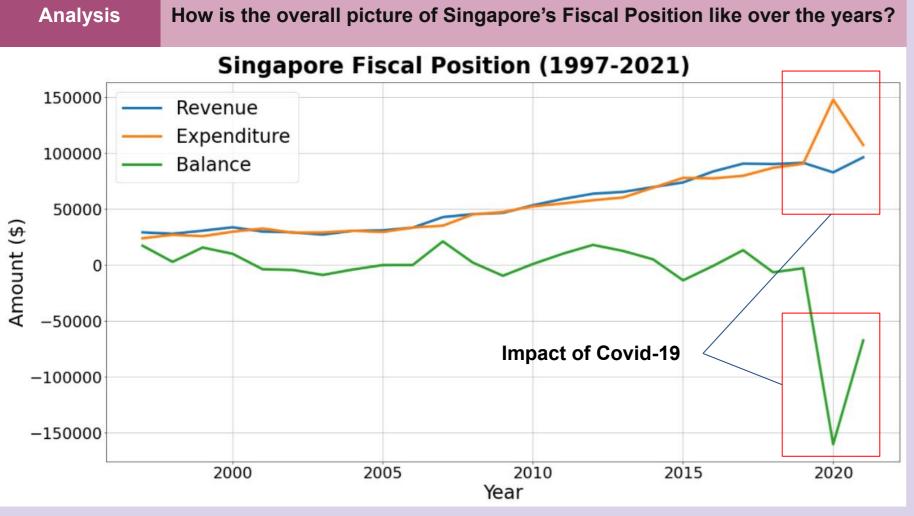
Nanyang Business School

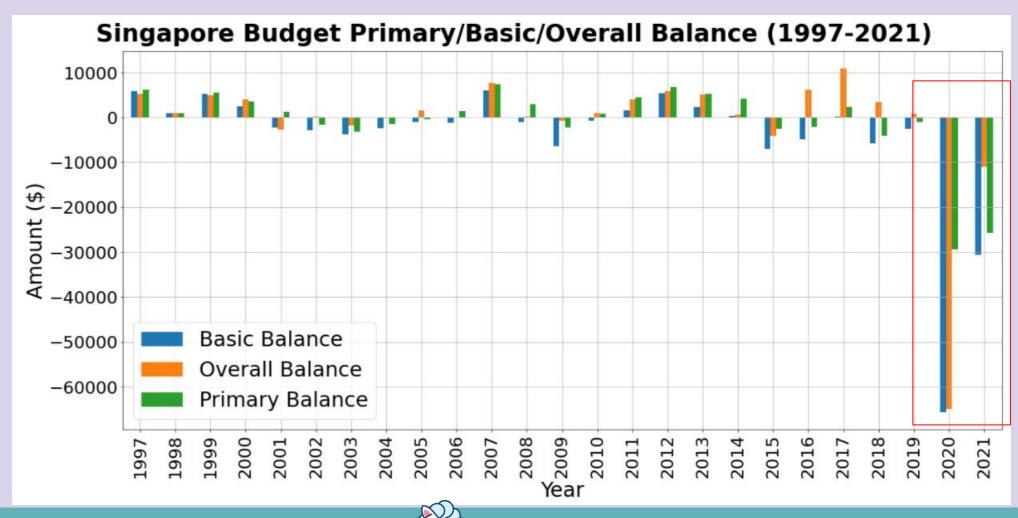
Singapore Budget Allocation & Analysis

Singapore's Fiscal Position



Revenue and Expenditure have been increasing from 1997 to 2021. Both revenue and expenditure have increased at a similar rate, resulting in a relatively stable Balance. However, there was a sharp increase in Expenditure in 2020. This can be attributed to a "historic deficit" (Ho & Tham, 2020) incurred by the Singapore government in its use of an expansionary fiscal policy to combat Covid-19. Such an event caused the overall Balance to plummet in 2020.

