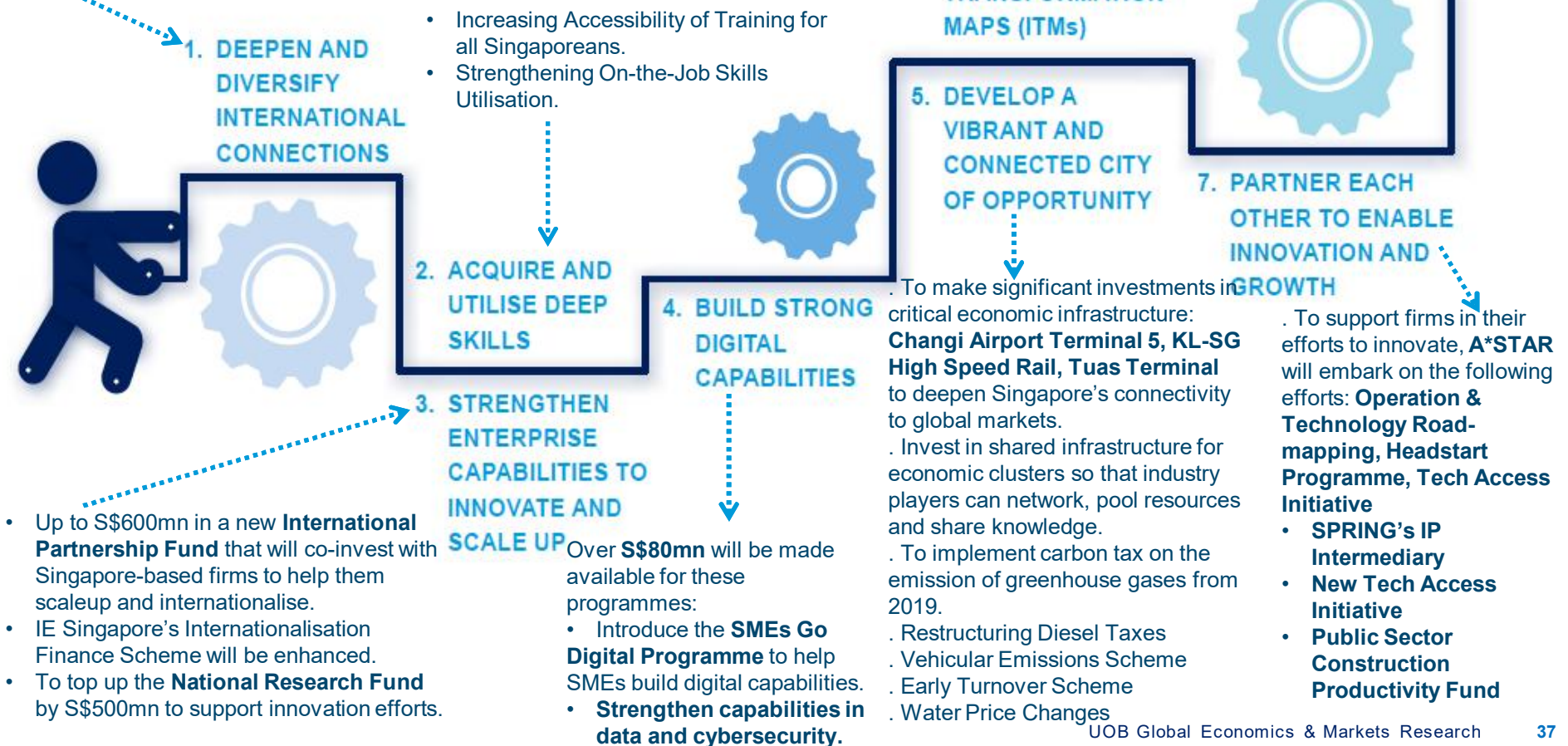
...Matched To The Initiatives Announced In Budget 2017

Over **S\$100mn** to build capabilities under the below initiatives:

