

# **FY2025 BUDGET DEBATE ROUND UP SPEECH BY PRIME MINISTER AND MINISTER FOR FINANCE, MR LAWRENCE WONG**

28 Feb 2025

## **A. Introduction**

1. Mr Speaker, I thank all Members who have spoken and supported the Budget.
2. Members have raised many suggestions. I won't be able to respond to all of them today. But I assure you that we have heard every suggestion and we will study them carefully. The detailed issues relating to specific programmes and schemes will be addressed later at the COS debate.
3. The questions raised by Members during this debate revolve around three main issues:
  - a. First, how are we supporting businesses and workers to navigate our new economic reality?
  - b. Second, how are we helping Singaporeans to cope with the strains and stressors of life?

- c. And third, are we overly conservative in our fiscal projections and plans?
4. Let me address these three issues in turn.

## **B. How should we navigate our new economic reality?**

5. **First**, how do we navigate a very uncertain global environment, so we can continue to create good jobs and opportunities for Singaporeans? Quite a number of MPs spoke about this, including Ms Foo Mee Har, Ms Tin Pei Ling, Mr Darryl David, Mr Edward Chia, and Ms Mariam Jaafar just now.

### *Navigating Global Challenges*

6. Sir, the entire global system is changing.

- a. We see it unfolding in real time before our eyes. The multilateral trading system has been weakened by growing protectionist sentiments and unilateral measures.
- b. Countries are focusing more on their defence and security interests. So it's become more about zero-sum competition rather than win-win cooperation.
- c. All these will disadvantage small and open economies like Singapore.

7. The major powers say they don't want to fight, they don't want conflict. But they are all preparing for conflict.

- a. And all of them realise that there is a need for a strong industrial base to sustain any war effort.
- b. In particular, the Western countries feel they are at a disadvantage. And it's not difficult to see why.
- c. Twenty years ago, China accounted for about 9% of global manufacturing output. Now, it accounts for one-third of global manufacturing output. That's more than the next three countries – the US, Japan, and Germany – put together. China alone.
- d. So naturally, there is a huge attempt to rebuild manufacturing in America and Europe.
- e. And that's why competition for investments will only intensify.

8. That's why we have to be prepared for tougher competition, and do what we can to stay in the game.

- a. We are topping up the National Productivity Fund, which will provide us extra firepower to stay competitive and attract investments.
  - b. We are taking steps to strengthen our infrastructure, enhance our enterprise ecosystem, as well as our innovation and technology engines.
  - c. And these moves will translate eventually and ultimately to better jobs and better opportunities for all Singaporeans.
9. We also have to brace ourselves for increased scrutiny of high-tech activities done out of Singapore – something which we discussed in Parliament last week, and which several members also highlighted.
- a. We are an open hub, and we welcome and harness technology from different countries.
  - b. But the key countries, the key sources of technology, are now concerned about technology leakage – they want to

keep their proprietary technologies controlled tightly within a safe ecosystem.

- c. To be clear, we do not enforce the unilateral export controls imposed by any single country. But we will make efforts to address these concerns, we will lean forward and provide assistance where appropriate, in accordance with our laws. And members may have read in the media today some actions we have taken.
- d. We make these proactive moves because we want to ensure Singapore remains a reliable and trusted partner in global trade and commerce. In today's fragmented world, we must work even harder to stay open as a hub, where businesses from all over the world can operate with assurance and confidence.

### *Helping Firms Transform*

- 10. As we navigate these external challenges, we also must continue to press on with productivity improvements in our own economy.

- a. Our labour productivity has been growing at around 2% per annum over the past decade from 2014 to 2024.
- b. Most of this is driven by the outward-oriented sectors of our economy.
- c. So we can still do better to improve productivity for our domestic-oriented sectors.

11. I know many SMEs are concerned about the high costs of doing business. And several members including SMS Desmond Tan, Mr Mark Lee, and Mr Lim Biow Chuan reflected this concern.

- a. But there are economic realities we cannot avoid.
- b. Our land cost reflects its scarcity in our small island nation. And as long as Singapore does well and there is strong demand for land, there will be upward pressure on land prices.
- c. Our energy costs are affected by global price levels. We import our energy, and we have limited renewable energy options.

- d. Our labour cost reflects the wages of Singaporean workers. And we all want wages to rise. But wage increases have to be matched by productivity gains.
  - e. A/P Jamus Lim highlighted that wage increases in recent years have lagged productivity growth and there is scope for wages to go up further.
  - f. But we should be looking at the data over a longer time frame. And over the past decade, real wage growth has been commensurate with productivity growth.
  - g. And we will continue to push for this. To push for higher productivity as well as higher wages. This is why we opted for the Progressive Wage Model, which ensures continued skills upgrading for workers as they move up the wage ladder.
12. We will also keep an eye on costs, and provide short-term help to companies where needed, but without blunting the incentive for them to restructure.
- a. And that's why we have Corporate Income Tax rebates in this Budget.

- b. And we are increasing co-funding levels for the Progressive Wage Credit Scheme to help companies co-pay the wage increases for lower-wage workers.
  - c. We are also supporting companies on the regulatory front. DPM Gan Kim Yong is leading the Inter-Ministerial Committee for Pro-Enterprise Rules Review, to review our regulatory processes and cut compliance costs. And he will give an update on this work at MTI's COS.
- 13. Our more important effort is really to help companies consolidate, restructure, and transform. That's something the Government can encourage, facilitate, and nudge. But in the end, the business owners themselves, the companies themselves must be prepared to make the change.
  - a. Take retail as an example.
  - b. Some retailers are concerned about the impact of the Johor-Singapore SEZ and the RTS Link.

- c. But with e-commerce, competition is already happening. And it's happening and taking place from all over the world.
  - d. Today, Singapore consumers, all of us, can already purchase many items from abroad and have them shipped to their doorsteps at cheaper prices than the local retail price. There are many examples, you can look for yourself.
14. So retailers have to adapt and re-think their business models.
- a. Some have done so successfully.
  - b. Take the example of baking supplies company Phoon Huat. It started out in 1947 as a single shop in Middle Road.
  - c. But with continuous transformation, it has expanded its operations significantly. It now has its own production facility, a distribution centre, and 20 retail stores in Singapore.