The Singapore Government has maintained a Primary Balance surplus for majority of the years from 1997 to 2014, indicating the ability of the Government to meet its annual expenditures through its regular collection of revenue (taxes, fees and charges). The Basic Budget has also remained in surplus during this period, albeit at a less regular rate. However, from 2015 onwards, the Singapore government seems to have trouble keeping both the Primary Balance and Basic Balance in surplus. This could be due to new policies introduced to foster socio-economic growth and address pressing social needs. For example, the SkillsFuture Credit was introduced in 2015 (Low, 2016), while the CPF Housing Grant was raised in 2017 (Yahya, 2017). However, the fact that the Overall Balance has remained in surplus is testament to the prudence of the Government.



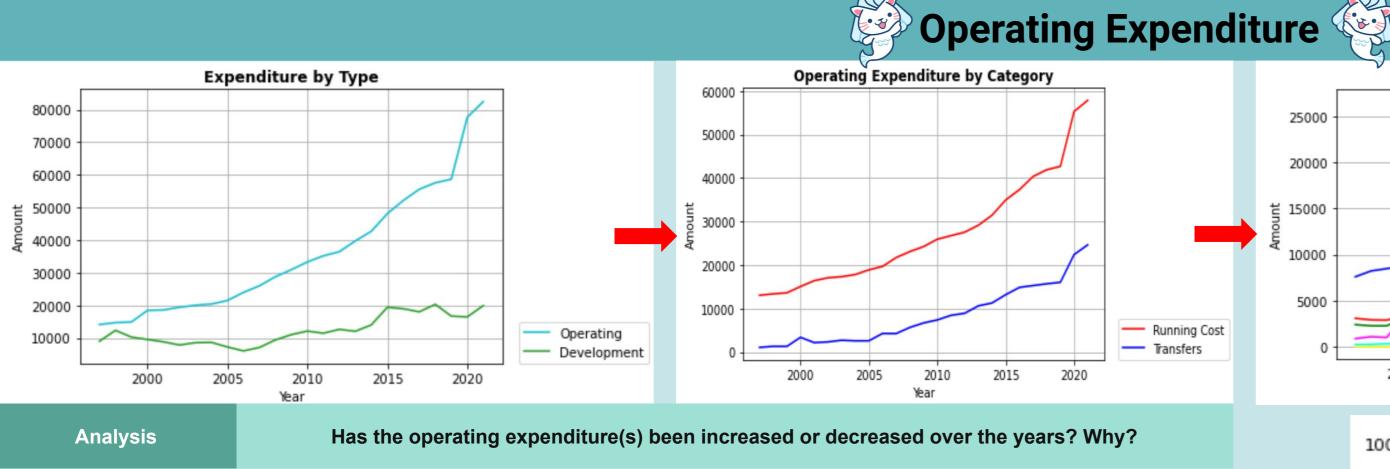
The drastic decline in Singapore's fiscal position from 2020 onwards can once again be explained by the fiscal measures adopted by the Singapore Government to cushion the impacts of Covid-19. However, as the nation from recovers pandemic, these budget deficits are expected to slowly recover, as seen from the reduction in deficits from 2020 to 2021.

Note: All amounts are in millions

Jun Kit: https://youtu.be/mgGNFAI5Ygs Ariella: https://youtu.be/wH8iTEOJnUA

Tian Yu: https://youtu.be/uirEqZ JQ-0 Brenda: https://youtu.be/mlRcwi2jmxU

Links to Individual Videos



The government operating expenditure has been on an increasing trend over the years. While all categories of operating expenditures have generally been increasing, the increase was largely attributed to the increase in running costs. This signifies that the government is incurring higher expenses to maintain their operations and regular activities.

Delving deeper, the 2 main contributory classes that led to the increase in overall operating expenditures over the years are the Other Operating Expenditure and Grants, Subventions & Capital Injections to Organisations classes, both of which are running costs.

Other Operating Expenditure:

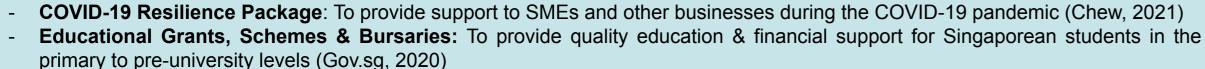
Analysis

The other operating expenditure classes comprises of sub-categories of expenditures such as Consumption of Products and Services, Manpower Development, International and Public Relations, Public Communications and Asset Acquisition. A further examination of the government financial statements revealed that the increase in operating expenditure is mainly brought on by the consumption of products and services for the various government programmes (Ow, 2021). As such, the government may wish to implement measures to reduce the consumption in this area for better budget management.

