

2019 Singapore Budget

Staying cohesive and competitive in a world of uncertainty and disruptions

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Head of Research

Global Economics & Markets Research

February 2019

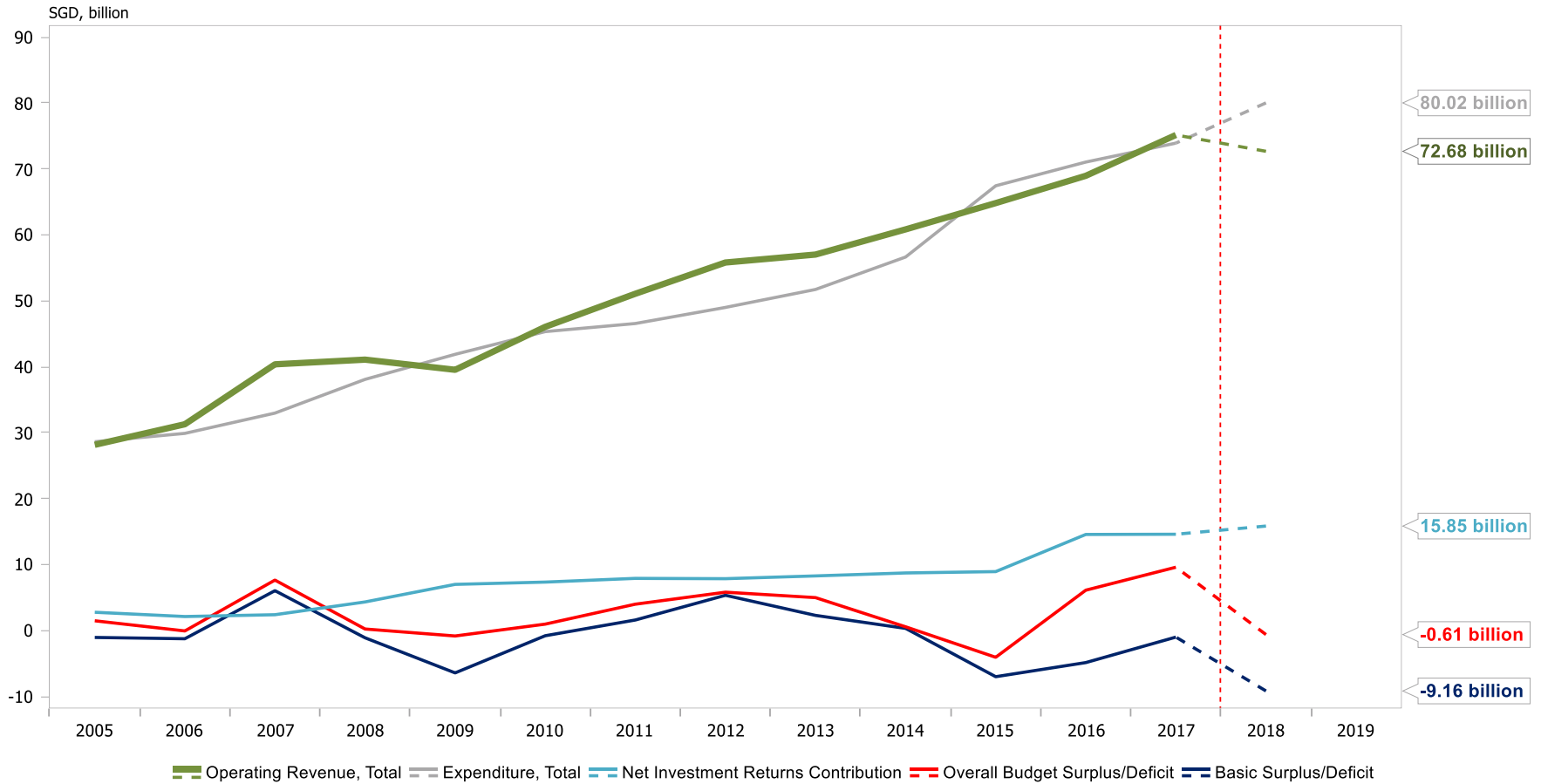
<http://www.uobgroup.com/research>



Singapore: Budget Position

Singapore: Rising fiscal expenditure while NIRC is stepped up (2019 fiscal data are prior to Budget Day)

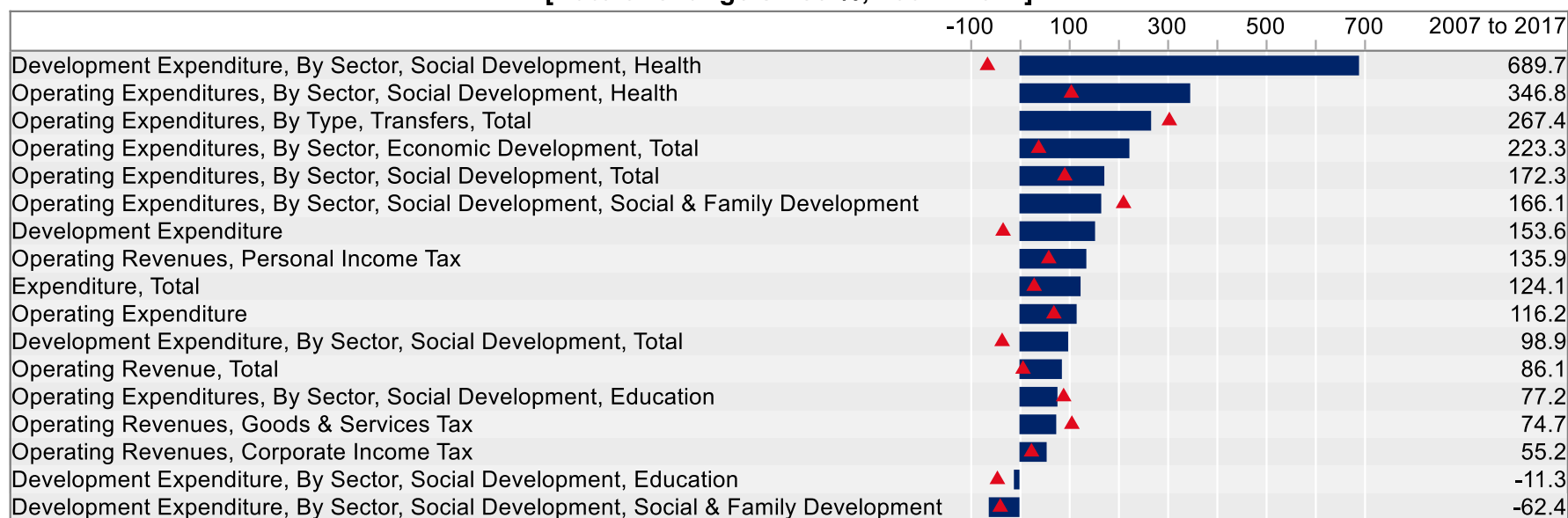
Singapore, Government Budget, Fiscal Year (April-March) Basis
NIRC: A Significant Contributor to Fiscal Balance



Source: Macrobond, UOB Global Economics & Markets Research

Singapore: Fiscal revenue lags rising fiscal expenditure

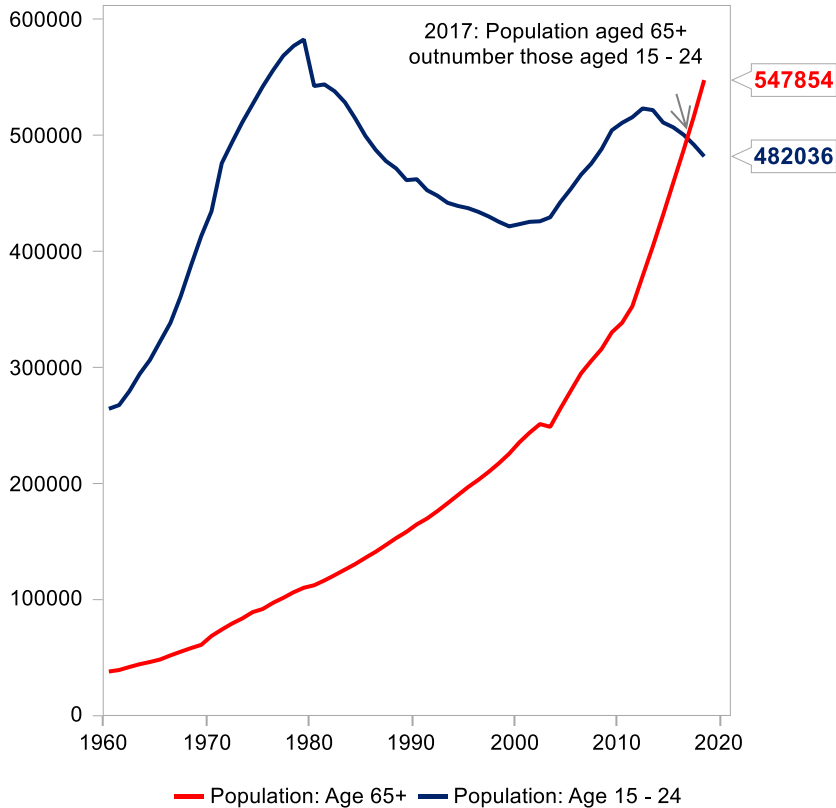
Singapore Budget: Selected Indicators
[Rate of change since %, 2007 - 2017]



■ 2007 to 2017 ▲ 1997-2006

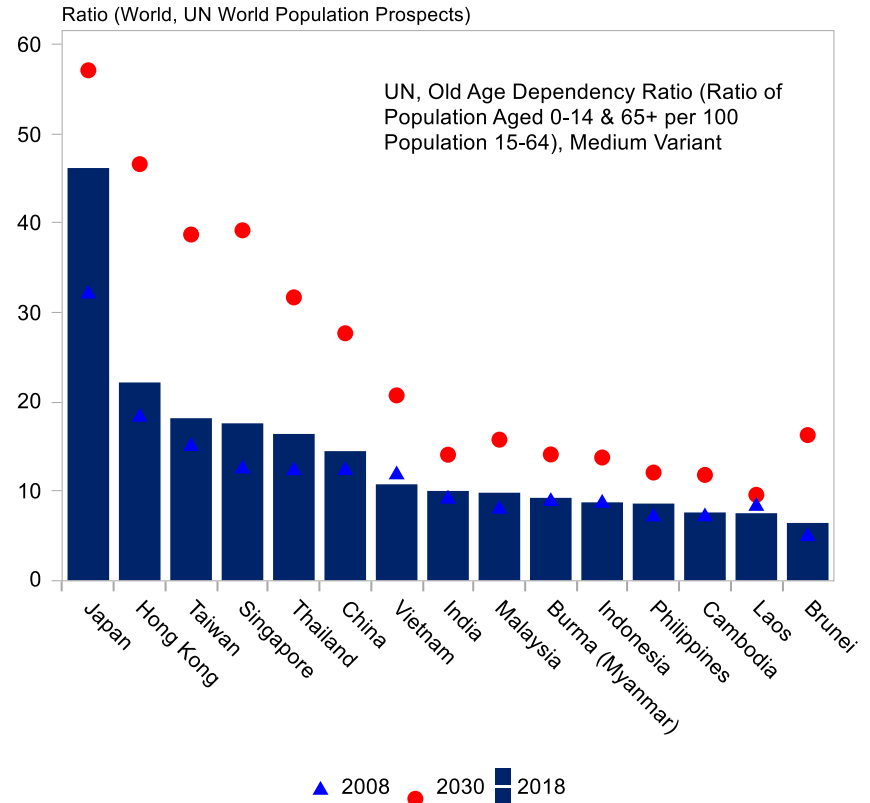
Source: Macrobond, UOB Global Economics & Markets Research