- d. And with support from Enterprise Singapore, it has built a thriving e-commerce platform, which enables the company to export to more than 20 countries.
- e. It has also adapted to changing consumer preferences, for example, by launching its own gourmet brand, refreshing its brick-and-mortar stores to provide experiential spaces for baking demonstrations and classes.
- f. So this is how constant innovation and transformation can allow businesses to stay competitive and relevant.

15. It's not easy to make such transformations. But for firms that are willing to do so, the Government will provide our full support.

- a. Mr Derrick Goh asked about the kind of support that's available. In fact, we have many schemes to help our SMEs.
- b. In this Budget, I've highlighted three new initiatives – the SkillsFuture Workforce Development Grant, the refreshed SkillsFuture Enterprise Credit and the Enterprise Compute Initiative.

c. These new initiatives arose out of our engagements with the Trade Associations and Chambers, the TACs, and the Singapore Business Federation. We continue to welcome their feedback and their important work in getting their members to transform their businesses.

16. At the same time, aside from the new initiatives, there are many existing initiatives for SMEs that remain part of our overall enterprise support efforts.

a. And for firms that fully utilise the support schemes, the total amount of help that they can get is, in fact, considerable.

b. In the past, the utilisation of many of our enterprise schemes has tended to be lower than what we had projected or hoped for. We've been discussing with the TACs to find out why, so that we can raise awareness amongst SMEs, and also do what we can to make the schemes more accessible. We hope the latest Budget moves will help. And if the utilisation of these schemes turns out to be higher than expected, and more funding

is required, I assure you, the Ministry of Finance will be happy to provide additional resources.

17. Besides uplifting the overall SME sector, we are also developing a pipeline of promising enterprises, some of which will eventually grow to become global companies of the future.

- a. The MNEs we attract to Singapore support this enterprise development strategy. Because the smaller firms can partner with the MNEs, and eventually expand to new markets abroad. And as Mr Neil Parekh highlighted, such partnerships are beneficial, and we will continue to create more opportunities for collaboration.
- b. Some enterprises are started by global entrepreneurs or founders from abroad who are keen to use Singapore as a launchpad, and we welcome more of them to come here and to launch their next big idea here.
- c. There are also homegrown companies emerging from our R&D ecosystem, which DPM Heng mentioned yesterday. And more young Singaporeans are now prepared to take the plunge into entrepreneurship.

- d. So on the whole, if you look at our enterprise ecosystem today compared to 15 years ago, I would say things have improved considerably. But there's still much more we need to do, and we will press on with our efforts.

### *Creating Good Jobs*

18. With constant industry transformation, we can expect more churn in workplaces – existing jobs will be re-designed and new jobs will be created. Understandably, all this will contribute to anxiety and concerns amongst Singaporeans about jobs. Several MPs like Ms Cheryl Chan and Mr Faisal Manap spoke about this, and Ms Denise Phua and Ms Jessica Tan also highlighted the disruptions that could be posed by rapid technological advances.

- a. These concerns are real, and I acknowledge them.
- b. But we have to understand the underlying reasons, and avoid pinning the blame on foreigners.
- c. Because we can see this happening in so many other countries, where the public discourse ends up spiralling into very negative, very toxic, and xenophobic directions.

d. This is not what we stand for in Singapore. And we must never allow that to happen here.

19. Our approach towards foreign workers is clear – we welcome them to work here, but we do this in a controlled manner, and ensure they complement Singaporeans.

a. And we have continued to fine-tune over time our system of controls.

b. For example, we introduced the COMPASS framework for Employment Passes.

c. We've introduced new measures, like the Workplace Fairness Act, to protect Singaporeans against workplace discrimination.

20. And this approach has contributed to positive outcomes, including low overall unemployment rates, good employment outcomes and rising real incomes of Singaporeans.

21. But we are not resting on our laurels. The Government will do more to better support Singaporeans, young and old, to better equip everyone for the changes in our economy.

22. That's exactly why we are taking decisive steps to strengthen SkillsFuture.

- a. It has been 10 years since we started. As some of you have highlighted.
- b. We've made several significant changes, as SMS Desmond Tan highlighted too.
  - i. We introduced the SkillsFuture Level-Up Programme for mid-career workers.
  - ii. And the SkillsFuture Jobseeker Support scheme to support those who are involuntarily unemployed and need help to get back to work.
- c. In this Budget, we are making further moves, including to nurture more promising Singaporean corporate leaders, and we will do more. Several members also spoke about this, including Ms Cheryl Chan, about a talent development strategy. We want to develop Singaporean talent and we want to see more Singaporeans take on leadership positions in the corporate sector.

d. We are also supporting in this Budget, senior worker employment. That's something close to the heart of many Labour MPs. And many of you spoke about this passionately, such as SMS Heng Chee How, Mr Patrick Tay, and Mr Mohd Fahmi. We are convening the Tripartite Workgroup to dive deeper. There will be many issues to work through and I look forward to making progress on all of them with our Tripartite Partners.

23. And so while we have made progress on SkillsFuture, we know that there's still much more to be done. Because you can compare our adult education and training system with our investments in the formal schooling years – there's still so much to do to fully build up our SkillsFuture system. This is not just in Singapore. You look around the world in countries everywhere, generally, governments have invested more in pre-employment training than in adult education and training.

- a. But compared to other countries, in fact, Singapore is already at the forefront in many respects.
- b. So there are no ready models for us to look to.

- c. We have to experiment, innovate, and find our own way forward.
- d. But we are fully committed to this endeavour; and I expect to put in additional resources in the coming years to further strengthen SkillsFuture.
- e. Sir, we cannot save every job, but we will support every worker in Singapore. We will create even more opportunities and better jobs for all Singaporeans.

## C. How are we providing support to help Singaporeans cope with the stresses and strains of life?

24. This leads to the **second** issue – how is the Government providing support to help Singaporeans cope with the stressors and strains in life?

25. Mr Pritam Singh, the Leader of the Opposition, and Mr Leong Mun Wai said the GST increase has made it worse by adding to inflation. And Mr Singh said that the GST increase “turbocharged” inflation.

- a. But let's be clear: as a small and open economy, our inflation was driven primarily by global factors – wars, supply chain disruptions, and rising energy costs.
- b. As Mr Saktiandi Supaat noted, even before the GST increase, prices were already going up globally and in Singapore.
- c. And here in Singapore, the central bank, MAS, had assessed that the effect of the GST increase on inflation would be “transitory”.

