



The Singapore Budget 2016

After-thoughts

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UOB Global Economics & Markets Research

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Budget 2015



*Building Our Future,
Strengthening Social Security*

| Budget 2015 | | Pages | Number | |
|----------------|--|----------|--------|--------------------|
| Social | Building our Future, Strengthening Social Security | 6 to 19 | 14 | 37 (63%) |
| | Assurance in Retirement | 46 to 56 | 11 | |
| | Supporting Families, Strengthening Community | 59 to 70 | 12 | |
| Economy | Investing in Innovation & Internationalisation | 32 to 43 | 12 | 22 (37%) |
| | Developing our People | 21 to 30 | 10 | |

Budget 2016



Partnering for the Future

| | Budget 2016 | Pages | Number |
|----------------|---|----------|--------------------|
| Social | Building a Caring & Resilient Society | 47 to 65 | 19 (34%) |
| | Transforming our Economy through Enterprise & Innovation | | |
| Economy | Growing Singapore Together | 11 to 16 | 6 |
| | Addressing Near-Term Concerns | 17 to 21 | 5 |
| | Industry Transformation Programme | 22 to 25 | 4 |
| | - Enterprise | 25 to 29 | 5 |
| | - Industries | 29 to 32 | 4 |
| | - Innovation | 33 to 39 | 7 |
| | Supporting Our People | 39 to 44 | 6 |
| | | | 37 (66%) |

Budget 2016



Partnering for the Future

| | | Budget 2016 | Pages | Number | | |
|-----------------------|----------|--|----------|-----------|--------------|-------|
| Social | } | Building a Caring & Resilient Society | 47 to 65 | 19 | (34%) | |
| | | | | | | |
| Economy | } | Transforming our Economy through Enterprise & Innovation | | | | (16%) |
| | | Growing Singapore Together | 11 to 16 | 6 | | |
| | | Addressing Near-Term Concerns | 17 to 21 | 5 | | |
| | | Industry Transformation Programme | 22 to 25 | 4 | | |
| | | - Enterprise | 25 to 29 | 5 | | |
| | | - Industries | 29 to 32 | 4 | | |
| | | - Innovation | 33 to 39 | 7 | | |
| Supporting Our People | 39 to 44 | 6 | | | | |
| | | | | 21 | (84%) | |



BUDGET 2015



BUDGET 2016

cpf students families second last billion credit
 subsidies lower budget growth school
 wage healthcare higher system rate help
 enhanced develop changes industry
 skills skills future provide many additional
 singaporean incomes government middle
 future singaporeans income
 life retirement education next scheme
 based increase innovation singapore tax
 development productivity employers
 workers companies quality learning social
 receive introduced training silver further
 cost costs million benefit smes rates
 aged

silver billion sector skills cash
 children projects million wage caring
 sectors community continue help develop
 programme scheme economic
 singaporeans measures seniors
 government build transformation
 economy innovation industry
 development tax singapore society
 receive together total workers provide
 budget challenges fund businesses
 transform productivity firms business
 social many growth income efforts smes
 three future