Singapore's Demographic Challenge: Aging Population



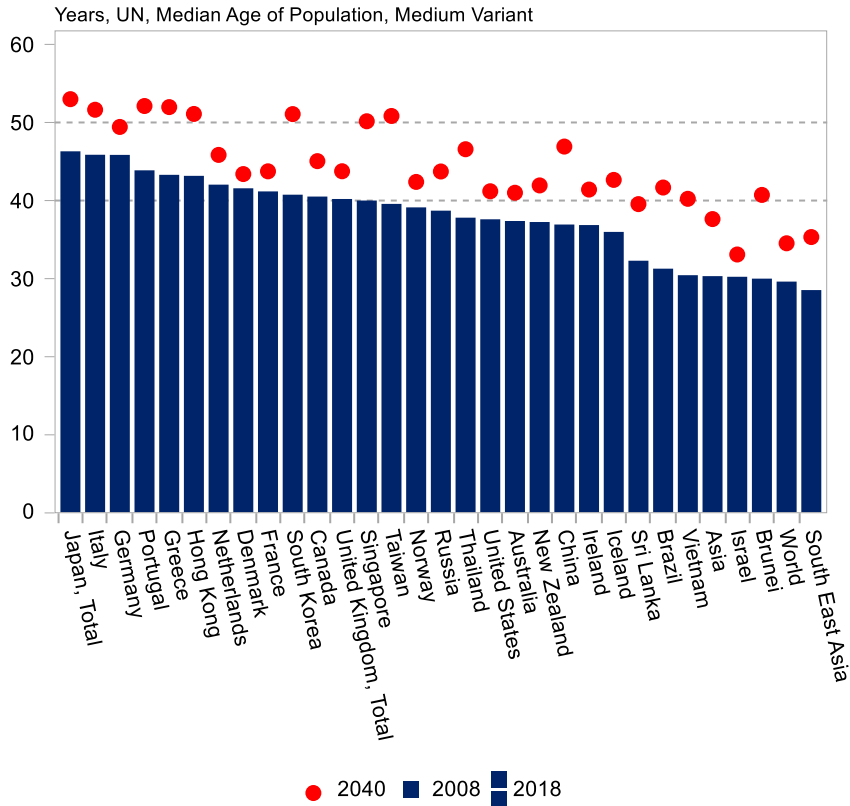
Source: Macrobond, UOB Global Economics & Markets Research

Population Profile: Old Age Dependence Ratio



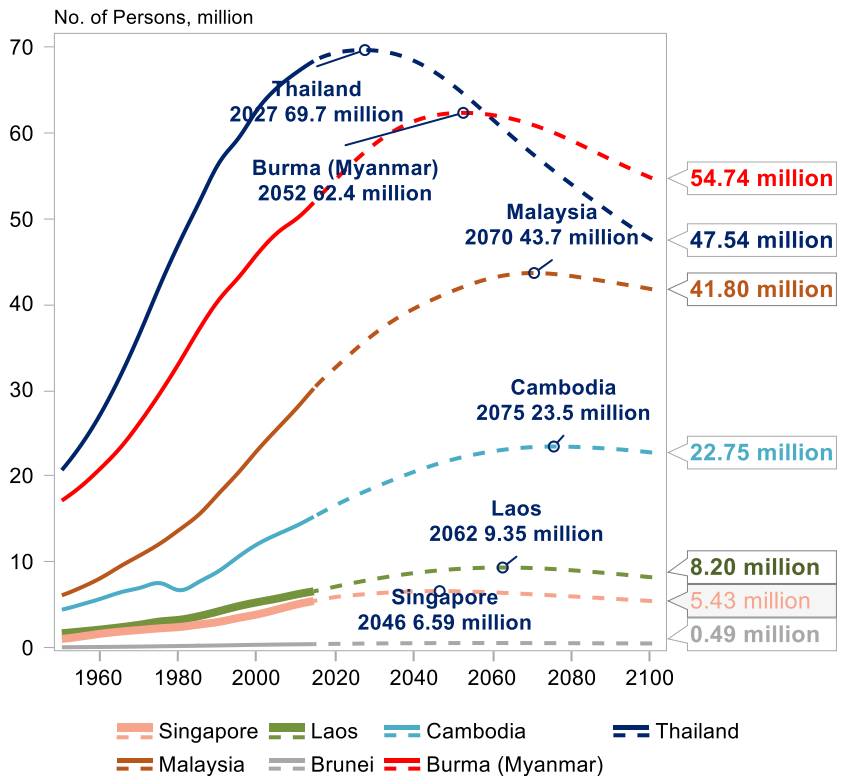
Source: Macrobond, UOB Global Economics & Markets Research

Population profile: Median Age



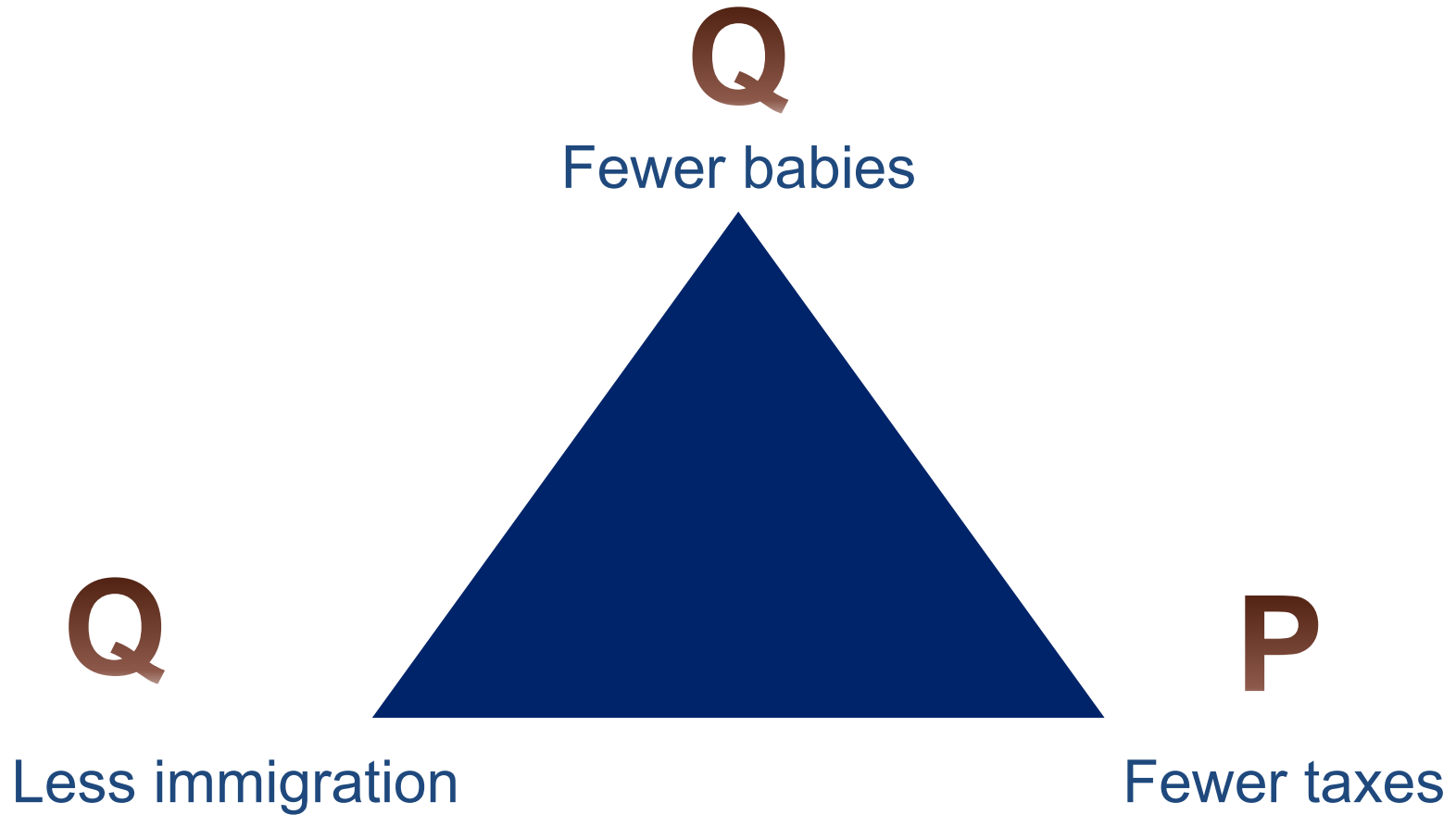
Source: Macrobond, UOB Global Economics & Markets Research

United Nations, Total Population, Projection, Medium-Fertility Variant



Source: Macrobond, UOB Global Economics & Markets Research

Singapore: Choices for a sustainable future



You Can't Have All 3!