- d. Indeed, that was the case. In 2022, CPI inflation was 6.1%. Then the GST went up by 1%-point on 1 Jan 2023 and another 1%-point on 1 Jan 2024. What happened to CPI inflation? It moderated to 4.8% in 2023, and came down further to 2.4% in 2024. Where is the turbocharging?
  - e. Look, I know elections are approaching, but this Chamber is not an election rally. Let's not get carried away by hyperbole, and have a debate based on facts.
26. The fact is inflation has eased – both globally and in Singapore.
- a. But people are still concerned about cost pressures.
  - b. It's not unique to us– it's felt across many other advanced economies, where the headline economic indicators are positive, but sentiments are poor. In the US, they even coined a name for it – they call it “vibecession”.
  - c. But there's a reason for the negative vibes. It's not just about feelings or sentiments, it's because price levels remain high, even though inflation has eased. And these

create real pressures, and it takes time for people to adjust to these new price realities.

27. We understand these concerns. And that's why we are continuing to provide temporary help measures through the CDC Vouchers, and other measures. And for the one-off SG60 surplus sharing package, we decided that a key plank would also be in the form of vouchers, so that it can provide some relief on the cost front.

28. And as I said in my Budget statement, we will continue to provide cost-of-living support for as long as needed, and within our means.

29. The Workers' Party and Progress Singapore Party appear to be unhappy and displeased that the Government is providing vouchers to help Singaporeans with the cost-of-living.

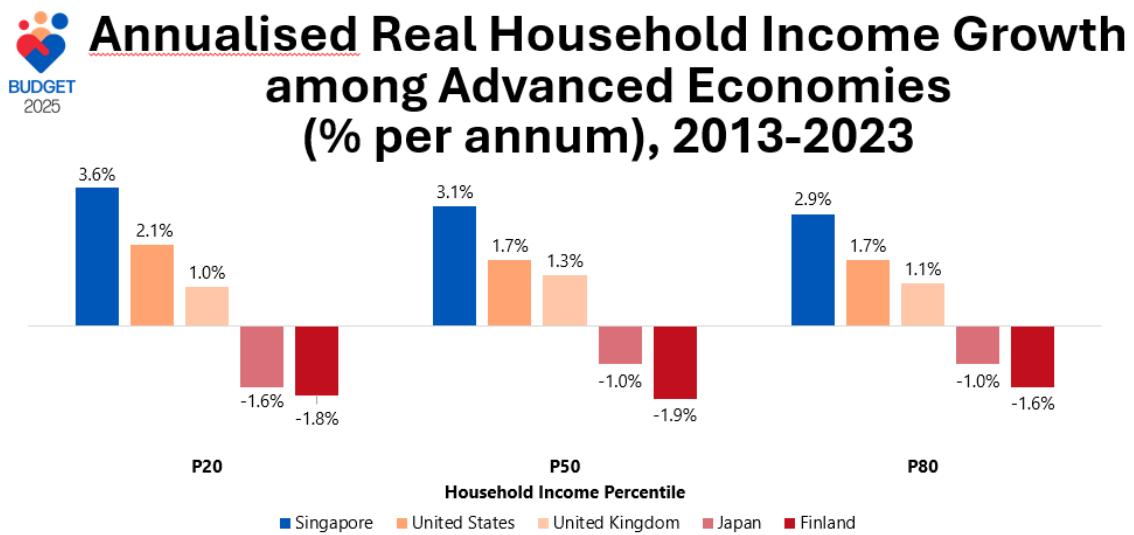
- a. They suggest that the Government is relying solely on vouchers to help with the cost-of-living.
- b. But we've never said that.
- c. These are temporary help measures; they are not long-term solutions.

- d. In fact, they only make up a small part of our overall Budget – the cost-of-living measures and SG60 Package account for about 5% of our Budget.
- e. A much larger part of our spending is in structural programmes – especially to equip and empower Singaporeans; through education, skills training, skills upgrading, job training, and the significant moves we are making on SkillsFuture which I highlighted just now. All this will ensure Singaporeans do not just receive help, but are able to stand on their own feet and seize better opportunities for themselves and thrive in a rapidly changing world.

30. As we have repeatedly emphasised, the more durable and the more sustainable way to tackle cost-of-living is to ensure that Singaporeans enjoy higher real incomes, and that must be supported by a strong economy and productivity gains.

- a. That remains the key thrust of our approach.
- b. And objectively speaking, we have done relatively well.

- c. Singaporean households – across different income levels
  - have experienced sustained real income growth over the past decade. And what we have achieved has outperformed many other advanced economies, as you can see from this chart.



31. I show these statistics not to blow our own trumpet; but so we know what the facts are and how we compare with others.

- a. But I fully recognise that even with a strong and growing economy, the day-to-day lived realities for Singaporeans may be different.

- b. Life in a compact city like Singapore, with no hinterland, can be competitive and it can be stressful, something which members on both sides of the House were quick to bring up in their speeches over the past two days).
32. And that's exactly why, as part of Forward Singapore, we have been taking steps to strengthen our social support system.
- a. We want to provide greater assurance to Singaporeans across every life stage on their basic needs. Basic needs like education, retirement, healthcare, and housing.
  - b. We want to provide more support for the disadvantaged and vulnerable groups.
  - c. We want to ensure that no one is left to fend for themselves in Singapore. And if anyone faces setbacks, we have a system in place to help them recover and bounce back stronger.

### ***Building a Strong and Sustainable Social Support System***

33. These are desired outcomes which I'm sure we can all agree to. The question is how do we achieve them.

34. Members have offered many suggestions. Ms Hazel Poa said we need to put more emphasis on social rather than economic considerations, and that we are overly reliant on the price mechanism, citing land as an example.

35. But pricing all resources properly is not about giving more weight to economic over social considerations; it's simply about getting our policies right and doing things the right way.

- a. If we don't price properly, then we are giving a hidden subsidy.
- b. A subsidy means someone has to pay. If it's not paid by consumers, it's paid by taxpayers. If it's not paid today, it will have to be paid tomorrow.
- c. Because at the end of the day, there is no free lunch.