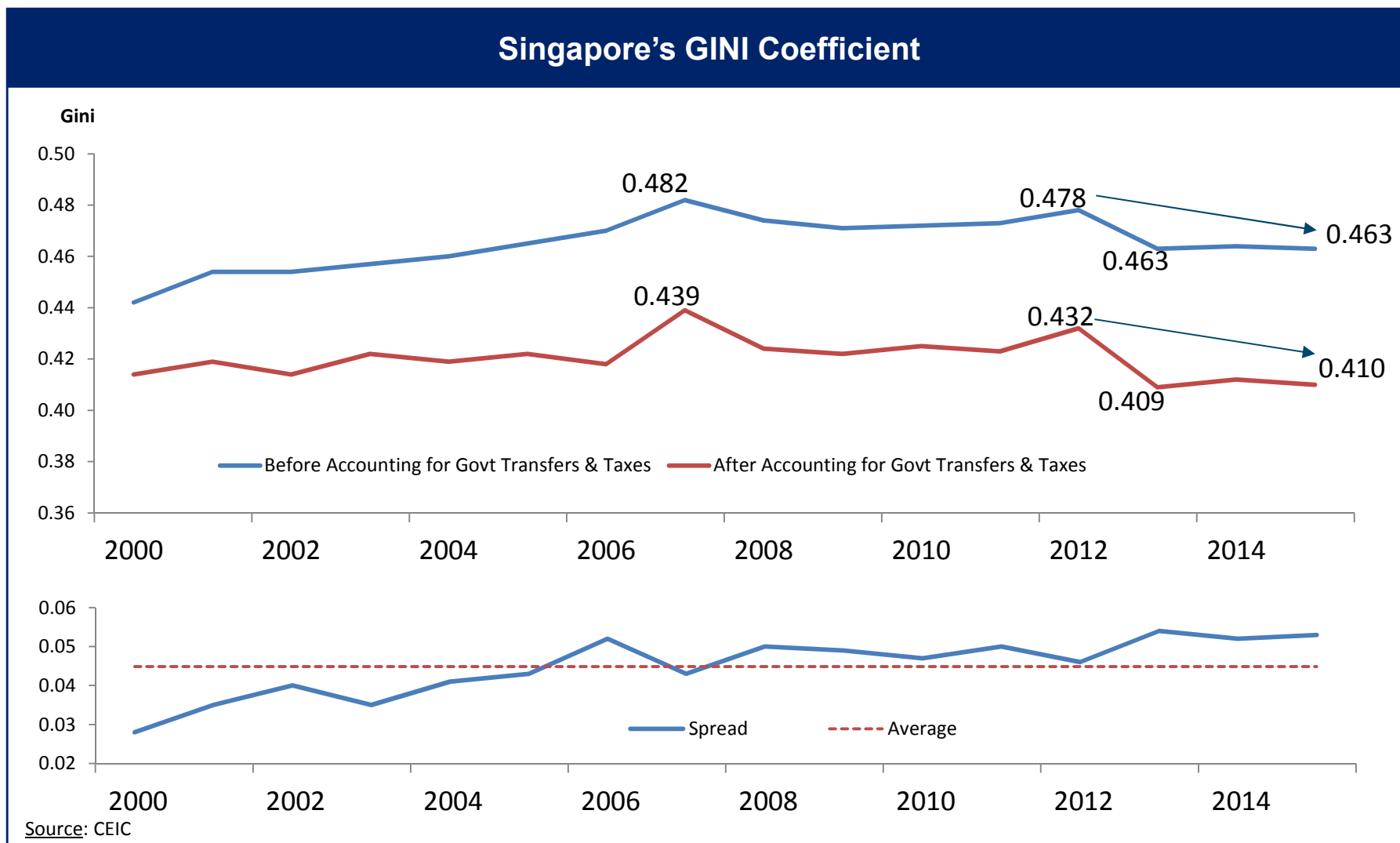
Words That Appeared **Less** Frequently

| Words | 2016 | 2015 | 2016-2015 |
|--------------------|------|------|------------|
| income/incomes | 25 | 123 | -98 |
| singaporean/(s) | 28 | 99 | -71 |
| cpf | 11 | 58 | -47 |
| tax | 32 | 68 | -36 |
| retirement | 5 | 33 | -28 |
| education | 18 | 36 | -18 |
| subsidies/training | 25 | 60 | -35 |
| students | 6 | 23 | -17 |
| costs | 3 | 20 | -17 |
| skillsfuture | 14 | 30 | -16 |
| learning | 10 | 26 | -16 |
| contribution | 1 | 17 | -16 |