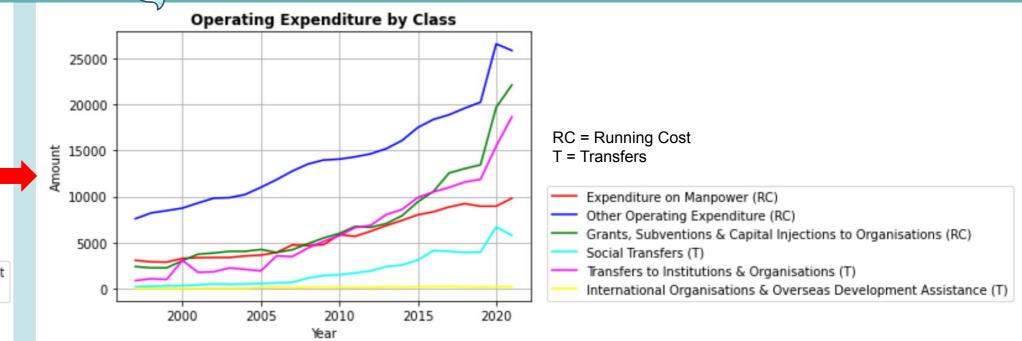
Grants, Subventions & Capital Injections to Organisations (GSCIO):

Expenditures arising from GSCIO are mostly made to other organisations and educational institutions. The increase in this particular expenditure is in line with the newly introduced government initiatives such as:

COVID-19 Resilience Package: To provide support to SMEs and other businesses during the COVID-19 pandemic (Chew, 2021)



How is the Revenue Income of Singapore like? Any significant change(s) over the years?

