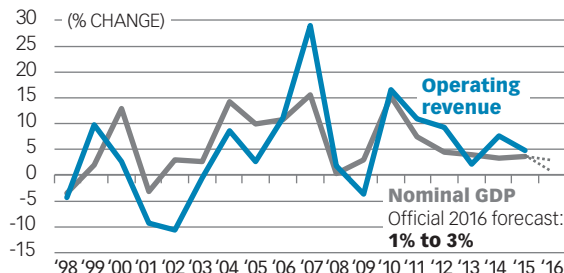


# Budgeting on a rainy day

The expected economic slowdown will probably hit revenues for the 2016 Singapore Budget. But increased contributions from invested reserves and the possibility of off-budget measures will give the Singapore government room to manoeuvre if a recession occurs. **By KENNETH LIM**

## Economic growth has a pronounced impact on the government's operating revenue

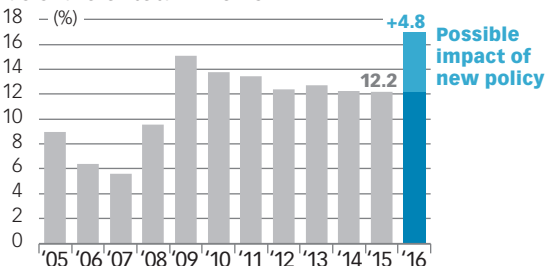
The money that the government receives generally moves in tandem with GDP growth, even though about 36 per cent of operating revenue comes from corporate and personal income taxes, which are based on year-ago income. In most years, every one percentage point change in GDP has a mixed impact on change in operating revenue. However, during recessions, and especially in the year after a recession, operating revenues tend to fall at a steeper rate than GDP.



## Temasek can lend a hand

Although operating revenue might fall in 2016 and 2017, the government's coffers will find some relief from government investment company Temasek Holdings. A new policy introduced in the 2015 budget will now allow the government to recognise unrealised capital gains from Temasek as investment returns that may be spent. Initial estimates mentioned in the 2015 Budget suggest that the new policy could result in a S\$3.5 billion increase in contributions from investment returns.

Net Investment Returns Contribution as share of total inflows



## In case of recession, use off-budget measures

The Singapore government has historically met recessions with stimulus measures, but has typically timed those measures based on need rather than the annual budgetary cycle. It is therefore unlikely that the 2016 Budget will contain major stimulus measures while expectations for the economy remain modest but still slightly positive. If Singapore slips into a recession, however, off-budget measures are a strong likelihood. Here are some of the major off-budget packages announced over the years:

### 1985

Facing Singapore's first post-independence recession, First Deputy Prime Minister Goh Chok Tong announces a Ministerial Economic Committee and a S\$100 million programme to help small businesses with upgrading and modernisation.



### 1998

The Asian Financial Crisis leads Finance Minister Richard Hu to announce a S\$2 billion package that cuts government rents and charges for businesses, increases government infrastructure spending and stabilises the property, financial and hotel sectors.



### 2001

The burst of the dot-com bubble and the September 11 terrorist attacks in the United States spurs two rounds of off-budget action, including a S\$2 billion package to help individuals cope with the recession, including tax rebates and lower stamp duties.



### 2003

Even though recession is not present, the outbreak of Severe Acute Respiratory Syndrome (Sars) casts a shroud of fear and pessimism throughout the region, prompting aid packages that included a S\$230 million plan to help the tourism, transport and healthcare industries.