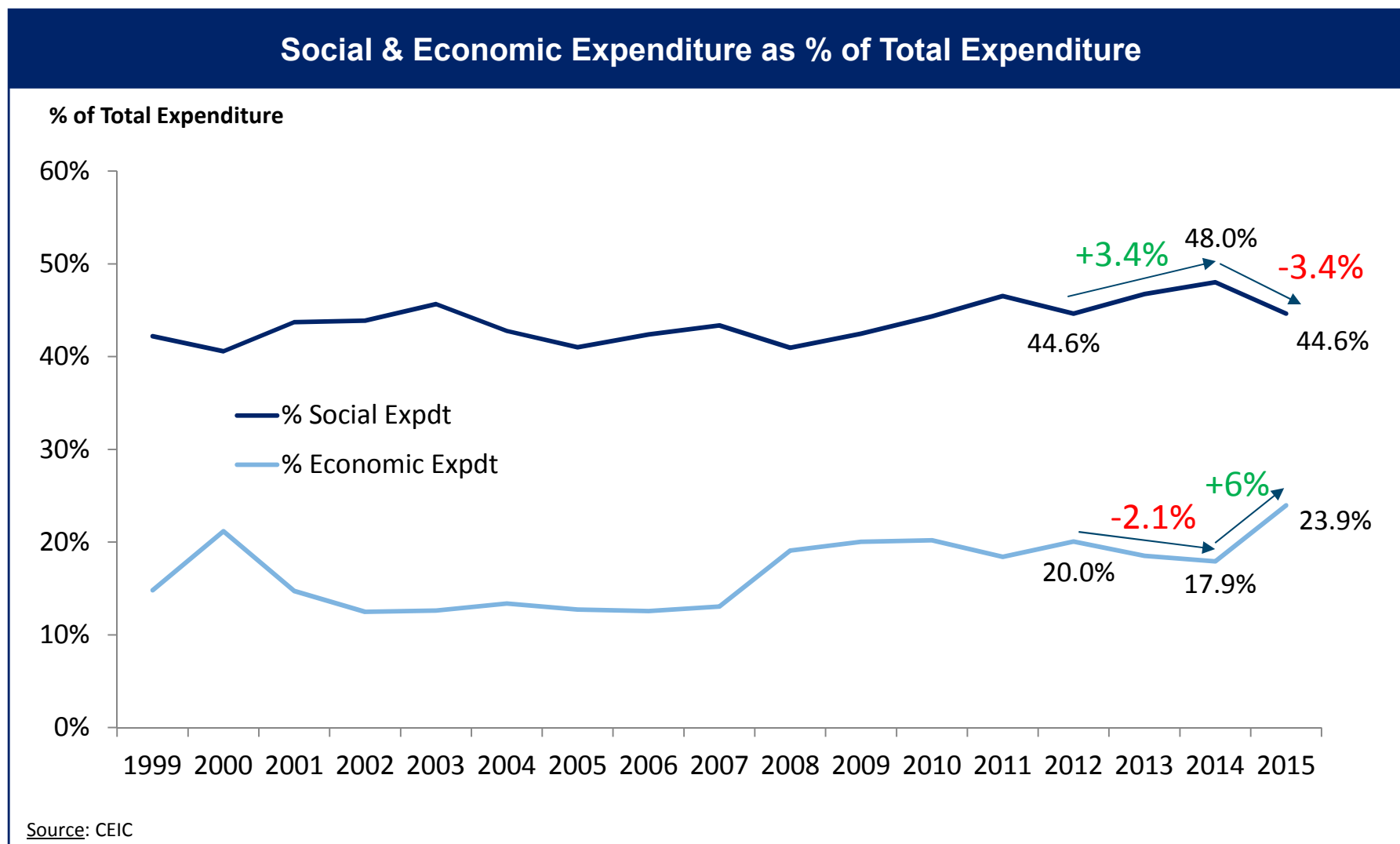
Words That Appeared **More** Frequently

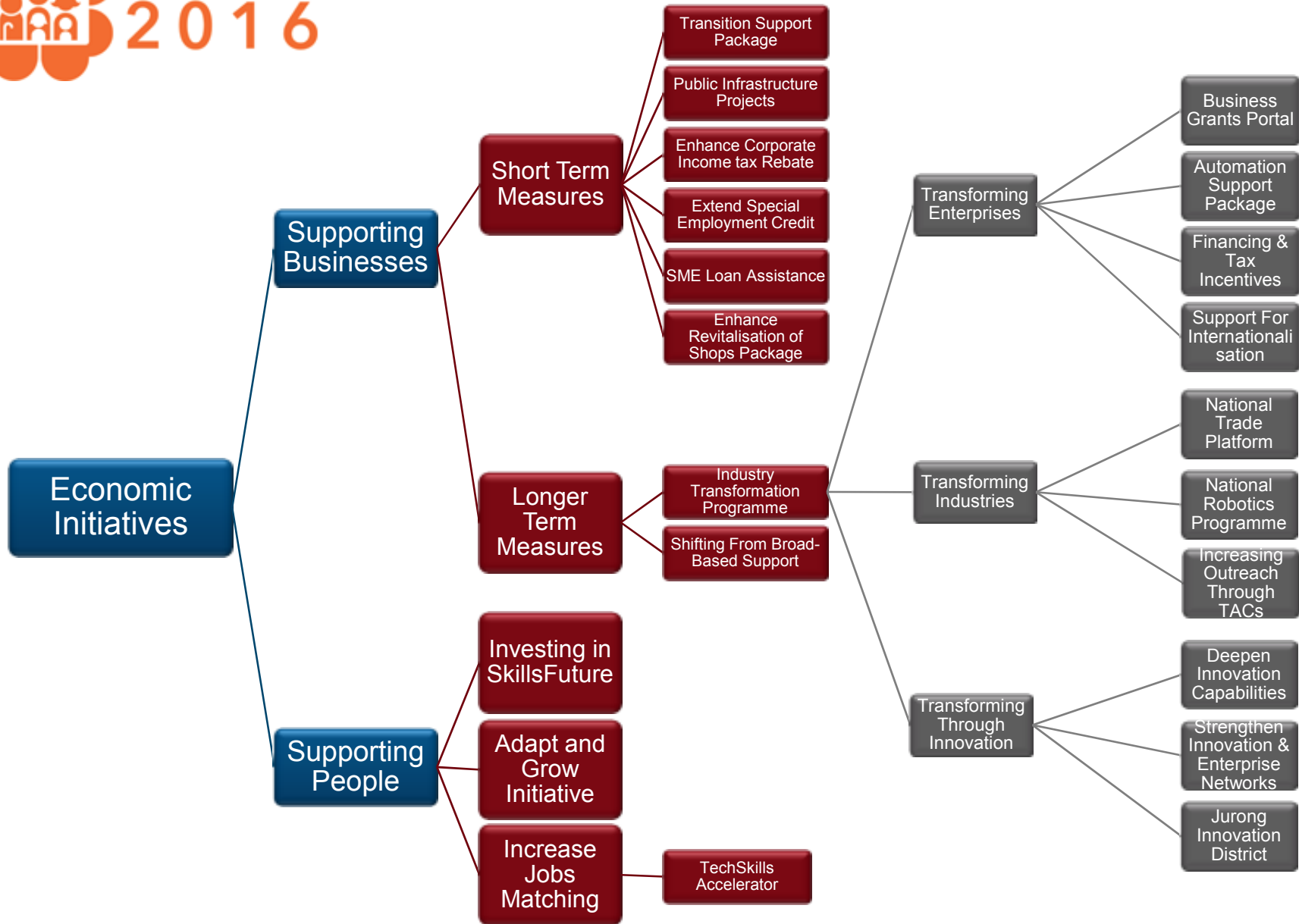
| Words | 2016 | 2015 | 2016-2015 |
|--------------------------|------|------|-----------|
| industry(ies)/sectors | 99 | 42 | 57 |
| transformation/transform | 58 | 7 | 51 |
| Business/enterprise(s) | 59 | 20 | 39 |
| firms | 44 | 10 | 34 |
| seniors | 44 | 12 | 32 |
| innovation | 56 | 29 | 27 |
| singapore | 53 | 26 | 27 |
| caring | 22 | 2 | 20 |
| challenges | 21 | 1 | 20 |
| economy | 32 | 14 | 18 |
| partnership | 18 | 2 | 16 |
| society | 24 | 10 | 14 |
| efforts | 20 | 6 | 14 |
| food | 17 | 3 | 14 |
| projects | 20 | 7 | 13 |
| trade | 17 | 4 | 13 |
| opportunities | 15 | 3 | 12 |
| technology | 15 | 3 | 12 |
| national | 19 | 8 | 11 |
| manufacturing | 17 | 6 | 11 |
| create | 15 | 4 | 11 |