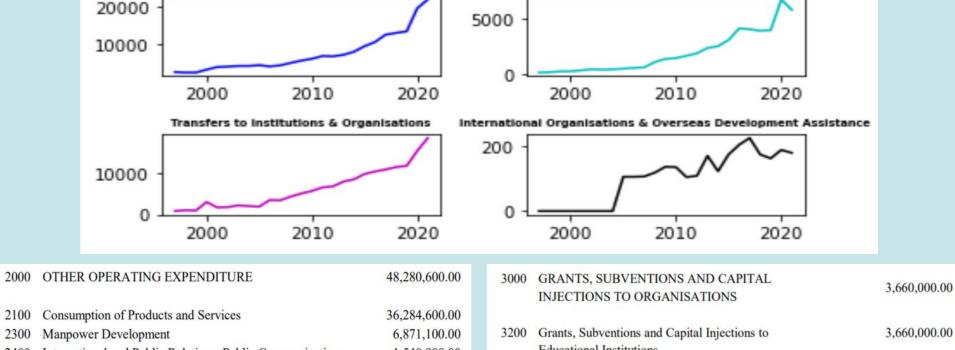


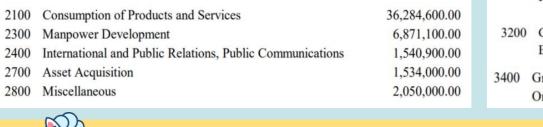
20000

10000

2000

2020





Fees and Charges

Expenditure on Manpower

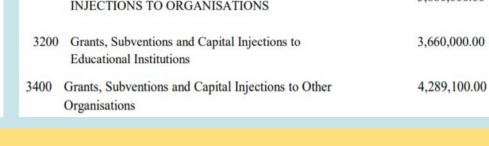
2010

Grants, Subventions & Capital Injections to Organisations

10000

5000

2000



Other Operating Expenditure

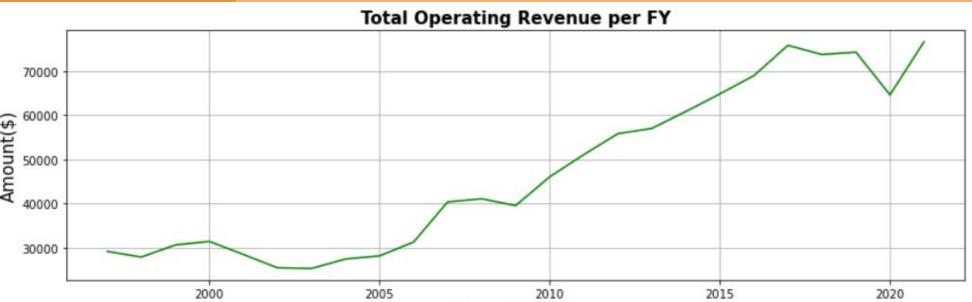
2010

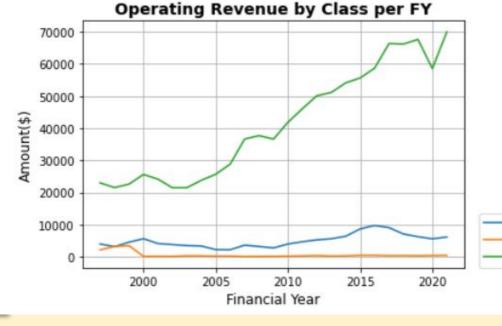
Social Transfers

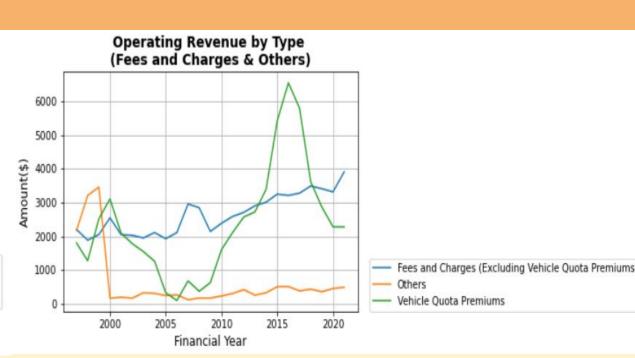
2020



Operating Revenue







Singapore's operating revenue has been steadily increasing over the years, with a dip in 2020. A significant portion of operating revenue comes from Taxes. Similarly, there was a decrease in tax revenue in 2020, which explains the overall decline in 2020's operating revenue.

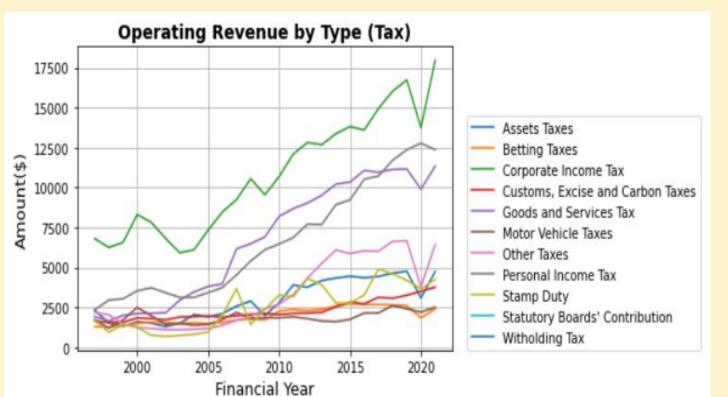
Financial Year

The decline in tax revenue was due to dampened business activities amid the COVID-19 pandemic, where the Inland Revenue Authority of Singapore (IRAS) collected S\$49.6 billion in tax revenue in FY 2020/21, which was 7.3% lower than the previous year. (Andres, 2021)

The main contributors to tax revenue are Corporate Income Tax, Goods and Services Tax (GST), as well as Personal Income Tax. Generally, all 3 types have been increasing over the years.

