4 Macroeconomic Policy

- In January 2022, MAS raised the S$NEER policy band's rate of appreciation slightly, while maintaining the width and the level at which it was centred. MAS had already begun withdrawing policy accommodation in October 2021 but assessed that a further tightening in an off-cycle move was necessary to dampen rising core inflationary pressures. Higher global oil and food prices, as well as firm wage growth domestically, were fuelling a rapid accumulation in business costs which would pass through to consumer price inflation.

- In April 2022, MAS tightened monetary policy further by re-centring the mid-point of the S$NEER policy band upwards and increasing the band's slope slightly. This monetary policy stance was assessed to be appropriate for dampening imported inflation in the face of fresh shocks to global prices and would help maintain medium-term price stability. While the global economy would expand by less than previously anticipated, Singapore was still expected to record a second consecutive year of above-trend growth and the output gap would turn slightly positive.

- Budget 2022 was introduced at a time when cyclical strains had eased considerably but rising inflation and structural changes were confronting the economy. As such, the Budget provided targeted and scaled-down support to help businesses and households cope with near-term cyclical challenges, even as it introduced and enhanced measures to spur digitalisation and productivity, uplift lower-wage workers and tackle climate change. At the same time, significant changes were made to the tax system to improve its progressivity and secure government finances for the future.

- All in, fiscal and monetary policies have been adjusted to reflect the recovery in the Singapore economy and mitigate the impact of external inflationary shocks. The overall macroeconomic policy stance will facilitate Singapore's transition towards living with COVID-19 and ensure sustainable economic growth.

4.1 Monetary Policy

In October 2021, MAS raised the slope of the S$NEER policy band slightly from 0% p.a.

At the time of the October 2021 policy review, global GDP growth had slowed as widespread outbreaks of the Delta variant led to lower mobility and further disruptions to global supply chains. Nonetheless, economic prospects in Singapore's major trading partners remained broadly intact, with rising vaccination rates and naturally-acquired immunity facilitating continued global recovery.

The Delta variant, likewise, did not significantly dampen Singapore's economic growth momentum. The economy had, in aggregate, recovered to its pre-crisis level of output even as some spare capacity remained. In the quarters ahead, GDP growth would be supported by still-firm external demand as well as recovering domestic expenditure, as Singapore transitioned towards living with COVID-19. Barring major shocks, such as the emergence of a more virulent strain of the virus, GDP growth would exceed its trend in both 2021 and 2022. Even though the extent of recovery would be uneven across sectors, the negative output gap was expected to close in 2022.

Recovering aggregate demand amid tight supply conditions abroad and domestically led to the accumulation of cost pressures in the Singapore economy. MAS Core Inflation had picked up mainly due to an increase in global oil and food prices, which were being passed through to electricity & gas tariffs and non-cooked food inflation. Improving wage growth was also contributing to inflation in some consumer items such as food & beverage services.

As the Singapore economy had substantially recovered from the worst of the pandemic and core inflation was forecast to pick up and broaden, it was appropriate for MAS to begin withdrawing monetary policy accommodation. Accordingly, MAS raised slightly the slope of the S$NEER policy band, from the zero percent established since end-March 2020. This appreciation path for the S$NEER policy band sought to ensure medium-term price stability, while recognising the risks to the economic recovery.

In January 2022, MAS further increased the rate of appreciation of the S$NEER policy band in an unscheduled policy move

In the months following the October 2021 Monetary Policy Statement (MPS), the more transmissible, but less virulent, Omicron strain of the virus began spreading globally. In January 2022, MAS assessed that the impact of the Omicron wave on Singapore's GDP growth would be limited. High vaccination rates attained globally had weakened the link between infections and economic activity, ensuring that external demand would remain broadly intact. Domestically, the public health system would likely remain resilient, and enable a more extensive re-opening of the economy. As such, the Singapore economy was expected to continue on its recovery path and labour market slack would be absorbed.

MAS Core Inflation came in stronger than expected, averaging 1.7% y-o-y in Q4 2021, compared to 1.1% in the preceding quarter. Global oil prices had risen well beyond pre-COVID levels on the back of strong demand, while imported food costs also increased further, reflecting global and regional bottlenecks that were taking longer than expected to unwind. Costs of a range of imported intermediate and final consumption goods were also climbing in tandem with strong global goods and commodity inflation. On the domestic front, as the resident unemployment rate approached its pre-pandemic level, wages were rebounding to levels comparable to those implied by the pre-crisis trend.

While part of the rise in core inflation in Q4 2021 reflected temporary idiosyncratic changes to the airfares CPI, the underlying drivers of inflation were expected to persist. Core inflation would rise over the course of the year, underpinned by firm external oil and food prices, and a tightening domestic labour market. Overall business costs were accumulating more rapidly than projected, and, amid the recovery in private consumption demand were likely to be passed through to a range of goods and services prices.

The forecast ranges for MAS Core Inflation and CPI-All Items inflation in 2022 were therefore revised to 2.0–3.0% and 2.5–3.5%, respectively, up from 1.0–2.0% and 1.5–2.5% in October 2021. While core inflation was expected to moderate in the second half of 2022 as supply constraints eased, it would remain above its historical average. Notably, the risks to inflation were still skewed to the upside, as geopolitical tensions between Russia and Ukraine were growing.

Reflecting the significant shift in the inflation outlook, MAS raised the rate of appreciation of the S$NEER policy band slightly in an unscheduled policy announcement in January 2022. The policy band's width and the level at which it was centred remained unchanged. While MAS had already begun withdrawing policy accommodation in October 2021, it had assessed then that a further tightening in policy settings was necessary in order to dampen core inflationary pressures. The January 2022 policy move brought forward the needed adjustment to monetary policy, which was assessed to be appropriate for ensuring medium-term price stability.

Amid a tight domestic labour market, fresh external shocks are driving another upward shift in Singapore's inflation outlook

In Q1 2022, MAS Core Inflation rose further to 2.5% on the back of accelerating price increases across most core CPI categories. Electricity & gas as well as non-cooked food inflation rose following higher oil and imported food prices at the turn of the year, while inflation in a range of discretionary goods and services also stepped up amid strengthening consumer demand and rising mobility.

While core inflation developments in Q1 were broadly in line with expectations, the outbreak of war between Russia and Ukraine in late February and the resulting geopolitical responses have lifted Singapore's inflation outlook. The sharp increase in global oil prices as a result of the conflict led to higher domestic petrol pump prices in March, and contributed to the pickup in CPI-All Items inflation to 4.6% in Q1. Global commodity prices are likely to remain elevated for some time and, alongside renewed disruptions to global supply chains brought about by both the war and pandemic-containment measures in the region, are expected to lead to discernibly higher global inflation than forecast in the January MPS. These would filter through to Singapore's imported costs over the rest of 2022 and possibly into 2023.

Meanwhile, domestic cost pressures rose in tandem with the more advanced stage of recovery in early 2022. The resident unemployment rate, which had already fallen to 3.2% by Q4 2021, continued to edge down over Jan–Feb, indicating that slack in the labour market was nearly fully absorbed. The broadening of the recovery to the more labour-intensive sectors of the economy in the quarters ahead is expected to keep overall labour demand firm. Although incoming non-resident workers would alleviate manpower shortages to some extent, the labour market is anticipated to remain tight, as the resident workforce is mostly employed. Consequently, wage growth is likely to remain above its historical average and be a key source of underlying inflation.

Core inflation is thus forecast to rise further in the coming months, possibly reaching a high of around 4% y-o-y in Q3 before easing in late 2022. This profile assumes some stabilisation in global commodity prices as well as a partial resolution of supply constraints. For example, labour shortages both domestically as well as in Singapore's key import source countries could ease with the loosening of border and movement restrictions. However, elevated oil and agricultural commodity price levels are forecast to filter through to higher

operating costs in Singapore over an extended period. Together with rising unit labour costs stemming from the tight labour market, business costs will accumulate further and be passed through to consumer prices amid firm demand.

Largely reflecting the impact of the Russia-Ukraine conflict, the forecast range for MAS Core Inflation in 2022 has been revised up further to 2.5–3.5%, while that for CPI-All Items inflation has been raised to 4.5–5.5%. The larger upward revision in headline inflation reflects the stronger-than-anticipated outturns in car prices and residential property rents given the constraints on the supply of COEs and accommodation.