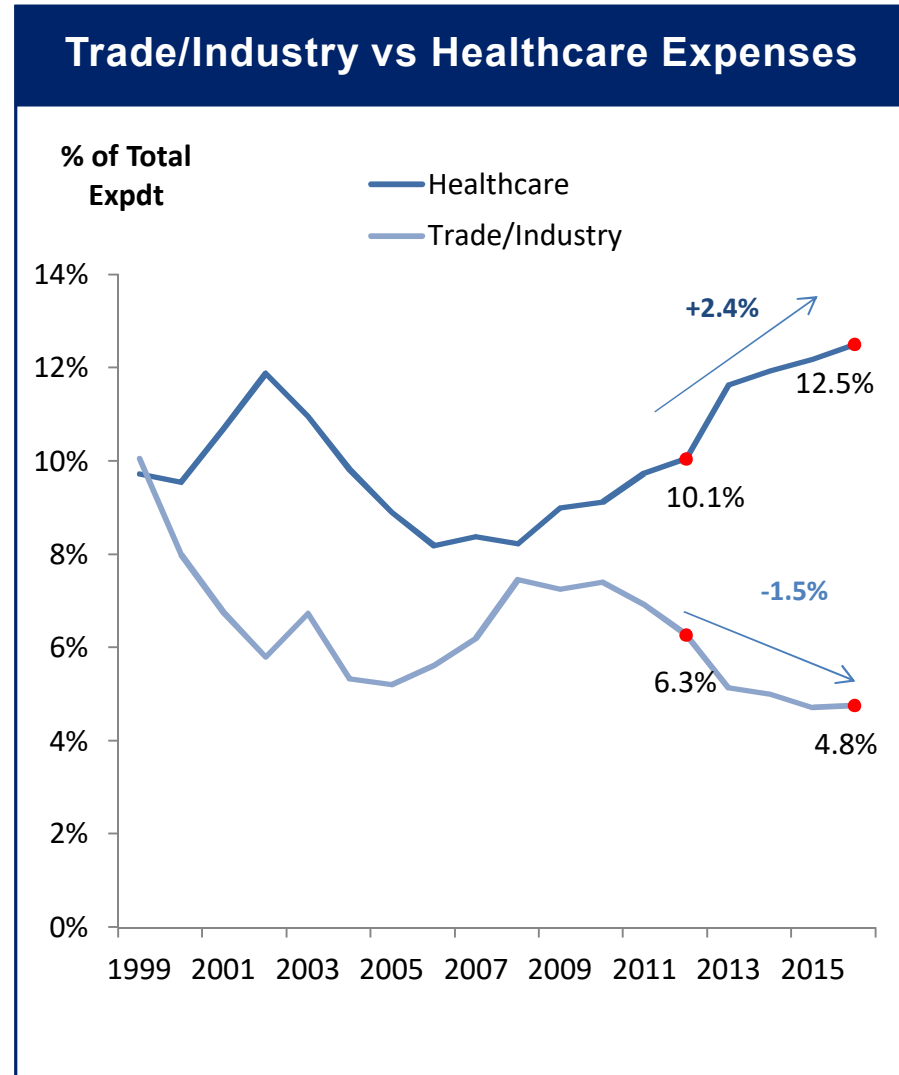
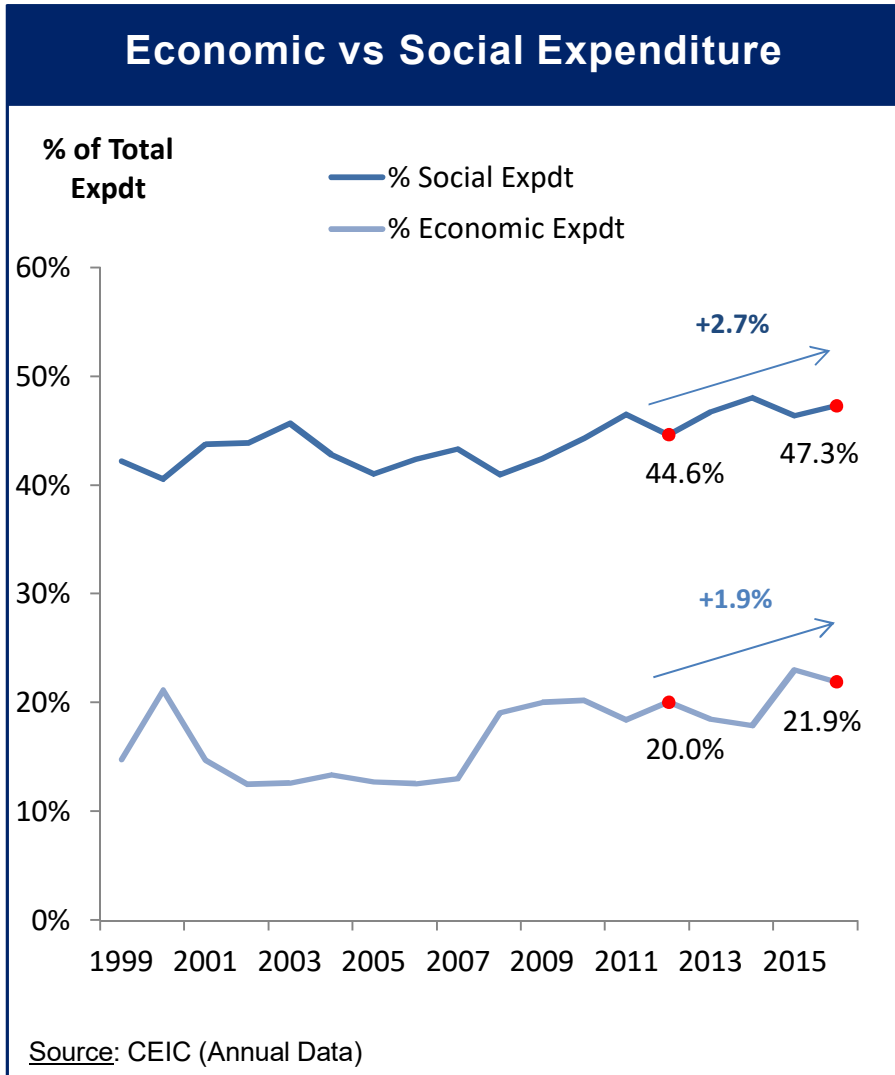
- Setting up of **Global Innovation Alliance** for Singaporeans to gain overseas experience, build networks and collaborate abroad.
 - Consists of 3 programmes:
 1. **Innovators Academy**
 2. **Innovation Launchpads**
 3. **Welcome Centres**
- **SkillsFuture Leadership Development Initiative** will support companies to groom Singaporean leaders.

