4 Macroeconomic Policy

- In October 2021, MAS raised the slope of the S$NEER policy band slightly. Restoring an appreciation path for the exchange rate was appropriate against the underlying pressures on inflation. Import price increases are likely to continue for some time, while business costs in the Singapore economy should firm as the negative output gap closes in 2022.

- Fiscal policy continued to provide the necessary support to the economy as the COVID-19 pandemic evolved. Amid disruptions to economic activity caused by several waves of the more contagious Delta variant, quick and targeted fiscal assistance was rendered to businesses and individuals that were hard-hit by the tightened safe management measures.

- All in, fiscal and monetary policies continue to work in tandem to mitigate the economic impact of the pandemic and secure medium-term price stability.

4.1 Monetary Policy

In April 2021, MAS kept the slope of the S$NEER policy band at 0%

At the time of the April 2021 policy review, global growth prospects had improved on the back of rising inoculation rates and additional fiscal policy stimulus in a number of economies. With activity likely to be boosted in the externally-oriented sector, Singapore's GDP growth was projected to exceed 6% in 2021. Nevertheless, shortfalls in output would persist in the sectors worst-hit by the pandemic, such as the travel-related sector and the consumer-facing industries. The overall output gap was expected to narrow but remain negative for the year as a whole. Moreover, downside risks to growth remained, including the possible emergence of more virulent COVID-19 strains.

MAS Core Inflation had turned positive in y-o-y terms in Q1, but most of the increase reflected fading disinflationary effects from government subsidies that were introduced early last year as well as higher imputed costs of travel-related components.[1] Labour demand was projected to improve alongside the economic expansion and reopening, but some slack would persist due to job mismatches and underemployment. At the same time, persistent negative output gaps in some of Singapore's trading partners would keep imported inflationary pressures contained. All in, core inflation would rise from subdued levels, but remain below 1% over 2021. MAS therefore maintained a zero per cent rate of appreciation of the S$NEER policy band in the April Monetary Policy Statement (MPS).

1 Amid limited international travel, travel-related components such as holiday expenses and airfares were imputed by applying the price direction of other sub-indices in the CPI-All Items index, in line with international practice. As CPI-All Items inflation rose in Q1 2021—reflecting a strong pickup in the cost of private transport—the CPI inflation for imputed services increased mechanically.

While global growth momentum slowed over the past six months, Singapore's recovery remains intact

Since the April *Review*, the recovery in the global economy has slowed with the spread of the COVID-19 Delta variant worldwide. The resurgence in infections in many economies has weighed on the demand for consumer-facing services. Meanwhile, manufacturing and logistics supply chains were afflicted by the waves of infections across the world, with factories and ports confronted by shortages of intermediate inputs and intermittent production stoppages. These bottlenecks caused considerable delays in the delivery of final goods orders. With the spread of the Delta variant dampening services consumption as well as disrupting global supply chains, world GDP is expected to grow by 5.6% this year, down from the 6.2% expected in April.

The Delta variant made its way to Singapore in early Q2 and has likewise caused significant increases in community infections over the last six months. In response, the Multi-Ministry Taskforce imposed several restrictions to provide time to raise the national vaccination rate and protect domestic healthcare capacity.

These developments had a dampening effect on Singapore's growth momentum in Q2 and Q3 but did not fundamentally derail its underlying recovery path. In the third quarter, GDP recorded a mild sequential increase, underpinned by the expansion in the modern services sector. Meanwhile output in the manufacturing sector stabilised, after having contracted in the preceding quarter. The pace of GDP growth in Q1 was also revised up. As at Q3 2021, real GDP had risen by 16% from its pandemic-induced trough in Q2 2020 and regained its pre-pandemic (Q4 2019) level. Singapore's GDP remains on track to grow by 6–7% this year, despite the weaker outturn for the global economy.

The Singapore economy should expand at an above-trend pace in 2022

Globally, infections could crest in the period ahead as naturally-acquired and vaccine-induced levels of immunity continue to rise. The link between infections and weakness in economic activity has also loosened. As more economies ease social restrictions and reopen their borders, global spending, incomes and production should see a steady increase. Shortages and frictions in global value chains and international shipping are likely to linger but should unwind over 2022, thereby gradually easing supply constraints on growth. Overall, global economic growth should also become more broad-based as the main drivers shift from the advanced economies, where the recovery has matured, to the emerging economies where the level of activity is still catching up to pre-pandemic levels. World GDP growth is expected to moderate, to 4.8% next year, but remain above trend, supporting a further narrowing of the negative output gap.

Against this backdrop, global demand and production levels should remain firm in 2022. The resilient electronics up-cycle, in particular, will drive further expansion in Singapore's manufacturing sector. Improving business and consumer activity in the region should also underpin steady growth in the modern services sector domestically. Meanwhile, key enablers[2] of the transition towards managing COVID-19 as an endemic norm are progressively being put in place, which should allow more activity in the consumer-facing industries to resume across the country. Accordingly, private consumption should strengthen as sentiment improves. With border restrictions progressively relaxed through the introduction of

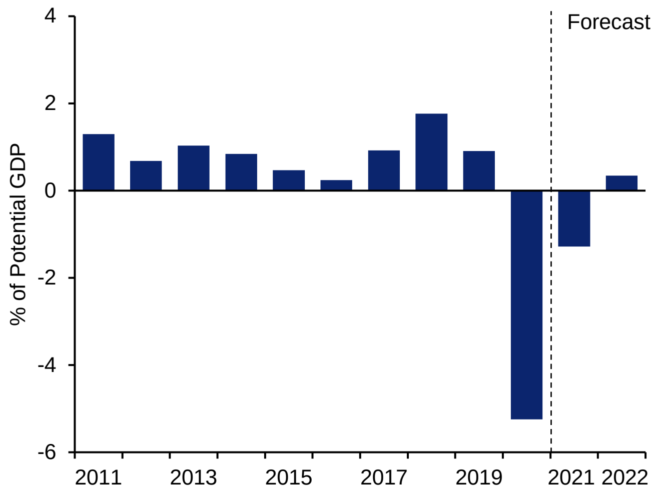
2 These include vaccination rates that are on track to rise well beyond 80%, improving access to rapid tests, as well as additional healthcare capacity and the home recovery programme.

vaccinated travel lanes, a normalisation in foreign visitor and worker inflows should also support a gradual pickup in the travel-related and construction sectors.