In the near term, risks to inflation remain skewed to the upside given the possibility of sharply lower energy exports from Russia, as well as more protracted strain on regional supply chains. Inflation could accelerate more rapidly than expected should supply-side risks materialise, while growth continues apace. Beyond the near term, the trajectory of global inflation will depend on the outcome of structural demand and supply forces, alongside the expected tightening of monetary policy by major central banks.

The conflict has dented the global economic outlook, but Singapore's further re-opening will support domestic growth prospects

The Russia-Ukraine conflict has dampened the outlook for global GDP growth, crimping prospects of the economies with significant trade and financial linkages with the two countries. Of these, the Eurozone and UK, in particular, are major trading partners for Singapore. In addition, heightened uncertainty arising from the war, as well as concerns over energy and food prices, have weakened consumer and business confidence. Households and businesses globally could also cut back on private consumption and investment, amid the erosion of purchasing power. Moreover, tightening financial conditions as major central banks accelerate monetary policy normalisation will act as a restraint on the pace of global economic expansion.

Nevertheless, growth in Singapore's major trading partners is not expected to be derailed. Demand in the advanced economies should stay well-supported by the buffer provided by household savings and wealth accumulated during the pandemic. In the region, growth should remain resilient as some economies experience a terms of trade improvement amid higher commodity prices, while most countries should see a boost from rising mobility and the relaxation of border restrictions. All in, the global economy is forecast to expand by 3.9% this year, with Asia ex-Japan growing at a faster pace than the G3, on the back of the former's greater scope to catch up to pre-pandemic output levels.

Singapore's economic recovery broadened in Q1 2022, with the drivers of growth shifting from the external-oriented sectors towards those that were worst-hit by the pandemic. Sequential growth momentum in the external-oriented sectors eased following the robust expansion in the preceding quarter. In comparison, the pace of expansion in the domestic-facing sectors picked up alongside the progressive relaxation of restrictions on dining out, events, and the proportion of workers allowed to return to offices.

The shock to global commodity prices, as well as weaker prospects for growth in Europe since late February, have modestly dampened the outlook for the domestic economy. Singapore's exposure to final demand in Russia is marginal, but production will be impacted directly by the surge in imported costs, as well as indirectly, through weaker growth in countries heavily reliant on Russian-sourced intermediate inputs. (See **Chapter 2**, page 26).

Consequently, growth in trade-related clusters and modern services will moderate to a greater extent than previously forecast. However, the more comprehensive relaxation of border controls and safe management measures from Q2 will support a stronger expansion in the travel-related and domestic-oriented sectors and mitigate some of the external drags on growth. Although high inflation could weigh on households' discretionary spending, domestic consumption should be temporarily buoyed by savings and the unleashing of pent-up demand.

Barring severe dislocations to the global economy, Singapore's GDP growth remains on track to come in at 3–5% this year. The negative output gap is estimated to have closed at end-2021, reflecting an economy that has recovered more quickly than expected from the pandemic-induced recession. The output gap is forecast to turn marginally positive over 2022 as the labour market tightens and spare capacity across other factor markets is more fully utilised.

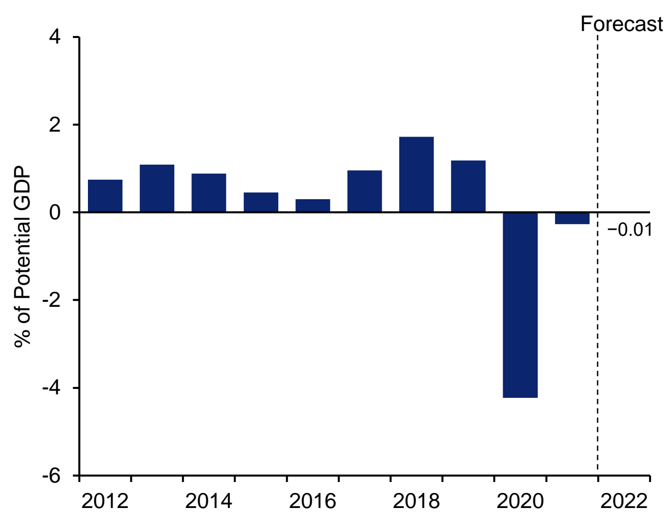
In April 2022, MAS tightened monetary policy further by re-centring the policy band upwards and increasing its rate of appreciation slightly

As the Singapore economy is forecast to operate around its potential and core inflation is projected to keep above its historical average, MAS decided to tighten monetary policy in the April 2022 MPS by adjusting two parameters of the S$NEER policy band. First, MAS re-centred the mid-point of the policy band to the S$NEER's prevailing level, which was near the top of the band. This was consistent with the overall extent of economic recovery and effectively reversed the downward re-centring of the policy band undertaken in March 2020. Second, building on the tightening moves in October 2021 and January 2022, the rate of appreciation of the policy band was increased slightly. This would exert a steady dampening effect on persistent inflationary pressures.

Against elevated external inflation, the stronger S$NEER will stem the acceleration of imported business costs that would have otherwise constrained the economy's supply capacity more appreciably. At the same time, the cumulative effects of monetary policy tightening over the past six months will keep the aggregate level of activity closer to the economy's potential and work to ensure medium-term price stability **(Chart 4.1)**. MAS will remain vigilant with respect to developments in the external environment and their impact on the Singapore economy. **Chart 4.2** summarises the recent shifts in monetary policy, GDP growth and inflation in the Singapore economy.

Chart 4.1 Tighter monetary policy will keep the output gap close to zero this year