S\$2.4bn
Set Aside Over The Next 4 Years To Implement The CFE Strategies

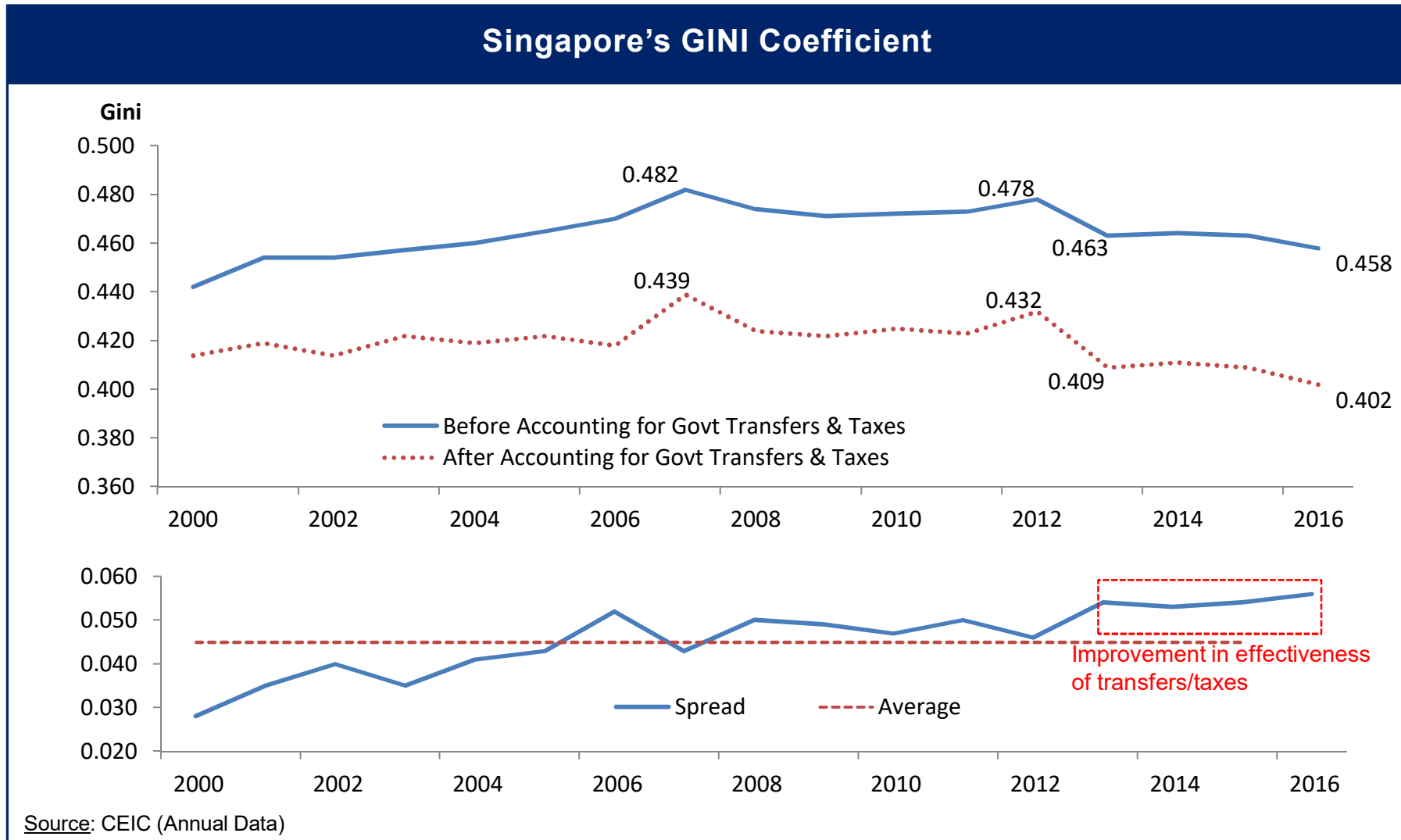
- **Industry Transformation Maps** to bring together various stakeholders to come together to transform each sector. 23 sectors identified, covering 80% of the economy .
- To top up the **National Productivity Fund** by S\$1bn to support industry transformation.



Lots More Emphasis on Social Expenditure Since 2011



Improvement in GINI Coefficient, Especially after Government Intervention



A. The Future Beyond SG50: New World, New Challenges

A.1. Madam Speaker, I beg to discuss the financial policy of the Government from 2016 to 31st March 2017.

We Have Come a Long Way

A.2. Last year, we celebrated a significant milestone. This year, we stand on the shoulders of giants.

A.3. Our first 50 years tell us that we have overcome great challenges and achieved great milestones.

invest in infrastructure and unchartered waters.

b. Through our family values, we have built a strong foundation for our nation.

A.4. Our Budget 2017 is a testament to our commitment to economic growth and social progress.

A.5. The Government's focus on innovation and knowledge-based industries is a key strategy for our future.

a. The Commission on Innovation and Entrepreneurship has provided valuable insights into the challenges we face.

b. Few in our industry have been able to sustain growth through these uncertain times.

A.17. I am confident that if we have the will, we will find the way.

A.18. We must remain prudent in our expenditures, and ensure every additional dollar spent is spent responsibly.

A.19. Much work lies ahead. I am confident that if we have the will, we will find the way.

A Spirit of Partnership for our New Chapter

A.19. Much work lies ahead. I am confident that if we have the will, we will find the way.

A.20. Core for us to succeed is the spirit of partnership, where Singaporeans work together in new ways to transform our economy and strengthen our society.

A.21. We have inherited a rich heritage of kampong days. Over the years, we have embraced new vitality, from the modern conveniences to the collective spirit of our community.

A.22. Going forward, we will continue to embrace challenges together.

A.23. Everyone has a role, and we must work together to give strength and resilience to our nation.

A.24. We must come together to face the challenges of the global economy.

A.25. Likewise, we must develop a resilient society. Over the last decade, the Government has made significant progress in building a strong foundation for our future.

A.26. We must remain prudent in our expenditures, and ensure every additional dollar spent is spent responsibly.

A.27. We must encourage every Singaporean to contribute towards caring for our fellow citizens and building for the future.

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Growing Singapore

B.1. Let me first discuss the economic growth of Singapore.

B.2. Over the past few years, we have focused on innovation and entrepreneurship.

a. We have seen significant progress in our research and development efforts.

b. We have also seen a steady increase in our gross value added.

c. We have also seen a steady increase in our gross value added.

B.3. Progress has been made in various sectors, including manufacturing and services.

a. More investment in infrastructure has helped to attract foreign direct investment.

b. The Government's focus on innovation and entrepreneurship has led to the emergence of new industries.

c. We have also seen a steady increase in our gross value added.

B.4. I am aware that the economic environment is uncertain, and we must remain prudent in our expenditures.

a. For our part, we will continue to support our businesses and workers.

b. We will also continue to support our businesses and workers.

c. We will also continue to support our businesses and workers.

d. For our part, we will continue to support our businesses and workers.

B.5. In the coming years, we expect to see continued growth in our economy.

a. We expect to see continued growth in our economy.

b. We expect to see continued growth in our economy.

c. We expect to see continued growth in our economy.

d. We expect to see continued growth in our economy.

.15. All these translate into higher spending needs. Our expenditures have grown to almost two and a half times of what

B. Transform and Innovate

Growing Singapore

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c. With a median income of \$12,000, we have achieved significant progress in our economic growth.