Improvement in Income Inequality

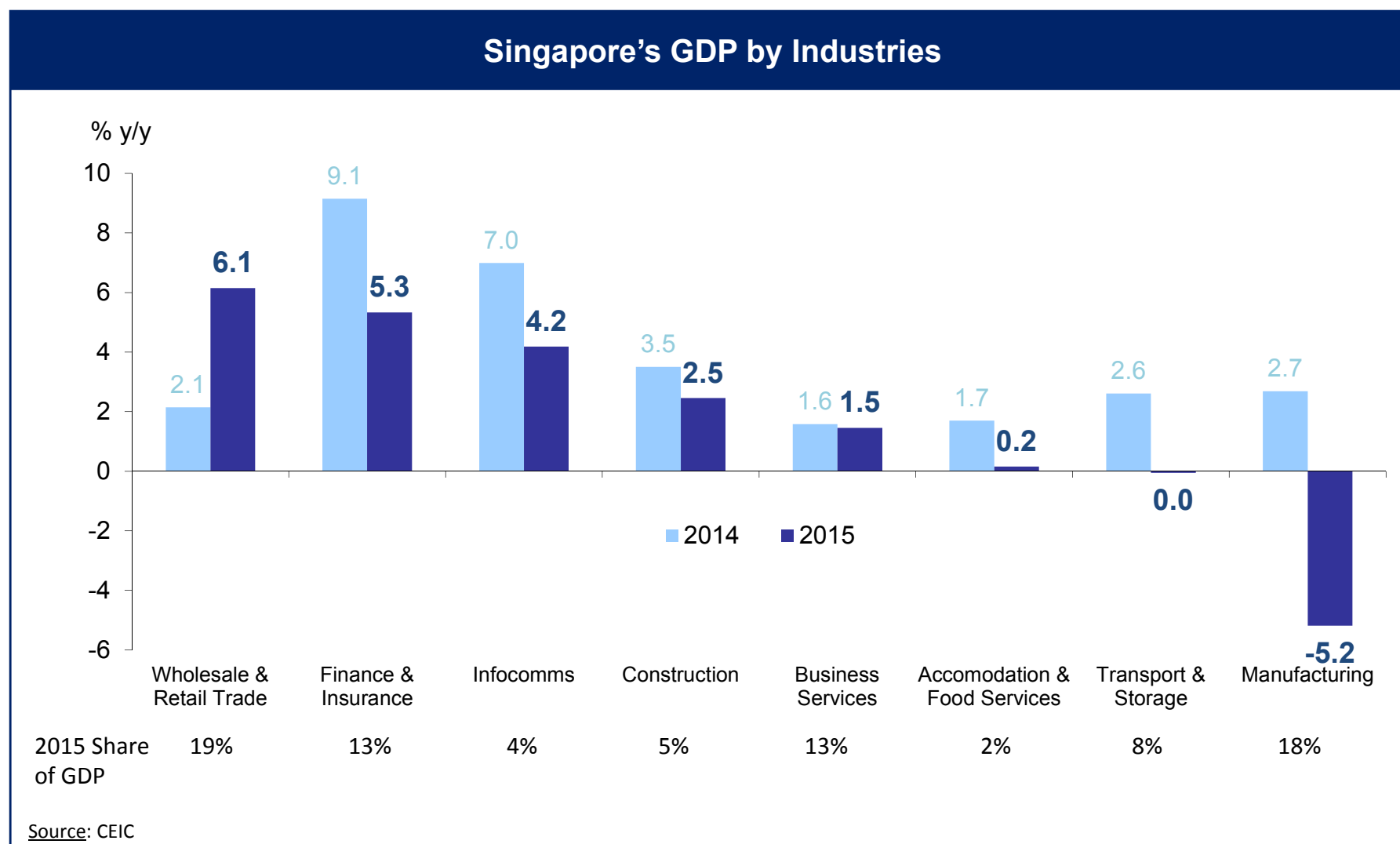


2015 Onwards, Direction Has Changed

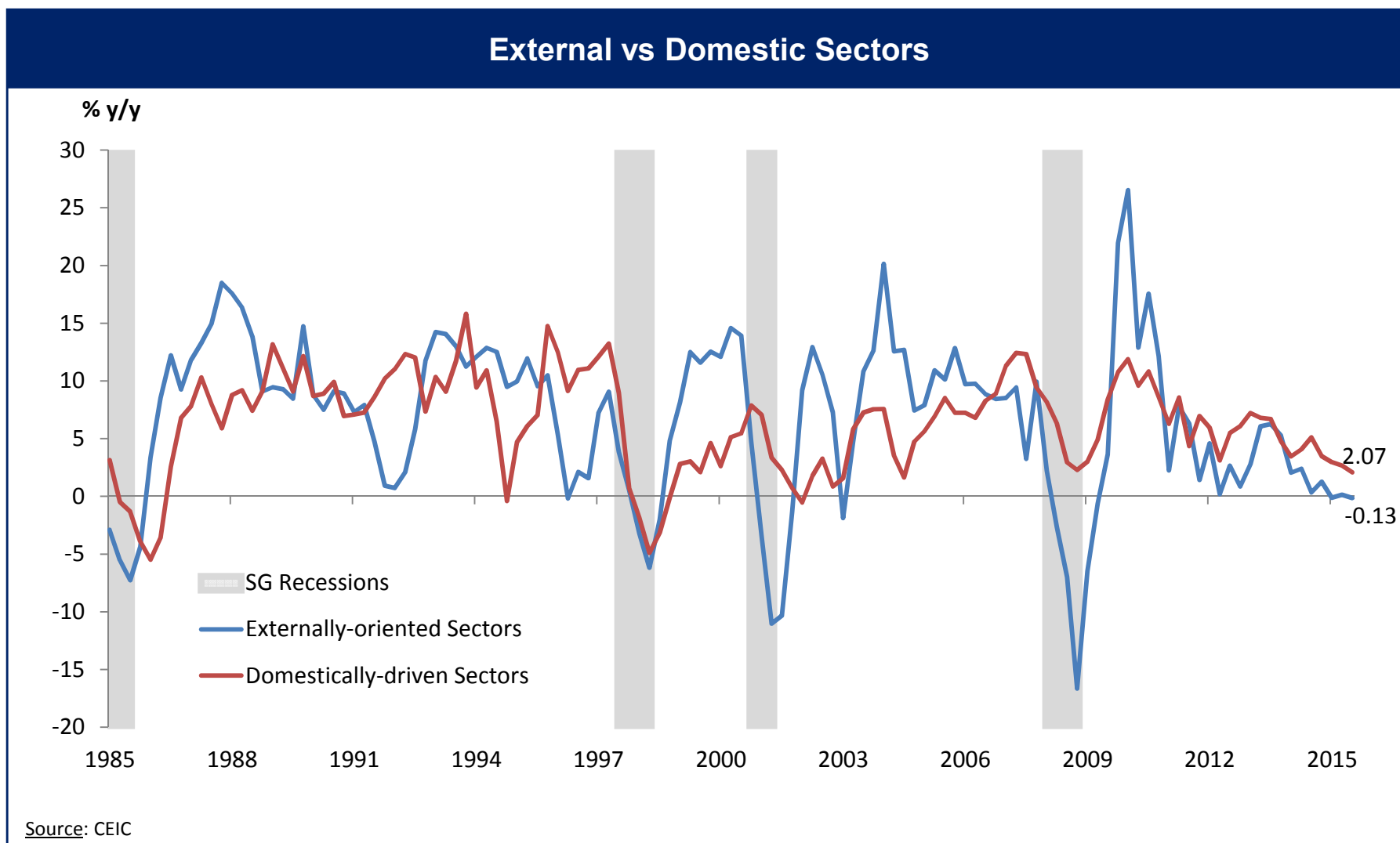




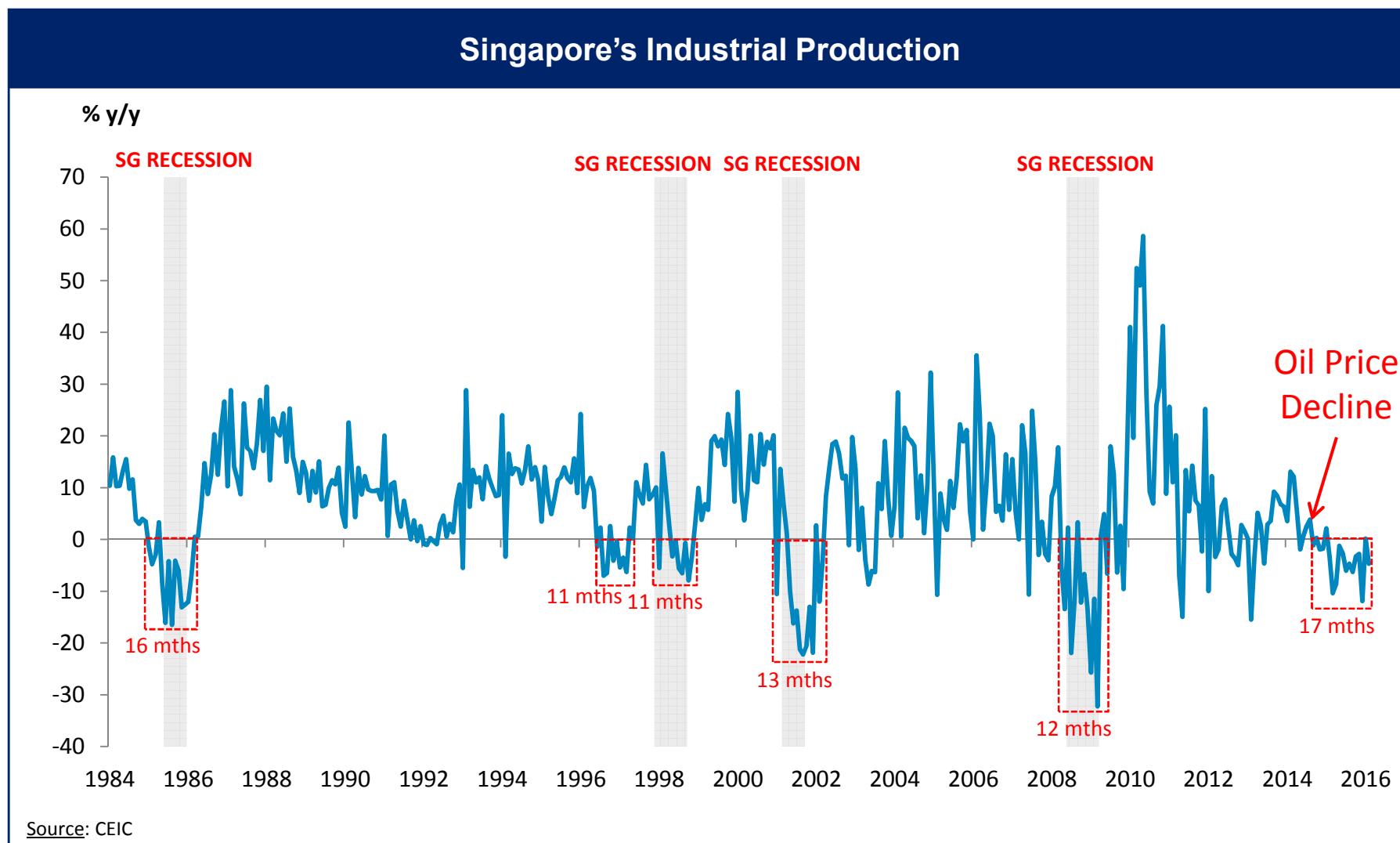
Weaker Economic Growth in 2015 Was Broad-Base



Externally-Oriented Sectors Didn't Fare Well



Manufacturing Sector Was Weak For 17 Months



Even As Firms Were Struggling With Revenue, Business Costs Continued To Rise In 2015

Overall Unit Labour Cost grew by

