

19 February 2024

Market Outlook | Market Strategy

Singapore 2024 Budget

A Comprehensive Budget Addressing Key Challenges

- Preparing for longer-term sustainable growth while addressing short-term challenges.** The Singapore budget had a host of support measures to help Singaporeans (especially low- to middle-income families) and businesses (especially SMEs) weather the impact of higher costs. A comprehensive set of measures was also announced to ensure that Singapore is able to deliver a 2-3% annual GDP growth rate over the next decade. These include measures to help the country attract fresh investments, build the necessary energy, telecommunications, and technology infrastructure, and develop a skilled workforce that would see equitable wage growth and social mobility.
- Key sector impact; here are the winners.** All the support packages, cash and credit schemes, as well as rebates should potentially contribute to additional consumption for eligible Singaporean consumers. This, we believe, will be positive for the consumer sector. The announced measures to support businesses in general – especially SMEs, manufacturing, technology, and construction sectors – along with the Government’s topping up of the financial sector development fund with SGD2bn, should be positive for banks. Singapore’s commitment to build and maintain a strong and effective Singapore Armed Force, and its plans to establish a new National Cybersecurity Command Centre should be positive for defence sector-related players like ST Engineering. Measures announced to address the country’s growing energy needs, and to ensure the security of this energy supply – as Singapore aims to move towards its net zero goal – should be positive for Sembcorp Industries (SCI SP, NR) and Keppel Infrastructure Trust (KIT SP, NR), both of which are exploring the option to import hydrogen into Singapore. Adjustments to the per capita household income thresholds of the country’s healthcare and associated social support subsidy schemes should enable more families to access healthcare services from private healthcare players like Raffles Medical (RFMD SP, NEUTRAL, TP: SGD1.15), which is part of these subsidised programmes. The announced measures to strengthen Singapore’s position in the semiconductor supply chain and the building of a National AI strategy should be positive for technology stocks like Frencken Group and UMS Holdings (UMSH SP, NR). The commitment to upgrade Singapore’s broadband network with mass market speeds of up to 10Gbps should be a long-term positive for telco players.
- Reiterate our equity investment themes:** i) Opportunistically build positions in REITs in anticipation of an interest cut in 2H24; ii) exposure to an improving outlook for manufacturing and technology sectors; iii) high-yield opportunities beyond REITs; iv) selective exposure to recovery in Chinese outbound travel and tourism amid a better 2024 economic outlook; v) retain exposure to quality companies with defensive earnings; and iv) bottom-up opportunities in the small-cap space.

Stocks Covered 42
 Rating (Buy/Neutral/Sell): 33 / 9 / 0
 Last 12m Earnings Revision Trend: Negative

OVERWEIGHT Consumer, Industrials, Manufacturing & Tech, REITs (Hospitality, Industrials Office & Overseas), Transport
NEUTRAL Financials, Plantations
 Healthcare, Real estate, REITs (Retail) Telecom

Analyst

Shekhar Jaiswal
 +65 6320 0806
shekhar.jaiswal@rhbgroup.com



2024 budget winners & losers

Winners

- Banks
- Consumer
- Industrials (defence)
- Industrials (energy transition)
- Healthcare
- Manufacturing & technology
- Telecommunications

Losers

- Multi-national corporations with global businesses (impact from the implementation of Pillar Two of the BEPS 2.0 initiative)

Source: RHB

Company Name	Rating	Target (SGD)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
CapitaLand Ascendas REIT	Buy	3.20	15.2	26.9	1.2	4.2	5.5
CDL Hospitality Trusts	Buy	1.23	25.5	26.3	0.7	2.6	7.0
City Developments	Buy	8.20	34.9	13.4	0.6	4.3	3.0
ComfortDelGro	Buy	1.60	13.5	14.0	1.1	8.2	5.0
Food Empire	Buy	1.53	9.2	9.4	1.6	17.5	4.0
Frencken Group	Buy	1.45	2.4	13.6	1.4	10.6	2.6
Keppel REIT	Buy	1.08	20.8	13.9	0.7	4.8	6.5
Singtel	Buy	3.20	34.5	14.4	1.4	9.8	6.5
ST Engineering	Buy	4.45	13.8	17.3	4.6	27.3	4.1
Venture Corp	BUY	14.70	5.1	13.3	1.4	10.4	5.4

Source: Company data, RHB

Sector Impact

Banks: Continuing support for the sector and businesses should be positive

Key announcements and our view: In the 2024 budget, the Government announced measures to support the SME, manufacturing, technology, and construction sectors. In addition, the Government is topping up the financial sector development fund by SGD2bn. The expectation is that it will not only improve core areas of banking, capital markets, asset management, and insurance, but also build capabilities in new areas like Fintech, as well as green and transition finance.