Barring major shocks, such as the emergence of a vaccine-resistant strain of virus or severe economic or financial stresses in the global economy, the Singapore economy should expand at an above-trend pace next year. The large negative output gap that had opened in 2020 and narrowed significantly in 2021 is expected to become modestly positive in 2022 **(Chart 4.1)**.

Chart 4.1 The negative output gap in Singapore's economy has narrowed this year and is expected to become modestly positive in 2022

Output gap



Source: EPG, MAS estimates

Core inflation is expected to rise further in 2022 amid growing domestic and imported cost pressures

The ongoing recovery in the labour market was temporarily dampened by tighter COVID-19 restrictions in Q2 and early Q3. The resident unemployment rate recorded its first increase in July since September 2020, as hiring, particularly in the consumer-facing sector, weakened during the Heightened Alert period in Apr–May. In Q2, resident employment growth eased while the number of retrenchments and workers placed on short work-week or temporary layoff ticked up. At the same time, the more stringent border restrictions imposed from April curtailed the inflow of non-resident workers, exacerbating the labour crunch in some sectors such as construction, and contributing to a nascent labour shortage in others.

In the event, the unemployment rate declined anew in August. Underlying labour demand appears to be resilient, as businesses look past the temporary COVID-19 measures, and face difficulties in the hiring of new non-resident workers from abroad. The emerging non-resident labour supply crunch amid the border restrictions has likely begun contributing to stronger wage pressures in a range of labour-intensive segments of the economy, such as in domestic & household and food services. As the Singapore economy gradually reopens in the coming quarters, labour market slack is expected to diminish and support a pickup in the pace of wage growth in 2022. Measures to raise the incomes of lower-wage residents from September 2022 will also add slightly to the rate of wage increases.

Meanwhile, external inflationary pressures are expected to remain firm, reflecting both recovering global demand and lingering supply constraints. Some upside risks to the baseline forecast remain. Oil prices have risen by a further 27% since April, while global food prices have also increased well above their pre-pandemic levels. Import costs of a range of consumer goods are also likely to remain elevated, and could rise further over the near term. As negative output gaps in most of Singapore's trading partners are expected to narrow, albeit by varying degrees over 2022, underlying global inflation is likely to rise.

The nascent wage and imported inflationary pressures have already contributed to a broadening of above-historical inflation across CPI components in Q3 2021. MAS Core Inflation stepped up to 1.1% y-o-y in Q3 from an average of 0.4% in Q1–Q2 2021, alongside other measures of underlying inflation in the economy. In the quarters ahead, as private consumption improves and confidence increases, the pass-through of accumulated wage and import costs to consumer prices is expected to pick up. Core inflation is forecast to rise steadily, as inflation rates across a range of services components begin to normalise.

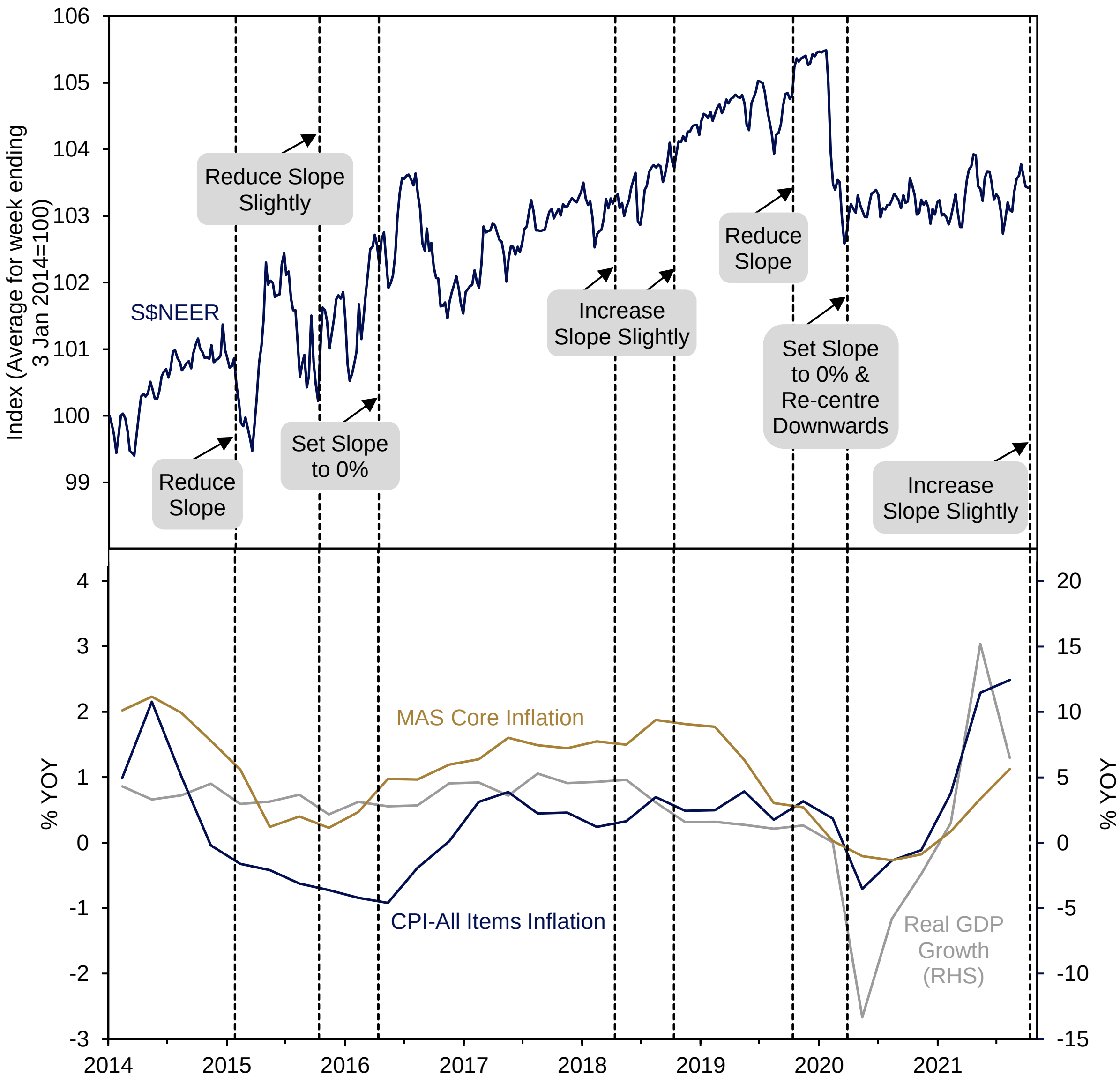
Overall, core inflation is expected to come in near the upper end of the 0–1% official forecast range for this year as a whole and rise further to an average of 1–2% in 2022.