2.8% in 2015

Within the manufacturing sector



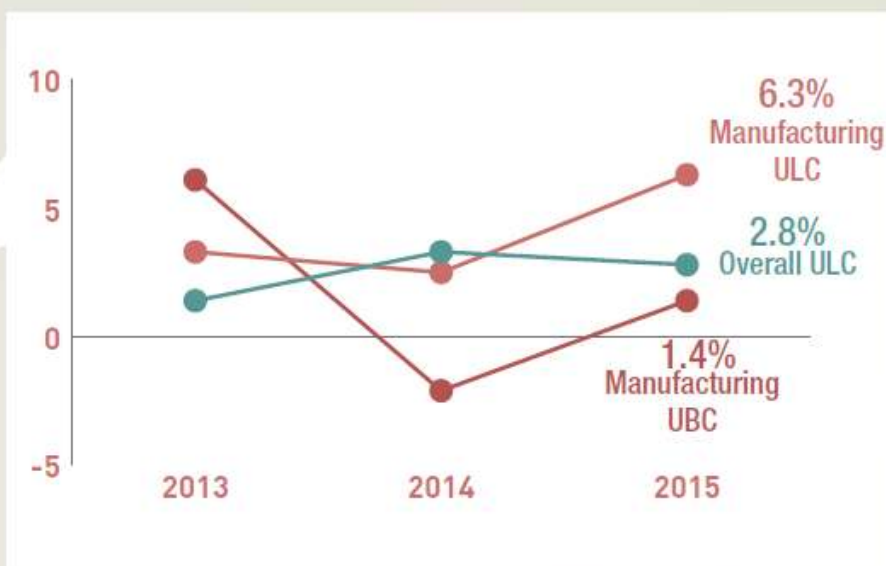
+6.3%
in 2015

Unit Labour Cost

+1.4%
in 2015

Unit Business Cost

GROWTH RATES OF UNIT LABOUR COST (ULC) AND UNIT BUSINESS COST (UBC)



Source: MTI

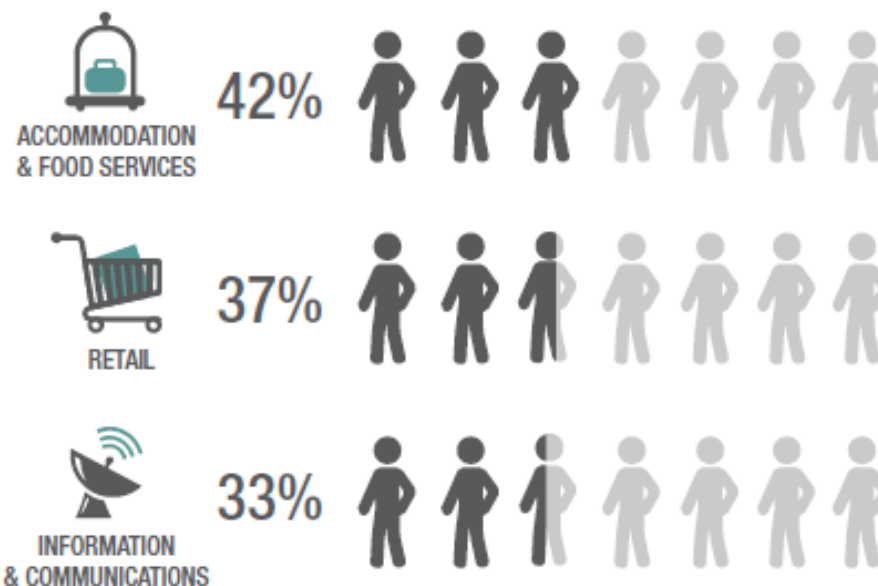
A Large Part Was Due To Higher Labour Cost

Labour, work given out and royalties payments make up the bulk of business costs in the manufacturing sector...