Overall, we think the announced measures are a net positive, albeit marginal, for the banks. We think the support measures could help SMEs cope with cost pressures in the near term, which may aid in keeping asset quality benign. Meanwhile, the topping up of the financial sector development fund should help the country maintain its status as a global financial service hub and benefit banks via lending, capital markets, and wealth management services, among others.

NEUTRAL on banks: We maintain our view that a peaking rate cycle, coupled with potential rate cuts in 2H24, means that the sector's earnings momentum is expected to stall in 2024. However, as long as the bottomline is elevated, this should be supportive of dividend yields. We recently upgraded DBS to a BUY due to improved clarity with respect to its shareholder returns commitment, ie its focus on absolute DPS (vs payout), which offers investors "bond-like coupons" with yields that are now too good to ignore, in our view. We think the payouts are sustainable in the near term. A reduced rate of leverage and ample overlay buffers are added "bonuses." We await to hear more from United Overseas Bank (UOB) and OCBC Bank (OCBC) in their upcoming results briefing over the next two weeks.

Companies that could see an impact: DBS (SBD SP, BUY, TP: SGD36.10), OCBC Bank (OCBC SP, NEUTRAL, SGD: TP13.40) and United Overseas Bank (UOB SP, NEUTRAL, TP: SGD29.10).

Consumer: Consumer spending is potentially enhanced with support packages, cash and credit schemes, and rebates

Key announcements and our view: We believe that the enhancement of the Assurance Package in the form of: i) Additional SGD600 CDC vouchers for all Singaporean households; ii) SGD200-400 in cash as a one-off Cost-of-Living Special Payment for eligible adults; and iii) additional one-off rebates on U-Save, Service, and Conservancy Charges for eligible HDB households will help support consumption demand, especially in the mass market and downstream sub-segment. The extension of CDC vouchers will enable Singaporeans to purchase food at hawker centres, coffeeshops, foodcourts, and supermarkets. Other additional cash handouts will enhance the purchasing power of Singaporean consumers – this can potentially flow into the domestic consumer downstream sub-segment at the food retail level. In addition to the Assurance Package, other schemes including the SGD200 in LifeSG credits to be given to all national servicemen, past and present, personal income tax rebates, changes in property tax, and a GST Voucher Fund top-up to defray GST expenses for lower and middle-income households, will all potentially contribute to additional consumption for eligible Singaporean consumers.

OVERWEIGHT on the consumer downstream sector: In view of the handouts potentially enhancing consumption power, we are positive on consumer staples companies, including Sheng Siong and Kimly. These companies, mainly retail food and basic necessity products, and are the direct beneficiaries of better disposable income among consumers from the support measures.

Companies that could see an impact: Sheng Siong (SSG SP, BUY, TP: SGD1.99) and Kimly (KMLY SP, BUY, TP: SGD0.38)

Defence & cybersecurity (Industrials): Increased defence spending

Key announcements and our view: The Government has reinforced its commitment to build and maintain a strong and effective Singapore Armed Force and Home Team. It will continue to invest in them and upgrade their capabilities year by year to protect Singapore from potential aggressors and security threats. In order to strengthen Singapore's cyber defence, the Government has already established the Digital and Intelligence Service in the Singapore

Armed Forces. The Government will now also establish a new National Cybersecurity Command Centre in the Punggol Digital District. Although the numbers are high – only adjusted for inflation – the Singapore Ministry of Defence (MINDEF) has budgeted to spend SGD20.2bn in 2024 vs a SGD19.8bn budget for 2023. MINDEF remains the top ministry by expenditure in the 2024 budget. We view this as a positive for ST Engineering, which has a sizeable exposure to Singapore and global defence spending and strong capabilities in cybersecurity.

Companies that could see an impact: ST Engineering (STE SP, BUY, TP: SGD4.45)

Energy security: Expansion of regional grids and the exploring of hydrogen as a fuel

Key announcements and our view: To address the growing energy needs of the country and to ensure the security of this energy supply as Singapore aims to move towards its net zero goal, the Government announced the following measures in the budget: i) It will build a second LNG terminal; ii) as hydrogen has the potential to be a clean fuel, the Government will start by testing and deploying ammonia, which is a hydrogen carrier, for power generation and bunkering on Jurong Island; iii) the Government will keep the adoption of nuclear power in the future if deemed viable. In order to be able to import low-carbon electricity, Singapore will need to invest in submarine cables and upgrade the existing power grid. If the country decides to scale up the use of hydrogen, it will need to put in place new infrastructure for generation, storage, and delivery. To support these potential future expenditures, the Government will set up a Future Energy Fund with an initial injection of SGD5bn.