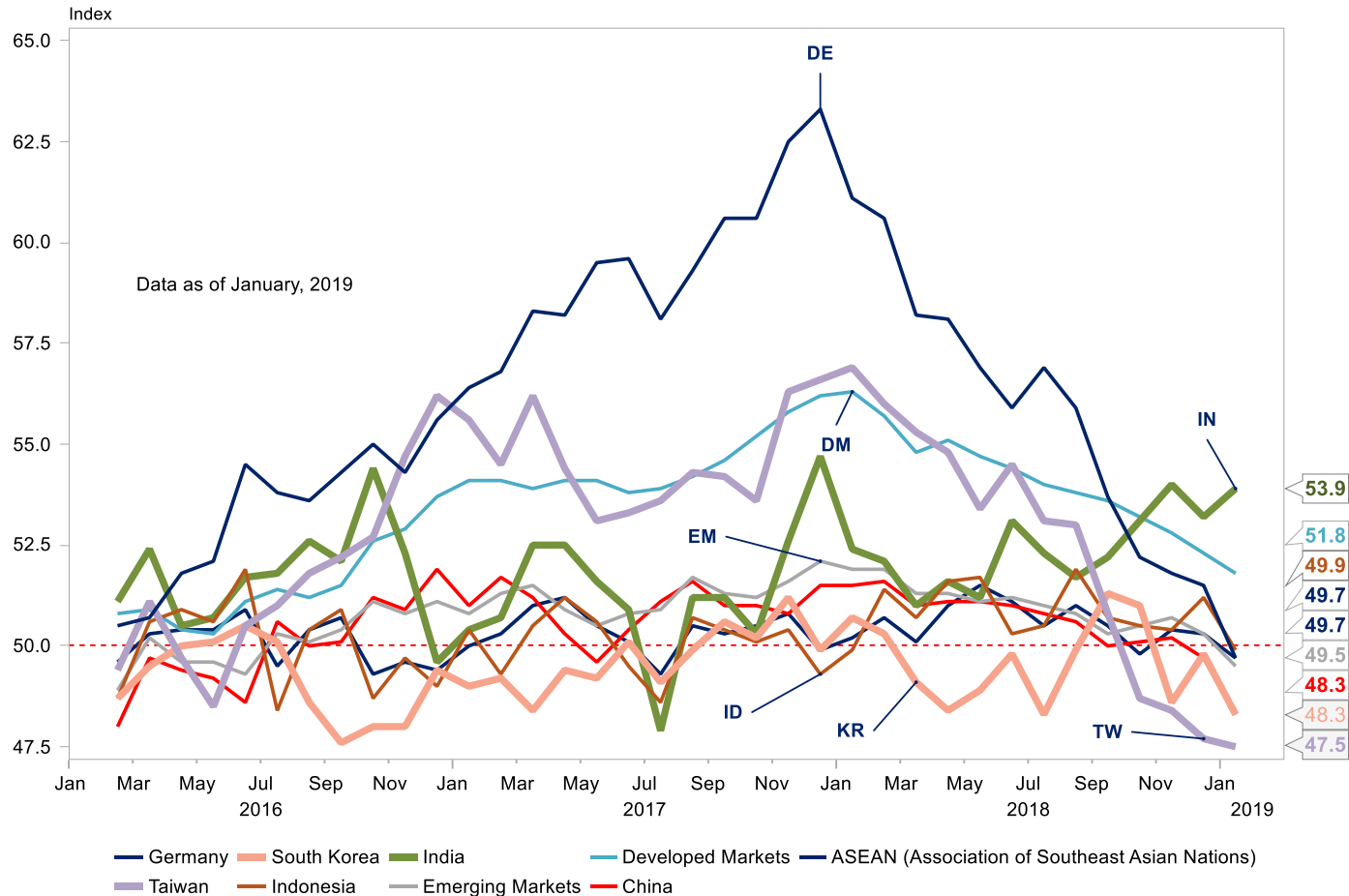


Global growth: Synchronized slowdown

Manufacturing PMI slowdown may intensify in 2019

Sentiment may be further weighed by protracted US-China trade conflict

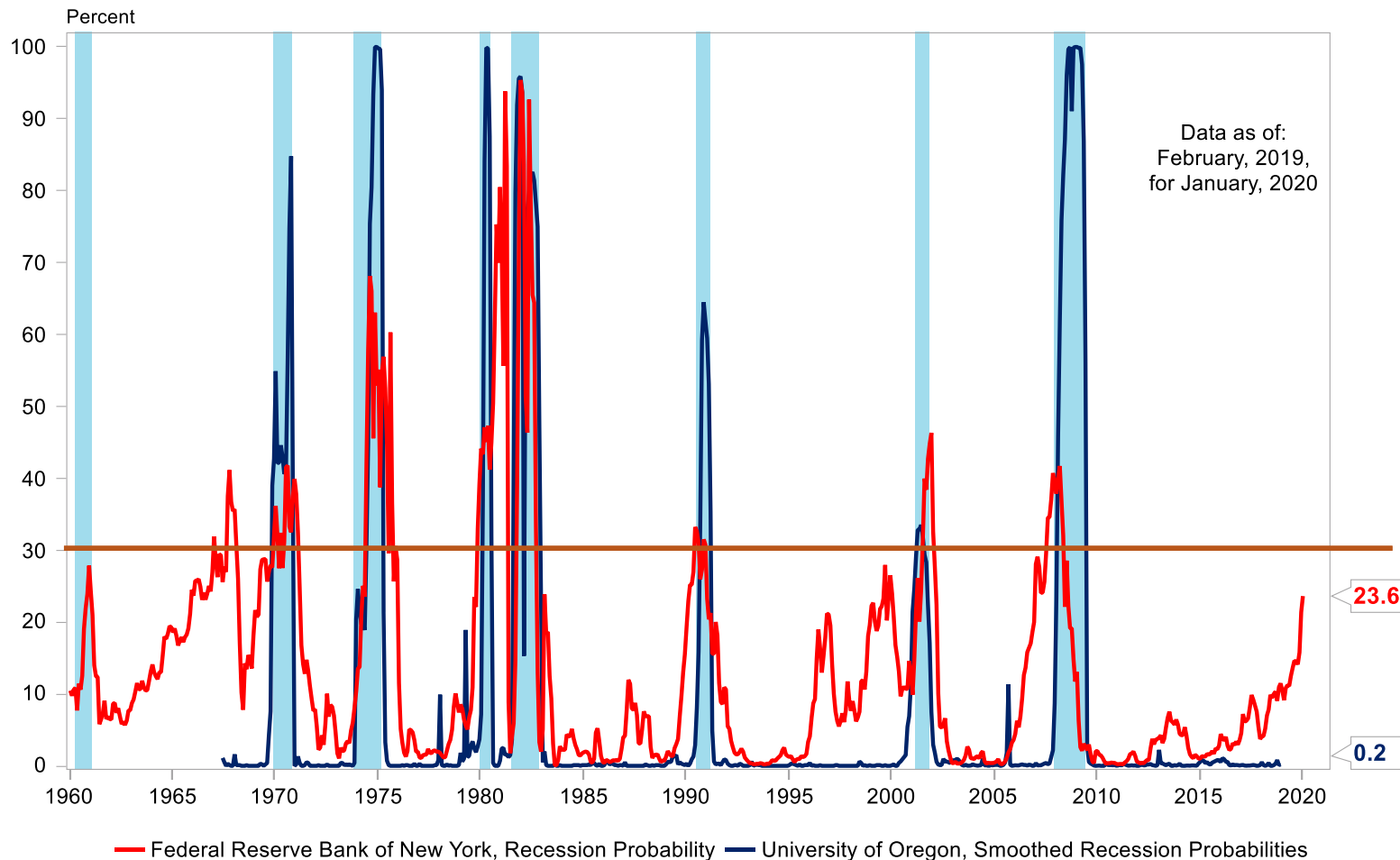
Emerging Markets Market Manufacturing PMI, SA



Source: Macrobond, UOB Global Economics & Markets Research

Assessing recession risk for the US – Some indicators

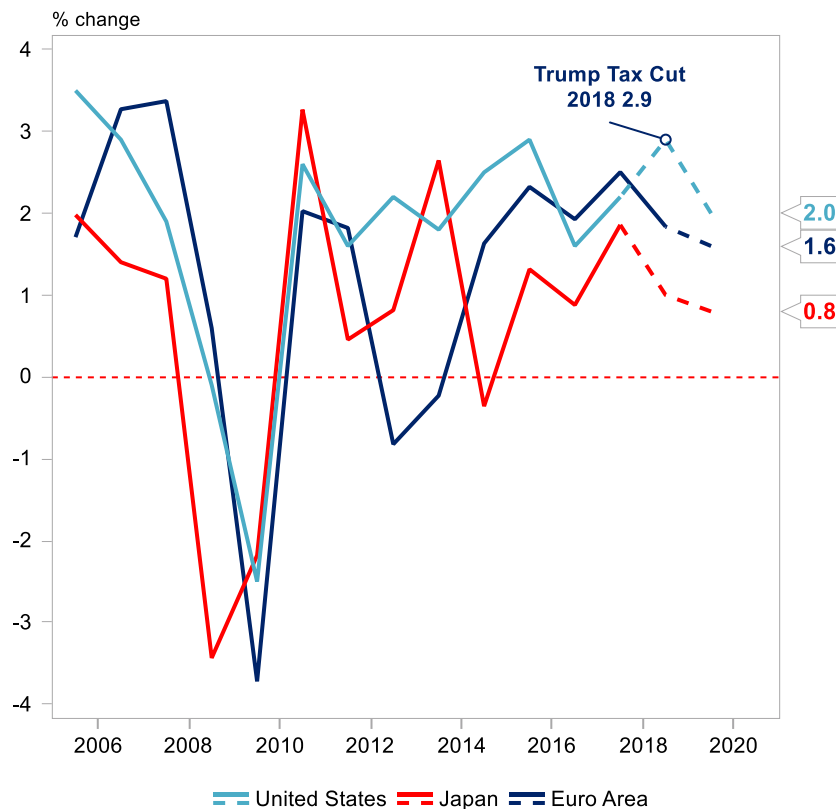
U.S. Recession Probability



Source: Macrobond, UOB Global Economics & Markets Research

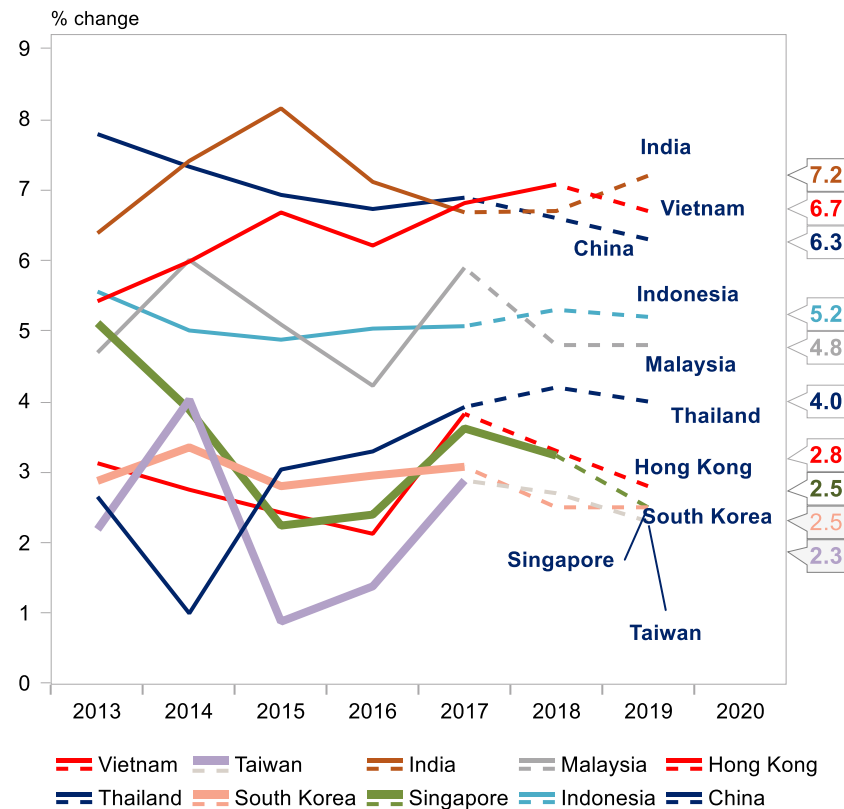
Synchronized slowdown... but should hold well in 2019

G3: Annual Real GDP Growth (Forecasts for 2019)



Source: Macrobond, UOB Global Economics & Markets Research

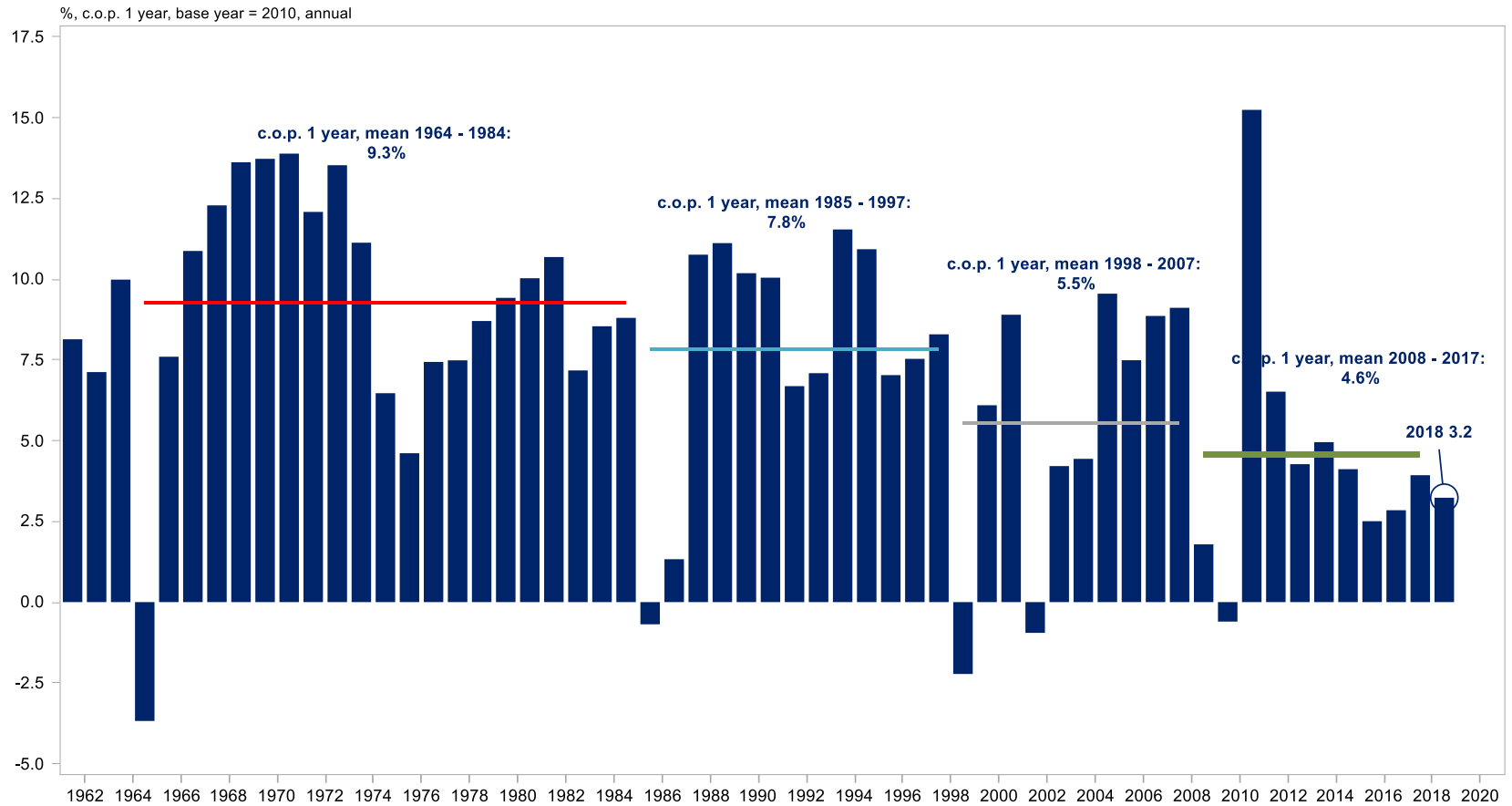
Asia: Annual Real GDP Growth (Forecasts for 2019)