B.6. The pace of global economic recovery is uneven, with the US being the most advanced, while Europe and Japan will only see modest growth aided by monetary stimulus.

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B.8. We therefore expect externally-oriented sectors such as manufacturing to continue to face subdued demand.

B.9. The extended downturn in oil and other commodity prices is affecting commodity-related activities, particularly the marine and offshore sector.

B.10. Weak global demand in electronics will spill over to related sectors such as precision engineering.

B.11. But while overall growth is subdued, our business landscape is varied. There are pockets of growth and resilience.

B.12. Even within manufacturing, the medtech and chemicals sectors are growing.

B.13. Exports of services, including tourism, financial services, Information and Communications Technology (or ICT) and consultancy are benefiting from regional demand.

B.14. Domestic sectors such as retail, healthcare and education have been resilient and should remain stable.

B.15. Construction, too, will be supported by the large expansion in public infrastructure and housing projects, even as private residential demand has ebbed.

B.16. With sectors prospects varied across the economy, some are becoming more competitive and gaining market share, while others are seeking to relocate to cheaper destinations.

B.17. Similarly, prospects in the labour market are mixed. Overall, redundancies increased in 2015 as global demand slowed and

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Too Much Information; Too Little Time!

Budget 2017



Moving Forward Together

	Budget 2017	Pages	Number	
Social	A Caring and Inclusive Society	32 to 42	11	2016=34%
			(26%)	
Economy	An Innovative and Connected Economy			18 (43%) 2016=66%
	Managing the Transition	6 to 10	5	
	The Future Economy	11	1	
	*Strengthening Enterprises Capabilities	12 to 15	4	
	*Deepening People's Capabilities	16 to 19	4	
	*Partnerships for Shared Success	20 to 23	4	
City	A Quality Living Environment	24 to 31	8	(19%)
Prudence	A Sustainable Fiscal System	43 to 47	5	(12%)

Budget 2017



Moving Forward Together

		Budget 2017	Pages	Number	
Social	}	A Caring and Inclusive Society	32 to 42	11	
					(26%)
		An Innovative and Connected Economy			
Short-Term	}	Managing the Transition	6 to 10	5	(28%)
		The Future Economy	11	1	2016=16%
Long-Term	}	*Strengthening Enterprises Capabilities	12 to 15	4	13 (72%) 2016=84%
		*Deepening People's Capabilities	16 to 19	4	
		*Partnerships for Shared Success	20 to 23	4	
City		A Quality Living Environment	24 to 31	8	(19%)
Prudence		A Sustainable Fiscal System	43 to 47	5	(12%)

BUDGET 2016

Partnering for the Future



Doing It The Hard Way: Measuring Word by Word

Top Words Mentioned In 2016

Words	2016	2017	2017-16
support	147	71	-76
transform	66	9	-57
industries	58	26	-32
innovate	54	38	-16
work	52	24	-28
develop	51	35	-16
sector	47	40	-7
build	44	32	-12
firm	44	30	-14
senior	43	1	-42
help	42	51	9
together	42	23	-19
people	40	20	-20
business	39	24	-15
first	38	16	-22
provide	37	29	-8
need	36	37	1
worker	35	26	-9
receive	35	14	-21
scheme	34	29	-5
budget	33	29	-4

Top Words Mentioned In 2017

Words	2016	2017	2017-16
support	147	71	-76
increase	27	58	31
help	42	51	9
tax	24	50	26
fund	27	41	14
sector	47	40	-7
innovate	54	38	-16
need	36	37	1
develop	51	35	-16
measure	28	34	6
capable	12	33	21
build	44	32	-12
water	0	31	31
firm	44	30	-14
enhance	18	30	12
communities	18	30	12
rebate	12	30	18
provide	37	29	-8
scheme	34	29	-5
budget	33	29	-4
economies	33	29	-4

Source: MOF, UOB Data Management Office

As % of All Words

Top Words Mentioned In 2016

Words	2016	2017	2017-16
support	2.06%	1.26%	-38.9%
transform	0.93%	0.16%	-82.8%
industries	0.81%	0.46%	-43.3%
innovate	0.76%	0.67%	-11.0%
work	0.73%	0.43%	-41.6%
develop	0.72%	0.62%	-13.2%
sector	0.66%	0.71%	7.6%
build	0.62%	0.57%	-8.0%
firm	0.62%	0.53%	-13.8%
senior	0.60%	0.02%	-97.1%
help	0.59%	0.90%	53.6%
together	0.59%	0.41%	-30.7%
people	0.56%	0.35%	-36.8%
business	0.55%	0.43%	-22.2%
first	0.53%	0.28%	-46.7%
provide	0.52%	0.51%	-0.9%
need	0.50%	0.66%	30.0%
worker	0.49%	0.46%	-6.0%
receive	0.49%	0.25%	-49.4%
scheme	0.48%	0.51%	7.9%
budget	0.46%	0.51%	11.1%

Top Words Mentioned In 2017

Words	2016	2017	2017-16
support	2.06%	1.26%	-38.9%
increase	0.38%	1.03%	171.7%
help	0.59%	0.90%	53.6%
tax	0.34%	0.89%	163.5%
fund	0.38%	0.73%	92.1%
sector	0.66%	0.71%	7.6%
innovate	0.76%	0.67%	-11.0%
need	0.50%	0.66%	30.0%
develop	0.72%	0.62%	-13.2%
measure	0.39%	0.60%	53.6%
capable	0.17%	0.59%	247.8%
build	0.62%	0.57%	-8.0%
water	0.00%	0.55%	∞
firm	0.62%	0.53%	-13.8%
enhance	0.25%	0.53%	110.8%
communities	0.25%	0.53%	110.8%
rebate	0.17%	0.53%	216.2%
provide	0.52%	0.51%	-0.9%
scheme	0.48%	0.51%	7.9%
budget	0.46%	0.51%	11.1%
economies	0.46%	0.51%	11.1%