However, there was a dip in Corporate Income Tax and Goods and Services Tax in 2020. In FY 2020/21, Corporate Income Taxes fell 3.7% from the previous year to S\$16.1 billion. The fall in Corporate Income Taxes was mainly due to the implementation of tax rebates to support businesses affected by the pandemic. (Andres, 2021)

Meanwhile, GST fell 7.3% to S\$10.3 billion in FY 2020/21. The fall in GST collections was due to the weaker economic conditions and circuit breaker measures that were put in place during the year. (Andres, 2021)



Vehicle Quota Premiums have been on the rise since FY2008. The peak in FY2016 was due to the spike in Certificate of Entitlement (COE)'s quota of between 50 and 75 per cent for passenger cars, resulting in an increase in vehicle quota premium revenue. (Ee, 2015)

However, Vehicle Quota Premiums have shrunk in the recent years and are expected to shrink further. This is due to fewer vehicle registrations and the shrinking COE quota. COE supply has been contracting also because of the cyclical nature of the quota system. (Tan, 2020)

2021/22 Semester 1



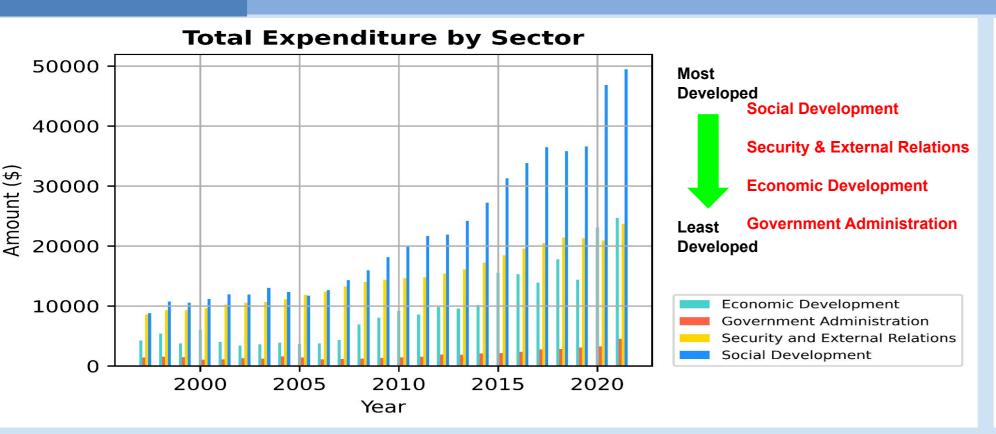
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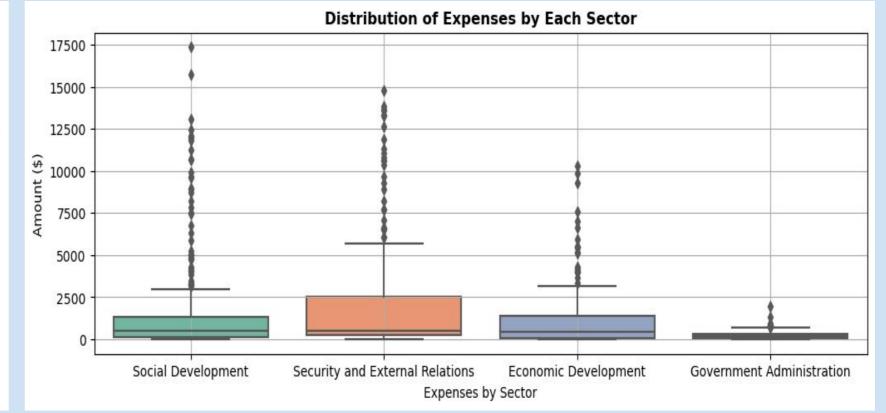
Total Expenditure

Singapore Budget Allocation & Analysis

Analysis

Which sector(s) has been developed more? Or less? Any impacts you can observe from past years' expenditure?