Output Gap

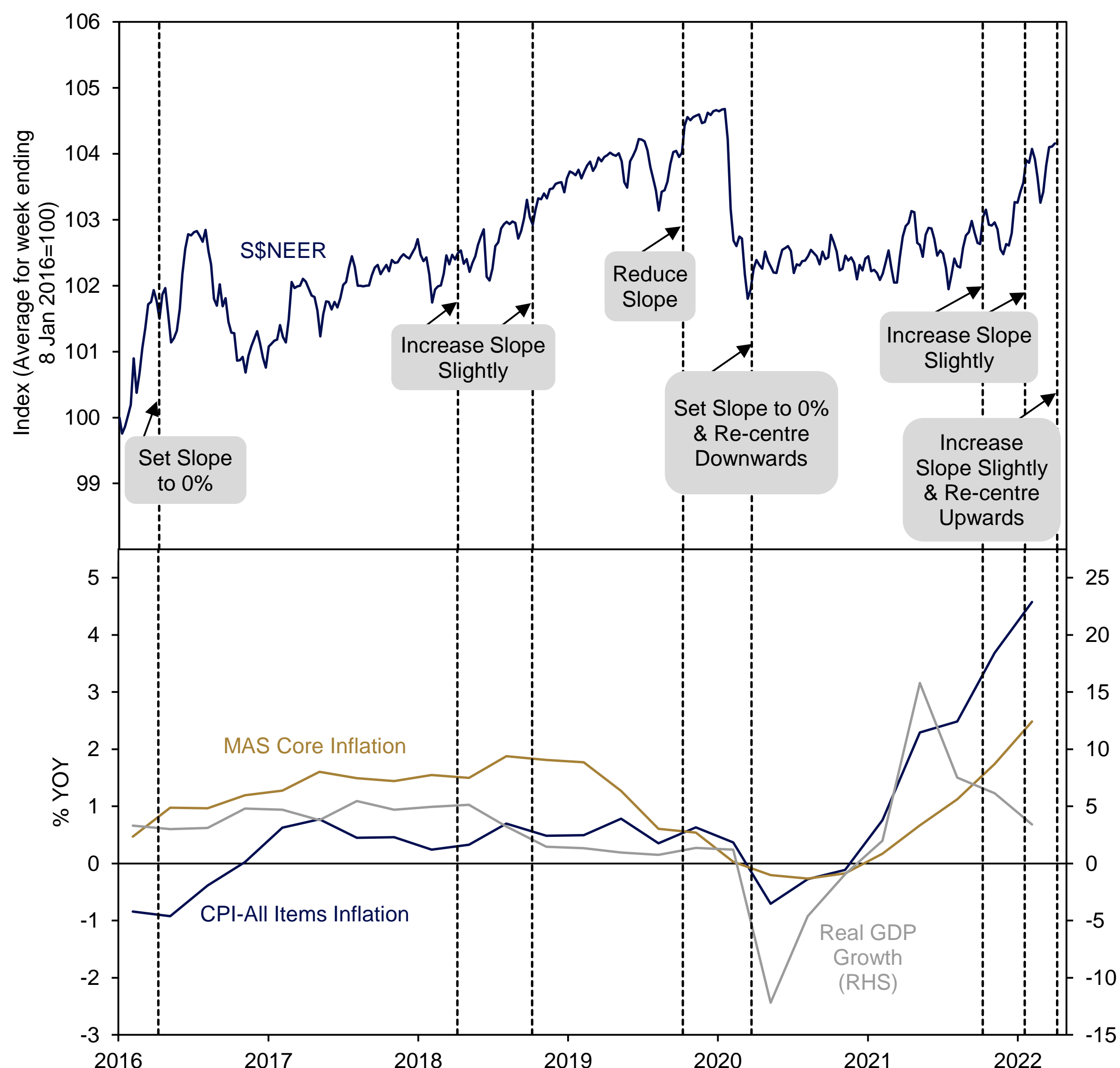


Source: EPG, MAS estimates

Note: The forecast for 2022 takes into account the changes to the policy stance in January and April 2022. Absent these policy moves, the output gap is forecast to turn mildly positive.

Chart 4.2 Key macroeconomic variables and changes to the monetary policy stance

S$NEER, real GDP growth, CPI-All Items inflation and MAS Core Inflation



Source: DOS and EPG, MAS estimates

Note: Vertical dashed lines indicate changes to the settings of the S$NEER policy band. For a summary of MAS' past policy decisions, please see "Past Monetary Policy Decisions".

The S$NEER has broadly trended higher within the appreciating policy band

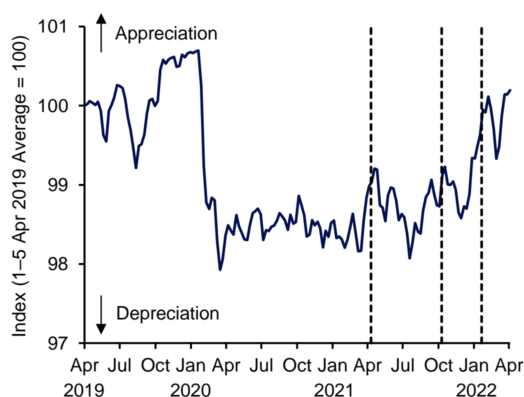
Over the past six months, the S$NEER fluctuated in the upper half of the policy band, but remained on a broad appreciation trend in line with the policy intent **(Chart 4.3)**. Point to point, the S$NEER appreciated by 1% over this period.

The S$ strengthened against the Japanese yen and Euro, with the former weighed down by the Bank of Japan's pledge to continue with its accommodative monetary stance, while the latter eased on deteriorating sentiment over the continent's economic prospects. In contrast, the S$ weakened against the US$ and Australian dollar due to the more aggressive

timetable of Federal Reserve monetary policy tightening and the improvement in Australia's terms of trade **(Chart 4.4)**.

Chart 4.3 The S$NEER broadly fluctuated in the upper half of the policy band

S$NEER, weekly average

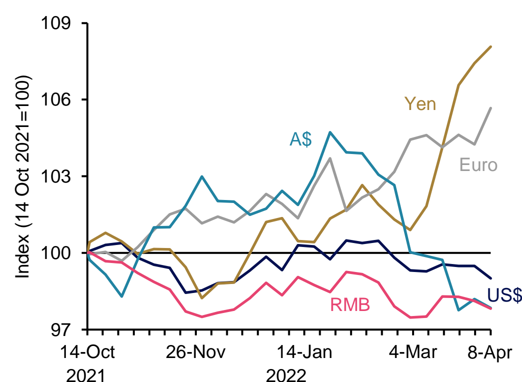


Source: EPG, MAS estimates

Note: Vertical dashed lines indicate the last three releases of the MPS.

Chart 4.4 Shifts in expectations of relative policy stances and risk sentiment drove FX movements

Bilateral exchange rates, weekly average



Source: EPG, MAS estimates

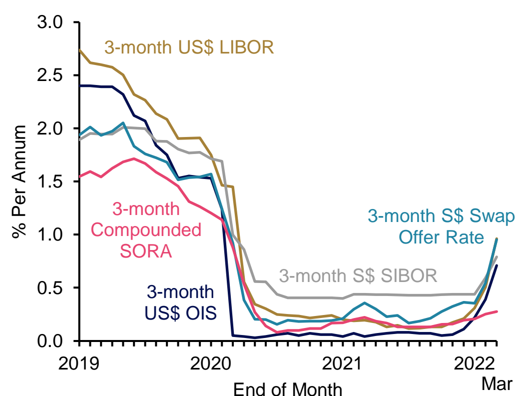
Short-term US$ interest rates picked up over the last six months, with the 3-month US$ LIBOR rising to 0.96% as of end-March, from 0.13% in October. The US$ Overnight Index Swap (OIS)-LIBOR spread also rose over October 2021 to March 2022, reflecting gradually tightening US$ funding conditions. Domestic S$ interest rates edged up in tandem, with the 3-month S$ SIBOR, compounded Singapore Overnight Rate (SORA) and S$ Swap Offer Rate increasing to 0.79%, 0.28%, and 0.95%, respectively, from levels close to their all-time lows **(Chart 4.5)**.

Changes in the Domestic Liquidity Indicator (DLI)[1] were driven by both developments in the S$NEER and domestic interest rates over the same period. Singapore's monetary conditions, as proxied by the DLI, tightened in October 2021 due to the strengthening of the S$NEER following MAS' shift to a positive rate of appreciation in the exchange rate policy band. The DLI was broadly unchanged over November and December. Liquidity conditions then tightened sharply over Q1 2022, reflecting a higher level of the S$NEER as well as the increase in domestic interest rates in March **(Chart 4.6)**.

[1] The DLI captures movements in the S$NEER and the 3-month S$ SIBOR.

Chart 4.5 Domestic interest rates rose in line with global interest rates

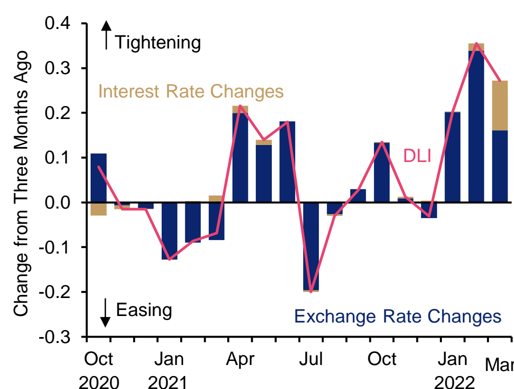
US$ and S$ interest rates, end of month



Source: ABS Benchmarks Administration Co Pte Ltd and ICE Benchmark Administration Ltd

Chart 4.6 Liquidity conditions have tightened

DLI and components



Source: ABS Benchmarks Administration Co Pte Ltd and EPG, MAS estimates

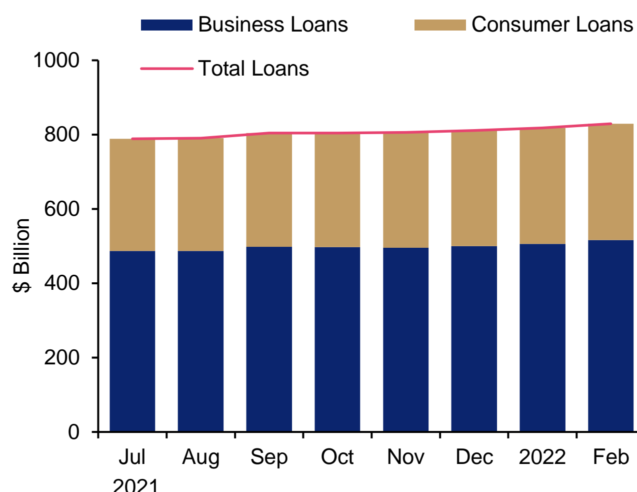
The stock of loans and money supply have increased steadily in recent months

Overall credit has grown at a steady pace since July 2021[2], alongside the recovery in the domestic economy. Outstanding business loans reached $516 billion in February 2022, up 5.9% since July last year. At the same time, consumer loans rose at a slower pace of 4.1% over the same period, from $301 billion to $314 billion. All in, total loans increased by $41 billion between July 2021 and February 2022 **(Chart 4.7)**.