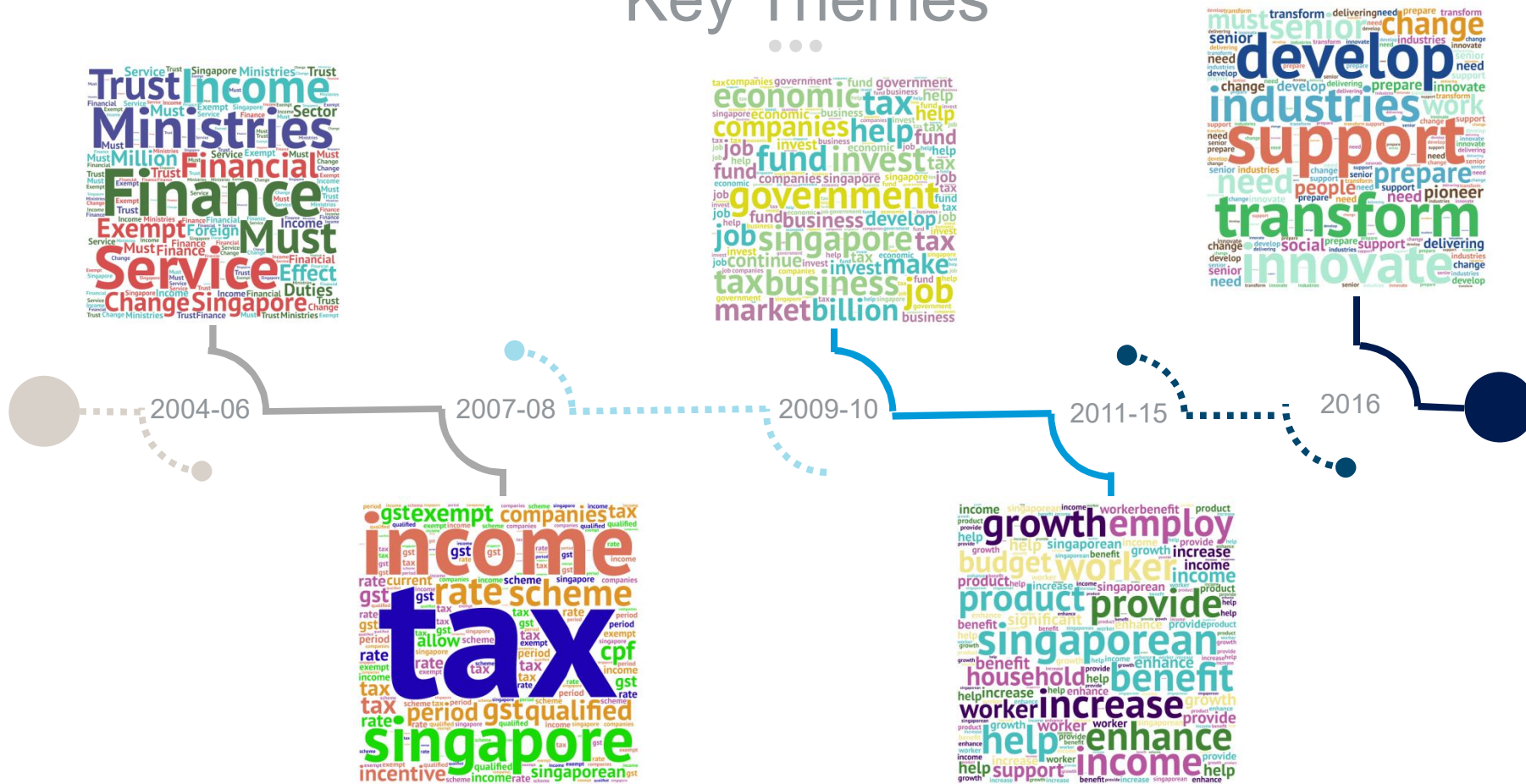
Source: MOF, UOB Data Management Office

Topic Modelling Past Budgets Using Latent Dirichlet Allocation Technique

Governance 2004-05	Taxation 2006-08	Economy 2009-10	Citizens 2011-15	Innovation 2016-17
Topic 1	Topic 2	Topic 3	Topic 4	Topic 5
Finance	Tax	Govern	Singaporean	Support
Ministries	Income	Businesses	Worker	Innovation
Service	Qualify	Tax	Increase	Transform
Trust	Scheme	Invest	Provide	Firm
Tax	Companies	Help	Help	Industries
Exempt	Rate	Job	Income	Develop
Worker	Finance	Economic	Employment	Work
Opportunities	Allow	Companies	Enhance	Programme
Operate	Period	Fund	Benefit	Prepare
Income	Exempt	Economies	Product	Build
Change	CPF	Market	Scheme	Sector
Effect	GST	Sector	Growth	People
Individuals	Treatment	Well	Budget	Together
Attract	Employ	Grow	Foreign	Deliveries
Competitors	Incentives	Develop	Support	Technology

Utilising Machine Learning To Sieve Out Key Themes From Singapore's Annual Budgets

MACHINE LEARNING Key Themes



Topic Modelling on Previous Budgets Using The Latent Dirichlet Allocation Method

- 1 QUESTION**
“Can we uncover key themes from past budget statements?”
- 2 CHALLENGE**
Understand and organize large collections of unstructured text bodies in a short time