36. So our approach must be to get the price right. Then we decide how much to subsidise.

- a. Take public housing as an example.

- b. HDB has to pay the market price for the land when it develops a new flat.
- c. But when it prices the new flat for sale, it doesn't recover fully the cost of the flat; instead, it prices it on the basis of affordability as we have said time and again.
- d. I give you a concrete example. A 4-room BTO flat in Sengkang. This was in the October 2024 BTO exercise.
- e. After accounting for grants, a resale flat nearby in that area is around \$545,000. Five years ago, it was about \$360,000. Resale prices have gone up nearly \$200,000.
- f. What about the sales price by HDB for a new flat? The BTO price has not gone up by that much. Instead, it has increased in line with median income over that period, and was sold at about \$370,000.
- g. So resale prices have gone up a lot. BTO, yes, but not as much, and in line with median incomes.
- h. The difference is a subsidy borne by the government.

i. That, together with the higher cost of construction, that is one of the key reasons why HDB's deficit has increased sharply. If you look at its annual statements, in FY2018 the deficit was \$2 billion. Now in FY2023 it's \$6.8 billion. And the Government's funding to HDB to cover its deficit has correspondingly increased over the years, to cover the deficit.

37. Some of you may ask, and this is the right question to ask, is this sustainable?

- a. It will not be sustainable if overall property prices keep rising faster than incomes, and the financing gap keeps growing year after year.
- b. But this will not happen because we keep a close watch over the property market, and we ensure it does not happen.
- c. That's why we have introduced cooling measures where necessary by increasing the ABSD for multiple property and foreigner purchases. And we have significantly increased BTO supply as well as Government Land Sales

to make up for the disruption that occurred during COVID.

- d. And these measures have helped and will eventually stabilise the market.

38. More specifically, when you look at the HDB market – in the short term market, resale prices can be up, and they can be down. In localised popular areas, they will generally be higher than the less popular areas. That's why we introduced a new classification system with the Plus and Prime flats.

39. But overall, in the longer term, we are confident that HDB prices will remain affordable. Why? Because only Singaporeans can buy HDB flats. And we can, and we will build enough housing for every Singaporean household.

40. For now, we have focussed on ensuring that the new flats are available for first-timers, especially young married couples and parents with young children.

- a. And we are seeing concrete improvements. The application rate for first-timer families across all flat types has stabilised: in fact it has come down from 3.7 times in

2019 to 2.1 times in 2024. This is the application rate, so application rates are now below pre-COVID levels.

- b. And with a sustained and robust supply of new flats, and as the overall market stabilises, we will have scope to consider how to adjust our policies to meet the needs of other groups, including second-timers and singles.

41. There have also been calls for us to make bolder moves on social policies.

- a. And you can look around the world: there are many examples of social support arrangements that started with the best of intentions, but only ended up with more problems.
- b. For example, some promise sizeable pension payments funded by younger generations, but now have problems paying for them.
- c. Others offer free universal healthcare, but now face rising cost and an overburdened healthcare system.

42. To be clear, this is not about Government spending. We are prepared to spend more where necessary.

- a. But it's equally, if not more, important to get the policies right.
- b. And to ensure the overall system is fiscally sound and sustainable.

43. And on that basis, we have been taking steps to progressively strengthen the key pillars of our social support and our social compact.

- a. We started in Singapore with the basics: universal access to primary school for education; CPF for retirement; government subsidies and the 3Ms for healthcare; and HDB for housing.
- b. And we've progressively enhanced these pillars – Workfare for lower-wage workers; Silver Support for the more vulnerable seniors; and SkillsFuture to support all our workers.

44. Take retirement as one example. Our CPF system will be 70 years old this year. In a time where many pension systems are struggling with sustainability, we continue to provide assurance for Singaporeans' retirement adequacy in a sustainable manner.

- a. At its core, the CPF enables Singaporeans to save for their own retirement, with support from their employers.
- b. But we don't just leave this to individuals alone.
- c. Families are encouraged to help their loved ones save more. And we provide avenues for them to do so, with matching grants from the Government.
- d. The Government provides risk-free interest rates, with extra interest for lower balances to boost savings.
- e. We support lower-wage workers to earn more (and save more) through Workfare and Progressive Wages.
- f. And for seniors who had lower incomes during their working years and so less in retirement, we have Silver Support to cover them.

g. So these improvements have been made to CPF over the years. And more recently, when we studied the data, we saw the need to do more for two groups:

- i. First, ITE graduates whose wage trajectories were not rising fast enough compared to their peers in Polytechnics and Universities; and second, young seniors in their 50s and early 60s who could use more support for their retirement.
- ii. And that's why we introduced the ITE Progression Award last year, which will support ITE graduates to pursue a diploma, and provide a top-up to their CPF accounts when they complete their diploma studies.
- iii. And we also introduced the substantial Majulah Package for young seniors, and that included the one-time Retirement Savings Bonus and the MediSave Bonus, as well as a substantial Earn and Save Bonus.

45. Several members, in particular Mr Louis Chua and Mr Saktiandi Supaat, spoke at length about retirement adequacy.

- a. I listened to them carefully, and we will consider all your views and suggestions.
- b. On the recommendations of the CPF Advisory Panel, many have, in fact, already been taken up. There are now various low-cost funds included under the CPF Investment Scheme which members can choose to invest in.
- c. The question is whether there is scope for a low-cost life cycle fund, done in a more comprehensive and structured way, beyond just leaving CPF members to choose for themselves. Because these options exist, they can choose, but whether there is scope to do it in a more structured way.
- d. Now, if we were to do that, the fund must be able to earn better returns than the prevailing SA rate, the Special Account rate, not the OA rate. And that is 4% on a risk-free basis, and up to 6% based on the extra interest. Actually, that's not so easy to beat on a consistent basis
- e. Sure, you can opt to take more risks for higher returns. Mr Chua mentioned an 80:20 portfolio promising above

7% returns. But I think he qualified, potential returns. If you are lucky you may get 7% or more. What happens if you are not so lucky? What happens if you retire at a time of market downturn? How do we provide assurance to Singaporeans?

- f. So these are issues we will have to consider carefully. But we will certainly continue to review, fine-tune and improve the CPF system – to meet the needs of our seniors, and to prepare for a future with increased longevity and life expectancy.