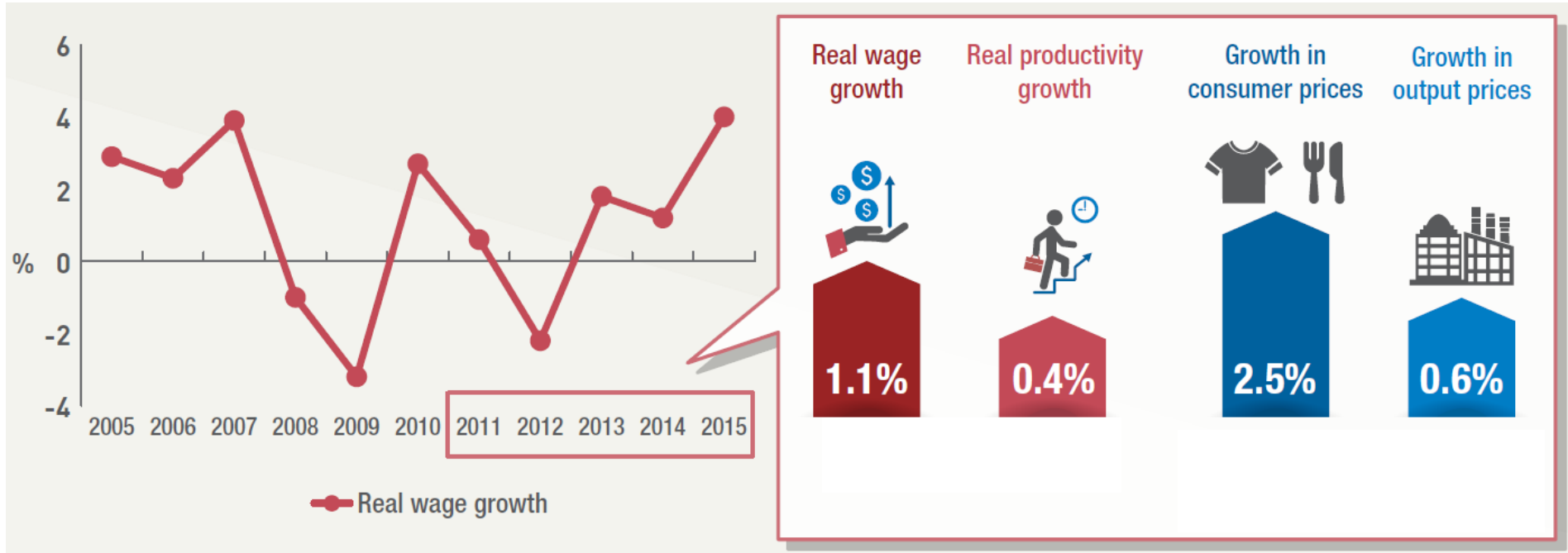


Labour cost Work given out Royalties payments Others

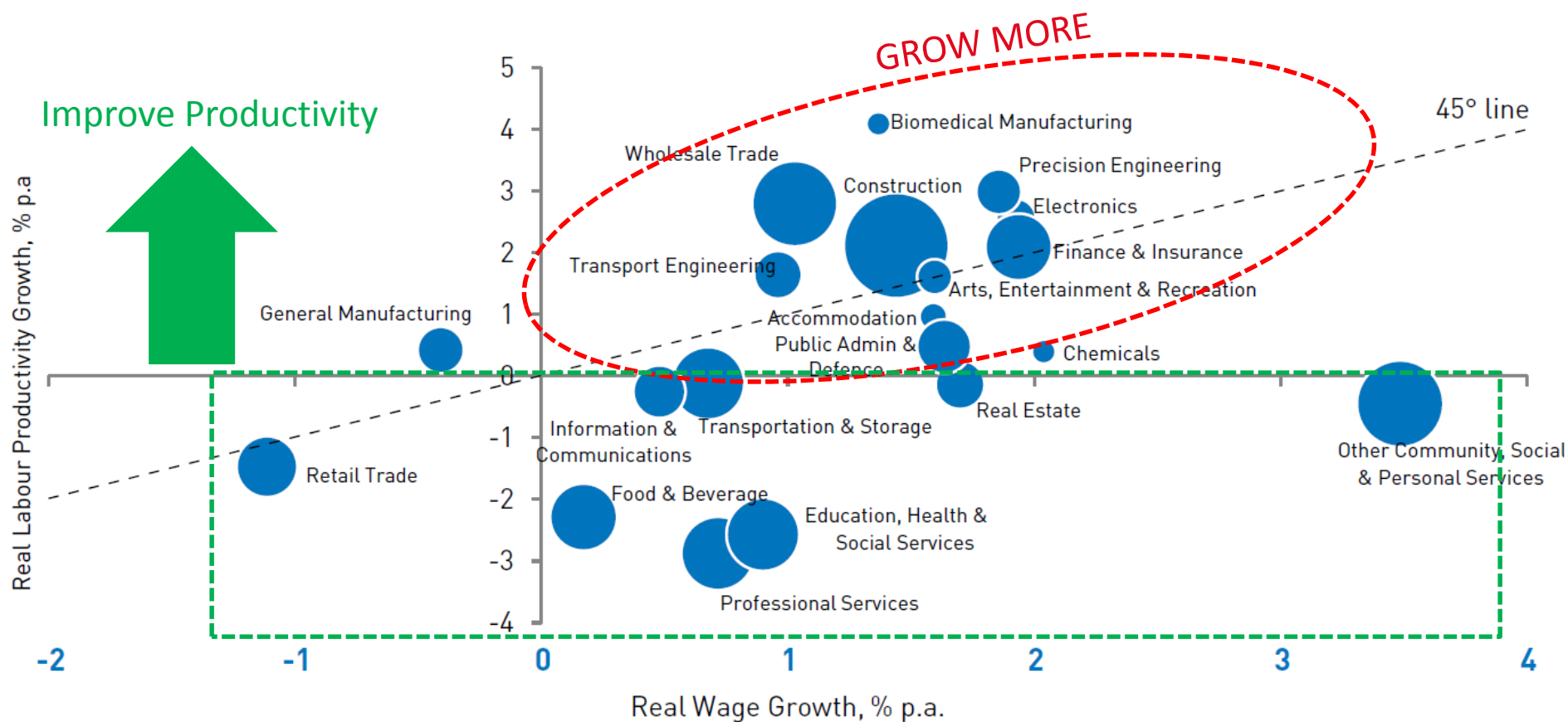
...while labour cost is also a key cost component for the services industries, particularly among the SMEs