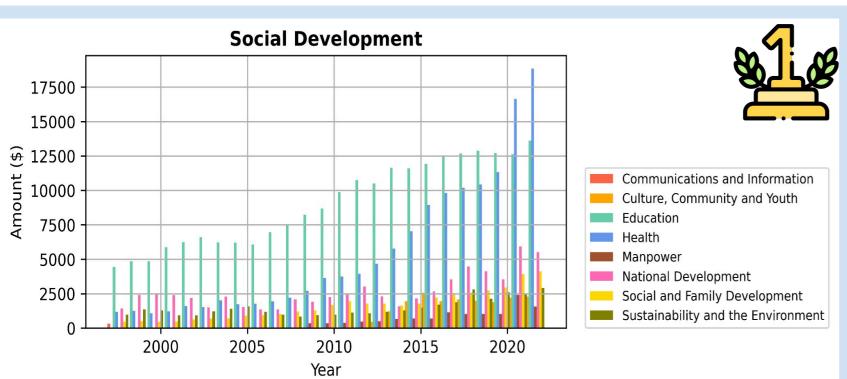


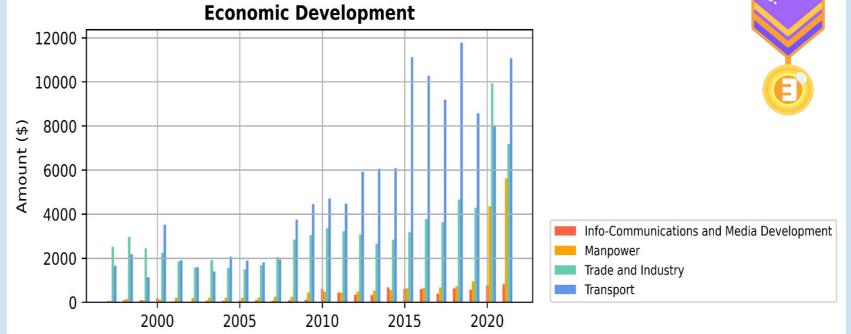


Based on the distribution of expenses by sector, the Social Development sector and Security and External Relations has the most outliers, showing high inconsistencies in spending.

This also further supports that these 2 sectors have undergone more development, thus, resulting in higher amount of spending compared to the other sectors.

The Government Administration sector, on the other hand, has the most consistent spending through the years, reflecting a relatively stagnant or a lack of development in the sector.





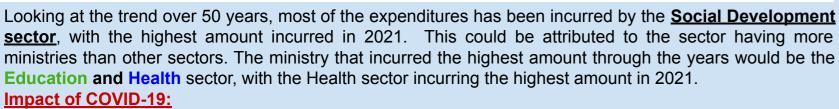
Next would be the **Economic sector** where more expenses were incurred in recent years, after experiencing a slight dip from 2002 to 2008 before continuing on an upward trend.

The Ministry that incurred the highest expenses would be the **Transport** Ministry. The high costs throughout the years would be due to the

expansion of the public transport network as announced in Budget 2018. More buses and new MRT stations will be developed as announced since then, thus resulting in the high costs in recent years.

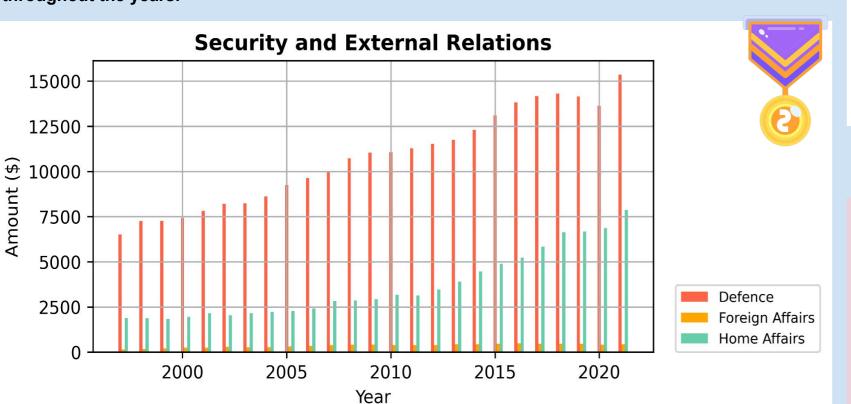
Impact of COVID-19:

The spending for Ministry of Trade and Industry also shot up in 2020. Circuit Breaker measures has caused closure for many businesses and significantly impacted those are critical for local and global supply chains. This resulted in more spending required to cushion the negative impact.



High amount recorded in 2021 could be due to COVID-19 where the government heavily invested in building a stronger community by introducing relief support packages (Household support packages) and COVID-19 recovery grants (Re-employment grants).

Thus, from the high expenses incurred, we can assume that this sector has been developed more throughout the years.