### *Ensuring No One Is Left Behind*

46. This same approach applies to other areas, which many members spoke about.

- a. For example, many MPs, Mr Vikram Nair, Associate Professor Razwana Begum, Ms Hany Soh, Mr Alex Yam, Ms Nadia Ahmad Samdin, Mr Louis Ng, and Ms Carrie Tan, amongst others, spoke about more support for families, and support not just in financial terms, but also leave arrangements, which was a popular refrain from

the speeches. We will have to look at all these suggestions.

- b. Others like Ms Denise Phua, Mr Don Wee, Mr Ang Wei Neng, and Mr Sharael Taha have highlighted the need for more inclusive hiring practices and employment support for Persons with Disabilities. I agree we must do more for Persons with Disabilities. And in my Budget statement, I said we are embarking on a comprehensive study to look at post-18 pathways for people with disabilities, and we will want to do more for them.
- c. Many members like SPS Eric Chua, Mr Henry Kwek, Mr Xie Yao Quan, and Mr Dennis Tan also spoke about the need to help our seniors age well and ensure they are not left behind in their silver years.
- d. In fact we have made significant moves over the past 1-2 years to support these groups, including at this Budget.
- e. But our attitude is we are never satisfied with the status quo, and will continue to review and study how we can make things better.

47. Likewise on the subject of caregivers, which many members spoke about, including Mr Yip Hon Weng, Mr Ang Wei Neng, Mr Sharael Taha, Ms Ng Ling Ling, Ms Joan Pereira, and Dr Tan Wu Meng.

- a. Caregiving arrangements vary from family to family – some have sole caregivers, while others will share the responsibility over several family members.
- b. We recognise the crucial role caregivers play and the sacrifices they make, such as leaving employment to care for family arrangements, or forgoing their careers to spend more time to take care of their family members. We want to provide support for those who have to take up this role, as it is not easy for them.
- c. It is difficult to put a monetary value on caregiving. And furthermore, there is no one-size-fits-all approach to support caregivers. So our approach has been to provide support for the family as a whole.
- d. And in this Budget, we have significantly enhanced the Home Caregiving Grant, and increased subsidies for care services in nursing homes and in the community.

- e. But this not the end of our moves. In fact, we will study more to see how we can further strengthen our support for caregivers.
48. Members also had suggestions covering different areas.
- a. Mr Dennis Tan, Ms Jessica Tan, and Mr Xie Yao Quan had suggestions on means testing. This is something we grapple with all the time, because there is no perfect means testing criteria.
    - i. Even on incomes, you can decide per capita household income, family income (but we don't have data), lifelong earnings income and a whole range of criteria to use.
    - ii. And we know that increasingly it's not just about incomes as a means test, but also wealth. And several MPs spoke about wealth inequality. Then you have to look at wealth measures. And how do you look at that? What measures do you use? And that's why we have AV as a proxy.

- iii. And so these are issues we will continue to fine tune in terms of means testing criteria.
  - b. Ms Jean See, Ms Yeo Wan Ling, and Mr Gan Thiam Poh highlighted other groups that may need more support such as freelance and agency workers, as well as working mothers.
  - c. Ms Usha Chandras earlier championed for the arts, and Mr Ong Hua Han reminded us to ensure our arts and sports scene remains inclusive.
  - d. And Dr Wan Rizal and Ms Rachel Ong advocated for mental health issues.
  - e. These are some of the key points members have raised.
49. We keep an open mind and study all suggestions carefully.
- a. And beyond ideas shared in this house, we continue to engage widely to hear views from all Singaporeans.
  - b. We do so through participatory platforms, something that Ms He Ting Ru spoke about, like citizen panels, youth

panels, and alliances for action. These platforms are resource-intensive. They take a lot of time, but we find them useful, and we will plan to do more.

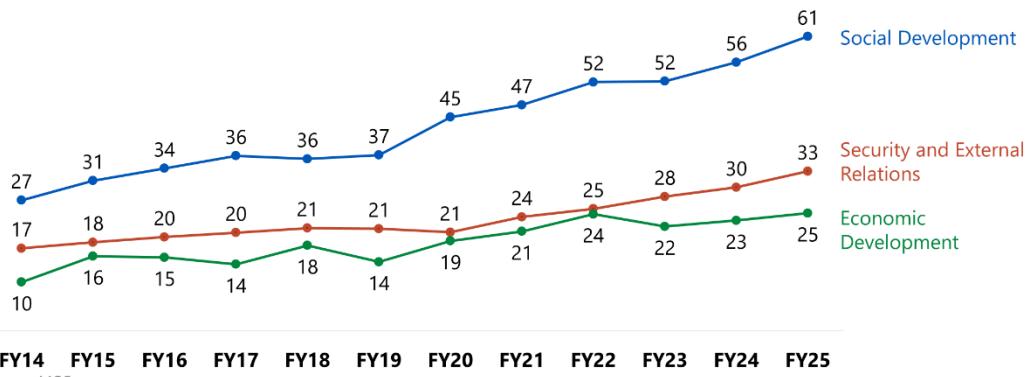
- c. We may not be able to do implement every idea; there will be difference of views. And if we can't implement for whatever reason, we will explain why.

50. Our commitment, the Government's commitment, is that we will do whatever is necessary to ensure that every Singaporean feels supported at every life stage.

- a. And the numbers, what we spend on, reflects this commitment. In fact, we spend more on social development than on the economy and security. Actually, social spending is already greater than what we spend on both the economy and security combined. So we are not saying we will do. We have done so in concrete terms.



## Total Expenditure by Sector (\$S\$ Billion), FY14-FY25



Source: MOF

Notes:

1. Social Development comprises spending from the Ministries of Health, Education, National Development, Social and Family Development, Sustainability and the Environment, Culture, Community and Youth, Manpower (Financial Security for Singaporeans programme) and Digital Development and Information (excl. Info-Communications and Media Development Smart Nation Group, and Government Technology Agency programmes).
2. Security and External Relations comprises spending from the Ministries of Defence, Home Affairs, and Foreign Affairs.
3. Economic Development comprises spending from the Ministries of Transport, Trade and Industry, Manpower (excl. Financial Security for Singaporeans programme), and Digital Development and Information (Info-Communications and Media Development programme).
4. FY14-23 based on actual figures; FY24 based on revised figures; FY25 based on estimated figures. Includes COVID-19 expenditure across FY20-22.
5. Excludes Government Administration expenditure, Special Transfers, and Fund Top-ups.

