

Box B: Macroeconomic Assessment of Budget 2025

This Box item provides an overview and assessment of the key economic initiatives in Budget 2025.

Macroeconomic Backdrop

Budget 2025 was delivered in February in the context of relative macroeconomic balance, compared to the previous years of high inflation and volatile growth. At the end of 2024, GDP was estimated to be slightly above the economy's potential, while labour market conditions had largely normalised following a period of tightness. In addition, inflation had fallen significantly with MAS Core Inflation coming in below 2% y-o-y after an extended period of elevated inflation.

Nonetheless, elevated costs and prices had remained a concern. In particular, while real wages in Singapore grew faster over 2020–24 than in many regional economies as well as some advanced economies, the pace of real wage gains has slowed slightly compared to the pre-pandemic period (2010–19). Further, heightened geopolitical and trade policy uncertainty posed additional downside risks to Singapore's small and trade-dependent economy, and consequently jobs and livelihoods. Indeed, Singapore's GDP growth is expected to slow in 2025 amid tariff-related weakening in external demand and heightened uncertainty. The balance of risks was therefore tilted towards growth weakening by more than expected, and in turn inflation falling more discernibly.

Near-term Support Measures to Alleviate Cost Pressures

Against this backdrop, Budget 2025 sought to address near-term cyclical concerns as well as longer-term priorities.

The Budget provided further support for coping with cost-of-living pressures, especially to lower- and middle-income households. For instance, there were additional Community Development Council (CDC) Vouchers for all Singaporean households, U-Save rebates to help with utilities expenses for eligible HDB households, as well as enhanced support for lower-income households under the ComCare Assistance schemes.

This year's Budget also included an SG60 package to recognise the contributions of all Singaporeans, and to share the benefits of the nation's progress. The package included SG60 Vouchers for all Singaporeans aged 21 and above this year, as well as a Personal Income Tax Rebate of 60% for the Year of Assessment 2025, capped at \$200, to mostly benefit middle-income workers.

In a similar vein to previous Budgets, Budget 2025 also continued to provide support for firms grappling with higher costs. The Progressive Wage Credit Scheme was enhanced, by increasing the Government's co-funding levels for wage increases. A 50% Corporate Income Tax Rebate was also introduced for the Year of Assessment 2025, capped at \$40,000, with every active company that employed at least one local employee last year receiving a minimum benefit of \$2,000.

Structural Measures to Sustain Growth and Inclusivity

Aside from addressing near-term concerns, the Budget continued to build on ongoing efforts to strengthen the supply-side of the economy by enhancing labour quality and building up the capital stock.

To boost the potential of the resident workforce, the Budget enhanced the Workfare Skills Support (WSS) scheme, to provide lower-wage workers aged 30 years and above with monthly training allowances when they enrol in selected long-form part-time or full-time courses. This policy will help to alleviate the sharp income trade-off that lower-wage workers face when they forgo work to upskill themselves.

To bolster the capital stock, a significant sum (\$19.6 billion, 2.6% of GDP) was set aside to top up funds that will finance spending into the medium term on critical areas such as preparing the nation for climate change, exploring clean energies, investing in productivity and R&D initiatives, as well as the construction of Changi Airport Terminal 5. The use of fund top-ups secures the Government's ability to continue with investments in the Singapore economy, to support long-term needs in a sustainable way, regardless of shifting cyclical conditions.

Budget 2025 also enhanced efforts to reduce inequality, support families and improve social mobility—important priorities for Singaporeans, as revealed by the Forward Singapore exercise. The Budget enhanced the Fresh Start Housing Scheme, which helps families with children living in public rental flats to own their own homes by buying a shorter-lease new flat with a housing grant. There were also measures to reduce preschool expenses, provide more support to large families with three or more children, and improve the affordability of long-term care expenses. Labour policies that incentivise employers to hire more vulnerable groups who might experience greater difficulties finding employment, such as seniors, ex-offenders, and persons with disabilities, were also extended.

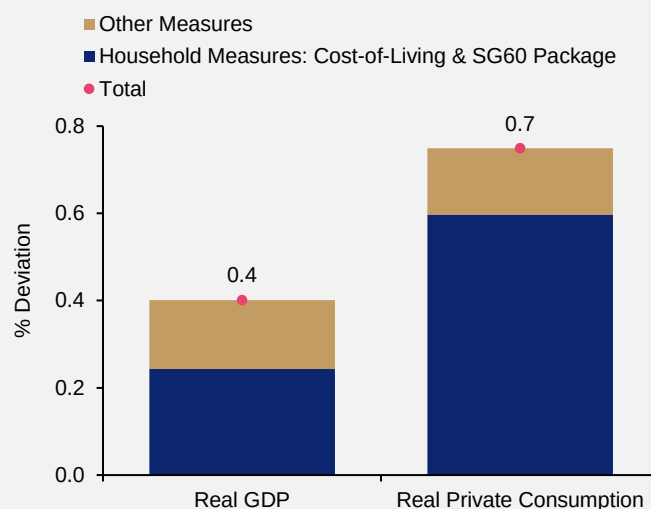
Quantitative Assessment of Budget 2025

On a calendar year basis, the fiscal impulse (FI), which gauges the net fiscal support to GDP from the *change* in the cyclically adjusted budget balance, is estimated to be a modest +0.4% of GDP.¹ This is a mildly supportive impulse for the economy in 2025.

To quantify the impact of Budget 2025 in a general equilibrium context and account for its dynamic effects, key measures were simulated using the Monetary Model of Singapore (MMS), MAS' flagship macroeconomic model.

Budget 2025 is estimated to lift real disposable incomes by about 1% in 2025 through the SG60 package and cost relief measures. This will boost the level of real GDP by about 0.4% (**Chart B1**), mainly through stronger consumption growth compared to a counterfactual scenario without these discretionary fiscal injections.

¹ The CY2025 estimate differs from the fiscal impulse estimate published in MOF's Analysis of Revenue and Expenditure, which is computed for FY2025. On a FY basis, the fiscal impulse is projected to be +0.9% of GDP in FY2025. The difference reflects lumpiness in the quarterly profile of projected revenues and spending. Adjusting for this difference in timing, the FI estimate over a four-quarter period would be similar.

Chart B1 Simulated Impact of Budget 2025 on Real GDP and Private Consumption in CY2025

Source: EPG, MAS estimates

The impact of Budget 2025 on inflation is expected to be negligible this year and only modestly positive in 2026 as the delayed transmission from the boost to aggregate demand this year raises prices incrementally.² The muted response of inflation to the fiscal stimulus in 2025 also reflects the fact that the bulk of the disbursements are scheduled to be paid out only in the latter half of this year.

MAS' simulations also suggest that Budget 2025 will continue to provide some support to the real economy in the medium term because of measures that seek to lift capital accumulation and the quality of the workforce. These injections will enable improvements in aggregate supply by raising firm and worker productivity and in turn, bolster the economy's productive potential.

All in, Budget 2025 is assessed to maintain an appropriately expansionary impulse amid the challenging external environment, while supporting longer-term efforts to enhance the economy's resilience and competitiveness.

² This estimate also accounts for the disinflationary impact of lower childcare fee caps for government-supported preschools in 2026.