

Singapore Watch

Budget 2024 Review: Staying neutral

Broadly neutral fiscal stance to avoid stroking inflation

For FY23 (Apr '23-Mar '24), fiscal deficit was revised wider to S\$3.6bn (0.5% of GDP) from S\$0.4bn (0.1% of GDP), with increased expenditure, additional allocation of S\$7.5bn to support eligible residents aged >50 and lower Net Investment Returns Contribution (NIRC) more than offsetting higher operating revenue. For FY24 (Apr '24-Mar '25), MOF is projecting a fiscal surplus of S\$0.8bn (0.1% of GDP) (Exhibit 1).

Importantly, the fiscal impulse is projected at 0.1% of GDP (Exhibit 2) - essentially close to 0% which implies a broadly neutral stance. MOF said that this is aimed at “minimizing the risks of overheating the economy”, with the output gap seen averaging close to 0% of potential GDP in FY24 (probably turning positive from 4Q24 based on our inference). Overall, Budget 2024 was more conservative than we expected (see [Budget Preview](#)), and offered little hints of an early elections this year (see [Theme #3 of Year Ahead](#)).

Key highlights from Budget

#1: Inflation is still a major concern, with the Finance Minister mentioning that “inflation, while moderating, remains on the high side”. We earlier highlighted that MAS probably sees core inflation (ex-GST) >2.2% in 2024, which is above the historical average of 1.5-2% (see [Jan '24 MAS Review](#)).

#2: Near-term measures were focused on alleviating cost pressures for households (e.g. cash handouts, vouchers & rebates and government top-ups) **and businesses** (e.g. corporate income tax rebate and enhancing financing schemes).

#3: Longer-term measures were aimed at enhancing investment promotion toolkit, catalyze AI activities, upskilling mid-career workers, assisting the involuntarily unemployed, supporting lower-wage income workers & vulnerable groups, strengthening retirement adequacy and safeguarding energy security.

#4: New revenue measures were notably absent and may be modest in scale going forward. The Finance Minister highlighted that there is “sufficient revenues to maintain a balanced budget over the coming years”, even as spending is projected to increase from around 18% of GDP presently to 20% of GDP by 2030. Instead, a greater emphasis would be placed on expenditure optimization to promote fiscal sustainability.

#5: Limited direct impact on core inflation from Budget measures. The only notable measure was the reduction in childcare fee caps in government-supported preschools in 2025 by S\$40 (or around 7%) to \$640-\$680). This could exert a small disinflationary impact on education CPI in Jan '25.

Elevated inflation concern = Apr MAS meeting “live”

The key macro message from the Budget was one of elevated concerns about inflation and cost of living matters, issues that are likely priorities for MAS. Given MAS's pre-emptive stance and with effects of past policy tightening fading, the Apr meeting could well be “live”. Our base case remains for policy settings to be unchanged, with risk skewed towards a 50bp slope steepening.

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Glossary:

MOF: Ministry of Finance

AI: Artificial Intelligence

Exhibit 1: Overall fiscal position (\$\$bn)

FY23 fiscal deficit revised down by 40bp to 0.5% of GDP; FY24 expected to see a small surplus of 0.1% of GDP