- b. And we expect social spending to continue to grow in the coming years.
- c. It's partly driven by our ageing population and rising healthcare costs.
- d. It's also because of our efforts under Forward Singapore to strengthen our social compact. We have fleshed out many programmes in this Budget and the previous one. But as I said there will be more to come, as this is a multi-year effort.

51. Ultimately a strong social support system should not be reliant on Government alone. Even though the Government is going to do more, it cannot be reliant on the Government alone.

- a. We will do more. But our actions must also be complemented by individual and community responsibility.
- b. And we are very fortunate to have charities and social service agencies doing excellent work on the ground. We appreciate and thank all of them. In this Budget, we are supporting them further with more matching grants for their fund-raising efforts, something which Mr Melvin Yong and Mr Keith Chua welcomed. And we will continue to work with all of them as partners to uplift our fellow Singaporeans.
- c. I should also add that many of the issues we are dealing with requires changes, not just in policies, but also in our attitudes and mindsets.
- d. The Government will spend more on healthcare, but Singaporeans also have to do their part to stay active and maintain a healthy lifestyle.

- e. The Government has and will continue to invest in SkillsFuture, but Singaporeans must want to improve their skills, and businesses must give their workers the time and space to go for training.
52. And that's why Forward Singapore is about strengthening our social compact.
- a. It's about our shared responsibility – how we support one another, care for those in need, and lift each other up.
  - b. That's how we build a more inclusive, and a stronger, and more united Singapore.

#### **D. Are we overly conservative in our fiscal projections and plans?**

53. Finally: on a third issue, are we overly conservative in our fiscal projections and plans, especially in light of our surplus position?

54. Mr Liang Eng Hwa asked about the treatment of SINGA and how it contributed to the surplus.

- a. Under SINGA, we borrow for major and long-term infrastructure projects. The spending for such projects is capitalised, which allows us to spread the expenses across the useful life of the asset.
- b. This, as we have explained, is more equitable as the asset will benefit both current and future generations.
- c. This accounting treatment has been in place since FY2021.

55. Dr Lim Wee Kiak asked about the assets linked to the \$3 billion money laundering case, which have been surrendered to the state. These assets are progressively being liquidated and when they are liquidated, the monies will be added to the Consolidated Fund. These funds are not earmarked for specific purposes, and will be part of our overall revenues to fund the Government's budget.

56. Several members including Mr Singh, the Leader of the Opposition, Ms Hazel Poa, and Mr Leong Mun Wai questioned the need to increase the GST, given our strong fiscal position.

57. I should remind Members that we are in this strong fiscal position precisely because the Government took the necessary steps early in this term to raise revenues.

58. But if we were to rewind the clock, and consider our situation, imagine what our situation was at the beginning of this decade.

- a. We were in the thick of battle, fighting COVID.
- b. I know it feels like a bad dream and a distant memory to all of us, but those were truly tough times. In 2020 alone, we had five budgets. In 2021 we had three budgets. We sought the President's approval five times to draw from Past Reserves.
- c. And this is 2020, 2021. We had no way of knowing when the pandemic would end, how the virus would mutate, how many more new waves of infection we would face, how many more restrictions we have to impose, and how much deeper a fiscal hole we would end up with.

- d. But we already knew for sure that spending needs would rise over the horizon. It was coming, year after year. Healthcare spending was rising, especially with our rapidly ageing population.
- e. We looked at different ways to raise revenues including through property and income taxes. But these moves were still not enough to cover the expected increase in expenditure, which was sure to happen.

59. So what should we do to plug the funding gap?

- a. That's why we had to consider the GST increase.
- b. It was a difficult decision. It was a difficult choice – it's never easy to raise taxes, and certainly not a tax like the GST.
- c. But governance is about making responsible choices, not just popular ones. We must ask ourselves: Do we want short-term populism or long-term stability? Do we want to kick the can down the road or take the hard but necessary decisions?

60. So once there were signs that the economy had stabilised, we decided to proceed with the GST increase.

- a. But we also rolled out a comprehensive Assurance Package, which effectively delayed the GST increase for the vast majority of Singaporean households.
- b. Essentially, once we decided to move, the GST rates were locked in. But with the Assurance Package, we could be more responsive to changing circumstances. And we could push back effectively the impact of the GST increase.
- c. And that's exactly what we did. We had multiple rounds of enhancements to the Assurance Package – to tackle cost-of-living concerns, and to ensure that the majority of households will not feel the impact of the additional GST for at least 5 years.
- d. At the same time, we have a permanent GST Voucher, which we also enhanced, and this ensures that the GST and GST Voucher scheme, combined together, will support the lower-income groups and will protect them – not just over the next five or 10 years, but on a permanent and ongoing basis.

61. So with that in place, together with the other revenue moves we made, we are in a better position now. And now, the additional GST revenues have started to come in – and it's mostly, the revenues are mostly from those who are better-off, foreigners, as well as tourists. And it will give us the resources we need to improve our healthcare infrastructure, and take better care of our seniors.

62. What would have happened if we chose to avoid the GST increase because it is unpopular? Or if we did not enjoy the unexpected upsides in corporate income tax collections, which only emerged in the last two years?

- a. We would have ended FY2024 in a deficit.
- b. The projected balance in FY2025 would also have been a deficit.
- c. And that would have meant less funding for essential services, less support for our seniors, and fewer resources to invest in our future.
- d. Basically, Singapore and Singaporeans would have ended up in a much weaker position.

63. Several Members I know criticised MOF's fiscal marksmanship.

64. Look, when I started work in MOF decades ago, one of my main tasks was to provide fiscal projections. As an economist, that was what I did. I was one of those who would run the models, and churn out the figures. So I know exactly what this work entails and how difficult it is.

- a. I will not defend the figures if they are off the mark.
- b. But I will speak up for our MOF officers who do this work with dedication and professionalism against any unfair criticisms.

65. Ultimately, a budget is a projection – it is based on the best available information at that point in time.

- a. We have to plan ahead. We have to make assumptions, and we have to decide how we deal with uncertainties.
- b. In a crisis, when there is greater volatility in the economy, it is inherently more difficult to predict the turning points.