In October 2021, MAS raised the slope of the S$NEER policy band slightly

Against the backdrop of a recovery of Singapore's GDP to its pre-pandemic level as well as a broadening of sustained core inflationary pressures, MAS raised the slope of the S$NEER policy band slightly in the October 2021 MPS. The width of the policy band and the level at which it was centred were left unchanged. This measured adjustment to the policy stance will help ensure medium-term price stability, while recognising the risks to the recovery. **Chart 4.2** summarises the recent shifts in monetary policy, GDP growth and inflation in the Singapore economy.

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 www.mas.gov.sg/monetary-policy/past-monetary-policy-decisions.

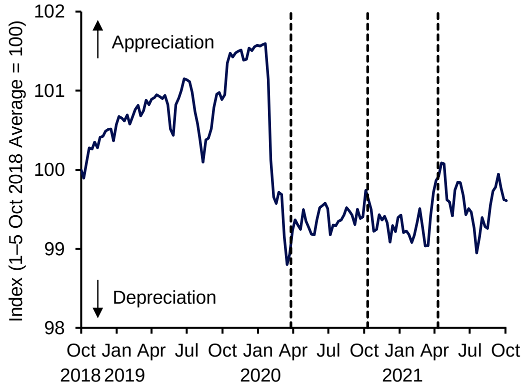
The S$NEER fluctuated in tandem with the evolution of the pandemic and relative economic prospects

Over the past six months, the S$NEER broadly fluctuated above the midpoint of the policy band **(Chart 4.3)**, reflecting in part shifting sentiments around Singapore's macroeconomic outlook as the pandemic evolved. Shortly after the April MPS, the S$NEER faced strong appreciation pressures, owing to a robust GDP outturn in Q1 and stronger-than-expected inflation. However, the upward pressures waned and the S$NEER weakened over May–Jul as the emergence of new waves of domestic COVID-19 infections led to a reimposition of public health measures locally. The S$NEER then appreciated steadily between Aug–Sep as the outlook for the Singapore economy appeared brighter compared to the rest of the region, in part due to its rapid progress on vaccinations.

In all, the S$NEER has depreciated modestly, as the S$ weakened against currencies such as the Chinese renminbi and US dollar. Financial markets had generally became more optimistic about the prospects of the Chinese and US economies, even as the Singapore government tightened domestic restrictions in light of the renewed increase in domestic infections. This depreciation outweighed the strengthening of the S$ against currencies of economies such as Australia and the Eurozone, where there have been larger outbreaks of COVID-19 infections or where vaccination rates are lower **(Chart 4.4)**.

Chart 4.3 The S$NEER broadly fluctuated above the midpoint of the policy band

S$NEER, weekly average

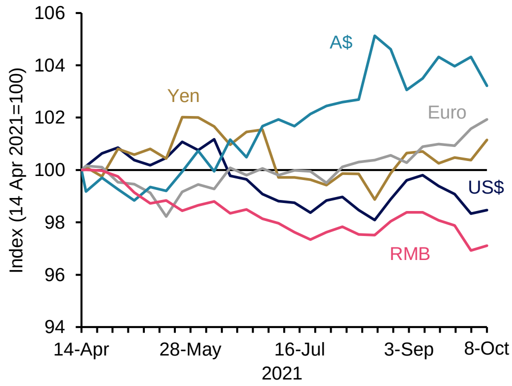


Source: EPG, MAS estimates

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

Chart 4.4 Pandemic outturns and relative economic prospects drove FX movements

Bilateral exchange rates, weekly average



Source: EPG, MAS estimates

Short-term US interest rates have eased slightly over the last six months, with the 3-month US$ LIBOR declining to 0.13% as of September, from 0.18% in April. The US$ Overnight Index Swap (OIS)-LIBOR spread narrowed further since April, reflecting easy US dollar funding conditions. Financial markets welcomed the US Federal Reserve's decision in June to extend the temporary US dollar liquidity swap lines established with a number of foreign central banks, including MAS, to December 2021 from September previously.

