

Can Budget 2023 prepare S'pore for slowing growth and structural shifts?

Singaporeans will look to the Budget for assurance in navigating the coming challenging economic environment and preparing for long-term demographic, displacement and other challenges



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Singapore's Budget 2023 will offer important insights into the Government's strategy for a post-pandemic world.

Investors, observers and Singaporeans will be watching to see how it intends to tackle the immediate concerns of businesses, workers and households, while positioning Singapore well for the long term.

Though the anticipation over 2022's Budget was more palpable amid speculation about possible wealth taxes and details of the goods and services tax (GST) and carbon tax increases, observers will watch this year's edition for other reasons. In particular, they will want to hear how the Forward Singapore discussions,

led by Deputy Prime Minister and Finance Minister Lawrence Wong and the fourth-generation leaders, may shape national priorities, even if the final landing points will emerge only when the exercise concludes later in 2023.

PROVIDING ASSURANCE ABOUT SHOCKS AND STRUCTURAL SHIFTS

For the near term, citizens and businesses are anticipating further support from the Government as economic growth slows while inflation remains high. While everyone may receive something, help will most likely be targeted at vulnerable groups such as the lower-income segments, or specific business sectors most affected by cost increases.

In seeking to provide greater assurance to citizens and businesses in these challenging times, however, the Government should avoid entrenching expectations that support in the form of cash or vouchers would be forthcoming whenever there

are economic headwinds.

Besides short-term support, structural challenges such as the cost of living and technology-induced job disruptions could merit a step up in structural support to assuage anxieties about the future.

Some observers are expecting an announcement on income support for unemployed or retrenched workers. This was among the recommendations put forward in 2021 by a joint National Trades Union Congress and Singapore National Employers Federation task force to help professionals, managers and executives.

More recently, Mr Wong mentioned at the Institute of Policy Studies Perspectives conference in January that "re-employment support" can provide some financial cushioning for displaced workers, enabling them to upgrade their skills and placing them in new jobs. The Government could sketch out further plans for such support, even if full implementation details are not ready in time for Budget 2023.

Another such example is government support to manage the pressures of raising children so that every child gets a good start in life. Prime Minister Lee Hsien Loong mentioned this in his Chinese New Year message, giving parents hope that further measures to enhance pre-school

or childcare affordability may be forthcoming.

TACKLING LONGER-TERM CHALLENGES

The Budget must continue to be forward-looking, anticipating future challenges and opportunities and addressing them early. These include longer-term but increasingly urgent priorities as Singapore ages, such as providing for seniors' healthcare and housing needs.

While the Government has launched more Community Care Apartments, an assisted-living public housing option, there is also a need to upgrade existing flats and amenities for the bulk of seniors who will age in place in housing estates across Singapore, and scale up provisions for caregiving needs such as shared domestic services and home nursing.

Infrastructure renewal will be a significant fiscal priority, as Singapore upgrades its physical and digital connectivity and puts in place climate adaptation measures. Sustainability in its various dimensions – economic, social and infrastructural – will likewise be high on the national agenda. To maintain Singapore's competitiveness, business capabilities of Singapore companies must be enhanced. Support for research and

development, particularly in deep-technology areas, as well as digitalisation, may well feature among the suite of business support measures in Budget 2023.

Not all long-term issues, however, will attract major policy announcements in any given year, since the Government's approach is to tackle these priorities through multi-year plans. Updates to programmes and implementation details may also be left to the debates on individual ministries' budgets rather than covered in the Finance Minister's speech.

ADDRESSING TRANSIENT AND STRUCTURAL NEEDS CONCURRENTLY

With both short-term needs and long-term priorities to address, it can feel like Budget 2023 has many competing interests and something has to give. However, Singapore's short-term and long-term priorities may be inextricably linked, making it impossible to trade one for another.

For instance, the fallout from near-term pressures on distressed households and businesses – whether broken families or business failures – may have long-term repercussions on our society and

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economy.

Likewise, longer-term priorities may require short-term measures. Transition support is critical to help with Singapore households' and businesses' transition towards a greener and more inclusive society. Increases in the carbon tax, GST and progressive wages, along with better protection for platform workers and improved accommodation for

foreign workers, will all add to business costs in the years ahead. These are necessary structural transitions, but businesses and consumers will feel the squeeze as these costs stack up on top of external cost pressures.

On both the revenue and expenditure ledgers, the appropriate policies will depend on whether structural and transient factors are at play. For example, supply pressures may abate, bringing down inflation, but Singapore will remain a structurally high-cost city.

It may therefore be necessary to review the set of permanent support – Workfare, Silver Support and GST vouchers – along with structural shifts such as the Progressive Wage Model, and assess if they require enhancing or supplementing with new programmes.

Permanently higher healthcare expenditure arising from an ageing population requires

revenue sources to be strengthened, notwithstanding cyclical spikes in revenue from property stamp duties. This was the impetus for raising GST from 7 per cent to 9 per cent from 2022 to 2024.

At the same time, transient revenue windfalls offer opportunities. For instance, exceptional property revenue can be channelled towards temporary support without having to incur a budget deficit; private capital flowing to Singapore as a safe haven in turbulent times can also provide new opportunities for the wealth management industry.

Both the Government and businesses should be alert to such opportunities and be nimble to seize them to build Singapore's long-term competitive advantage.

EXPANDED SET OF NATIONAL OBJECTIVES

Budget 2023 is also coming at a

time of greater needs and challenges.

For many years now, the Budget has articulated the twin goals of fostering a dynamic economy and inclusive society. Against the backdrop of a global pandemic, a transforming geopolitical landscape and the urgency of climate change, the national agenda must now encompass sustainability and resilience as well.

These policy goals, fortunately, need not be at odds. The perceived tension between economic and social objectives can be mitigated by considerations of sustainability and resilience.

Initiatives to improve the wages and well-being of lower-wage workers not only make for a more inclusive society, but can also increase the resilience of the workforce by attracting local workers and encouraging greater investment in their training. This

in turn can improve productivity and enhance workers' spending power, to the benefit of the economy.

Improved social security can provide greater assurance for citizens, enabling support to keep the economy open to global talent and capital, in turn enhancing Singapore's economic prospects.

The sustainability agenda can also lead to innovation that improves lives and gives Singapore companies chances to capture new market opportunities here and abroad.

While there is space to optimise both social and economic outcomes, Singapore must be careful not to overextend in a particular direction, which may rack up costly trade-offs.

In the late 2000s, the surge in foreign manpower and consequent spurt in population growth ran ahead of infrastructure expansion, resulting in social tensions and

unease among citizens. Even as Singapore opens up to the world to make up for ground lost during the Covid-19 pandemic,

policymakers must bear in mind these lessons from the past.

The structural shifts that Singapore is going through are significant and will be challenging, but we are starting from a strong base of economic competitiveness and social cohesiveness.

My hope is that Budget 2023 will build on these foundations, address existing and emerging gaps, and position Singapore to embrace the future with confidence.

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