Source: MTI

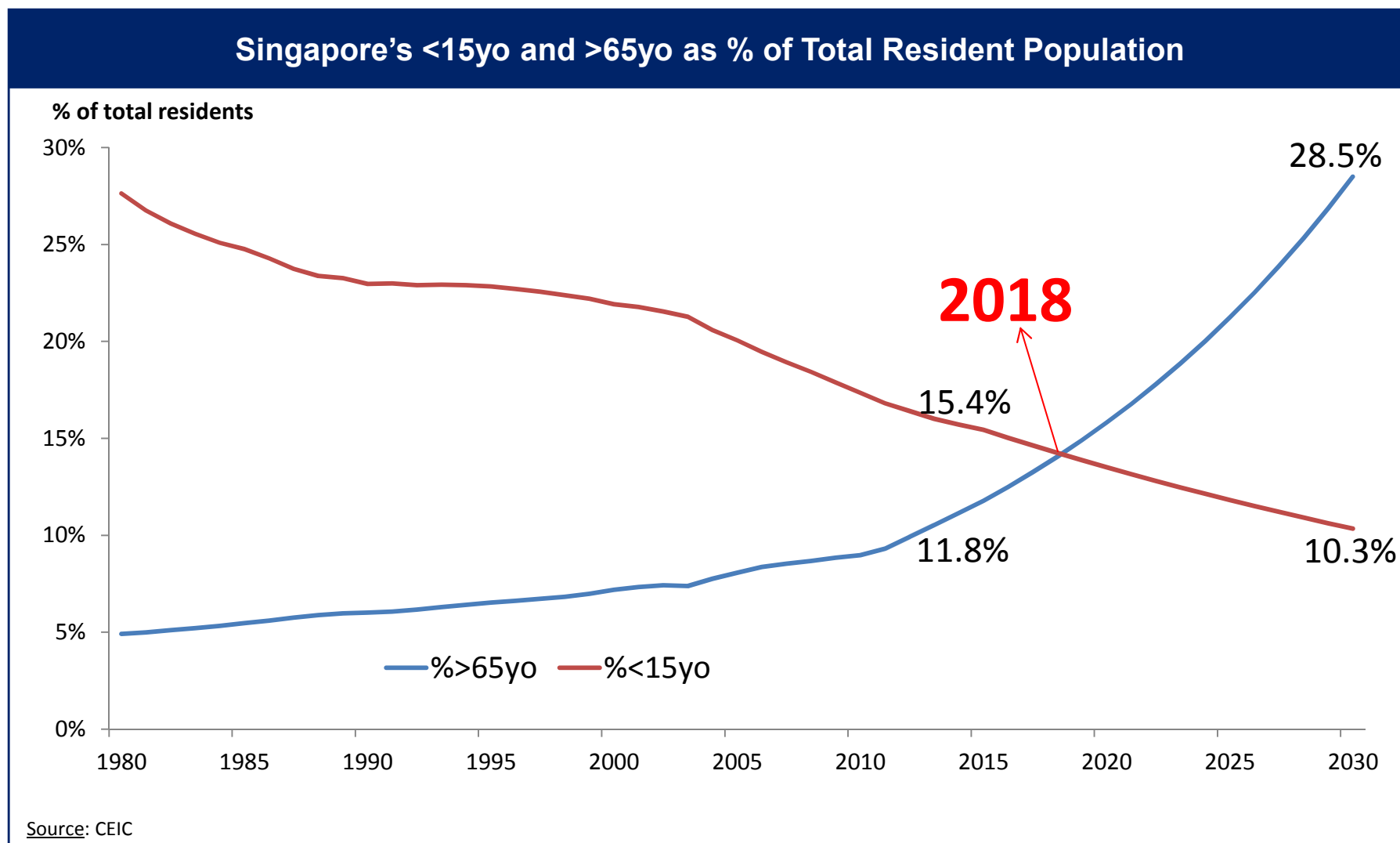


Productivity & Resident Real Average Wage Growth (2005-15)