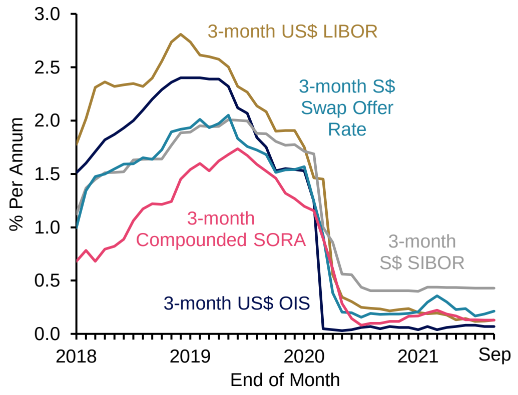
In tandem, domestic interest rates edged down slightly over last six months. The 3-month S$ SIBOR, compounded Singapore Overnight Rate (SORA) and S$ Swap Offer Rate declined slightly from April and remained close to their all-time lows **(Chart 4.5)**.

Changes in the Domestic Liquidity Indicator (DLI)[3] were largely driven by developments in the S$NEER over this period as the movements in domestic interest rates were marginal. Singapore's monetary conditions, as proxied by the DLI, tightened in Q2 as the level of the S$NEER was, on average, slightly higher than a quarter ago. However, the DLI eased significantly in July, owing to the weakening of the S$NEER, before tightening once more in September as the S$NEER gradually appreciated **(Chart 4.6)**.

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

Chart 4.5 Interest rates edged down closer to their all-time lows

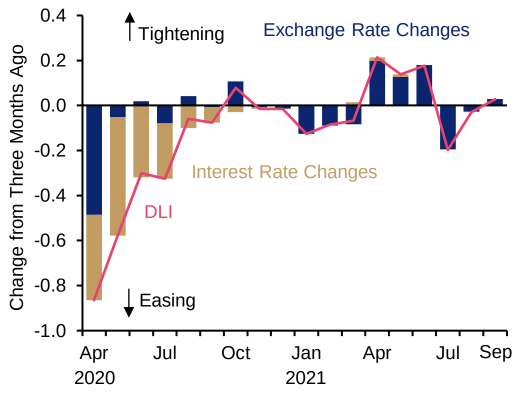
US$ and S$ interest rates, end of month



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

Chart 4.6 Monetary conditions have tightened in recent months due to S$NEER appreciation

DLI and components



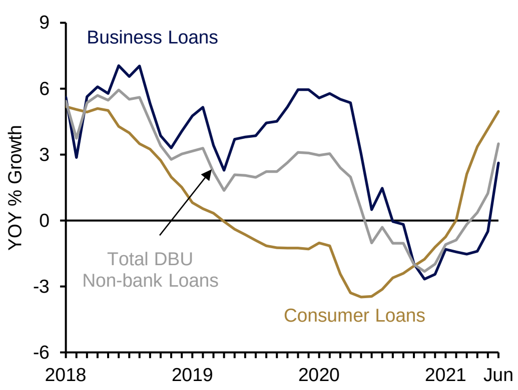
Source: ABS Benchmarks Administration Co Pte Ltd and EPG, MAS estimates

Credit growth recovered significantly from its trough last year

Alongside the recovery in the domestic economy, credit growth turned positive on a y-o-y basis in April 2021.[4] Consumer loans recovered faster than business loans as growth of the former turned positive in February, while that of the latter only registered its first y-o-y expansion in June, underpinned mainly by loans to the general commerce sector **(Charts 4.7 and 4.8)**.

Chart 4.7 Credit growth recovered significantly as economic activities resumed

Outstanding stock of DBU non-bank loans

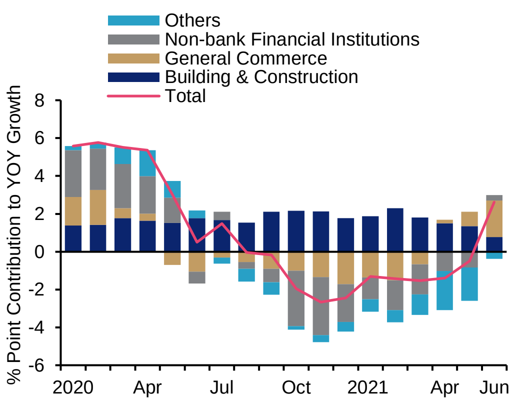


Source: MAS

Note: Data till June 2021 due to changes to the statistics reported in MAS' Monthly Statistical Bulletin.

Chart 4.8 Demand for credit recovered across most sectors

Outstanding stock of DBU non-bank loans by sector



Source: MAS

Note: Data till June 2021 due to changes to the statistics reported in MAS' Monthly Statistical Bulletin.

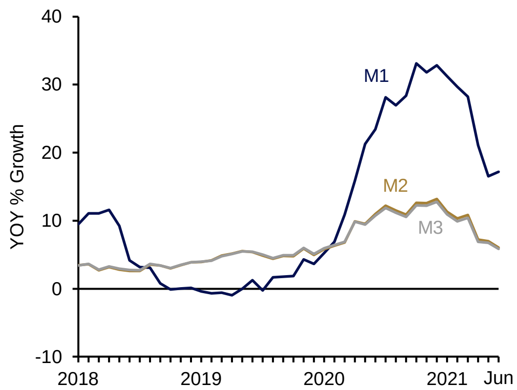
[4] On 1 July 2021, two major changes in MAS' banking sector regulatory framework took effect.This led to changes in the way data is reported by financial institutions, and consequently, to changes to the statistics reported in MAS' Monthly Statistical Bulletin, including data on loans, monetary aggregates,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

Money supply growth slowed sharply while the velocity of money picked up

Despite the pickup in credit growth, the pace of expansion in money supply slowed significantly in H1 2021, in part reflecting the tapering of the extent of fiscal support and transfers provided. M1 growth decreased to 17% y-o-y in June 2021 from its peak of 33% in October 2020 **(Chart 4.9)**. The slowdown was mainly driven by a sharp fall in the growth of demand deposits. Similarly, growth in the broader monetary aggregates, M2 and M3, moderated **(Chart 4.10)**.

