

February 19, 2025

# Singapore: Budget 2025

## From SG60 goodies to investments for growth

Singapore's Prime Minister and Finance Minister Lawrence Wong delivered Budget 2025 on 18<sup>th</sup> February. Notably, this is the last budget before the General Election, which is due no later than November 2025. 2025 also marks Singapore's 60<sup>th</sup> year of independence.

Household goodies and social policies were the main focus of Budget 2025, including a SG60 package (Figure 1) to recognise the contributions of all Singaporeans. In addition, there is support to help businesses cope with rising operating cost pressures and funds set aside for longer-term priorities. Budget 2025 also featured a continuation from Budget 2024 in the areas of green transition, human capital and critical infrastructure, while introducing tax incentives to strengthen equity market development.

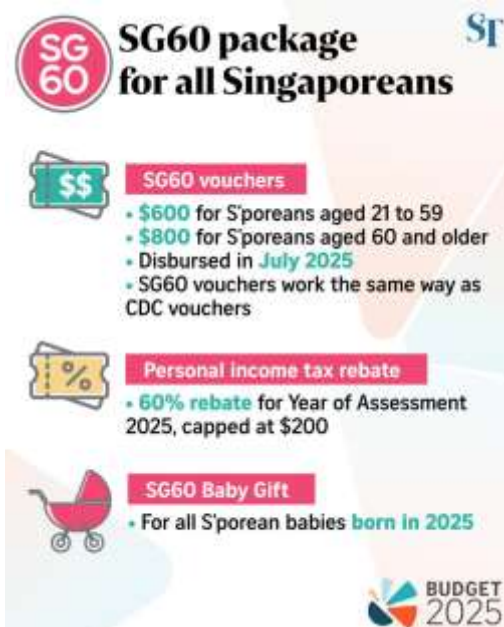
## Expansionary Pre-Election Budget

Budget 2025 is projecting a SGD 6.8 billion fiscal surplus (0.8% of GDP), implying that the accumulated surplus over the current electoral term (FY2021-FY2025) amounts to a sizeable SGD 14.3 billion (1.9% of GDP). Despite the overall surplus, Budget 2025 remains expansionary. The accumulated surplus also leaves dry powder which can be tapped upon over the financial year, in case the economy goes astray amid the high global trade uncertainty.

## Maintaining GDP forecasts

We maintain our GDP growth forecast at 2.6% in 2025 and 2.3% in 2026. The substantial handouts for households will help cushion consumption amid the macro uncertainties. Disbursing the handouts primarily in voucher form, ensures that households will spend the funds locally, thus supporting the retail and F&B sectors. Although there was less emphasis on business support measures in the Budget, the government still has ample firepower to roll out more support later in the year, if necessary.

**Figure 1: SG60 package to recognise contributions of all Singaporeans**



Source: Straits Times | 18 February 2025

**Figure 2: Singapore macroeconomic forecasts**

Forecast	2024	2025E	2026E
GDP growth (%)	4.4	2.6	2.3
Headline CPI (%)	2.4	1.6	1.6
Core CPI (%)	2.7	1.4	1.7
<b>Year-end</b>			
3M SORA (%)	3.07	2.55	2.25
10Y Bond yield (%)	2.85	2.75	2.70
USD/SGD (year-end)	1.370	1.345	1.325

Source: Maybank IBG | 19 February 2025

### Investment implications

Historically, the Singapore budget tended to have a more significant impact on the economy than the equity market. Still, there are incremental positives for the financial, industrial/tech and consumer-related sectors.

Banks should benefit from continued investment for infrastructure, which is likely benefit loan growth. Tax incentives for fund managers to invest substantially in Singapore-listed equities should also be supportive of local capital markets and benefit the Stock Exchange as well as market-related fees for banks. Separately, several tax concessions were extended till end 2030 to continue promote REIT listings in Singapore. More details on the review group's recommendations to spur more listings and investments in Singapore will be shared on 21<sup>st</sup> February.

The enhanced support schemes and operating cost offsets for Small-medium enterprises (SMEs), lower-income households and retired/unemployed population should support basic consumption, defray inflationary pressures and keep Singapore credit quality benign. Support for domestic consumption should also benefit the retail ecosystem – retailers, F&B, supermarket operators and retail landlords.

Meanwhile, the setting up of a semiconductor R&D fabrication facility should be positive for semicon-related manufacturing companies. In addition, manufacturers and industrial landlords with exposure to higher valued added activities like R&D and bioscience should benefit from the budget as well. The expansion Changi Airport's capacity and focus on increasing use of public transport should also be positive for aviation/transport services provider.

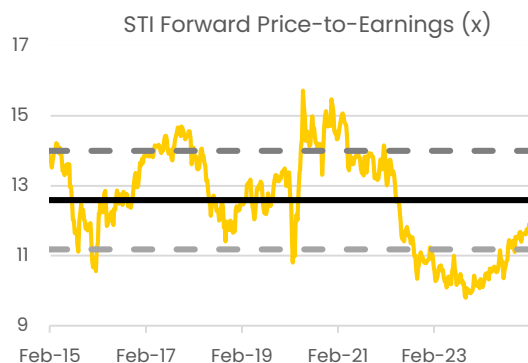
Overall, we continue to see attractive opportunities in Singapore equities with the Straits Time Index (STI) still trading un-demandingly below historical average valuation.

**\*Note:**

This insight is prepared using the following Maybank Investment Banking Group (IBG) report as reference:

1. Singapore Budget 2025 (19 February 2025)

**Figure 3: Singapore equities are trading above long-term average**



Source: Bloomberg | 19 February 2025

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