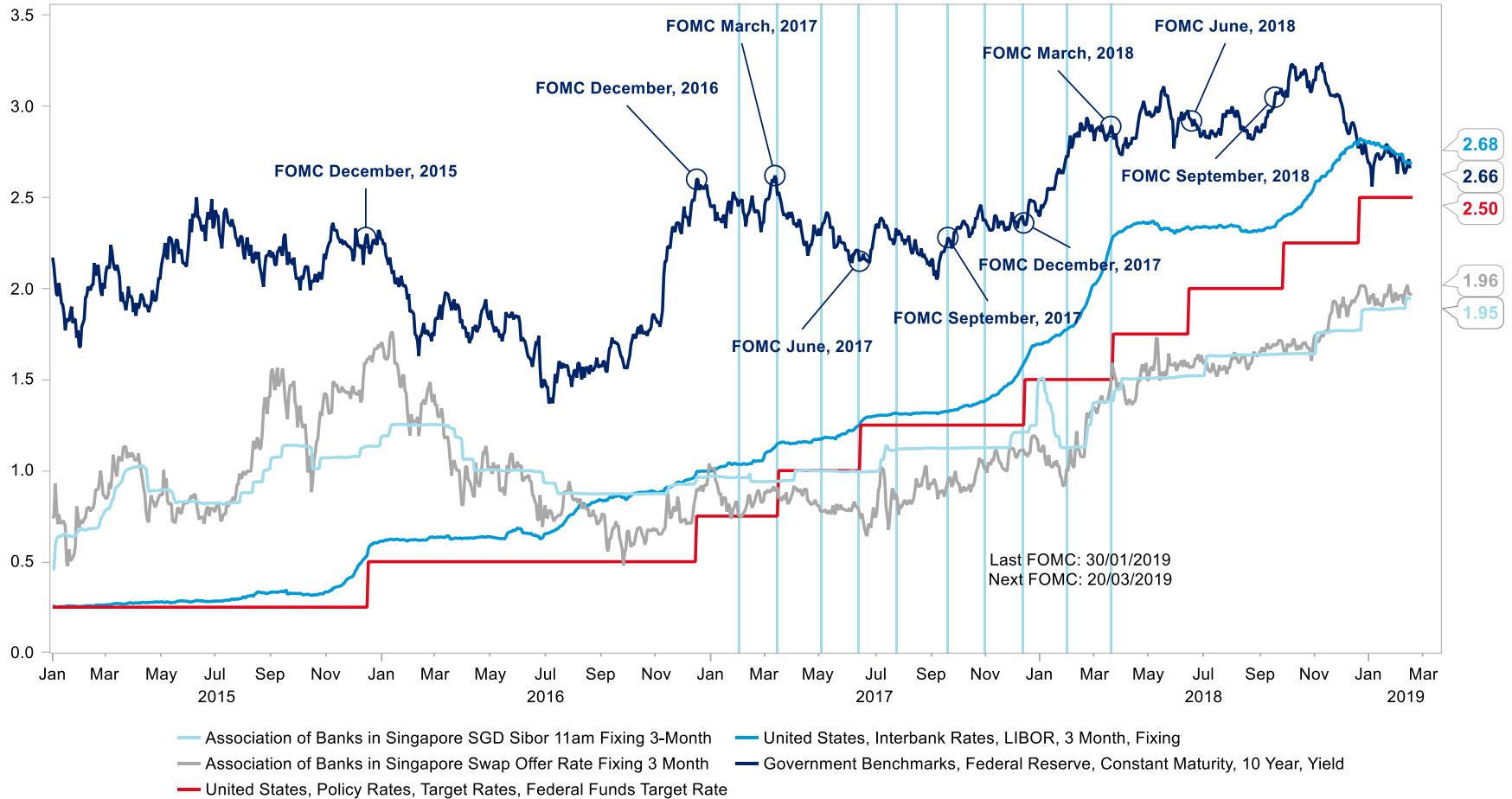
Source: Macrobond, UOB Global Economics & Markets Research

Source: Quarterly Global Outlook 1Q2019 https://www.uobgroup.com/web-resources/uobgroup/pdf/research/QGO_1Q19.pdf

Singapore, Gross Domestic Product, Constant Prices, SGD

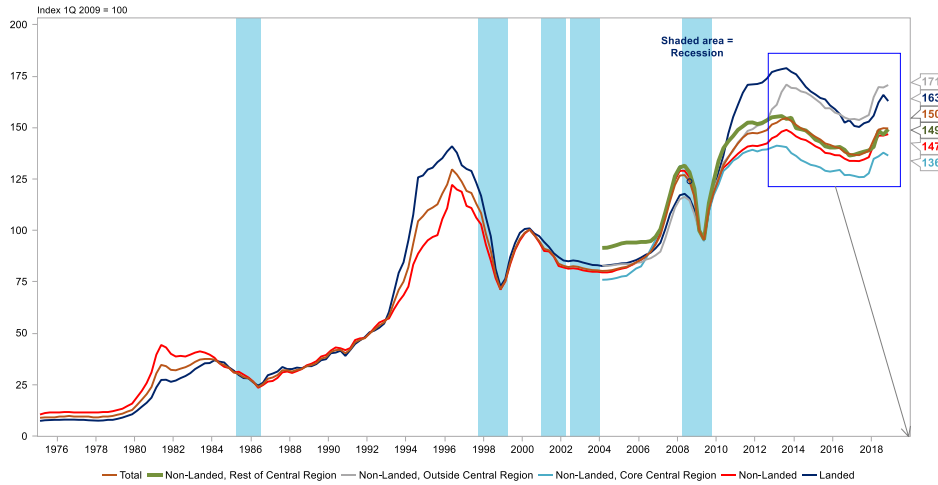


Singapore: Interest Rate Trends Tie with US Rates



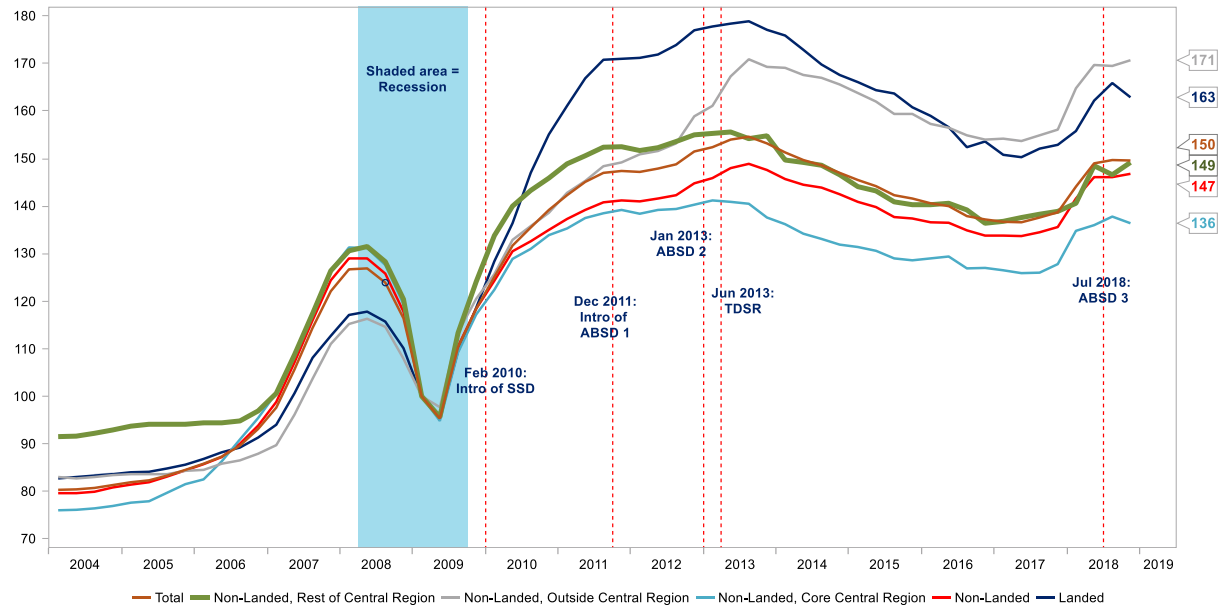
Singapore: Property market trend?

Singapore: URA Private Residential Price Index
Price movement: Connection to economic performances and admin measures?



Source: Macrobond, UOB Global Economics & Markets Research

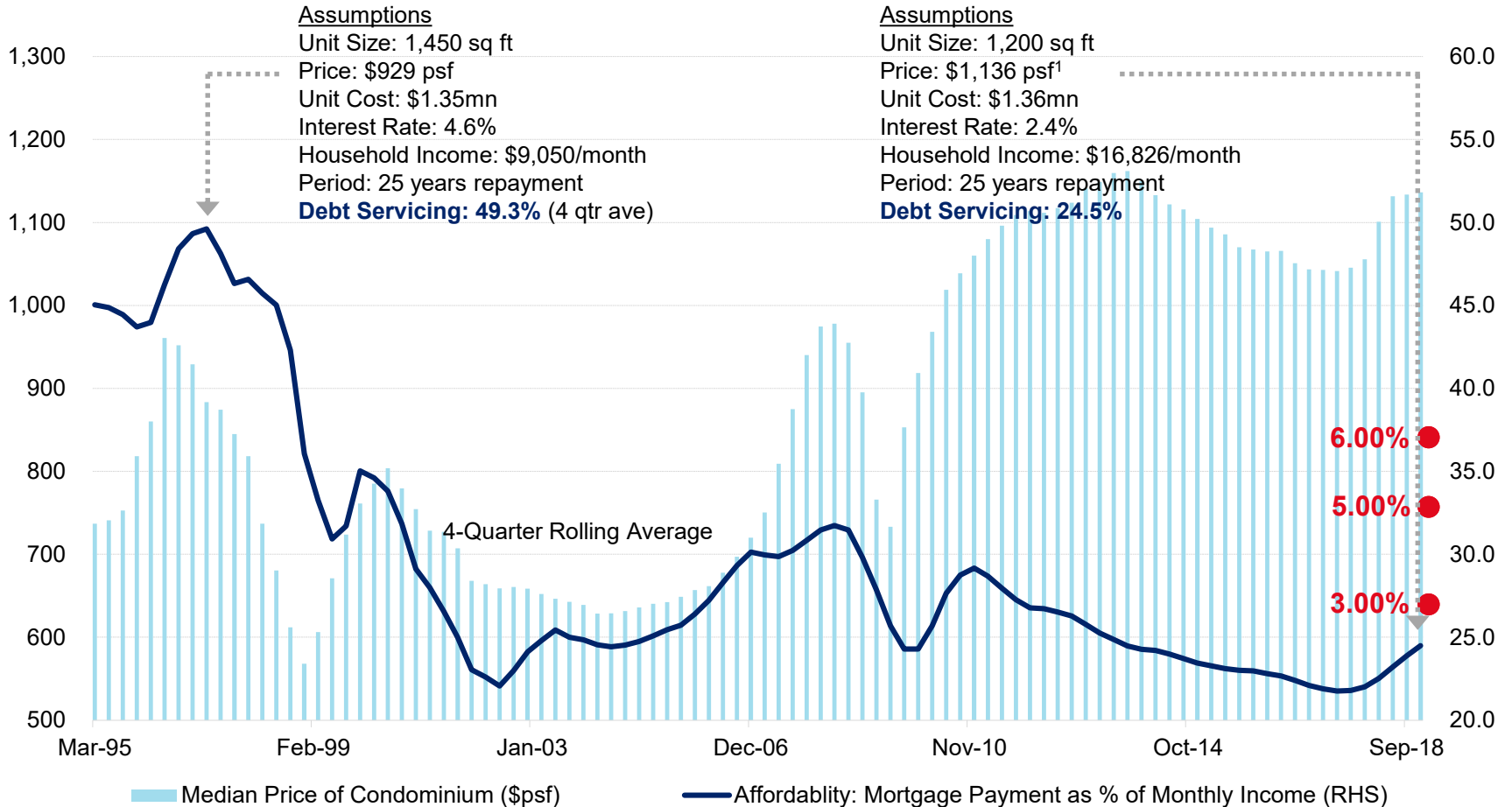
Singapore: URA Private Residential Price Index
Price movement: Connection to economic performances and admin measures?