[2] On 1 July 2021, two major changes in MAS' banking sector regulatory framework took effect. This led to changes in the way data is reported by financial institutions, and consequently, to changes to the statistics reported in MAS' Monthly Statistical Bulletin, including data on loans, monetary aggregates, and their sub-components. The data reported in earlier issues of the *Review* were compiled on the previous basis, which was terminated in June 2021. For more information, please refer to MAS' note on "Updates to the Monthly Statistical Bulletin".

Chart 4.7 Credit edged up steadily as both business and consumer loans increased

Outstanding stock of non-bank loans



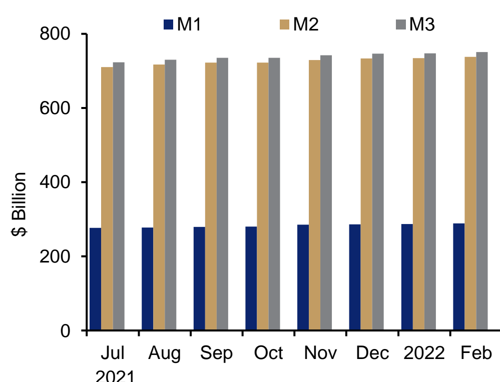
Source: EPG, MAS estimates

Note: Data on credit levels from July 2021 reflects the changes to the statistics reported in MAS' Monthly Statistical Bulletin.

In tandem with the pickup in credit, money supply also expanded between July 2021 and February 2022. M1, M2 and M3 grew by 4.4%, 3.9% and 3.8% respectively over this period **(Chart 4.8).** The faster growth in M1 came from the larger expansion of currency in circulation and demand deposits. In comparison, M2 and M3 recorded slightly lower growth, dragged down by the slower growth of fixed deposits (1.0%) **(Chart 4.9)**.

Chart 4.8 Money supply grew in tandem with credit

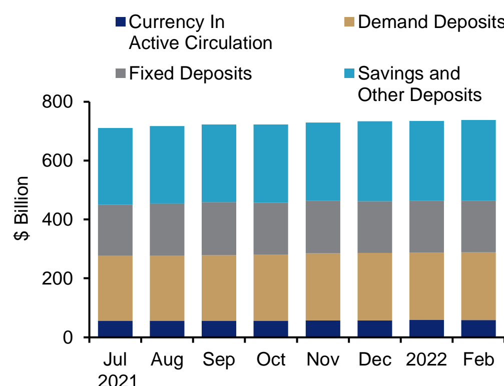
Monetary aggregates



Source: MAS

Chart 4.9 All components contributed to money supply growth since July

Components of money supply



Source: MAS

Note: Data on money supply from July 2021 reflects the changes to the statistics reported in MAS' Monthly Statistical Bulletin.

4.2 Fiscal Policy

The Budget was announced at a time when cyclical strains had eased but structural challenges were coming to the fore

Budget 2022 was delivered against a backdrop of improving economic prospects. Singapore's GDP had rebounded strongly in 2021 and the economy's negative output gap had narrowed considerably over the year. The labour market had likewise healed substantially, with slack having been almost fully absorbed. Despite the domestic spread of the Omicron variant, the public health system remained resilient, which allowed for further reopening of the Singapore economy and its borders. The easing of border restrictions and safe distancing measures would provide a boost to growth in 2022.

However, the negative impact of the pandemic continued to linger in parts of the economy. Activity in the worst-affected travel- and domestic-oriented sectors was still considerably lower than pre-COVID levels. Pockets of under-employment remained, while some workers were still facing the risk of long-term structural unemployment. At the same time, inflation was rising globally and domestically. MAS Core Inflation was forecast to step up to its fastest pace since 2008, which would weigh on the purchasing power of households.

Beyond the cyclical backdrop, Budget 2022 also reflected the ongoing structural shifts confronting Singapore, including digitalisation, demographic challenges and climate change. The government had already begun to respond to these issues prior to 2020, but the pandemic added fresh impetus to the need to address the secular forces underpinning these challenges.

Therefore, while Budget 2022 provided some temporary near-term support in view of the cyclical challenges, it largely pivoted towards helping Singapore and Singaporeans transit to living with COVID-19. Addressing structural challenges would, in many cases, involve significant spending over multiple years. Consequently, the Budget also announced the implementation of additional revenue measures that would set Singapore on a more secure fiscal footing in the longer term. (See **Table 4.2** below for a list of key measures).

Targeted, scaled-down support was extended to help businesses and households deal with near-term challenges

In view of the immediate challenges, Budget 2022 provided temporary measures amounting to $1.1 billion to firms and households. The Jobs and Business Support Package comprised cash grants and extended salary support for local hiring to help firms tide over a period of elevated costs and near-term uncertainty. The Household Support Package included a mix of rebates, top-ups, and vouchers to aid households in their daily expenses given the recent strong pick-up in inflation.

Nevertheless, the measures were targeted and sized in a manner that appropriately reflected the progress made in the economy's recovery from the pandemic and the improving resident labour market. For instance, assistance under the Jobs and Business Support Package was largely directed at SMEs in sectors that were most affected by pandemic-related restrictions, such as in retail and hospitality. The Jobs Growth Incentive (JGI) was also extended for a further six months, at a stepped-down degree of support aimed at helping segments of workers that were at greater risk of structural unemployment.

The Budget assisted firms with their digitalisation …

While the digitalisation of business processes had been well under way before the pandemic, the last two years have elicited a significant acceleration in firms' transformation journey. Businesses adapted their operations to labour shortages and turned to online modes of sales, while workers learnt new ways of working, including remotely and via various digital applications. As firms and workers acquired, and continued to invest in, the necessary skills and capabilities to utilise new technologies, productivity gains from digitalisation in the coming years have the potential to increase by a greater extent than in the past. This could occur as the synchronised adoption of digital processes, such as those required for electronic payments, paperless invoicing, and data exchange, result in significant network effects. The shift to remote work arrangements could also reduce the need for some capital inputs (such as office space), leading to greater business cost efficiencies.

To encourage the uptake of digital solutions, Budget 2022 allocated $200 million to enhance the digital capabilities of workers and firms. Under the Advanced Digital Solutions and Grow Digital schemes for instance, enterprises building digital capabilities will receive 70% funding support. The Productivity Solutions Grant (PSG) makes available a further $600 million to help businesses, in particular SMEs, adopt productivity-enhancing solutions. The grant is projected to support more than 100,000 projects over the next four years. In addition, the Budget made a push to increase collaboration between SMEs and research and innovation centres at polytechnics and ITE, so as to better match industry needs to technological innovations.

… and sought to develop a higher-skilled workforce

COVID-19 led to a large involuntary reduction in non-resident employment. As aggregate demand in the domestic economy shrank during the pandemic, the foreign workforce contracted sharply. At the same time, border restrictions due to public health considerations over most of 2020–21 made it difficult to bring in new workers from abroad for sectors where demand held up or was recovering. The effective cost of employing migrant work permit holders also increased, as a result of new norms introduced during the pandemic on the quality and size of accommodation for workers. In comparison, the government provided significant financial support to firms who held on to, or expanded, their resident workforce during the pandemic. Reflecting in part these dynamics, firms shifted the composition of their workforce sharply towards resident workers, driving a decline in the non-resident employment share to 32.9% as of end-2021, from a pre-COVID share of 37.7%. Concurrently, recovering labour demand led to the resident unemployment rate falling to 3.2% by the end of 2021, from a cyclical peak of 4.9% in October 2020. In industries where the shortage of workers persisted, firms substituted labour for capital and automated processes.