Chart 4.9 Money supply growth slowed down significantly this year

Monetary aggregates

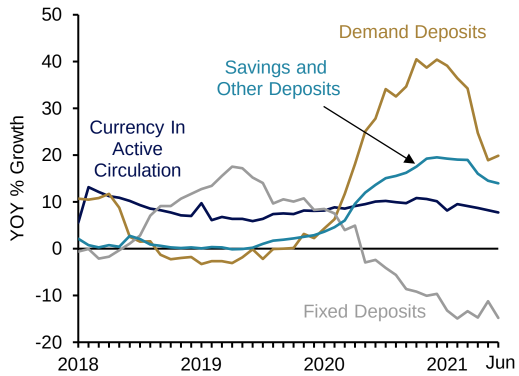


Source: MAS

Note: Data till June 2021 due to changes to the statistics reported in MAS' Monthly Statistical Bulletin.

Chart 4.10 The slowdown in growth was mostly driven by demand deposits

Components of money supply



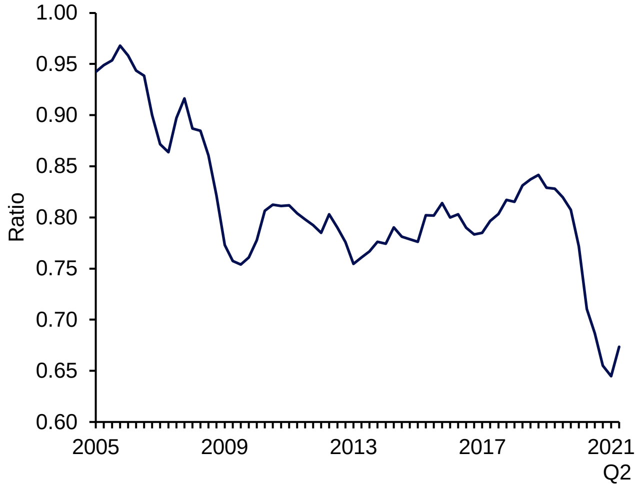
Source: MAS

Note: Data till June 2021 due to changes to the statistics reported in MAS' Monthly Statistical Bulletin.

The velocity of money (M2), computed on a rolling four quarters of nominal GDP and end-of-period basis, picked up in Q2 2021, reflecting the relative improvement in demand and consumption opportunities since the end of the circuit breaker measures that prevailed in Q2 2020 **(Chart 4.11)**. The velocity of money will likely further normalise in the months ahead as confidence improves and support nominal GDP expansion.

Chart 4.11 The velocity of money (M2) picked up in Q2 2021

Velocity of money (M2)



Source: EPG, MAS estimates

4.2 Fiscal Policy

Budget 2021 refined the government's pandemic relief measures and renewed efforts to secure inclusive and sustainable long-term growth

The government delivered Budget 2021 in February, with a focus on providing support to the segments of the economy that remained severely affected by the pandemic, as well as securing Singapore's longer-term growth prospects. As the economy has started to recover, the government's near-term relief measures shifted away from providing broad-based support towards targeted assistance directed at segments that continue to be adversely affected by the crisis. The fiscal package also included longer-term measures to facilitate Singapore's transition to a more inclusive, resilient, digital and green economy. At the same time, the government reiterated its commitment to fiscal sustainability amid the record budget deficit incurred in 2020 and the unprecedented size of the drawdown of Past Reserves. The Budget recognised the need for a fair distribution of fiscal burdens across generations. Accordingly, the government announced its intention to borrow to finance major, long-term infrastructure development through the Significant Infrastructure Government Loan Act (SINGA).

Budget 2021 forecasted an overall budget deficit of $11 billion, down from $65 billion in FY2020. The fiscal policy stance remained expansionary, as indicated by the deficit in the cyclically-adjusted budget balance. However, the estimated fiscal impulse turned negative, reflecting the large injection last year and the appropriate tapering of support to the Singapore economy as it had clearly emerged from the trough of the recession in Q2 2020.

Fiscal policy continued to respond in a decisive and targeted way as the pandemic situation and its impact evolved

Since May, Singapore has experienced renewed waves of COVID-19 infections, which led to the imposition of stricter safe management measures to curb local transmission of the virus. However, unlike the economy-wide Circuit Breaker that was imposed last April, which saw the shutdown of large swathes of the economy, the government employed more targeted measures instead.

Broadly, Singapore saw three new waves of infections over the last six months: in May–Jun, Jul–Aug, and from September. The first two waves, which occurred when vaccination rates were still relatively low, prompted the nation's shift to Phase 2 (Heightened Alert) (P2HA). Safe management measures were tightened in May–Jun as well as Jul–Aug to reduce transmission risks in indoor settings whilst still allowing most parts of the economy to continue operating. Limits on social interactions were tightened, dining-in was prohibited, sports, recreation and outdoor facilities were mostly closed, and employees returned to working-from-home as a default. Two groups of firms were particularly impacted. The first included firms that were required to suspend most, if not all of their operations. These were largely firms providing in-person services that had become clusters of transmission, or which were unable to pivot fully to fulfilling demand online. The second group included firms whose operations, while not suspended by the government, were affected by individuals voluntarily curtailing their movements.