Source: Macrobond, UOB Global Economics & Markets Research

Singapore: What is the general affordability of homes?

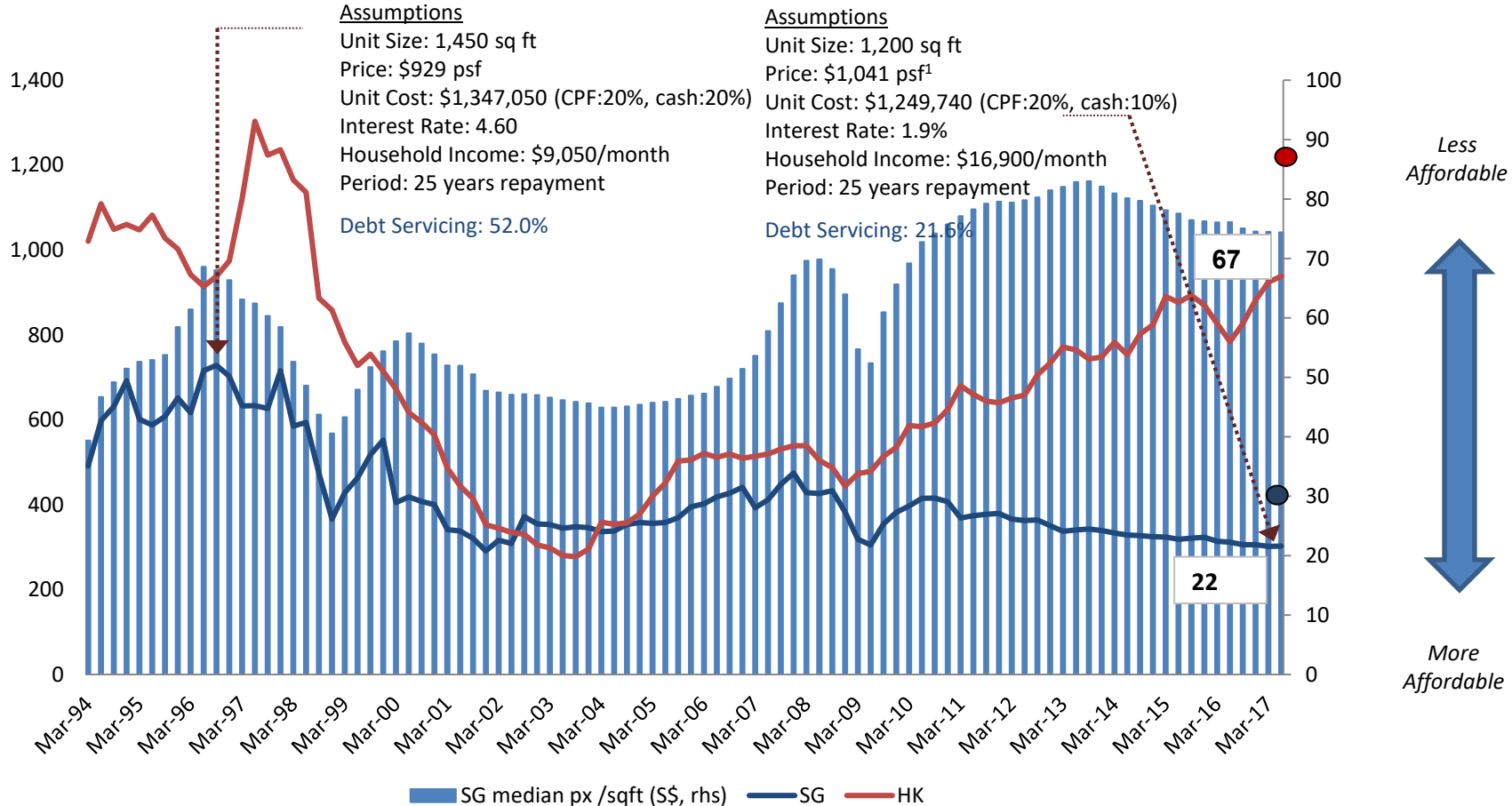
Affordability Ratio Remains Low Due To Low Interest Rates & Income Growth



Note 1: Median price of non-landed private residential from 1Q04 onwards
 Source: URA, CEIC, Singapore Statistics, UOB Global Economics & Markets Research Estimates

Housing Affordability In Singapore & Hong Kong

Comparing The Affordability Ratio In Singapore & Hong Kong



Note:
 SG calculation based on median condo prices for 110 sqm, 70% LTV and loan tenor of 25 yrs, median resident household income living in private properties .
 HK calculation based on 45 sqm area, 70% LTV and loan tenor of 20 yrs, median household income
 Source: URA, CEIC, HK SAR Finance Secretary's Office, Singapore Statistics, UOB Global Economics & Markets Research Estimates



**Challenges and opportunities in
this uncertainty and volatility?**

Regulating the internet giants

The world's most valuable resource is no longer oil, but data

The data economy demands a new approach to antitrust rules



Print edition | Leaders >

May 6th 2017



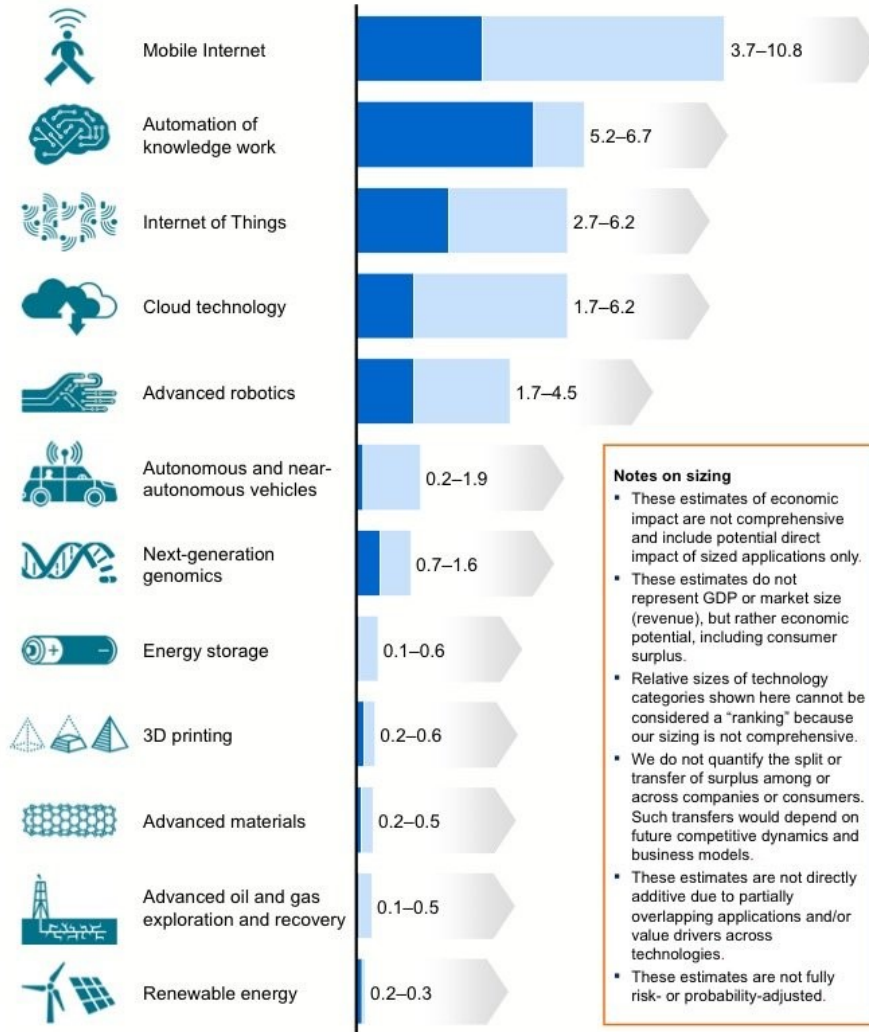
Source: Economist.com 6 May 2017 <https://www.economist.com/leaders/2017/05/06/the-worlds-most-valuable-resource-is-no-longer-oil-but-data>

What is the trend and where are the opportunities?

Exhibit E3

Estimated potential economic impact of technologies from sized applications in 2025, including consumer surplus
\$ trillion, annual

Range of sized potential economic impacts
Low High X-Y
Impact from other potential applications (not sized)



Notes on sizing

- These estimates of economic impact are not comprehensive and include potential direct impact of sized applications only.
- These estimates do not represent GDP or market size (revenue), but rather economic potential, including consumer surplus.
- Relative sizes of technology categories shown here cannot be considered a "ranking" because our sizing is not comprehensive.
- We do not quantify the split or transfer of surplus among or across companies or consumers. Such transfers would depend on future competitive dynamics and business models.
- These estimates are not directly additive due to partially overlapping applications and/or value drivers across technologies.
- These estimates are not fully risk- or probability-adjusted.

Source: Mckinsey 2013

https://www.mckinsey.com/~media/McKinsey/Business%20Functions/McKinsey%20Digital/Our%20Insights/Disruptive%20technologies/MGI_Disruptive_technologies_Executive_summary_May2013.ashx

BUSINESS NEWS SEPTEMBER 20, 2018 / 11:42 AM / 20 DAYS AGO

Alibaba's Jack Ma says people should prepare for 20 years of China-U.S. trade war

<https://www.reuters.com/article/us-usa-trade-china-alibaba-tradewar/alibabas-jack-ma-says-people-should-prepare-for-20-years-of-china-u-s-trade-war-idUSKGN1M00CG>

TIANJIN, China (Reuters) - Jack Ma, co-founder of Chinese e-tech giant Alibaba Group Holding Ltd ([BABA.N](#)), said on Thursday that people should make preparations for 20 years of China-U.S. trade frictions.