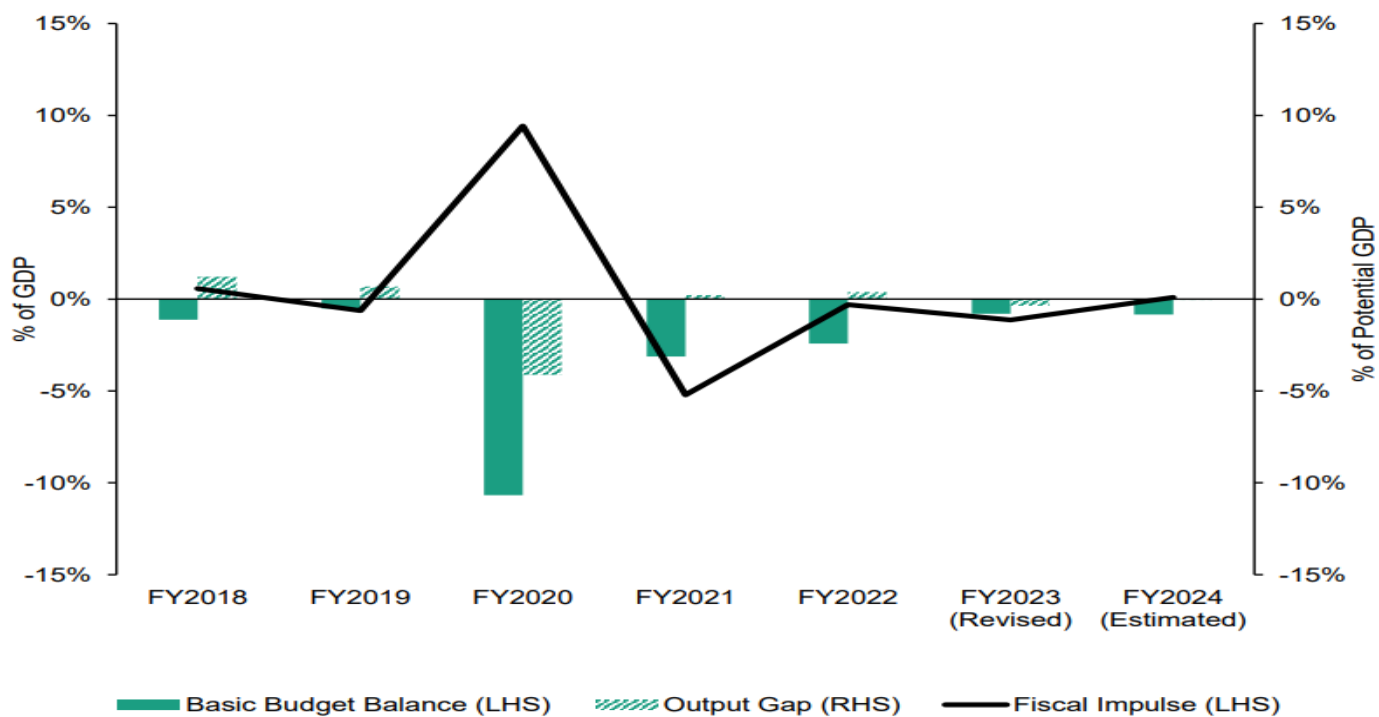
	FY19	FY20	FY21	FY22	FY23 Original (Feb '23)	FY23 Revised (Feb '24)	FY24E
(1) Operating Revenue	74.3	67.4	82.5	91.0	96.7	104.3	108.7
(2) Total Expenditure	75.3	86.4	94.8	104.9	104.2	106.9	111.8
(3) Primary Balance (1) - (2)	-1.1	-19.0	-12.3	-13.8	-7.5	-2.6	-3.1
(4) Special transfers to households & businesses	1.6	33.5	6.8	2.7	2.8	2.9	2.9
(5) Basic Balance (3) - (4)	-2.6	-52.5	-19.1	-16.5	-10.3	-5.5	-6.0
(6) Top-ups to funds	13.6	17.3	0.0	6.3	16.8	24.3	20.4
(7) Net investment returns contribution	17.0	18.2	20.4	22.4	23.5	22.9	23.5
(8) Overall Balance (5) - (6) + (7)	0.8	-51.6	1.2	-0.4	-3.6	-6.9	-2.9
(9) Capitalization of infra	0	0	0.7	2.2	3.5	3.5	4.1
(10) Depreciation of infra	0	0	0	0	0	0	0
(11) Interest costs & loan expenses	0	0	0	0.1	0.3	0.3	0.4
Overall Fiscal position (8) + (9) - (10) - (11)	0.8	-51.6	1.9	1.7	-0.4	-3.6	0.8
% of GDP	0.2	-10.5	0.3	0.3	-0.1	-0.5	0.1
Note: Utilization of past reserves		31.9	5	3.1			

Source: BofA Global Research, MOF, Haver Note: Figures may not add up due to rounding

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Exhibit 2: MOF's projected fiscal impulse, basic budget balance and output gap

MOF projects a small positive fiscal impulse of 0.1% of GDP for FY24, which is essentially close to 0% and thus a broadly neutral stance



Source: MOF

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