The government introduced two packages of support measures amounting to more than $2 billion from May to July. These measures aimed at providing timely but temporary support to help tide affected businesses and individuals over disruptions to their incomes and cashflows. The calibration of support offered was based on the impact of the tightened safe management measures, with the bulk of the assistance going towards the worst-hit sectors.

First, the Jobs Support Scheme (JSS) was enhanced to provide further support to affected firms and help them retain workers during P2HA. Firms which had to suspend most, if not all, of their operations[5] received 50% of JSS support from 16 May to 11 July, while those whose operations were significantly impacted[6] received 30% of JSS support for the same period. This was tapered down to 10% from 12 to 21 July. Second, the government also provided rental support for eligible SMEs and non-profit organisations (NPOs) who were tenants and owner-occupiers of qualifying commercial properties. Cleaning fees were also subsidised for cooked food stallholders in government-owned hawker centres. Third, the measures provided cashflow relief for affected individuals. The government introduced the COVID-19 Recovery Grant (Temporary) to provide up to $700 per payout for eligible employees and self-employed persons. The suspension on repayment and interest charges for Ministry of Education loans was extended. At the same time, financial assistance to taxi and private hire car (PHC) drivers through the COVID-19 Driver Relief Fund (CDRF) was temporarily enhanced and extended in both Heightened Alert periods as ridership was expected to fall.

The fiscal policy response to the recent waves of infections was nimble and timely, and the scope of the fiscal support measures was refined depending on the impact of pandemic developments on affected sectors. The July package took into account the continued strain and disruptions on the affected businesses, and therefore provided a greater degree of support compared to May. For instance, the JSS support for firms that had to close or suspend most of their activities was raised to 60% from 22 July to 18 August, while that for sectors that were significantly affected was lifted to 40% for the same period. The tourism sector also became eligible for 40% wage support under JSS in the July package. This was tapered down to 10% from 19 to 31 August. Recognising that hawkers and market stallholders were disproportionately affected by the reimposition of P2HA in mid-Jul–Aug, the government stepped up support measures for this particular group. For example, the Market and Hawker Centre Relief Fund provided a one-off cash assistance of $500 per stallholder operating in government-run hawker centres and markets.

With more than three-quarters of the population fully vaccinated by late August, the government proceeded to gradually reopen the economy, as part of its plan to manage COVID-19 as an endemic disease. However, community safe management measures were slightly tightened again towards the end of September to stabilise the COVID-19 situation and protect Singapore's overall healthcare capacity. Consequently, the government renewed its assistance for affected firms and individuals through a $1.3 billion Stabilisation Phase support package. As the safe management measures imposed from September were less stringent than in the previous two rounds, and economic agents had become better adapted to operating amidst the pandemic, the extent of support provided was more modest compared to the May and July packages combined. For instance, only 25% of JSS support was provided for affected sectors[7] from 27 September to 21 November.

5 These include F&B, performing arts & arts education, as well as gyms & fitness studios.

6 These include retail, museums, art galleries & historical sites, cinemas and family entertainment.

7 Affected sectors refer to F&B, retail, cinemas, museums, art galleries & historical sites, family entertainment, tourism, gyms & fitness studios, and performing arts & arts education.

Table 4.2 at the end of this chapter summarises the key measures across Heightened Alert and Stabilisation Phases.

There was no further drawdown on Past Reserves as the government reallocated its budget to fund the additional support measures

Through two Ministerial Statements in July, the government stated that the Heightened Alert support measures introduced in May and July were expected to cost more than $2 billion in total. These packages would not add to the budget deficit, as they would be funded through budget reallocations. As Parliament had passed the SINGA following Budget 2021, the government could free up $0.6 billion, from capitalisation of development expenditure for nationally-significant infrastructure, to finance the support packages. At the same time, an additional $1.4 billion of funds would be reallocated from underused operating and development expenditure due to delays in projects arising from COVID-19.[8] Likewise, the $1.3 billion Stabilisation Phase fiscal support package would have no impact on the underlying deficit, as it would be funded by higher-than-expected revenues collected to date. There was therefore no need to draw further on Past Reserves.

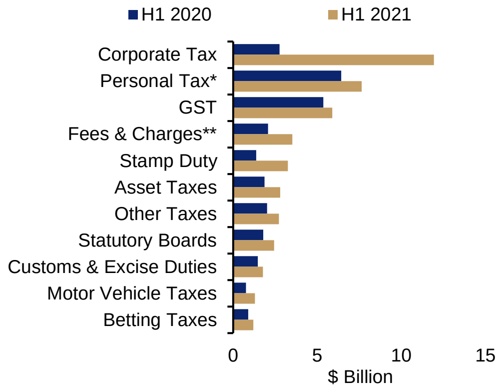
There was a broad-based increase in government operating revenue in H1 2021

In H1 2021, total operating revenues increased to $44.8 billion (17.7% of GDP) from $26.4 billion (11.5% of GDP) over the same period a year ago. The increase was broad-based across all receipt sources, reflecting the Singapore economy's recovery from the worst of the pandemic-induced recession in 2020 and the tapering of fiscal support measures. Notably, corporate income tax (CIT) more than quadrupled to $11.9 billion from $2.8 billion in the same period a year ago **(Chart 4.12)**. This was due to a much lower base of CIT collections in H1 2020 as a result of the CIT rebates granted under Budget 2020, as well as CIT deferments which led to rescheduling of FY2020 CIT collections. Meanwhile, stamp duty collections increased by $1.9 billion to $3.3 billion compared to a year ago, when property transactions were muted during the Circuit Breaker period. Similarly, Vehicle Quota Premiums collected increased by $0.9 billion compared to H1 2020 due to base effects, as COE bidding exercises were suspended in Q2 2020.