Business

Biggest iPhone Assembler Warns Trade War May Last a Decade

By [Adela Lin](#)

December 5, 2018, 7:50 AM GMT+8

Updated on December 5, 2018, 10:38 AM GMT+8

► Terry Gou's company is world's largest iPhone assembler

► Gou made comments at summit

The U.S.-China trade war may dra

TECHNOLOGY NEWS DECEMBER 27, 2018 / 5:34 PM / 7 DAYS AGO

Exclusive: Foxconn to begin assembling top-end Apple iPhones in India in 2019 - source

Source: <https://in.reuters.com/article/apple-india/exclusive-foxconn-to-begin-assembling-top-end-apple-iphones-in-india-in-2019-source-idINKCN1OQ0M2>

Sankalp Phartiyal, Sudarshan Varadhan

5 MIN READ



MUMBAI/DELHI (Reuters) - Apple Inc will begin assembling its top-end iPhones in India through the local unit of Foxconn as early as 2019, the first time the Taiwanese

- Diversion (trade/investment)
- Diversification (risks)

AmCham South China Special Report (Oct/Nov 2018):

80% of surveyed companies have experienced “serious impact or negative impact” from US-China trade tensions

Nearly 50% of the respondents reported loss in markets to companies from other countries due to the trade dispute, incl. Vietnam, Germany and Japan (in order of importance)

> 60% of the companies are delaying or canceling investments into China

> 60% considering relocation of some or all manufacturing out of China

First choice of relocation: Southeast Asia

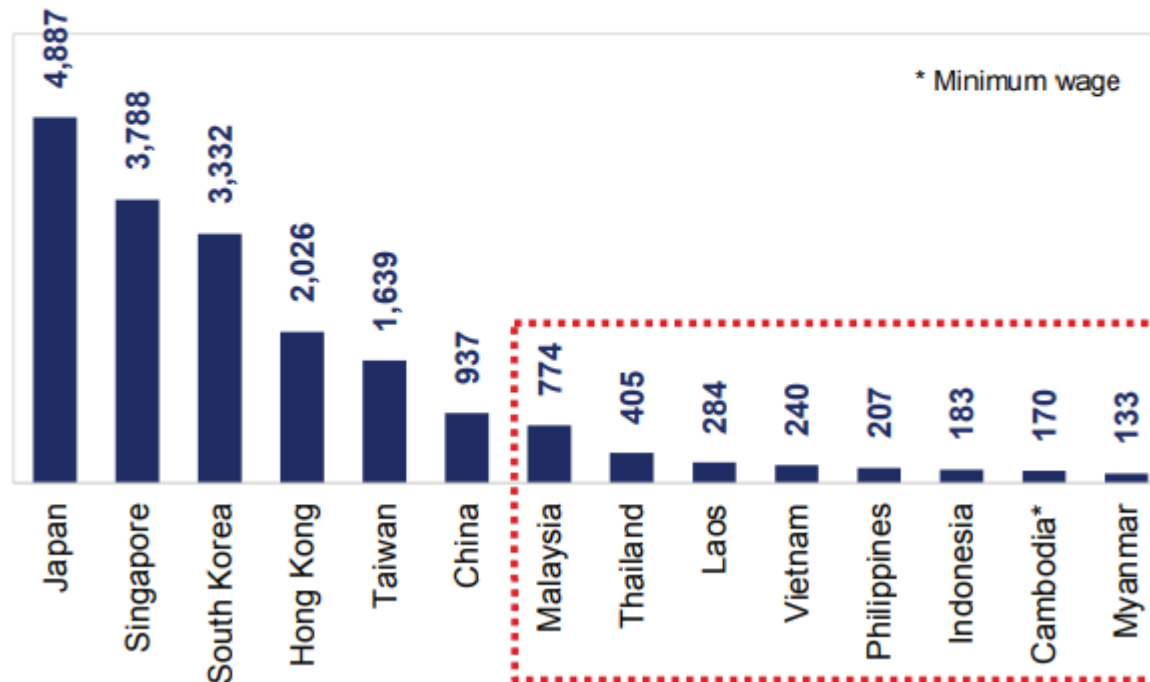
Source: Asia Focus: Are We Seeing Trade And Investment Diversion From US-China Trade Rift? https://www.uobgroup.com/web-resources/uobgroup/pdf/research/ASIA-Focus_1q19.pdf

Amcham South China <http://www.amcham-southchina.org/amcham/static/publications/Special%20Report%20on%20the%20Impact%20of%20U.S.%20and%20Chinese%20Tariffs/mobile/index.html#p=18>

Wage Costs In ASEAN Are Mostly Lower Than In China

Source: CEIC, ILO, UOB Global Economics & Markets Research

2017 Average Monthly Wages (US\$)



Source: Asia Focus: Are We Seeing Trade And Investment Diversion From US-China Trade Rift? https://www.uobgroup.com/web-resources/uobgroup/pdf/research/ASIA-Focus_1q19.pdf

Belt and Road Initiative (BRI) – It is all about “Connectivity”

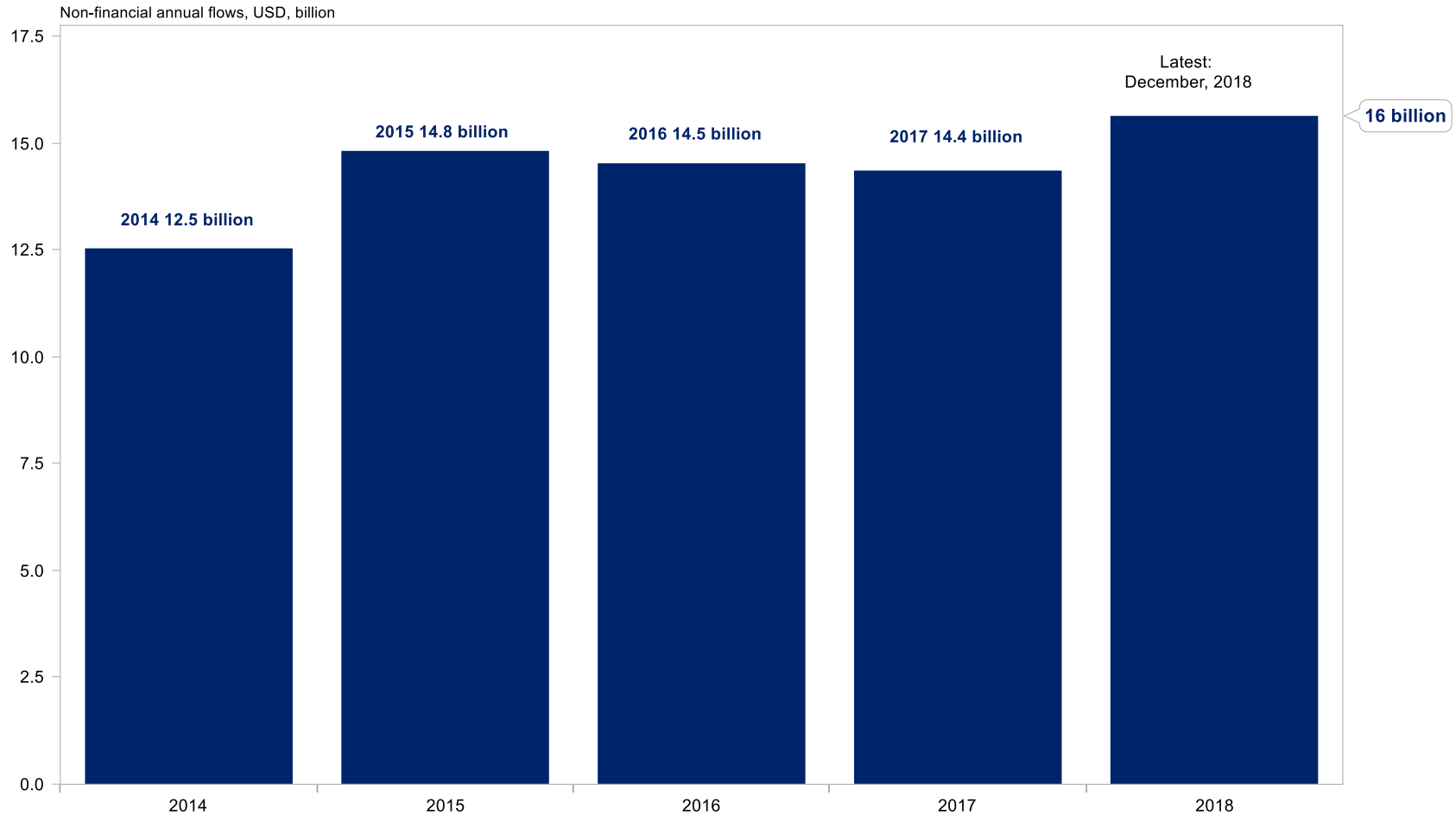


<https://reconnectingasia.csis.org/analysis/entries/is-china-belt-and-road-working/>

Source: 一带一路的五通是什么? <http://silkroad.news.cn/2017/0821/45876.shtml>; A new platform for cross-region cooperation <http://www.beltandroad.gov.hk/overview.html>

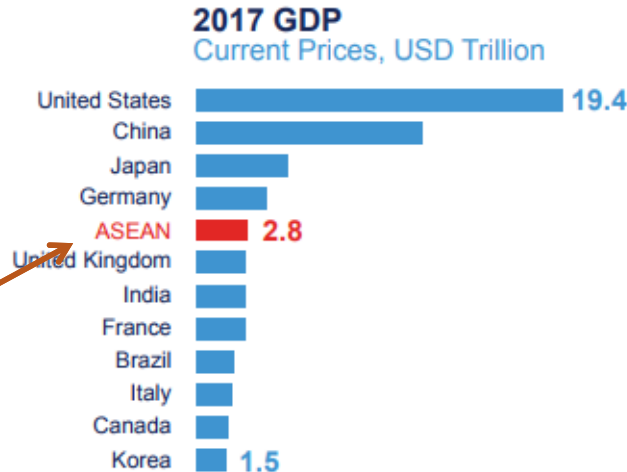
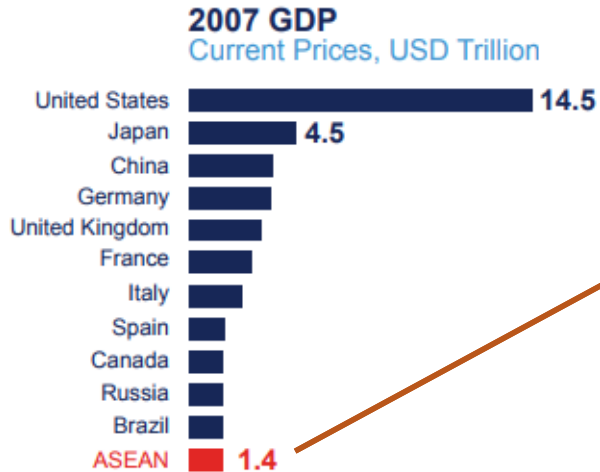
Belt & Road: Show Me the Money

China: Overseas Direct Investment (ODI) Into Belt & Road Countries



Source: Macrobond, UOB Global Economics & Markets Research

ASEAN – Moving up the Rank



ASEAN has progressed rapidly over the decade. In 2017, the combined GDP (current prices) of ASEAN - if it was a single economy - placed it as the 5th largest in the world at USD 2.8 trillion, almost double the USD 1.4 trillion in 2007.

ASEAN also accounted for 3.5% of the world's GDP in 2017 from 2.4% in 2007.

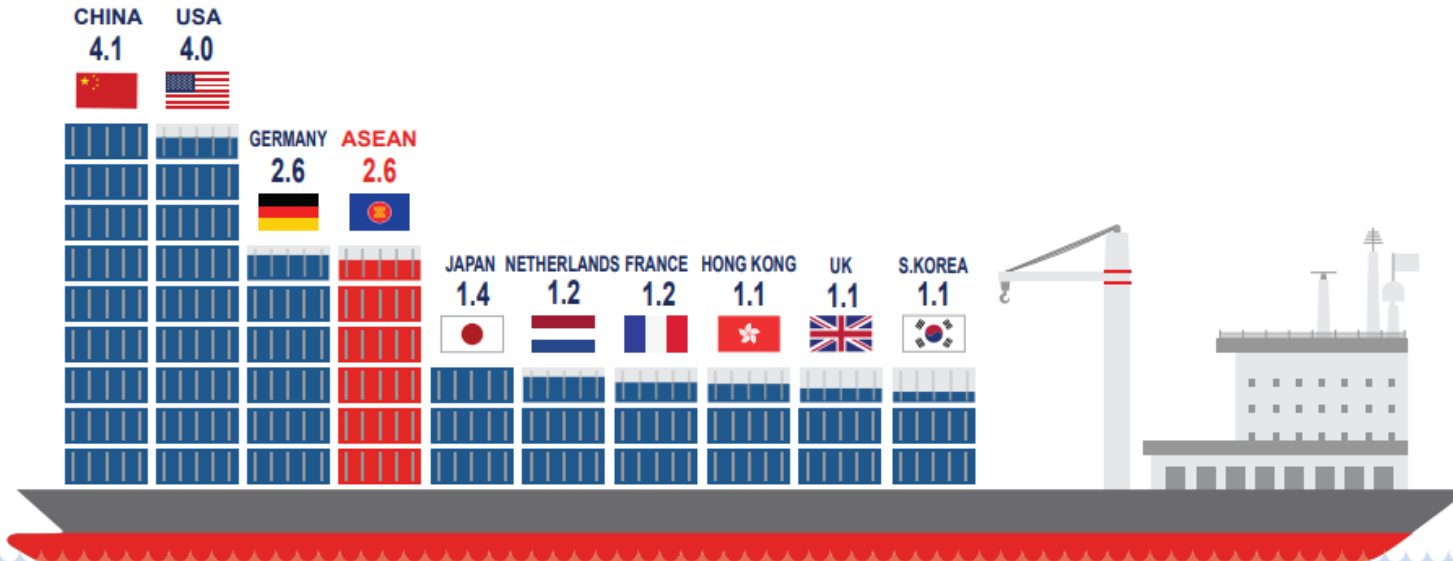


Foreign Direct Investment (FDI) into ASEAN grew 37% to USD 114.5 billion in 2017 from USD 83.8 billion a decade ago.