We view these announcements positively for companies involved in the country's transition to new green energy sources. Deputy Prime Minister Lawrence Wong announced last year that hydrogen could supply up to half of Singapore's power needs by 2050 if technology continues to advance.

Last year, SCI and Indonesian state-owned utility company Perusahaan Listrik Negara (PLN) signed a joint development study agreement to explore the feasibility of green hydrogen production in Indonesia for export to Singapore. The facility could potentially produce up to 100,000 tonnes of green hydrogen per year in Indonesia using locally sourced renewable energy, which will be exported via a subsea pipeline to Singapore. This project is expected to be Indonesia's first green hydrogen export to Singapore.

City Energy, a wholly-owned subsidiary of KIT, and Gentari, the renewable energy arm of Petronas, will conduct a 12-month study on the feasibility of building a pipeline from Malaysia to Singapore. Hydrogen is the largest component in town gas produced at City Energy's Senoko Gasworks plant in northern Singapore, which also makes City Energy one of the largest last-mile distributors of hydrogen in the Republic. Under its partnership with Gentari, any pipeline to be established by the parties will supply hydrogen to the Senoko Gasworks plant.

Companies that could see an impact: SCI and KIT.

Healthcare: Making healthcare affordable should be positive for private players

Key announcements and our view: The Government will provide a one-time MediSave Bonus of up to SGD300 for adult Singaporeans aged 21 to 50. Amidst rising income and wage levels, the Government will also update the per capita household income thresholds of the country's healthcare and associated social support subsidy schemes so that more families become eligible to benefit from them. In 2024, the Ministry of Health's expenditure is expected to increase by SGD0.8bn (4.6%) mainly due to the opening of new facilities such as Sembawang and Tampines North polyclinics, ramping up of capacity in the new Woodlands Health campus, and projected capacity increases in the long-term care sector.

The rapidly ageing Singapore population requires the Government to include private healthcare providers to assist the continuously overwhelmed government healthcare infrastructure. The adjustments to the per capita household income thresholds of the country's healthcare and associated social support subsidy schemes should enable more families to access healthcare services from private healthcare players that are part of these subsidised programmes. We see RFMD and IHH Healthcare as some of the key beneficiaries.

NEUTRAL on healthcare service providers: We expect Singapore's healthcare service providers to see moderate improvements in profit from the resurgence of elective treatments

and some recovery in demand from medical tourism. We note that there are concerns about cost inflation and a decline in COVID-19-related revenue. The majority of these costs will probably be absorbed by service providers, in our view, putting pressure on near-term margins. However, the recent expansion by healthcare service providers like RFMD into Vietnam and China should continue to support longer-term earnings growth.

Companies that could see an impact: RFMD and IHH Healthcare (IHH SP, NR).

Manufacturing & technology: Positioning for the longer term

Key announcements and our view: As per the 2024 budget, the Government has announced that it will offer a Refundable Investment Credit – a tax credit with a refundable cash feature. This will support high-value and substantive economic activities, including the setting up or expansion of manufacturing facilities, new innovation and R&D activities, as well as activities in support of the green transition. The Government will also increase the commitment towards Research, Innovation, and Enterprise 2025 by SGD3bn. This should help sustain the country's investments in research, innovation, and enterprise at about 1% of GDP. The additional resources will go towards research and related investments in national priorities such as advanced manufacturing, sustainability, the digital economy, and healthcare. Singapore also plans to invest more than SGD1bn over the next five years into AI compute, talent, and industry development. Part of the investment will be used to ensure that Singapore can secure access to the advanced chips that are so crucial to AI development and deployment. The fund will also allow Singapore to work with leading companies in the country and around the world to set up their AI centres in Singapore. The Energy Efficiency Grant that was introduced in 2022 has now been extended to more sectors, including manufacturing, construction, maritime, and data centres and their users.

In the budget, the Government noted a critical mass of leading semiconductor companies based in Singapore which operate across the value chain, from design, wafer fabrication, to assembly and testing. The companies have carved out a niche in specialty chips and NAND flash memory chips. These are critical enablers of automation, 5G, and EVs, and they are in high demand. Singapore is now a key node in the semiconductor supply chain – accounting for more than 10% of the global semiconductor market, and 20% of semiconductor equipment in the world.

We believe that in the longer term, the announced measures supporting the sector's growth could benefit semiconductor-exposed stocks such as Frencken and UMSH.

OVERWEIGHT on the manufacturing and technology sector: We are positive about the sector ahead of the anticipated technology recovery in 2024. We are starting to see semiconductor inventory levels easing. Players in the supply chain are now stocking up on inventory and reducing their backlog of programmes that were previously constrained by manpower and technological limitations. Growth will also be supplemented by an initial production ramp-up and new product introduction or NPI. As such, we believe 2024 will be the start of the technology recovery cycle, where stocks within the sector could see a re-rating on stronger orders.