8 These projects have merely been postponed, not cancelled. Expenditure on them will still be incurred in future financial years.

Chart 4.12 As tax deferments expired and the Singapore economy recovered, all components of government operating revenues improved

Operating revenue by source



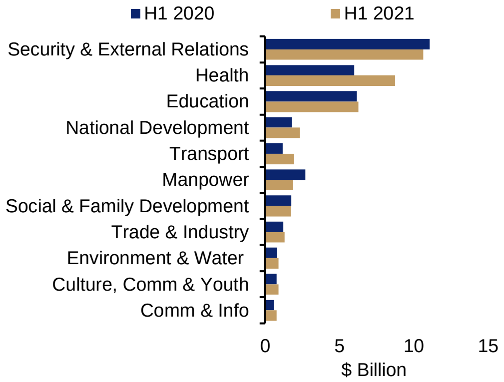
Source: MOF

* Includes withholding tax

** Includes Vehicle Quota Premiums

Chart 4.13 Operating expenditure rose in H1 2021, driven mainly by increased pandemic-related spending

Operating expenditure by sector



Source: MOF

Operating expenditure continued to increase while development expenditure fell

Total government expenditure increased by $2.8 billion in H1 2021 from a year ago to $48 billion (19.0% of GDP) on the back of a step-up in operating expenditure, which more than offset the small decline in development expenditure.

Operating expenditure, which includes expenses on manpower, operating grants and subventions to statutory boards and other organisations, rose to $38.7 billion in H1 2021, from $35.3 billion a year ago. Operational outlays by the Ministry of Health (MOH) increased by $2.7 billion, mainly due to continued funding for public health management to tackle COVID-19 as well as for the increased consumption of health and aged care services. In addition, patient subsidies increased with the opening of the Woodlands Health Campus **(Chart 4.13)**. Meanwhile, the Ministry of National Development spent $0.5 billion more in H1 2021 than a year ago due to increased spending on COVID-19-related facilities, while the Ministry of Transport's operating expenditures increased by $0.8 billion owing to higher spending on COVID-19 relief measures, especially for the aviation sector.

In contrast, development expenditure, which comprises longer-term investment in capitalisable assets such as buildings and roads, fell by $0.7 billion to $9.3 billion (3.7% of GDP) in H1 2021. The Ministry of Trade and Industry (MTI) recorded a $0.4 billion decrease in developmental expenses due to a tapering of expenditure to strengthen Singapore's supply resilience in response to COVID-19. MOH recorded lower development outlays as tightened safe management measures led to delays in construction projects **(Chart 4.14)**.

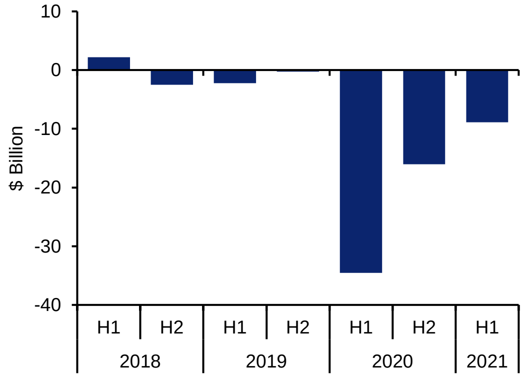
Chart 4.14 Development expenditures were lower due to decreased outlay from MTI and MOH

Development expenditures by sector

Source: MOF

Chart 4.15 The basic deficit in H1 2021 contracted steeply from the same period last year

Government basic balance



Source: MOF

The government's basic deficit contracted sharply

The government registered a primary deficit of $3.2 billion (1.3% of GDP) in H1 2021, a steep reduction from $18.8 billion in H1 2020, as the increase in operating revenue more than offset the rise in expenditure.

Special transfers, excluding top-ups to endowment and trust funds, declined to $5.7 billion, from $15.8 billion a year ago. The decline in transfers reflected the tapering of COVID-19 government assistance schemes, such as the JSS wage subsidies for firms.

The government's basic balance, which takes into account the primary balance and special transfers to households and firms (excluding top-ups to endowment and trust funds), recorded a smaller deficit of $8.9 billion (3.5% of GDP) in H1 2021 compared to $34.6 billion a year ago **(Chart 4.15)**.

The government revised its budget estimates for FY2021 to account for the economic recovery and updates to its fiscal support measures

The government's primary deficit for FY2021 has been revised down to $24.7 billion, from $25.7 billion estimated during Budget 2021 in February **(Table 4.1)**. The decrease was largely due to the expected fall in expenditures outweighing the expected slight decline in revenues. Special transfers, however, are projected to increase to $6.5 billion, from the $4.9 billion estimated in February, owing to the additional COVID-19 support measures introduced since May. As such, the basic deficit is expected to increase by $0.6 billion despite the smaller revised primary deficit. The overall fiscal deficit for FY2021 is projected to remain unchanged at $11.0 billion after taking into account the capitalisation of $0.6 billion of development expenditure under SINGA to reallocate the budget and fund additional COVID-19 relief measures.