14 Years of History



850 pages

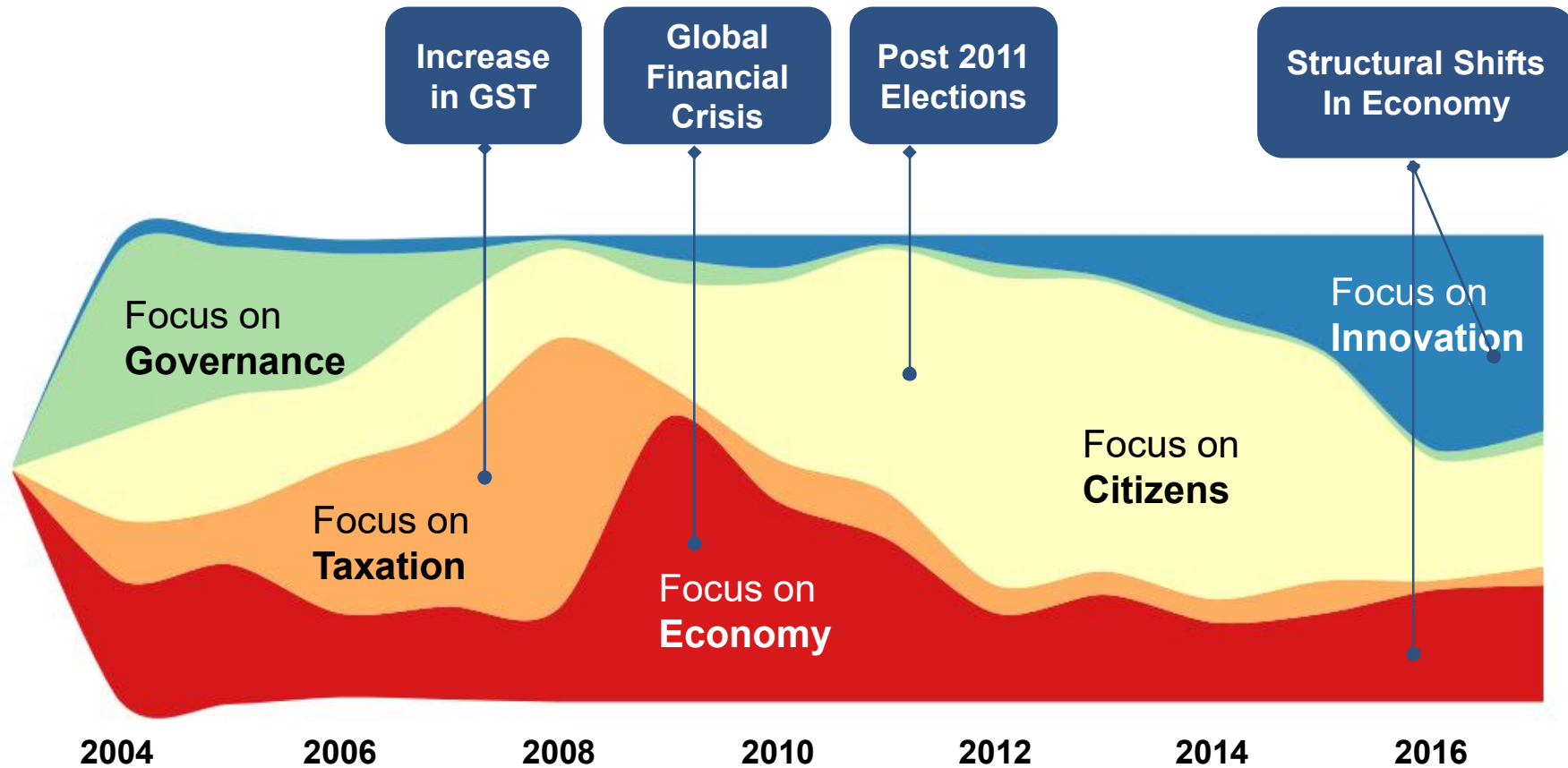


1 Million characters

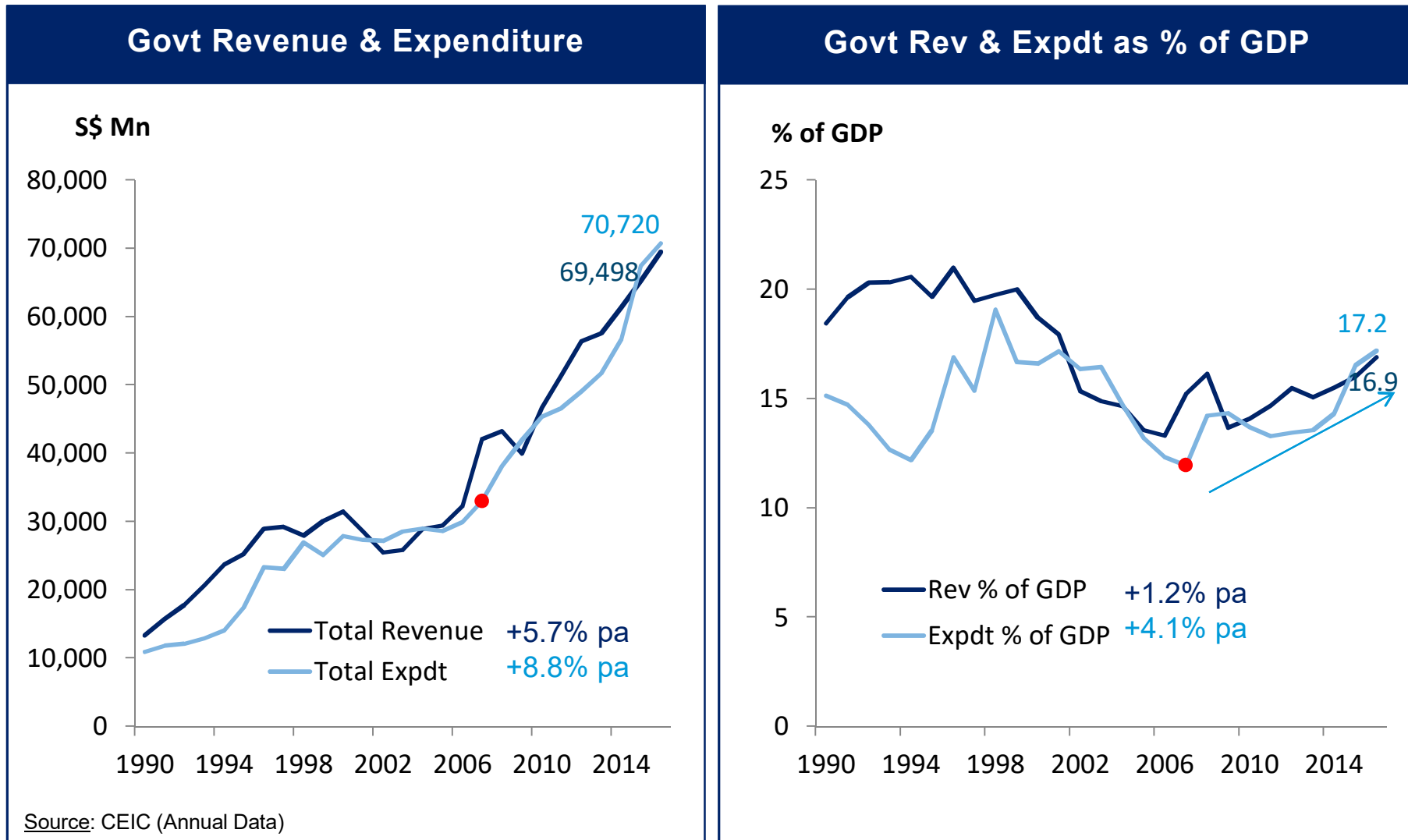


Uncovered within 1 day

Results



Expenditure Is Really Rising Very Quickly



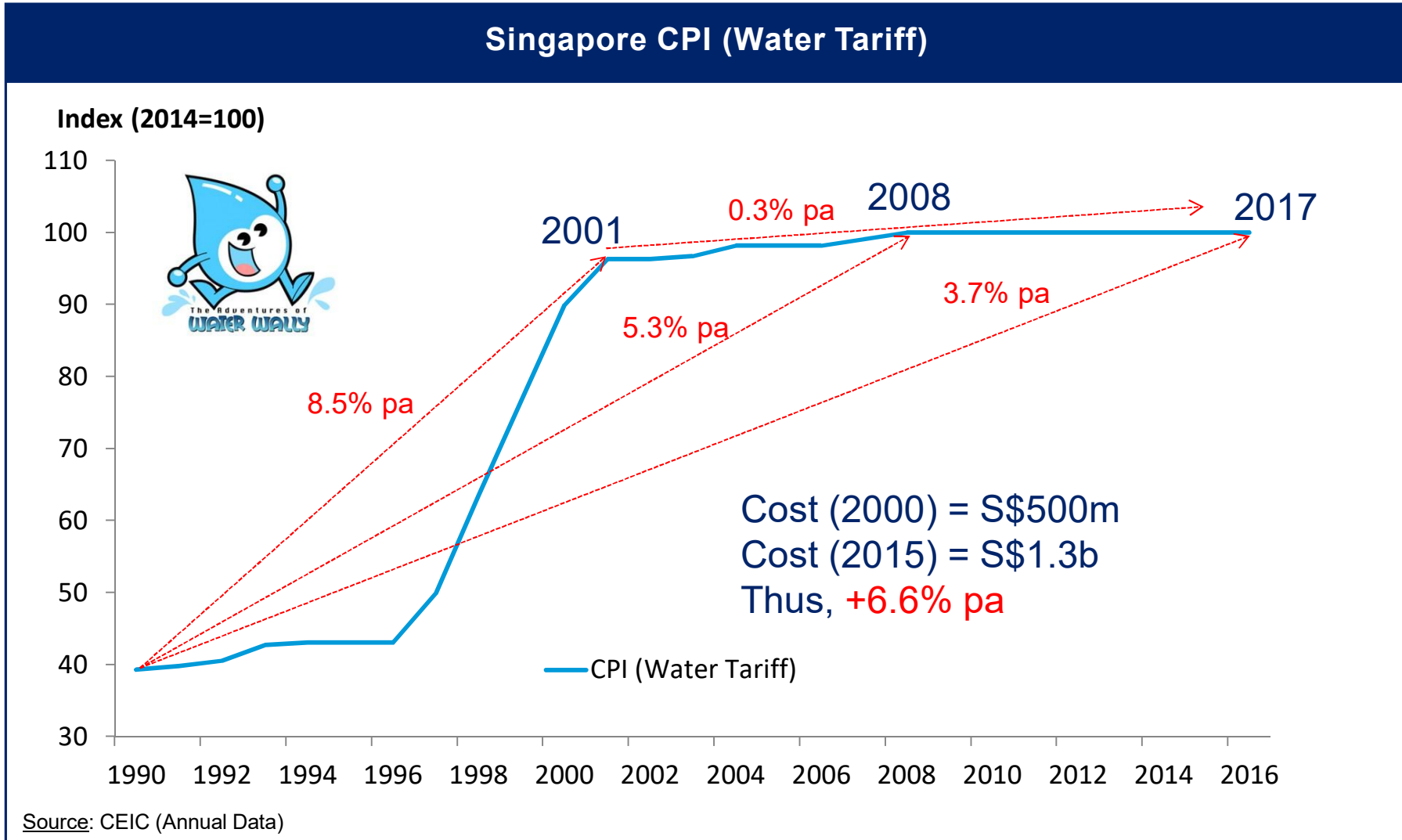
Balancing The Budget

S\$ mn	Govt Est FY2016	Actual FY2016	Govt Est FY2017	UOB Est FY2017	% chg
Operating Revenue	68,440	68,670	69,450	70,926	1.1%
Total Expenditure	73,430	71,390	75,070	74,095	5.2%
Operating Expenditure	54,430	52,680	56,300	54,473	6.9%
Development Expenditure	19,000	18,710	18,770	19,622	0.3%
Primary Budget Balance**	-4,990	-2,720	-5,620	-3,169	106.6%
Less: Special Transfers	6,270	6,470	6,580	5,362	1.7%
Add: NIR Contribution	14,700	14,370	14,110	15,696	-1.8%
Overall Budget Balance	3,440	5,180	1,910	7,164	-63.1%
% of GDP	0.85	1.30	0.40	1.70	