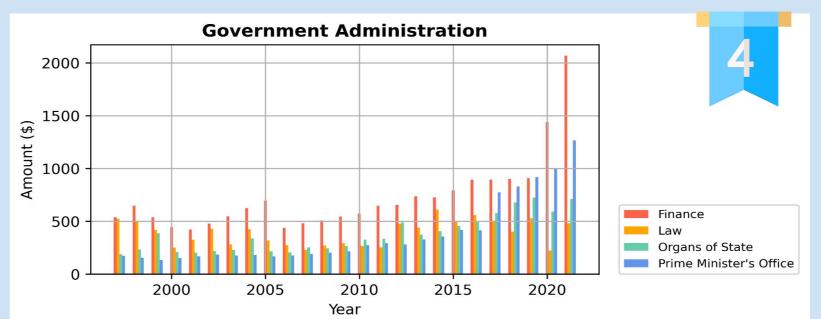


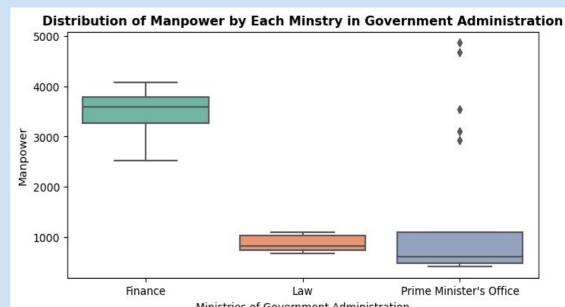
Following, the sector which has been developed more would be the **Security and External Relations** as it achieves a rather consistent high amount of expenses incurred.

Under this sector, the **Defence** ministry would incur the highest amount of expenses through the years.

According to Defence Minister, Ng Eng Hen, the steady stream of high spending for defence is necessary to ensure that the country is prepared for any threats. **Impact of COVID-19:**

The highest amount incurred would be in 2021, due to delayed projects where spending in 2020 was lesser than expected. The projects includes big-ticket items like SAFTI City, which will be completed by 2024 instead of 2023 due to the circuit breaker, which halted development activities. and the Invincible-class submarines, which are expected to be delivered six months late in mid-2022. It was projected that the growth for Defense spending would be back on track if post-COVID recovery ensues.

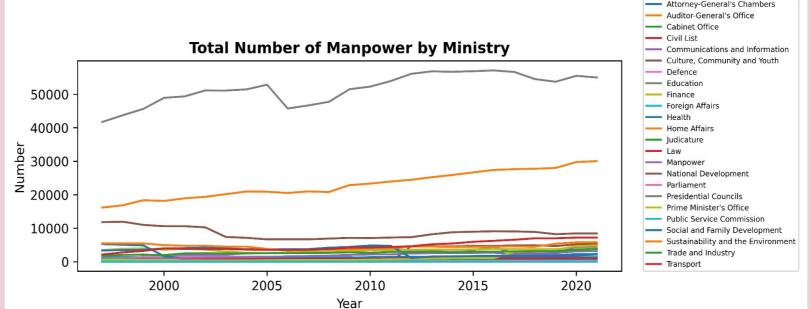


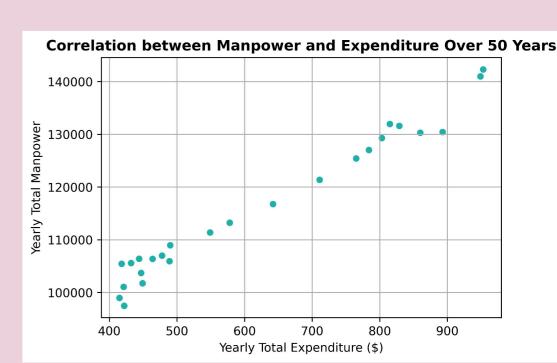


Lastly, the **Government Administration** would be the least developed sector amongst all 4 sectors based on the expenditures. Upon further examination, the ministry that incurs the highest amount in recent years would be the Ministry of Finance. The distribution of manpower also shows that no manpower is involved for Organs of State. Higher manpower is also allocated to MOF.