The shifts towards greater reliance on resident workers—including young and older residents who were previously outside the labour force—and on capital inputs has been beneficial from a sustainable growth and productivity perspective. To this end, Budget 2022 introduced a slew of measures to build on these shifts and further strengthen local-foreign workforce complementarity.

First, increases to the minimum qualifying salaries for both Employment Pass (EP) and S Pass (SP) holders were announced. This was to ensure that such pass holders were comparable in quality to the top one-third of their local counterparts. Higher foreign worker levies for SP holders were also announced. The increase in the relative cost of hiring non-

resident workers to resident workers should lift demand for the latter. Meanwhile, higher overall wages should encourage residents outside of the labour force to reskill for in-demand job roles and join the workforce.

Second, additional reductions in the Dependency Ratio Ceiling (DRC) for the construction and process sectors were announced, to encourage firms in these sectors to further reduce their historically high dependency on low-skill foreign labour. With resident labour supply in these sectors likely to remain limited, a lower DRC effectively encourages firms to reduce their use of labour inputs. Reductions in the DRCs, in combination with a new levy framework[3], should encourage firms to undergo more extensive business transformation, leverage technology and employ higher-skilled workers. While the revised DRCs are not binding at present, they are likely to limit the extent to which non-resident workers can be hired after border restrictions are fully lifted.

In addition, the Complementarity Assessment (COMPASS) framework, announced in March 2022, will ensure that EP holders are employed in areas where Singapore faces skills shortages. It will incentivise firms to bring in non-resident workers with the appropriate skills who would in turn catalyse the creation of good jobs for resident workers. Ultimately, the COMPASS system aims to improve the diversity and complementarity of incoming EP holders.

The changes to foreign worker policies were accompanied by continuing measures to boost the quality of local human capital. In this vein, Budget 2022 introduced the SkillsFuture Career Transition Programme to provide high-quality, industry-oriented training courses and pre- and post-training support services (e.g., employment facilitation and career coaching), to help jobseekers secure employment in sectors with good hiring opportunities. In addition, the SGUnited Mid-Career Pathways Programme–Company Attachment (SGUP-CA) was made permanent. This will provide mid-career jobseekers with full-time attachment opportunities to widen their professional networks and gain industry-relevant experience.

The Budget introduced measures to lift the incomes of lower-wage workers and made changes to improve the progressivity of the tax system

Prior to Budget 2022, the government had already announced a number of policies to raise the wages of low-income workers. These included broadening the coverage of the Progressive Wage Model to more sectors and occupations, as well as extending the Local Qualifying Salary (LQS) to all firms that employed non-resident workers.

The Budget built on these efforts by expanding the coverage of the Workfare Income Supplement and raising payouts for eligible workers. From January 2023, the Workfare qualifying income cap will be raised by $500 and the scheme extended to younger workers aged 30–34. The quantum of Workfare annual payouts to those aged 35 and above would also be increased to $3,000–$4,200. To help businesses cope with the transitional costs, the Budget introduced the Progressive Wage Credit Scheme (PWCS) where the government would co-fund up to 50% of the wage increases of lower-wage workers between 2022 and 2026. It is projected that the government will spend $9 billion in total on the PWCS and enhanced Workfare, underscoring the government's commitment to uplift lower-wage

[3] The new framework will replace the current Man-year Entitlement framework, to encourage firms to support more offsite work and employ more higher-skilled work permit holders.

workers and mitigate income inequality. All in, these policies would help narrow the gap between the incomes of low-wage workers and that of the rest of the workforce.

Budget 2022 also sought to improve the progressivity of the tax system. Starting from 2023, residential property tax rates will be raised in two steps. The property tax rates for non-owner-occupied residential properties will increase from the current 10–20% to 12–36%. As for owner-occupied residential properties, property tax rates for the portion of Annual Value in excess of $30,000 will increase from the current 4–16% to 6–32%. The progressive slant was also evident from the new Additional Registration Fee (ARF) tier levied on luxury cars: for the portion of Open Market Value in excess of $80,000, car buyers would pay a 220% tax rate.

The progressivity of the personal income tax regime was also enhanced, effectively creating two new tiers that would lift marginal tax rates by 1–2% points for the top 1.2% of personal income taxpayers in Singapore from the Year of Assessment 2024.

The government committed to a climate-sustainable future for Singapore

Singapore had already introduced carbon taxes in 2019. In addition, the government launched the Singapore Green Plan in 2021 and announced its aim to achieve net zero emissions as soon as was viable in the latter half of the century.

Budget 2022 underscored the government's intention to achieve sustainable development for Singapore by accelerating the timetable for achieving net zero emissions to by or around mid-century. To achieve this objective, Budget 2022 sharpened the market-based signals that were already in place—namely, increasing carbon taxes more quickly than previously set out—so as to spur reductions in total carbon emissions.

The carbon tax rate per tonne of carbon dioxide equivalent will step up significantly in phases from the current $5, to $25 from 2024, $45 from 2026, and as high as $80 per tonne by 2030. As William Nordhaus outlined in his 2018 Nobel Prize lecture, a carbon tax helps to signal to consumers which goods and services are carbon-intensive and should therefore be consumed sparingly. It also enables producers to differentiate between inputs of varying carbon-intensity, thereby inducing firms to adopt innovative, low-carbon technologies. Finally, a carbon tax provides market incentives for investors, innovators and financiers to fund, invent, develop and commercialise new low-carbon products and processes, and economises the information required to undertake all these tasks.

Although Singapore's carbon tax rates are set to increase several-fold over the next few years, they will probably still be below what is needed to achieve net zero carbon emissions by the middle of the century. Climate scenarios developed by the Network for Greening the Financial System, for example, suggest that a carbon price of approximately US$160 per tonne of emissions would be needed by 2030 to ensure the global transition towards net zero by 2050.[4]

To secure the government's finances for the future, Goods and Services Tax rates will be raised in 2023 and 2024

Budget 2022 highlighted that significant increases in spending would be needed to address the structural challenges outlined above. For instance, the government would have

[4] Network for Greening the Financial System, "NGFS Climate Scenarios for central banks and supervisors", June 2021.

to invest in infrastructure to both mitigate the effects of climate change, and to facilitate the country's adoption of cleaner energy sources. In addition, the ageing of the population would necessitate greater social spending, particularly on healthcare. Major, long-term infrastructure projects that yield benefits over multiple generations can be funded through borrowing under the Significant Infrastructure Government Loan Act (SINGA). However, higher spending on healthcare and other areas such as education and security would be needed on a continuing basis, and should therefore be funded by recurrent revenues such as taxes.

Against this backdrop, the Budget took a decisive step to secure the revenues needed to support higher recurrent future spending by raising the Goods and Services Tax (GST) rate by 2% points. Taking into account the lingering uncertainty and increased cost of living pressures on households, the GST rate hike was delayed and spread out over two years: it would go up by 1% point in January 2023, and by a further 1% point in January 2024.

Budget 2022 also announced that the Assurance Package for GST would be increased by $0.6 billion to $6.6 billion. The enhanced Assurance Package would cushion the impact of the planned GST increase for all Singaporeans. The majority of Singaporean households would receive offsets to cover at least five years' worth of additional GST expenses, while lower-income households would receive offsets covering about 10 years of additional GST expenses. The Package is larger than the previous $4 billion GST Offset Package introduced in 2007 (worth $5.2 billion in 2021 dollars), when the GST rate was last increased by 2% points.

Beyond the transitional support provided by the Assurance Package, the Budget also enhanced the permanent GST Voucher (GSTV) scheme to defray the GST expenses of lower- to middle-income Singaporean households. The scheme was bolstered in three ways: the S&CC Rebate component of the GSTV scheme was made permanent; the assessable income threshold for GSTV–Cash was lifted from $28,000 to $34,000, so that more Singaporeans would qualify for this component of the scheme; and the quantum of the GSTV–Cash payout was increased to $250–$500 for those residing in homes with Annual Values not exceeding $21,000.