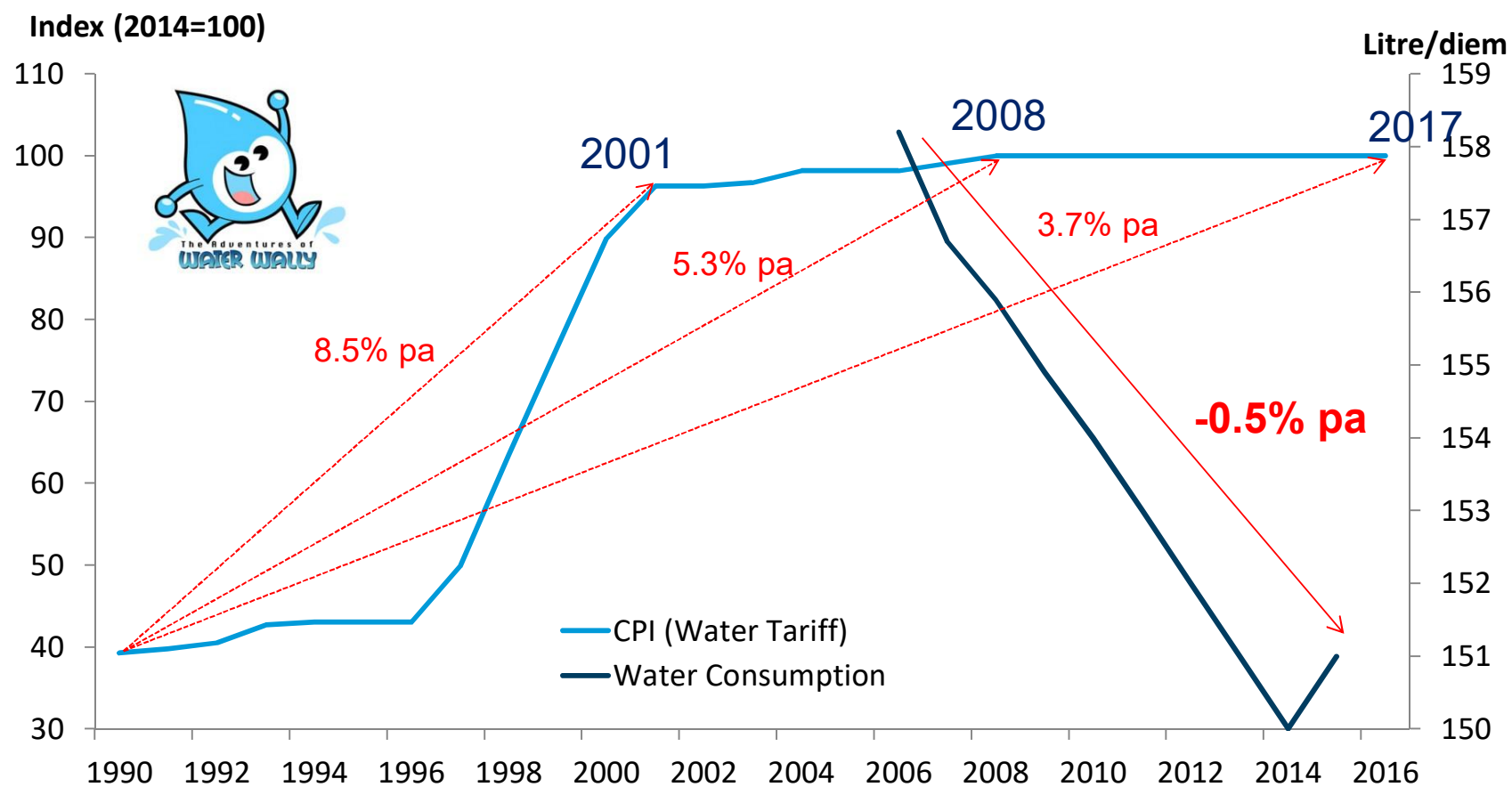
Source: Ministry of Finance

* Figures may not add up due to rounding

** Surplus (Deficit) before Special Transfers and Net Investment Income (NII) Contribution



Singapore CPI (Water Tariff)



Source: CEIC (Annual Data)

In Summary

- Rising trade protectionism is a net negative for the global economy. The problem is not about free trade; It's about the more equal distribution of wealth/income amongst the population. Rather than looking at their internal allocation process, charismatic leaders are hitting out at the wrong issue and conveniently putting the blame to other countries (“easy targets”).
- Should the US erect a full wall of trade protectionism against China, the effect will be equally bad for themselves. China may suffer from an initial trade shock, but will overcome it eventually, due to the various reasons discussed. It's other emerging economies that will be more at risk, since they urgently need to get into manufacturing to avoid the poverty trap. Without trade, current account and fiscal deficits will be the key problems facing them and emerging market currencies will thus experience more depreciation pressures.
- Singapore urgently needs to find new reasons for our existence. Our population is ageing at quite a quick rate and creates an ever-pressing need to restructure the supply side of the economy.

Question & Answer Session

Contact Details

Francis Tan

UOB Global Economics & Markets Research

francis.tantt@uobgroup.com



About The Speaker

Francis is an Asian economist with United Overseas Bank's Global Economics & Markets Research team with special focus on research on ASEAN economies. He provides regular economics commentary on TV and is frequently quoted in the media. Before joining UOB in 2012, Francis was an investment strategist at Phillip Capital where he used macroeconomics, business cycle theories, market timing and technical analyses to develop a systematic top-down investment approach for discretionary portfolios. Prior to that, Francis served as an Investment Manager in the wealth management arm of the Royal Bank of Scotland. His career also included stints as an economist at the Ministry of Trade and Industry and the Singapore Tourism Board, where he specialised in Tourism Economics.

Francis obtained the Bachelor of Social Science (Honours) in Economics in 2002 and the Master of Social Science in Applied Economics in 2003 from the National University of Singapore. Continuing his academic interests in the field of applied economics, Francis most recently contributed a chapter titled "Tourism Demand in Singapore: Estimating Neighbourhood Effects" in the Handbook of Tourism Economics published in 2013, and had published a paper titled "Growth and Environmental Quality in Singapore: Is There Any Trade-off?" in the "Ecological Indicators" journal in 2014.

Thank You



RIGHT BY YOU