Table 4.1 Budget summary

	FY2021 Budgeted		Revised FY2021 (as at Ministerial Statement on 26 Jul 2021)	
	$ Billion	% of GDP	$ Billion	% of GDP
Operating Revenue	76.6	15.2	76.4	15.0
Total Expenditure	102.3	20.2	101.1	19.8
Primary Surplus (+) / Deficit (−)	−25.7	−5.1	−24.7	−4.8
Less: Special Transfers (excluding top-ups to endowment/trust funds)	4.9	1.0	6.5	1.3
Basic Surplus (+) / Deficit (−)	−30.6	−6.0	−31.2	−6.1
Less: Special Transfers (top-ups to endowment/trust funds)	-	-	-	-
Add: Net Investment Returns Contribution	19.6	3.9	19.6	3.8
Less: Debt Servicing Costs*	-	-	0.0	0.0
Budget Surplus (+) / Deficit (−)	−11.0	−2.2	−11.7	−2.3
Add: Capitalisation of National Significant Infrastructure	-	-	0.6	0.1
Less: Depreciation	-	-	-	-
Overall Fiscal Position	−11.0	−2.2	−11.0	−2.2

Source: MOF

* Debt servicing costs for Revised FY2021 are estimated at $1 million

Table 4.2 Summary of key measures across Heightened Alert and Stabilisation Phases

KEY BUDGET INITIATIVES

A. FOR BUSINESSES

Easing Temporary Cashflow Constraints on Hard-hit Businesses

A1. Jobs Support Scheme

- Enhanced through the two Heightened Alert and Stabilisation Phases between May to November.
- Firms in sectors which had to suspend all or most of their operations to receive 50% wage support from 16 May to 11 July and 60% support from 22 July to 18 August.
- Firms in sectors which were not required to suspend operations but were significantly affected by the tightened safe management measuress to receive 30% wage support from 16 May to 11 July and 40% from 22 July to 18 August.
- 10% tapered wage support as business reopen after Heightened Alert from 12 to 21 July and from 19 to 31 August.
- Firms in sectors significantly affected by the tightened measures during Stabilisation Phase to receive 25% wage support from 27 September to 21 November.

A2. Rental Relief for Affected Businesses

- Between May and November, eligible stallholders in Government-owned hawker centres and tenants of Government-owned commercial properties will receive a total of 4 and 3 months of rental waiver respectively.
- During the same period, eligible SMEs and NPOs who are tenants or owner-occupiers in qualifying privately-owned commercial properties are also eligible for 2 months of rental cash payout through four tranches of the Rental Support Scheme.

A3. Temporary Bridging Loan Programme

- Extension for an additional six months from 1 October 2021 to 31 March 2022.

A4. Enhanced Enterprise Financing Scheme - Trade Loan

- Extension for an additional six months from 1 October 2021 to 31 March 2022.

A5. Food Delivery Booster Package

- Re-introduced from 22 July to 18 August 2021 to help F&B businesses reduce the costs of selling on delivery platforms.
- The package funded 20% of the delivery cost per trip for food delivery services via third party logistics players (e.g., Lalamove, Pickupp and GrabExpress).
- F&B businesses who were existing operators on or new entrants to the four online food delivery platforms will receive a reduction of five percentage points of the commission cost charged, with no cap on the qualifying food delivery transaction value.

A6. E-Commerce Booster Package

- Re-introduced from 16 May to 16 November 2021 to support retailers in diversifying operations and defraying the business costs of going online.
- Retailers can engage one of the appointed e-commerce platforms (e.g., Lazada, Qoo10, Shopee) to sell products online and expand their reach in the Singapore market. Eligible retailers will receive a one-time support to defray 80% of qualifying costs (capped at $8,000).

A7. Jobs Growth Incentive

- Extension of qualifying window by six months from September 2021 to March 2022.
- For each new local hire, eligible employers will receive wage support of 15% of the first $5,000 for up to six months, up to $4,500 per hire aged below 40.
- Higher wage support for mature hires aged 40 and above, people with disabilities and former offenders, of up to 50% of the first $6,000 for up to 12 months, up to $36,000 per hire.

B. FOR INDIVIDUALS

Targeted Help for Affected Individuals

B1. COVID-19 Driver Relief Fund

- The government set aside $27 million for a one-time top-up of an additional $10 per vehicle per day for all eligible taxi and PHC drivers from 16 May to end-June 2021 under the CDRF top-up on top of the existing CDRF.
- Extension of CDRF for 3 months from July 2021, with $40 million set aside to support taxi and PHC drivers. Under the extended CDRF (CDRF2), drivers received $10 a day for 60 days and $5 a day for the next 30 days.
- Enhancement of CDRF2 by $30 million following the re-entering of P2HA from 22 July to 18 August 2021. Eligible drivers received an additional $10 per vehicle per day from 22 July to 18 August 2021 and an additional $5 per vehicle per day in September 2021.
- Another $39 million set aside to further extend the CDRF by three months to cover the Stabilisation Phase, providing eligible drivers $10 per vehicle per day in October and November and $5 in December.

B2. COVID-19 Recovery Grant (Temporary)

- Provided temporary financial support to employees and self-employed persons who suffered from sudden and significant income loss during the Heightened Alert period, where applications were extended to end-August 2021.
- Workers who continue to be impacted and met the eligibility criteria could re-apply to receive a second payout.
- Employees who were placed on involuntary no-pay leave for at least one month received up to $700 per payout.
- Employees who experienced salary loss of at least 50% for at least one month, or self-employed persons who experienced a Net Trade Income (NTI) loss of at least 50% for at least one month compared to their average monthly NTI in 2019 or 2020, received up to $500 per payout.

B3. Assistance for Hawkers

- Subsidies for table-cleaning and centralised dishwashing services.
- Eligible hawkers who operate in government hawker centres and markets received a one-time cash assistance of $500 per stallholder under the newly introduced Market and Hawker Centre Relief Fund.

Source: MOF