The overall budget deficit is projected to narrow in FY2022 while the cumulative draw on Past Reserves will be lower than projected

The overall budget deficit is expected to come in at $5.4 billion (0.9% of GDP) in FY2022, marking the third consecutive year of deficit **(Table 4.1)**. The primary deficit is projected to widen to $20.7 billion in FY2022 from $18.0 billion in FY2021 as operating expenses are forecast to grow in tandem with rising healthcare costs. Higher expenditure will be offset in part by lower special transfers, as the government tapers the support provided to businesses and households. Consequently, the overall budget deficit will be slightly smaller than the $5.6 billion shortfall (1.0% of GDP) recorded in FY2021.

The government had obtained the President's assent to draw up to $6 billion from Past Reserves to maintain a multi-layered public health defence. Taken together, the projected drawdown of reserves over FY2020–22 would amount to $42.9 billion. This cumulative draw is less than the initial draw of $52 billion that the President had originally agreed to for FY2020, reflecting the government's prudent use of Past Reserves.

Table 4.1 Budget summary (FY basis)

	FY2021 Revised		FY2022 Budgeted	
	$ Billion	% of GDP	$ Billion	% of GDP
Operating Revenue	80.4	14.9	81.8	14.3
Total Expenditure	98.4	18.2	102.4	17.9
Primary Surplus (+) / Deficit (−)	**−18.0**	**−3.3**	**−20.7**	**−3.6**
Less: Special Transfers (excluding top-ups to endowment/trust funds)	7.9	1.5	2.2	0.4
Basic Surplus (+) / Deficit (−)	**−25.9**	**−4.8**	**−22.8**	**−4.0**
Less: Special Transfers (top-ups to endowment/trust funds)	-	0.0	4.1	0.7
Add: Net Investment Returns Contribution	20.3	3.8	21.6	3.8
Less: Interest Costs and Loan Expenses	-	0.0	0.1	0.0
Overall Budget Surplus (+) / Deficit (−)	**−5.6**	**−1.0**	**−5.4**	**−0.9**
Add: Capitalisation of National Significant Infrastructure	0.7	0.1	2.4	0.4
Less: Depreciation	-	0.0	-	0.0
Overall Fiscal Position	**−5.0**	**−0.9**	**−3.0**	**−0.5**

Source: MOF

Fiscal policy remains expansionary in CY2022

The cyclically-adjusted budget balance (CABB)[5] gauges the discretionary fiscal injection to demand, separate from changes in revenue and expenditure that arise endogenously from the level of economic activity. The CABB in calendar year 2022 (CY2022) is projected to be a deficit of 4.4% of GDP, indicating that the *fiscal stance* is expansionary. Comparing the CABB from year to year gives the *fiscal impulse*, a measure of the net incremental fiscal support to economic activity. MAS estimates the fiscal impulse will be +1.5% of GDP in CY2022.[6]

Current fiscal policy settings should be interpreted in the context of the ongoing imperative to protect the community from the pandemic, and enable the transition to living with COVID-19. Using a general equilibrium econometric model[7], MAS estimates that the discretionary measures announced in Budget 2022 will increase the level of real GDP by 1.1% in CY2022 **(Chart 4.10)**, largely due to spending on COVID-related healthcare that contributes 0.9% point. The remaining 0.2% point contribution comes mainly from household transfers and social spending to defray living expenses for lower- to middle-income households.

5 In line with the standard international methodology used by the IMF, the MAS estimate uses a base year where output is assessed to be close to potential to determine the benchmark revenue and expenditure ratios. These ratios are then used to compute the CABB.

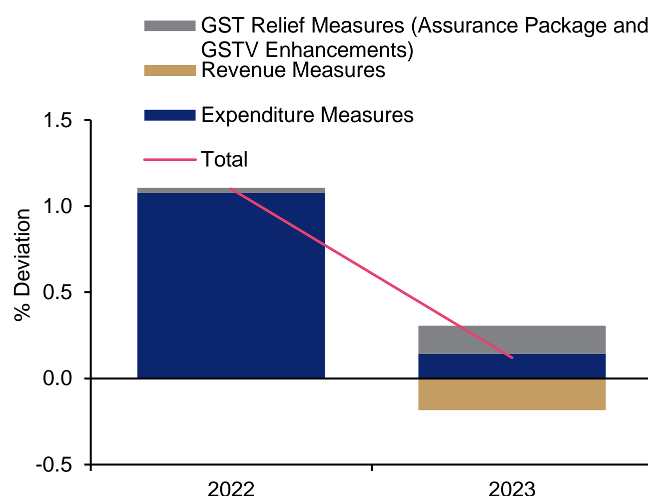
6 This is different from the fiscal impulse estimate published in MOF’s *Analysis of Revenue and Expenditure*, which is computed for financial year 2022 (FY2022). As pandemic-related spending will be tapered over the year, while some tax increases will only be implemented from Q1 2023, the fiscal impulse for FY2022 is expected to be lower than for CY2022.

7 Monetary Authority of Singapore (2014b), “The Monetary Model of Singapore (MMS): A Technical Overview”

Model simulation results indicate that the discretionary measures announced in Budget 2022 are projected to increase the level of GDP by 0.1% next year, with the positive contribution coming mainly from spending on measures to help businesses adapt to higher labour costs. The estimated fiscal injection in CY2022 is partly a function of the timing of specific policy measures, as the GST and property tax increases are scheduled to take effect only in 2023. The planned tax increases will have a slightly contractionary impact on 2023 GDP, but the drag is estimated to be entirely offset by relief measures in the form of the Assurance Package and GST Voucher scheme enhancements. However, the overall fiscal stance and impact on GDP will depend on the full parameters of future Budgets.

Chart 4.10 Contribution of Budget 2022 to GDP

Decomposition of Budget 2022 measures; impact on Real GDP levels



Source: EPG, MAS estimates

Note: Revenue measures include the increase in ARF for luxury cars in 2022 and increases in the property tax and GST rates in 2023. The GDP impact from ARF and residential property tax hikes are expected to be minimal at the macroeconomic level.

Table 4.2 Summary of key measures from Budget 2022

KEY BUDGET INITIATIVES IN FY2022
A. MEASURES FOR SHORT TERM PANDEMIC RELIEF

Targeted immediate support for businesses

A1. Jobs and Business Support Package

- $500 million set aside to provide targeted help for businesses and workers in struggling segments.
- Small Business Recovery Grant to provide local SMEs in sectors most affected by COVID-19 restrictions with $1,000 payout per local employee, up to $10,000 per firm. Local sole proprietors and partnerships in eligible sectors, and SFA-licensed hawkers, market, and coffeeshop stallholders, who do not hire local employees will also receive a $1,000 payout.
- Extend JGI to September 2022 with stepped-down support rates to encourage hiring of workers who face greater difficulties in finding jobs.

A2. Temporary Bridging Loan Programme and Enhanced Enterprise Financing Scheme (EFS) – Trade Loan Scheme

- Extended to 30 September 2022, with revised parameters.
- Maintain 70% risk-share under enhanced Trade Loan beyond 30 September 2022 for enterprises trading in nascent markets.

A3. Enterprise Financing Scheme – Project Loan

- Extended to 31 March 2023 to support domestic construction projects for another year.

A4. Enterprise Financing Scheme – Merger & Acquisition (M&A) Loan

- Expand the M&A Loan scheme to include domestic M&A activities from 1 April 2022 to 31 March 2026 to support growth and expansion through mergers and acquisitions.

A5. Aviation Support Package

- Extend targeted assistance to preserve core capabilities and enhance status as an international aviation hub.

Targeted immediate support for households

A6. Household Support Package

- $560 million to help Singaporeans with daily expenses.
- Eligible HDB households will receive double the regular GSTV – U-Save rebates of up to $285 for the rest of 2022.
- Additional $200 top-up to Child Development Account, Edusave Account or Post-Secondary Education Account for children below the age of 21, on top of the existing annual Edusave top-ups.
- All Singaporean households will receive $100 Community Development Council (CDC) Vouchers in 2022.

B. MEASURES TO CHART A NEW WAY FORWARD

Digitalisation and Innovation

B1. Advanced Digital Solutions

- The scheme will be expanded to include solutions that leverage Artificial Intelligence and Cloud technologies from 1 April 2022 to help enterprises improve operational efficiency and business decisions.
- Participating enterprises will receive up to 70% funding support for these solutions.