- c. But if you set aside unexpected crises like COVID, our Operating Revenue projections have generally not been far off the mark – the average deviation over the 10-year period from FY2010 to FY2019 was within a reasonable range of 5%.
- d. On the latest two FYs, 2023 and 2024, the deviation has been larger, but still around 7%, which comparable still to other jurisdictions like the UK and the Netherlands.

66. Let's dive deeper into the FY2024 projections because there were some questions raised about them.

- a. Mr Louis Chua had filed a written PQ in September asking about the Overall Fiscal Position. Our reply referred to the figure reported in the Budget Book, which was also the figure provided in the Budget statement.
- b. In fact, MOF only starts to put together the revised fiscal estimates around the December and January period, when we start to get more data to update our estimates.

- c. And as I explained in the Budget statement, one key reason for the revenue upside was the unexpected increase in corporate income tax collections.
- d. Another reason, more generally, is that our economy performed better than expected.
- e. Remember, in 2024, early 2024, MTI started the year projecting that the economy would grow at 1 to 3%; we ended 2024 with GDP growth of 4.4% – well exceeding our expectations. But it's not just us. It is also the forecasts of many. In fact, I would say virtually all, private sector professional economists.
- f. So when you have higher growth, it means higher incomes, which drives consumption, and that shows up in higher collections for GST, for example, and COE.
- g. Now, Ms Sylvia Lim suggested that the COE collections were driven by Government policy, which kept prices high, but in fact it was the opposite effect. The higher collections were a result of Government action by injecting additional COE quota. This helped to bring prices down by 10 to 30% from the peaks in Oct 2023. But it

also meant more motor vehicle sales, and then with more sales, more quantity purchased, that's why you have more revenues. So it's not a price effect, it's a quantity effect.

65. In most other countries, poor budget marksmanship is when a government severely overestimates the revenue it will collect, and underestimates its expenditure.

- a. That's what poor marksmanship is about. That the Government makes unfunded promises that it cannot see through because there is no money; or it borrows funds from somewhere else and kicks the can down the road and leaves behind a growing burden for the next generation. But this is not the case in Singapore, where we practice responsible and prudent budgeting.
- b. Ultimately, it is not just a matter of good marksmanship or poor marksmanship. It is a question of the right values and the wrong values; the correct fiscal principles and the wrong fiscal principles.

66. And the WP and the PSP may think that we are being overly cautious in our projections. But this government will never take risks with Singaporeans' lives and future.

- a. We keep our public finances healthy year after year.
- b. We spend within our means; and if there are new or additional areas of need, we raise revenues to meet these new demands.
- c. We always ensure that we have enough rather than risk falling behind and falling short.
- d. And should we have surpluses, that's good news. The money is not squandered, because it helps to fund future needs, and allows us to provide more support for Singaporeans. And the fruits of Singapore's progress will be shared with everyone, as we are doing in this Budget to recognise the collective effort of all Singaporeans.
- e. Sir, that's the responsible way to steward and manage our nation's finances. We have 60 years of history to show that Singapore has abided by the right values and principles. And Singaporeans can count on this Government to continue doing the same.

67. We are in a fortunate position to have surpluses in FY2024 and FY2025. But on the expenditure side, I fully expect our spending to increase in the coming years.

- a. Mr Leong commented that the monies are going into more and more endowment and trust funds, but in fact the majority of these funds are drawdown funds. In other words, the monies within these funds are going to be withdrawn and spent for upcoming needs.
- b. Take for example Changi Airport. The monies that we set aside will be spent very soon, as the construction on Terminal 5 begins this year.
- c. Changi Airport is owned by the Changi Airport Group (or CAG). It's not directly by the Government. And so the T5 project is not eligible for SINGA borrowing. Instead, CAG will borrow for the project, and the Government will be providing a guarantee to help lower borrowing costs, as I have explained in my Budget Statement. But if we want Changi Airport to remain competitive as a global air hub, CAG cannot rely on borrowing alone to cover the full costs of the project, and that's why the Government is providing significant support and funding through grants.

68. Even as spending goes up, we will continue to keep within our means, and maintain a balanced budget over the medium term.

- a. And that's why I don't see us being able to put back the amount we had drawn from Past Reserves during COVID (something which Ms Tin Pei Ling asked about).
- b. But we will continue to be responsible and prudent with our finances.
- c. And if we maintain this approach, our reserves should be able to keep pace with our economy, and we can continue to benefit from a steady stream of NIRC in our revenue stream.

69. Compare this with the fiscal situation in so many other advanced economies around the world, especially in the West.

- a. They are running record levels of fiscal deficits; and their national debts are growing faster than their economies.

- b. So the fiscal space they have to sustain their higher levels of welfare, while continuing to invest in defence and the economy, is shrinking.
- c. And at some point, the reckoning will come.

70. You don't even have to go far afield to Western countries. Look nearer to home at what's happening in Hong Kong, which several Members also talked about. It used to have a healthy fiscal position. But look how quickly the situation can turn and how they have to take such drastic steps to consolidate their position. So really, we should appreciate all that we have here in Singapore.

- a. In contrast to many other countries which are using their revenues to service interest payments, we have the opposite. We receive a boost to our revenues from our investment returns.
- b. Just think about it. Countries that have this luxury of investment returns are the ones endowed with oil and gas, or some other natural resources. They have been blessed by the heavens with these endowments. We have

nothing, and yet we are in this position. It is truly unique and it is a Singapore miracle.

- c. Our fiscal strength is a vital source of competitive advantage in these turbulent times.
- d. It's going to get worse. The ride ahead will be bumpier. There are dark clouds over the horizon. No one can predict what the next few years will bring.
  - i. But the risks have risen sharply.
  - ii. We have already seen wars in Europe and the Middle East. We may yet see conflict in Asia.
  - iii. We have to be prepared for a whole spectrum of possible global disruptions and threats. And in today's environment, sadly, global responses to these threats may not be as well-coordinated and effective as before.
- e. But in Singapore, we know that if such shocks were to arise, we have the ability to respond swiftly to them (like we did during COVID). Our reserves and our fiscal strength

will enable us to protect Singaporeans when it matters, and to turn adversity into opportunity, to turn our vulnerabilities into strengths.

