

ANNEX D-1: UPDATE ON FINANCIAL YEAR 2020 **(AS AT 5 OCTOBER 2020)**

This document summarises the key changes to the Government's budget estimates for FY2020, presented in the Third Supplementary Estimates on 5 October 2020. The estimates take reference from the last estimates as presented during the Fortitude Budget on 26 May 2020. The revised estimates account for the following:

- a. Lower revenue projections in view of the weaker economic outlook in FY2020;
- b. Savings from the underutilisation of expenditure voted in earlier Budgets, arising mainly from disruptions brought about by COVID-19 to various activities and projects; and
- c. Additional expenditure for further COVID-19 support measures announced by the Government since the Fortitude Budget in May 2020.

(I) Expected Budget Outturn for FY2020

The Revised Overall Budget Balance for FY2020 is projected to be a deficit of \$74.2 billion, a \$0.1 billion improvement from the \$74.3 billion deficit projected at the Fortitude Budget on 26 May 2020.

The additional fiscal cost for further COVID-19 support measures outlined by the Government since the Fortitude Budget in May 2020 totals \$8.0 billion. The Government will fully fund the additional \$8.0 billion by reallocating earlier planned expenditure from other areas, with no further draw on Past Reserves.

The Revised FY2020 fiscal position is summarised in Table 1.

I-1. Operating Revenue

Operating Revenue is projected to be \$63.7 billion. This is \$5.1 billion or 7.4% lower than the revised estimate presented at the Fortitude Budget in May 2020, and \$12.3 billion or 16.1% lower than the initial estimate presented at the Unity Budget in February 2020¹. The decrease relative to the estimate as at the Fortitude Budget is mainly due to a more subdued economic growth environment arising from COVID-19 and lower economic activity during the Circuit Breaker period. Revenue estimates fell by \$4.1 billion, primarily from Goods and Services Tax, Betting Taxes, and Stamp Duty. Revenues were further reduced by an estimated \$0.9 billion of additional Foreign Worker Levy waivers announced on 1 August 2020.

¹ The \$7.2 billion decrease between the Unity Budget and the Fortitude Budget was mainly due to COVID-19 assistance measures to support our firms and in turn workers, such as the corporate income tax deferment, commercial and industrial property tax rebate, and rental relief.

I-2. Total Expenditure

Total Expenditure is projected to be \$102.1 billion. This is \$8.4 billion or 7.6% lower than the revised estimate presented at the Fortitude Budget.

Operating Expenditure is estimated to be \$85.3 billion, \$1.6 billion or 1.9% lower than the revised estimate presented at the Fortitude Budget. The lower expenditure is mainly due to lower expenditure arising from COVID-19-related delays in projects and cancellation/deferment of programmes, and lower manpower costs due to lower annual variable component for civil servants this year. The decreases are partially offset by additional expenditure for further COVID-19 support measures such as sector-specific support and measures to bolster social resilience and public health.

Development Expenditure is estimated to be \$16.8 billion, \$6.8 billion or 28.8% lower than the revised estimate presented at the Fortitude Budget. This is mainly driven by delays in major construction projects arising from the Circuit Breaker and the need to ensure a safe re-opening of the construction sector thereafter.

I-3. Special Transfers

Special Transfers including Top-ups to Endowment and Trust Funds are estimated to be \$54.5 billion, \$3.2 billion or 6.3% higher than the revised estimate presented at the Fortitude Budget. The increase is mainly due to the extension of Jobs Support Scheme to cover wages up to March 2021.

I-4. Net Investment Returns Contribution (NIRC)

Net Investment Returns Contribution is estimated to be \$18.6 billion.

TABLE 1: REVISED FY2020 FISCAL POSITION

	Estimated FY2020	Revised FY2020 (as at the Fortitude Budget on 26 May 2020)	Revised FY2020 (as at 5 October 2020)	Change Over Revised FY2020 as at the Fortitude Budget
	\$billion	\$billion	\$billion	\$billion
OPERATING REVENUE	76.0	68.8	63.7	(5.1)
Less:				
TOTAL EXPENDITURE	83.6	110.5	102.1	(8.4)
PRIMARY SURPLUS / DEFICIT¹	(7.6)	(41.7)	(38.3)	
Less:				
SPECIAL TRANSFERS²	22.0	51.2	54.5	3.2
Special Transfers Excluding Top-ups to Endowment and Trust Funds	4.7	33.9	37.1	
BASIC SURPLUS / DEFICIT³	(12.3)	(75.6)	(75.5)	
Top-ups to Endowment and Trust Funds	17.3	17.3	17.3	
Add:				
NET INVESTMENT RETURNS CONTRIBUTION	18.6	18.6	18.6	-
OVERALL BUDGET SURPLUS / DEFICIT	(10.9)	(74.3)	(74.2)	

Note: Due to rounding, figures may not add up. Negative figures are shown in parentheses.

¹ Surplus / Deficit before Special Transfers (including Top-ups to Endowment and Trust Funds) and Net Investment Returns Contribution.

² Special Transfers including Top-ups to Endowment and Trust Funds

³ Surplus / Deficit before Top-ups to Endowment and Trust Funds, and Net Investment Returns Contribution.