Association between Manpower and Total Expenditure

Year





The above charts indicates the total manpower allocated for each ministry through the years. From our correlation chart, we can see that there is a strong positive correlation the higher the total number of manpower, the higher the expenses incurred. This shows that sectors and ministries which has more manpower would also be more developed. From our "Total Number of Manpower by Ministry" chart, we can see that the Ministry of Education has the highest manpower through the years. As it belongs to the Social **Development** sector, we can further conclude that the sector would be the most developed.

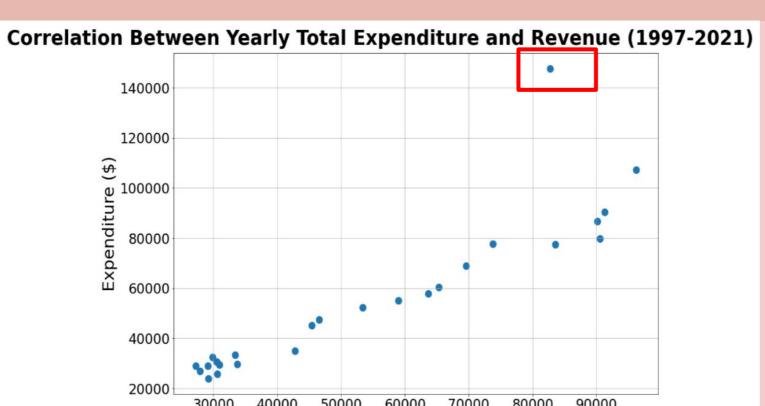
Budget Allocation Over the Years 🥸

Analysis

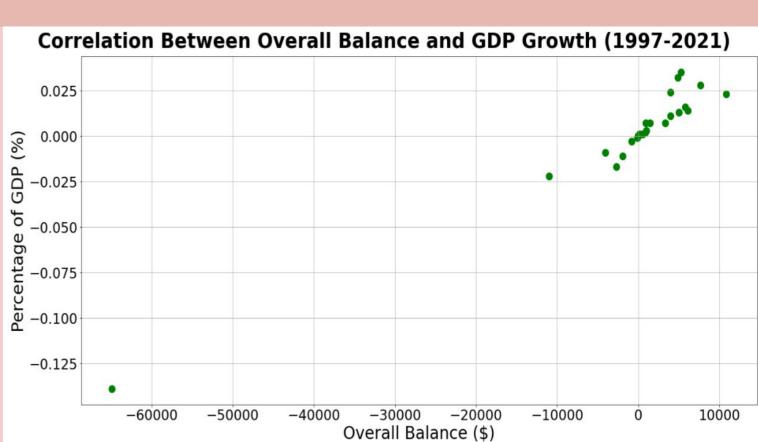
Provide Insights on the impacts of the budget allocation to Singapore's economic growth.



Expenditure has been increasing steadily from 1997 to 2021. This has been matched closely by a similar increase in revenue over the same timeframe. This suggests that an increase in expenditure leads to an increase in revenue. Since revenue can be used as an indicator of Singapore's economic growth, the budget allocation done by the Singapore government seems to be effective in generating economic growth for the country.



Revenue (\$)



This is further supported by plotting a scatter plot between the Yearly Total Expenditure against the Yearly Total Revenue. From the chart on the top left, there appears to be a strong positive correlation between the Yearly Total Expenditure and the Yearly Total Revenue. This suggests that Singapore's budget allocation has been largely effective in generating economic growth for the country.

An obvious outlier can be identified in the chart. This data point was caused by an unusually high amount of expenditure incurred in 2020. In this year, expenditure stood at nearly \$148 billion, while revenue was only at \$83 billion. This could be due to the fiscal response to COVID-19, where the Singapore Government drew on reserves to cushion the impact of the pandemic on the nation's economy.

The Singapore Government should therefore continue to be prudent in its budget allocation, which will ideally yield correspondingly positive economic growth in the future.

By plotting a scatter plot of the Overall Balance against the Percentage of GDP (as shown on the top right), there also appears to be a strong positive correlation between these two variables. A high budget surplus corresponds to a higher GDP growth, while a budget deficit is tied to a fall in GDP.

References: Click here for full references list

2021/22 Semester 1