B2. Grow Digital

- The scheme will be expanded to include more pre-approved digital platforms from 1 April 2022 to allow more businesses to internationalise without requiring an in-market presence.
- Participating enterprises will receive up to 70% funding support to onboard Business-to-Business and Business-to-Consumer platforms.

B3. TechSkills Accelerator (TeSA) initiative

- TeSA will expand on several fronts to build a strong Singaporean core of information and communications technology talents.

B4. Research, Innovation and Enterprise, or RIE2025 strategy

- $25 billion over 2021–25 to sustain government investments in R&D.

B5. Increase capacity of centres that engage in technology, innovation and enterprise activities

- These centres will be able to undertake close to 2,000 innovation projects with SMEs over the next five years.

B6. Productivity Solutions Grant

- Additional $600 million to scale up PSG to support more than 100,000 PSG projects over the next 4 years.
- Set aside close to $40 million for businesses to apply for subsidised accounting and point of sales solutions.

B7. Singapore Global Enterprises initiative

- Provide bespoke assistance tailored to the needs of promising local enterprises to promote innovation and internationalisation.

B8. Singapore Global Executive Programme

- Attract young local talents to join Singapore global enterprises.

Adjustments to foreign worker policies

B9. Employment Pass

- Raise minimum qualifying salaries from $4,500 to $5,000, and for the financial services sector, from $5,000 to $5,500.
- This applies to new applications from September 2022 and renewal applications from September 2023.

B10. S Pass

- Raise minimum qualifying salaries from $2,500 to $3,000, and for financial services sector, to $3,500.
- This applies to new applications from September 2022 and renewal applications from September 2023.
- Minimum qualifying salaries will be progressively raised further in 2023 and 2025; the quantum will depend on the prevailing wages of local Associate Professionals and Technicians at the time.
- Tier 1 levy will be progressively raised (in three phases)[8] to $650 by 1 September 2025 to better manage the flow of S Pass holders.

B11. Work Permit for Construction and Process Sectors

- Adjust foreign worker levy rates for Work Permit holders in both sectors, and dismantle the Man-year Entitlement framework, from 1 January 2024.
- The Dependency Ratio Ceiling will be lowered to 1:5 from the current 1:7, from 1 January 2024.

Advance our green transition

B12. Singapore Green Plan

- Green growth opportunities and jobs e.g., green finance, carbon services.
- Issue up to $35 billion public sector green bonds by 2030.
- Publish Singapore Green Bond Framework by 2022.
- Accelerate adoption of electric vehicles by building more charging points near to homes (residential area).

B13. Carbon Tax

- Raise carbon tax rate from the current $5 per tonne of carbon dioxide equivalent to $25 per tonne in 2024 and $45 per tonne in 2026.
- Carbon tax rate to reach $50–$80 per tonne by 2030.
- A transition framework will be implemented whereby firms in emissions-intensive and trade-exposed sectors will receive allowances for a share of their emissions. Carbon tax-liable businesses will also be allowed to use carbon credits to offset up to 5% of taxable emissions from 2024. These measures will help mitigate near-term impact on business competitiveness.

Invest in Our People and Uplift Lower-wage Workers

B14. SkillsFuture Enterprise Credit (SFEC)

- Expand SFEC to an additional 40,000 SMEs through a time-limited waiver of the minimum Skills Development Levy contribution requirement.

B15. Company Training Committees (CTCs)

- Set aside $100 million to support NTUC to scale up CTCs and introduce a new grant to support companies' transformation plans.

B16. SGUnited Mid-Career Pathways Programme – Company Attachment

- SGUP-CA will be made permanent. Trainees will receive a training allowance of up to $3,800 for the duration of the attachment (four to six months).

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[8] The levy will be raised from the current $330 to $450 from 1 September 2022, to $550 from 1 September 2023, then to $650 from 1 September 2025.

B17. SkillsFuture Career Transition Programme

- Replaces the SGUnited Skills and SGUnited Mid-Career Pathways – Company Training programmes, which both expired on 31 March 2022.
- Provide industry-oriented courses (three to 12 months in duration) and enhanced pre- and post-training support services, to help individuals secure employment in sectors with good hiring opportunities.

B18. CPF Contribution

- Increase in CPF contribution rates and CPF Transition Offset for senior workers aged 55 to 70 in 2023.
- Raise Basic Retirement Sum by 3.5% per year for those turning 55 between 2023 to 2027.

B19. Progressive Wage Model

- Extend to retail, food services, and waste management sectors, and to certain occupations such as in-house cleaners, administrators, and drivers.
- Introduction of the Progressive Wage Credit Scheme
  - Co-fund wage increases of lower-wage workers between 2022 and 2026 to provide transitional support for businesses, starting with a $2 billion fund injection for 2022.
  - For workers earning up to $2,500 per month, the PWCS co-funding rate will be 50% between 2022–23.
  - The co-funding rate will taper to 30% between 2024–25 and 15% in 2026.
  - The government will also provide some support for workers earning above $2,500 and up to $3,000, at a lower co-funding ratio.
- Introduction of the Progressive Wage Mark that accredits firms that pay Progressive Wages and the LQS.

B20. Workfare Income Supplement

- Enhanced to boost wages of lower-wage workers.
- From 1January 2023, the qualifying income cap will be raised from the current $2,300 to $2,500 per month.
- Extend Workfare to younger workers aged 30 to 34 and they will receive a maximum annual payout of $2,100.
- New minimum income criterion of $500 per month to encourage part-timers and casual workers to take up regular, full-time work.
- Maximum Workfare annual payouts for those aged 35 to 44 will be raised to $3,000 while those aged 45 to 59 will receive a maximum annual payout of $3,600 and those aged 60 and above will receive the highest maximum payout tier of $4,200 annually. This maximum payout tier will also be extended to all persons with disabilities, regardless of age.

B21. Local Qualifying Salary

- Companies employing non-resident workers required to pay local employees at least the LQS, currently $1,400 per month.

C. MEASURES FOR HOUSEHOLDS AND COMMUNITY

Offsetting higher costs of living

C1. Enhanced Assurance Package

- Additional top-up of $640 million to the package.
- Every adult Singaporean will receive cash payouts totalling $700 to $1,600 over the next five years.
- Eligible seniors aged 55 and above will receive a special GSTV – Cash (Seniors' Bonus) totalling $600 to $900.
- Eligible HDB households will receive additional U-Save rebates totalling $330 to $570 depending on flat type.
- $450 MediSave top-ups for Singaporean children aged 20 and below and seniors aged 55 and above.
- All Singaporean households will receive two tranches of CDC vouchers worth $200 each in 2023 and 2024.

C2. Enhanced GST Voucher Scheme

- Service and Conservancy Charges (S&CC) Rebates will be made a permanent component of the GSTV scheme.
- Increase Assessable Income threshold for GSTV — Cash from $28,000 to $34,000, benefitting more Singaporeans.
- Increase in GSTV – Cash payouts to $500, from $300, for individuals with annual value of home $13,000 and below. For individuals with annual value of home from $13,001 to $21,000, GSTV – Cash payouts has been raised to $250, from $150.

C3. Additional Support for Vulnerable Households

- Additional $5 million top-up over five years to the Citizens' Consultative Committees ComCare Fund.
- Set aside $12 million over four years for Self-Help Groups.

Renewing and strengthening Singapore's social compact

C4. Fresh Start Housing Scheme

- Enhanced to better support second-timer low-income families in their journey towards home ownership.

C5. KidSTART programme

- Programme will be scaled up progressively nationwide to support more children from low-income families.

C6. UPLIFT Community Network

- Expand into a nationwide network to support more students in disadvantaged families.

C7. Community Link

- Scaled up to provide targeted support to more families with children living in rental housing.

C8. Enabling Masterplan 2030

- To strengthen support for persons with disabilities in areas like employment, lifelong learning, and respite care.

C9. Enhanced Fund-Raising Programme

- $100 million top-up (FY2022–24) to provide dollar-for-dollar matching for eligible donations, up to a cap of $250,000 per charity per year.

C10. Charities Capability Fund

- $26 million top-up to support charities in strengthening governance, management and digitalisation capabilities.