ASEAN was ranked 3rd highest in the world for FDI inflows in 2017.

ASEAN – 4th largest trading bloc

2017 TOTAL TRADE: TOP 10 RANKING IN THE WORLD USD Trillion



INTRA-ASEAN TRADE

Intra-ASEAN trade increased by 47% to USD 543 billion in 2017 from USD 369 billion in 2007.



ASEAN TRADE WITH UNITED STATES

Share of US in ASEAN's total trade fell to 9.9% in 2017 from 11.7% in 2007.



ASEAN TRADE WITH THE WORLD

ASEAN's total trade with the world soared 61% to USD 2.6 trillion in 2017 from USD 1.6 trillion in 2007.



ASEAN TRADE WITH CHINA

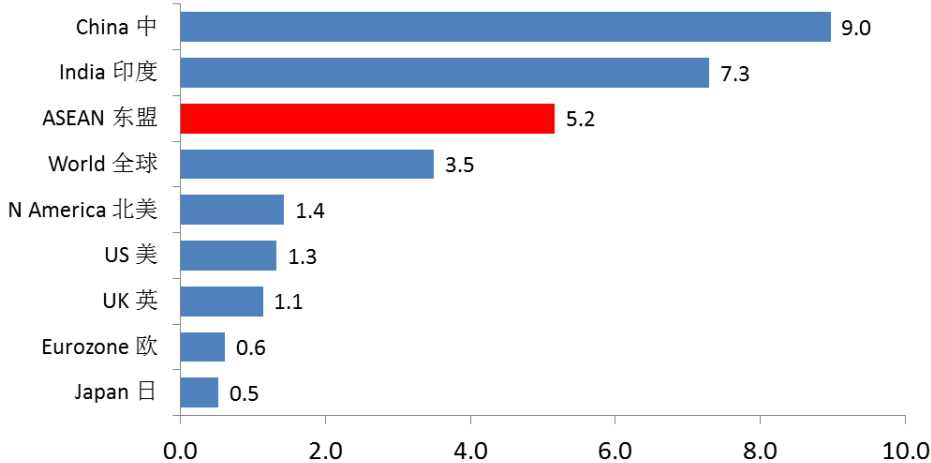
Share of China in ASEAN's total trade jumped to 18.7% in 2017 from 12.5% in 2007.

Source: ASEANstats, IMF WEO, UNCTAD, Bloomberg, UOB Global Economics & Markets Research
Note: 2017 GDP figure is IMF's estimation, 2017 FDI figure is UOB's estimation

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ASEAN Snapshot

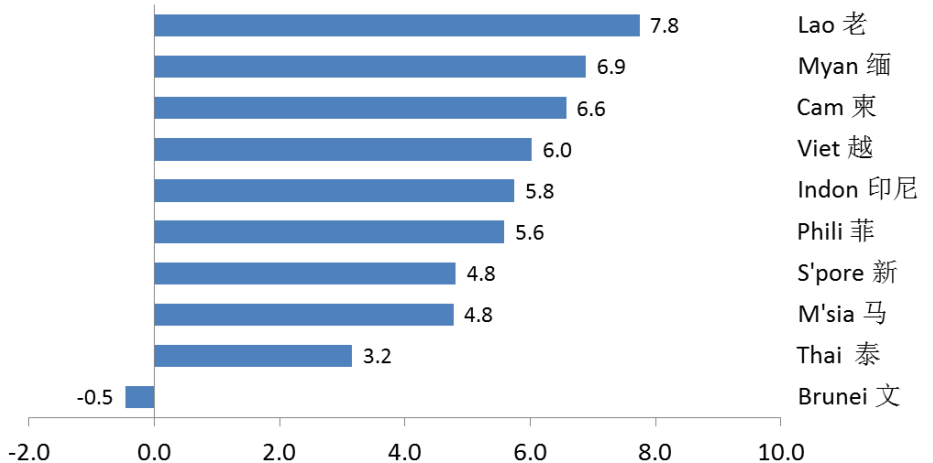
ASEAN – Strong Growth Potential

Annual Real GDP Growth Rate (2007-2016)
年均实际经济增长率 (%)



Source: IMF; UOB Global Economics and Markets Research est

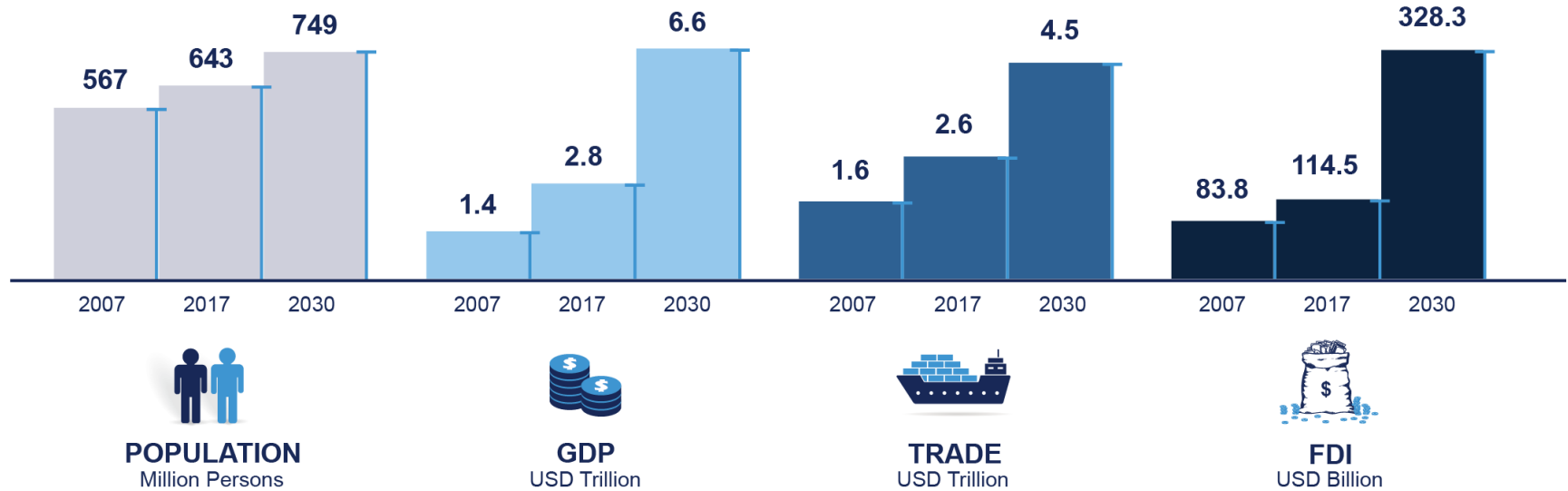
Annual Real GDP Growth Rate (2007-2016)
年均实际经济增长率 (%)