### ***Securing Strong, Equitable Outcomes***

71. Sir, our system has also enabled us to achieve good and equitable outcomes.

- a. The Government will continue to focus on accountability in spending – to ensure value for money in everything we spend.
- b. And there are existing mechanisms in place to scrutinise our spending plans. I won't go through all of them, but we have well-established mechanisms to do so.
- c. The Government continues to put out regular reporting of outcomes in the Singapore Public Sector Outcomes Review as well as KPIs in the Budget Book.
- d. And as Mr Singh himself noted, we have put out occasional papers where relevant, for example, MOF's occasional paper on our COVID measures, our occasional

paper on medium term projections, which I said we will be updating, as well as MTI's report card on the ITMs.

e. And we will continue to do so wherever useful.

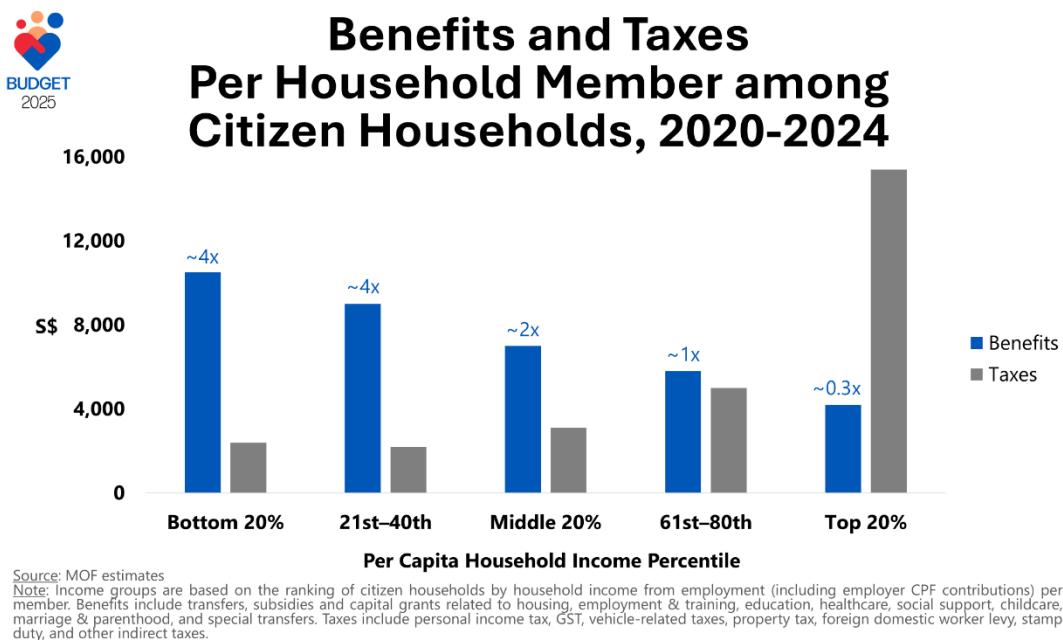
72. On the whole, we have achieved outcomes that reflect our values as a society – one that's fair and equitable, prudent yet progressive, where those who have more contribute more to uplift those with less.

73. And in this Budget, we did extend some measures to private property residents, arising from feedback from residents themselves as well as many members. Mr Singh says that it is "ironic" that they should receive climate vouchers. But why is that so? This is not a cost-of-living support. It's an effort to encourage everyone to do their part to be more energy efficient.

74. But more importantly, let's look at the overall picture. We continue to have a highly progressive tax and transfer system.

a. Members are familiar with the benefits and tax ratios, which we highlight every budget. And it's worth going through them again.

- b. The bottom quintile of households receives \$4 in benefits for every dollar of tax paid. Middle-income households also get more benefits than tax paid as you go through the income thresholds and levels.



- c. In fact, it's only the top quintile of income earners receives less in benefits, or 30 cents, for every dollar of tax paid. So this is what our system has achieved.
- d. So these outcomes are a culmination of years of deliberate moves to enhance the progressivity of our overall taxes and transfers system.

75. There is no fiscal system in the world that can deliver perfect precision and equity. But I think we have found an approach in Singapore that works for us. It is not perfect, but we continue to make it better.

- a. Here, everyone contributes to taxes. The lower and middle-income will receive more support, while the higher-income and wealthier segments of the population will contribute more. It's a fair and progressive tax and redistribution system, anchored on our values of a fair and just society.
- b. And the strength of our fiscal system is internationally recognised. A recent OECD report commended Singapore on our robust fiscal system.
- c. This is hard-earned credibility that we have built up over many, many decades. It is not something we should take for granted, because that same credibility can be quickly destroyed in the wrong hands.

76. And at the end of the day, something as fundamental as this, Singaporeans will decide.

77. Will they prefer a government that underestimates our needs, spends more from our hard-earned reserves, and leaves us weaker?

78. Or will they prefer a government that is steadfast, that upholds fiscal responsibility and discipline, and ensures we have enough resources for current and future generations to handle unexpected challenges?

- a. Sir, the PAP's approach is clear: we take our duty as stewards of the country seriously. We remain true to our mission, and manage our finances carefully for the benefit of all Singaporeans, now and in the future.
- b. We will continue to do our best to convince Singaporeans that ours is the right approach – it has served us well these last 60 years, and it will continue to keep Singapore on the right track in the years ahead.

## E. Conclusion

79. Mr Speaker, to conclude, the world is going through unprecedented changes. We are contending with tectonic shifts on

multiple fronts – geopolitics and trade, technology and energy, demographics and culture.

80. Thriving amidst adversity is never easy but that's what the Singapore story is all about, from the very beginning. And we have strong foundations today that give us the confidence to move forward:

- a. We have a strong fiscal footing, built up over years of careful stewardship by our forefathers.
- b. We have a clear plan for the road ahead, anchored on our Forward Singapore agenda.
- c. We are grounded in our shared values of solidarity and unity.

81. This year's Budget paves the way for us to chart Singapore's next lap – to navigate uncertainties with gumption and strength, to address immediate challenges decisively, and to secure our long-term future with confidence. It is a Budget put together by Singaporeans, with Singaporeans, for all Singaporeans.

82. So let us write the next chapter of our Singapore story and move onward together for a better tomorrow.

83. Thank you Sir.