C11. One Team Singapore Fund

- Extended for five years (FY2022–26) to provide dollar-for-dollar matching for donations made towards the high-performance sports ecosystem.

C12. Cultural Matching Fund

- $150 million top-up for three years (FY2022–24) to provide dollar-for-dollar matching for donations made to arts and heritage charities.

D. ADJUSTMENTS TO TAX STRUCTURE

Fairer & more resilient tax system

D1. Personal Income Tax

- Increase in top marginal tax rate from Year of Assessment 2024.
- The portion of chargeable income in excess of $500,000 up to $1 million will be taxed at 23%, up from the current 22%.
- The portion of chargeable income in excess of $1 million will be taxed at 24%, up from the current 22%.

D2. Property Tax

- Increase in marginal tax rates from 2023 in two steps.
- Effective 1 January 2023, the tax rates for non-owner-occupied residential properties will increase to 11–27%, up from the current 10–20%. Thereafter, the tax rates will further increase to 12–36% from 1 January 2024.
- Effective 1 January 2023, the tax rates for owner-occupied residential properties for the portion of annual value in excess of $30,000 will increase to 5–23%, up from the current 4–16%. Thereafter, the tax rates will further increase to 6–32% from 1 January 2024.

D3. Additional Registration Fee for Luxury Cars

- New ARF tier for cars at a rate of 220% for the portion of Open Market Value in excess of $80,000.

D4. Goods and Services Tax

- GST rate will be increased over two steps. From 1 January 2023, GST will be increased to 8% from the current 7%. From 1 January 2024, GST will be further increased to 9%.

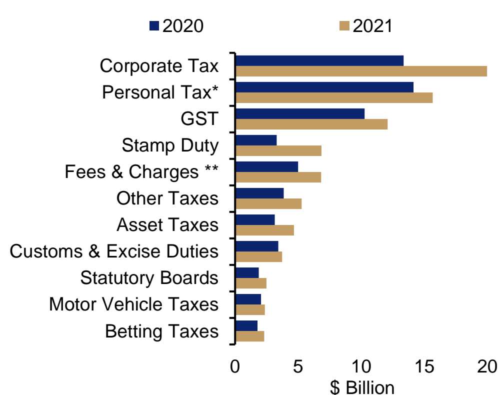
Source: MOF

Government operating revenue recovered sharply in CY2021 …

In CY2021, total operating revenue increased by $21.0 billion to $83.1 billion (15.6% of GDP) compared with CY2020. The increase was broad-based across all receipt sources, reflecting the broadening of the economic recovery in Singapore **(Chart 4.11)**. In particular, Corporate Income Tax (CIT) collection rose by close to 50% y-o-y. This was in part due to the low base in 2020 as CIT collections were affected by deferments or rebates. Meanwhile, Stamp Duty receipts more than doubled, as the volume and value of property transactions rose. Alongside the recovering labour market and firm wage growth, Personal Income Tax revenues increased by $1.5 billion to $15.7 billion in 2021. The recovery also underpinned a pick-up in private consumption expenditures, driving GST collections up by $1.8 billion to $12.1 billion last year.

Chart 4.11 All components of government operating revenues improved

Operating revenue by source



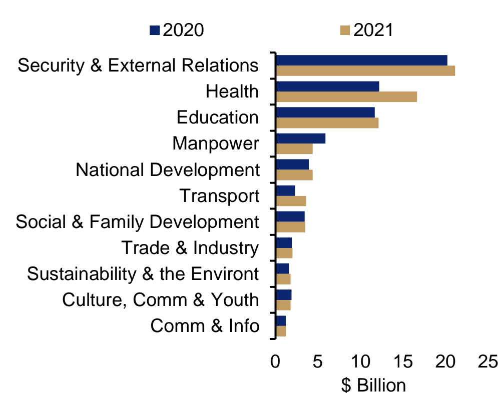
Source: MOF

* Includes withholding tax

** Includes Vehicle Quota Premiums

Chart 4.12 Operating expenditure rose, mainly due to increased pandemic-related spending

Operating expenditure by sector



Source: MOF

... even as operating and development expenditure rose

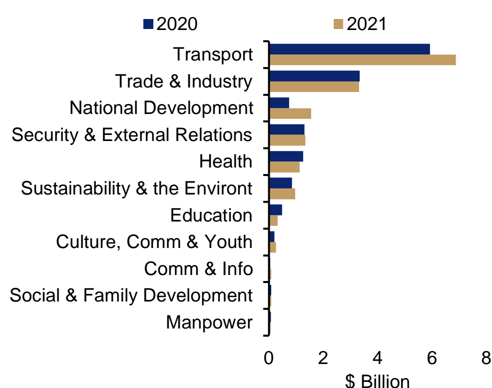
Total government expenditure increased by $8.1 billion to $91.6 billion (17.2% of GDP) in CY2021, as both operating and development expenditure stepped up.

Operating expenditure, which includes expenses on manpower, operating grants and subventions to statutory boards and other organisations, increased by $6.5 billion to $75.2 billion in CY2021. Operational outlays by the Ministry of Health rose by $4.5 billion, reflecting the increased consumption of health and elderly care services, as well as continued funding for public health measures and operations to tackle COVID-19. In addition, patient subsidies increased with the opening of the Woodlands Health Campus **(Chart 4.12)**. At the same time, the Ministry of Transport's (MOT) operating expenditure rose by $1.3 billion to $3.6 billion due to larger provisions for pandemic relief measures for the aviation sector, in particular. These were partially offset by lower operating expenses for the Ministry of Manpower, due to lower-than-expected utilisation of the JGI scheme.

Development expenditure, which comprises longer-term investment in capitalisable assets such as buildings and roads, rose to $16.4 billion (3.1% of GDP) in CY2021, from $14.9 billion in the preceding year. This was mainly driven by the $0.9 billion increase in MOT's developmental outlay as construction work that had been suspended during the pandemic gradually resumed **(Chart 4.13)**.

Chart 4.13 Development expenditures rose due to greater outlays from MOT and MND

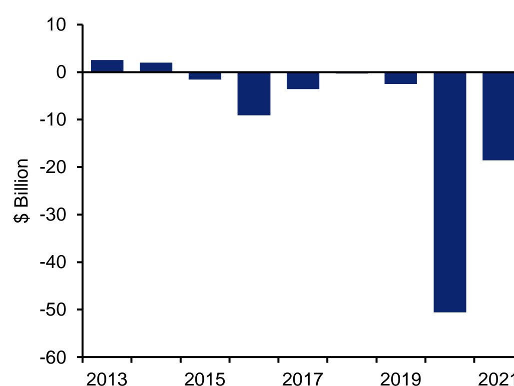
Development expenditure by sector



Source: MOF

Chart 4.14 The basic deficit in 2021 recovered sharply from the preceding year

Government basic balance



Source: MOF

The government's primary and basic deficits narrowed compared to 2020

The increase in operating revenue more than outweighed the step-up in total government expenditure for CY2021, resulting in a narrower primary budget deficit of $8.5 billion (1.6% of GDP) in 2021, compared to $21.4 billion in 2020 **(Table 4.3)**.

Special transfers, excluding top-ups to endowment and trust funds, were sharply lower at $10.1 billion, from $29.2 billion in the preceding year. This was due to the government

finetuning the extent of support provided to individuals and businesses as the economy emerged from the 2020 recession.

Consequently, the government's basic balance, which takes into account the primary balance and special transfers to households and firms (not including top-ups to endowment and trust funds), posted a significantly smaller deficit of $18.6 billion (3.5% of GDP) in 2021, compared to the deficit of $50.6 billion the year before **(Chart 4.14)**.

Table 4.3 Budget summary (CY basis)

	CY2020		CY2021	
	$ Billion	% of GDP	$ Billion	% of GDP
Operating Revenue	62.1	13.0	83.1	15.6
Total Expenditure	83.5	17.5	91.6	17.2
Primary Surplus (+) / Deficit (−)	−21.4	−4.5	−8.5	−1.6
Less: Special Transfers (excluding top-ups to endowment/trust funds)	29.2	6.1	10.1	1.9
Basic Surplus (+) / Deficit (−)	−50.6	−10.6	−18.6	−3.5

Source: MOF