Source: IMF; UOB Global Economics and Markets Research est

ASEAN – Growth Potential

ASEAN ECONOMIC PERFORMANCE

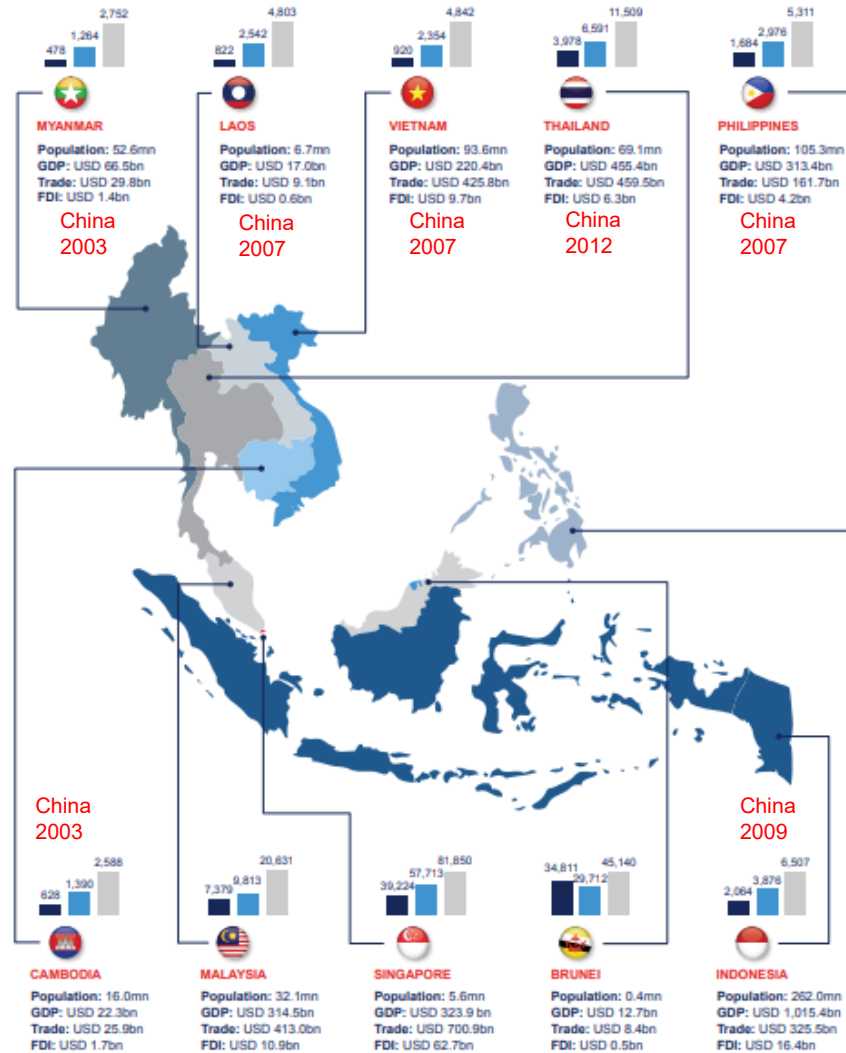


ASEAN – Growth Potential and Per Capita vs. China

ASEAN COUNTRIES ECONOMIC PROGRESS

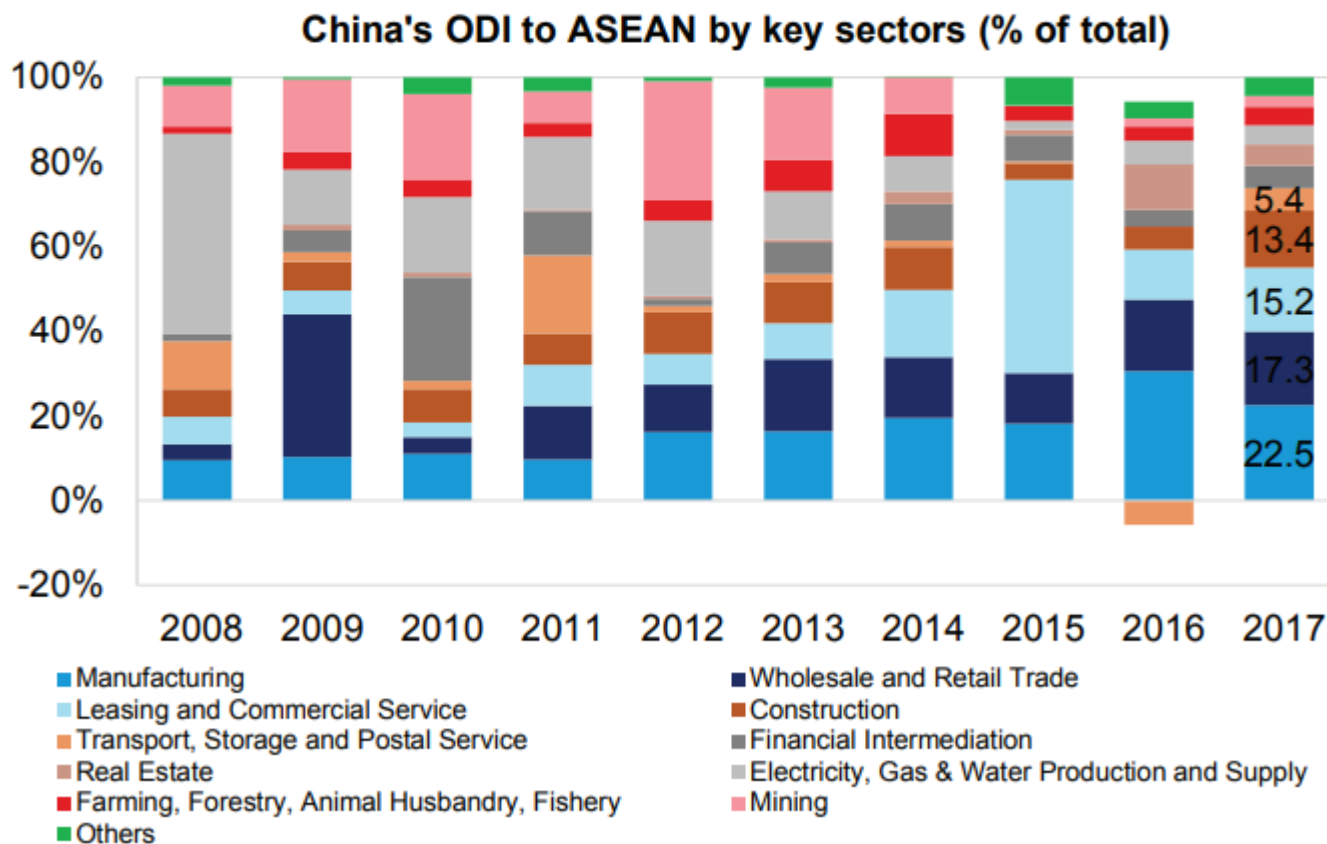
GDP per Capita (USD)
 ■ 2007
 ■ 2017
 ■ 2030

Current per capita GDP vs China



Manufacturing Receives Largest Share Of China's Investment In ASEAN

Source: CEIC, UOB Global Economics & Markets Research



Quarterly Global Outlook

Q1 2019

ASEAN Winners In The US-China Trade Conflict

ASIA FOCUS

Are We Seeing Trade And Investment Diversion From US-China Trade Rift?

SINGAPORE FOCUS

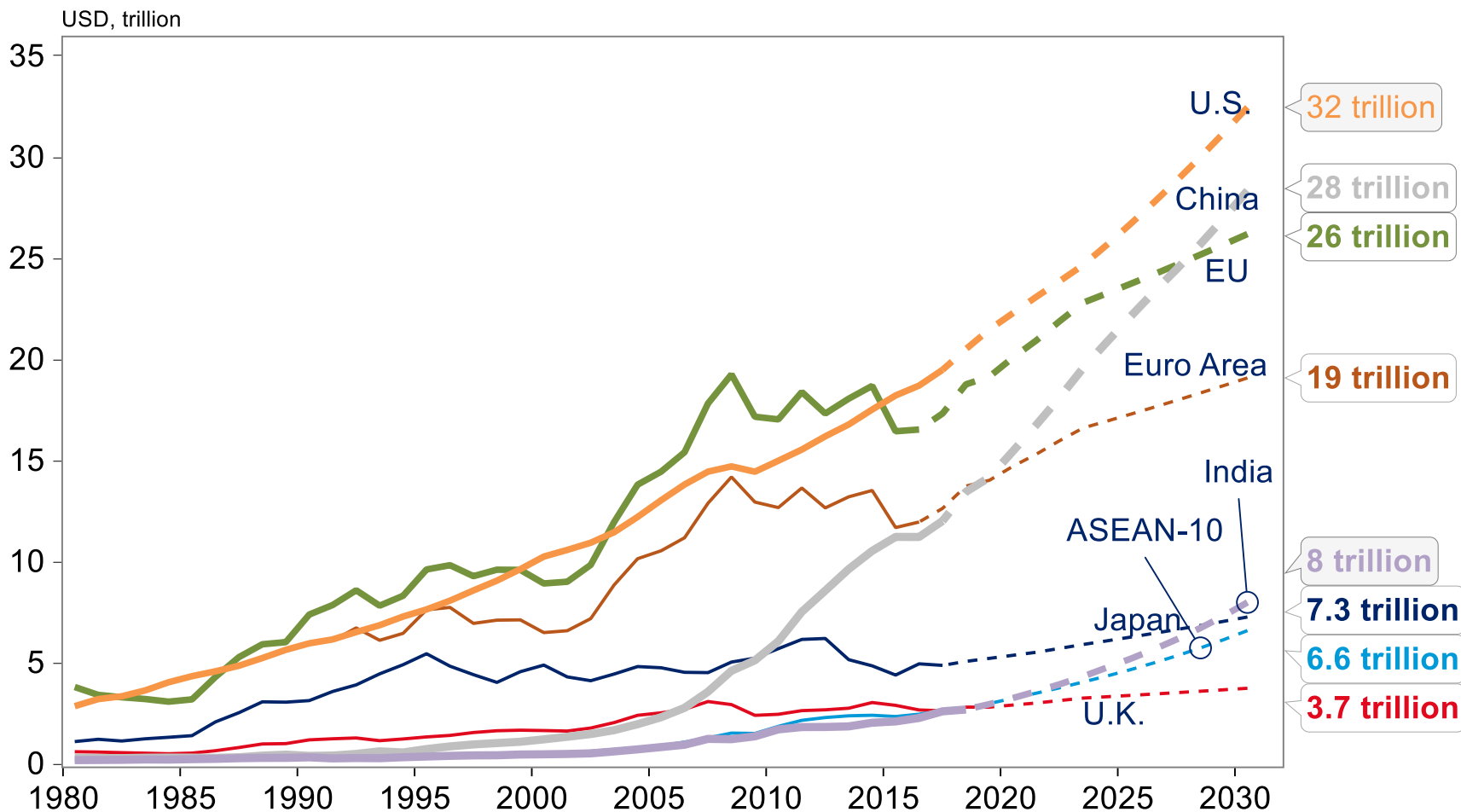
FX STRATEGY

Cracks Start To Appear In

- Manufacturing sector
- Infocomm and IT: Malaysia and Vietnam
- Automotive: Thailand and Malaysia
- Garment production: Vietnam
- Tentative signs showing investment inflows into Thailand, Taiwan, Vietnam
- CPTPP (TPP ex-US) to benefit Malaysia, Vietnam and Singapore

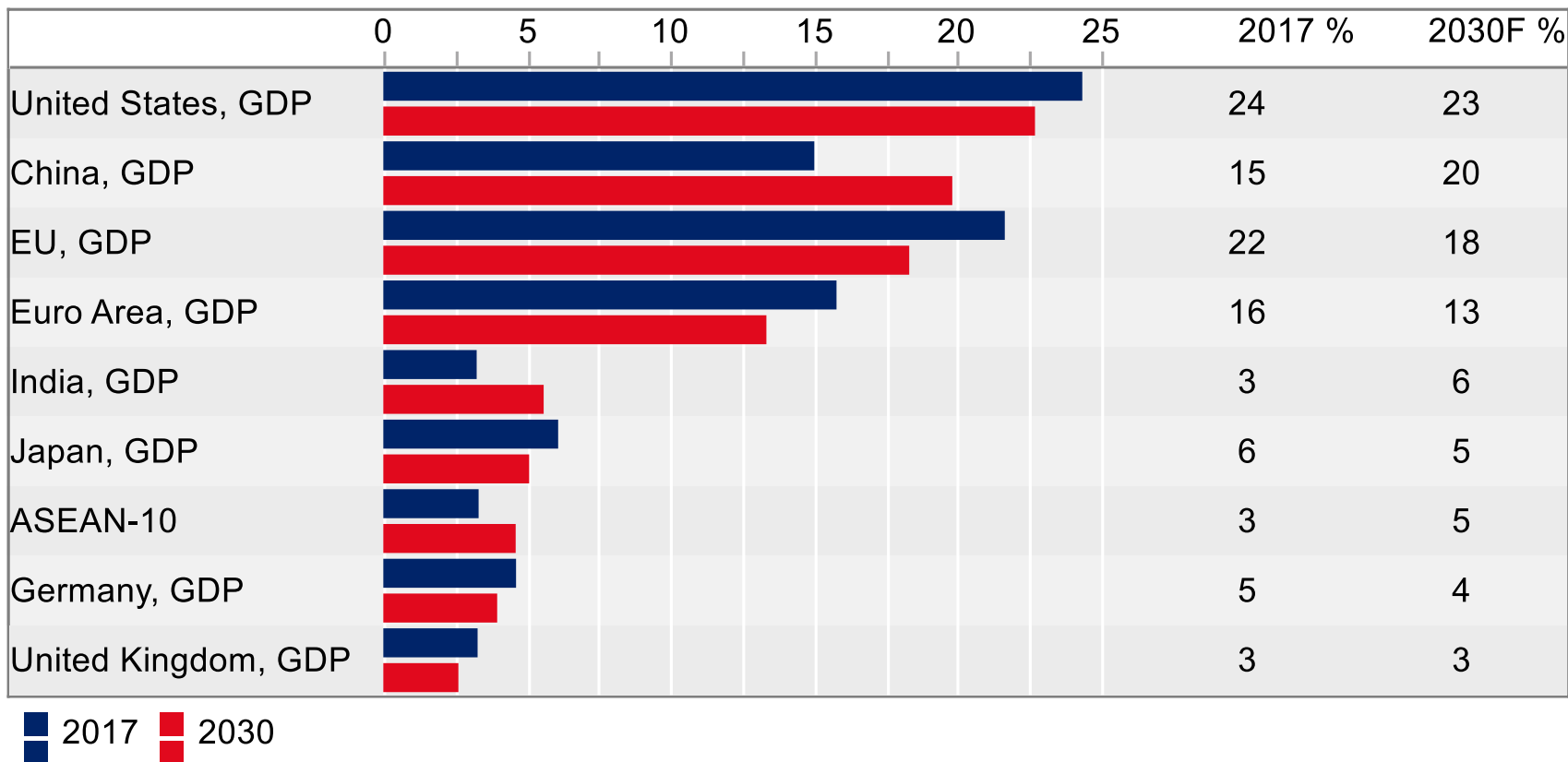
Source: Asia Focus: Are We Seeing Trade And Investment Diversion From US-China Trade Rift? https://www.uobgroup.com/web-resources/uobgroup/pdf/research/ASIA-Focus_1q19.pdf

Economy Size by Nominal GDP, Current Prices, USD



Source: Macrobond, UOB Global Economics & Markets Research

% Share of World GDP, Current Prices, USD



Source: Macrobond, UOB Global Economics & Markets Research

The biggest story for Asia in the last three decades has been the rise of China. Asia's biggest story in the next three decades will be the transformation of China.

过去三十年，亚洲最大的变化就是中国的崛起；
未来三十年，亚洲最大的变化将是中国的转型。
*過去三十年，亞洲最大的變化就是中國的崛起；
未來三十年，亞洲最大的變化將是中國的轉型。*

(原文大意；非官方译文)

-- "China-Singapore Financial Connectivity", Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at the 2nd RMB Internationalisation Summit, 7 Jun 2016
新加坡金管局局长孟文能

Source: <http://www.mas.gov.sg/News-and-Publications/Speeches-and-Monetary-Policy-Statements/Speeches/2016/Speech-at-2nd-RMB-Internationalisation-Summit.aspx>

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