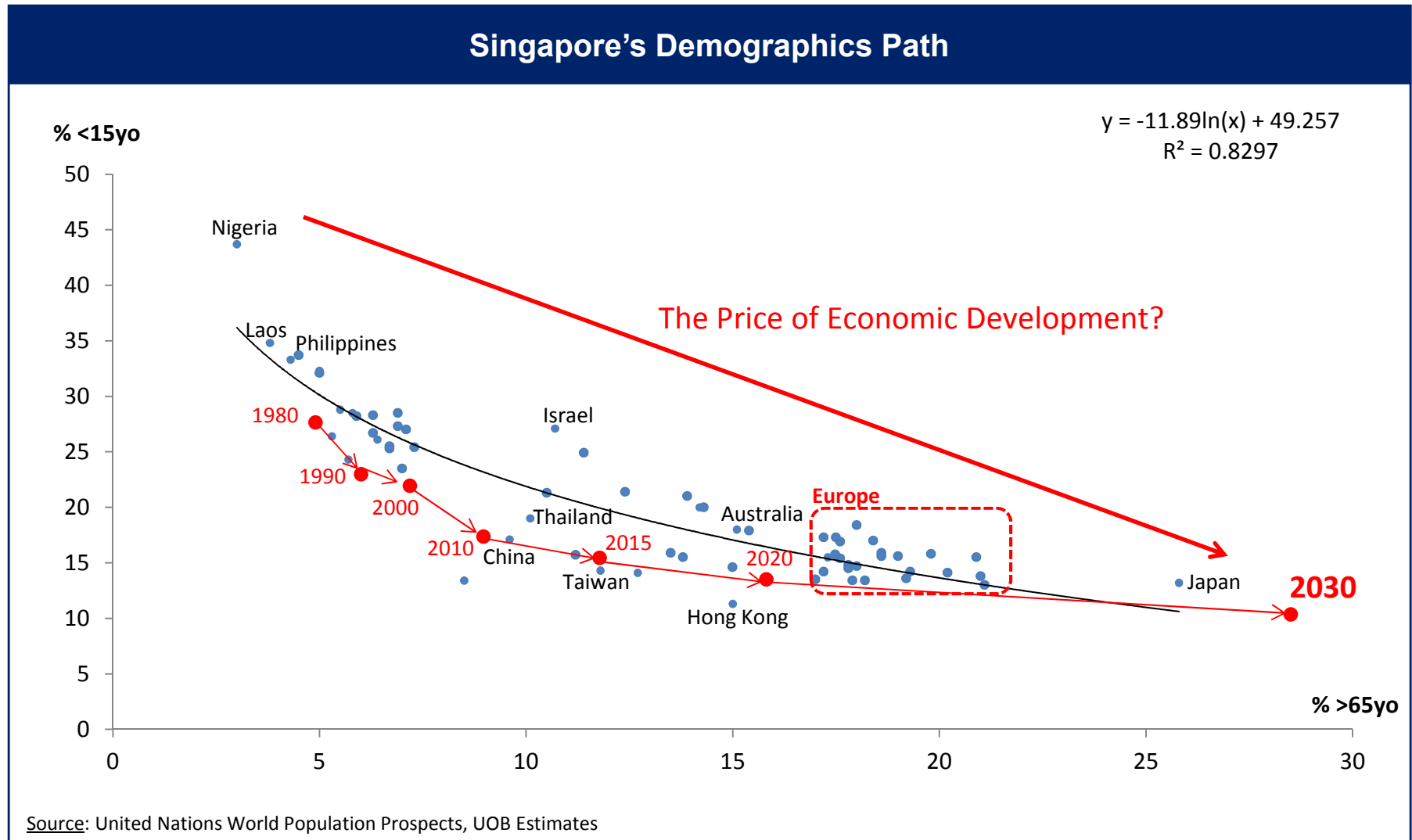


Size of the bubbles represents the sector's employment size in 2015.
 Source: MTI Staff estimates based on administrative and survey records

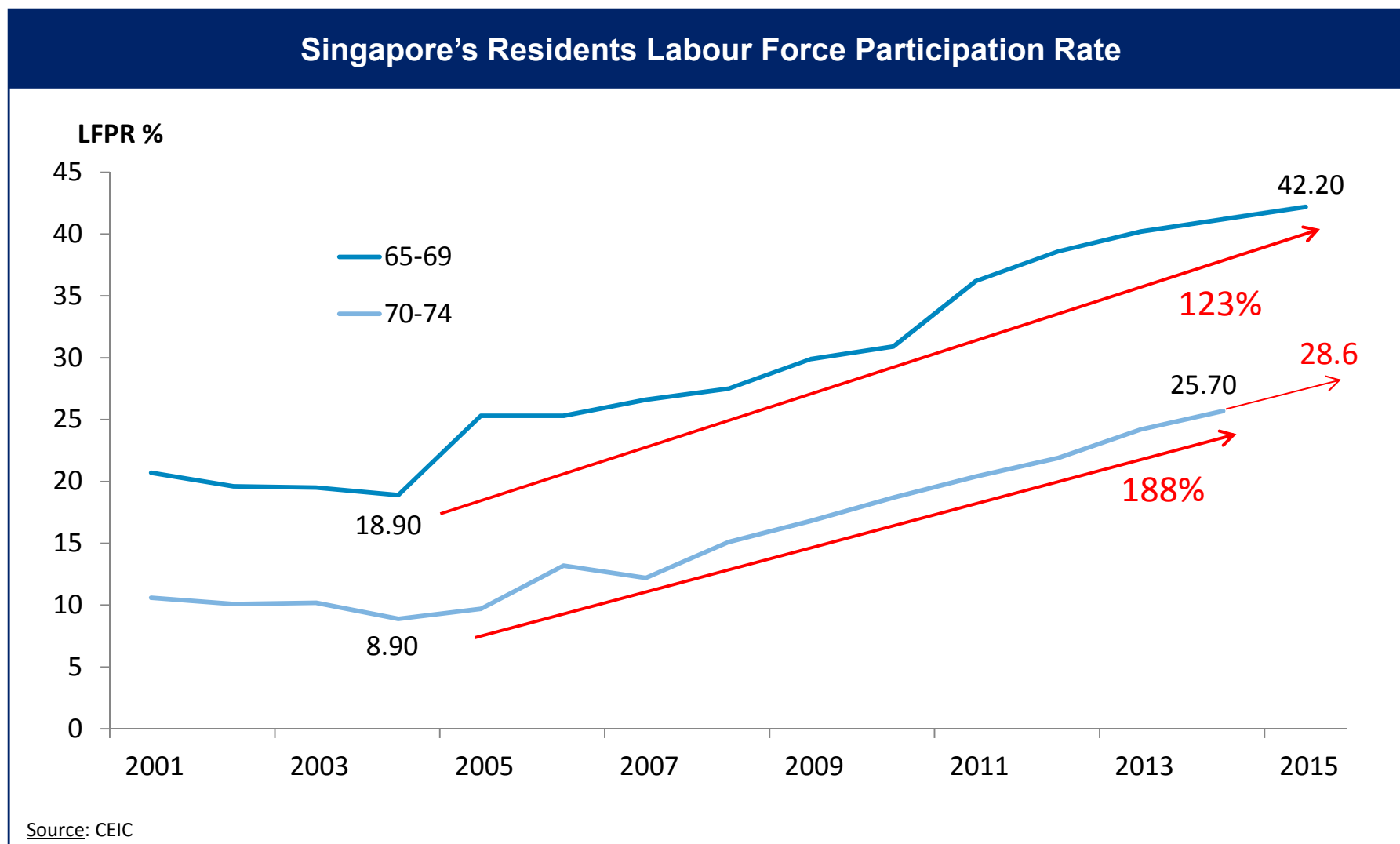
Longer Term Challenges



Longer Term Challenges



Can LFPR Continue To Grow?



“S'pore unlikely to go Scandinavian way to up fertility rate”

"The Scandinavians have a lot of kids, and they are content to have three-quarters of a career. They work hard but they don't work 12 or 18 hours a day. They finish work at 3pm or 4pm, they fetch their kids from childcare, go home and spend time with them."



“that it was possible only if the country was willing to accept a higher goods and services tax of **20 per cent** to fund the policies.”

When it comes to rolling out generous goodies to try and boost the fertility rate here, Singapore is unlikely to go the way of the Scandinavian countries that have spent heavily over the years and succeeded in having more babies.

Question & Answer Session

Contact Details

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About The Speaker

Francis is an economist with United Overseas Bank's Global Economics & Markets Research team and covers macroeconomic research on Asia. 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 just published a paper titled "Growth and Environmental Quality in Singapore: Is There Any Trade-off?" in the "Ecological Indicators" journal in 2014.

Thank you