Companies that could see an impact: Frencken Group (FRKN SP, BUY, TP: SGD1.45) & UMSH.

Real estate: Negligible impact on property stocks from budget measures

Key announcements and our view: Budget measures targeted young families, seniors, and the cost of living. The focus of property announcements in the 2024 Budget was mainly to ease pressure on young couples trying own a home early and start a family, as well as to help single seniors right-size their property to build a bigger retirement nest. In addition to easing the cost of living pressures, property tax bands have been enhanced for owner-occupied properties, which will result in overall lower property taxes from 2025.

Marginal downward revisions to Additional Buyer's Stamp Duty (ABSD) remission clawback rates for developers. Currently, developers purchase of residential land is subject to 40% ABSD, comprising a: i) 5% non-remittable component; and ii) 35% upfront remittable component. If a developer develops five or more residential units and fails to sell all its residential units within five years from the date of acquisition of the residential land, the 35% remittable component will be clawed back with interest, regardless of the number of unsold units.

Effective 16 Feb – in order to provide some flexibility for developers and to address the difficulties they may face in selling all units within the prescribed timelines – projects with at least 90% of units sold at the 5-year sale timeline will be subjected to a lower ABSD remission clawback rate, if the commencement and completion of works criteria are fulfilled. This applies to projects where the residential land was acquired on or after 6 Jul 2018. The ABSD remission claw back will be reduced by 1 ppt to 10 ppts, depending on the proportion of units sold at the 5-year mark.

Overall we only expect a very slight positive impact to developers from the slight downward revision on ABSD as most of the listed developers have largely sold their inventories and do not face any significant ABSD risks. The cost of living measures targeting seniors and young families are unlikely to have any meaningful impact on the private residential market.

Remain NEUTRAL on the real estate sector: We expect 2024 to be a slow grinding year for the real estate sector, with further moderation in property prices. Key catalysts remain a healthy economy and resilient household balance sheets, with headwinds being increasing supply and higher interest rates. City Developments (CIT) remains our Top Pick. CIT has sold a substantial portion of its Singapore residential landbank over the last two years and has unbilled residential sales in excess of c.SGD5bn, based on our estimates. While it still has about 5-6 projects that can be launched over the next two years, we believe the landbank is well spread across segments and regions of Singapore, and we see limited inventory risks at this juncture. In addition, its hospitality portfolio investment properties are expected to continue to do well. This counter is trading at a deep discount to book value and RNAV (>60%). On the other hand, property agencies are likely to trade sideways amid slower transaction volumes and a weaker demand outlook. We maintain our NEUTRAL call and TP of SGD0.46 for APAC Realty.

Companies that could see an impact: City Developments (CIT SP, BUY, TP: SGD8.20)

Retail REITs: Some gains from support for higher consumer spending

Key announcements and our view: The significant cash and Community Development Council (CDC) vouchers handed out from the assurance package enhancements to the tune of SGD1.9bn are broadly positive for local consumer consumption and should benefit suburban malls in particular. Frasers Centrepoint Trust should be the key beneficiary of this package. In addition, CapitaLand Integrated Commercial Trust, which has a sizeable suburban retail portfolio, should see positive effects on overall tenant sales from this package.

We have a NEUTRAL rating on retail REITs: We expect the focus for retail landlords to remain on maintaining high occupancy rates, curating their mall tenant mix, and attracting high-quality tenants while being slightly flexible in terms of rental rates. Overall, retail sector rents are expected to see a slight positive growth of 1-5%, translating into healthy positive rental reversions for retail S-REITs in the mid-to-high single digits. CICT remains the best proxy to retail-cum-office exposure to Singapore. In the mid-cap space, Starhill Global REIT (SGEIT SP, BUY, TP: SGD0.58) is still the best proxy to capture higher tourist spending-led growth, with the bulk of its portfolio located along Singapore's Orchard Road.

Companies that could see an impact: Frasers Centrepoint Trust (FCT SP, NEUTRAL, TP: SGD2.35) and CapitaLand Integrated Commercial Trust (CICT SP, BUY, TP: SGD2.20)

Telecommunications: Upgrading the Nationwide Broadband Network

Key announcements and our view: The Government plans to allocate additional resources to catalyse investments in upgrading the Nationwide Broadband Network (NBN). This is to enable mass market access to broadband speeds of up to 10Gbps in the second half of this decade. The significant improvement in bandwidth should further spur the development of new AI-driven use cases and drive more innovative enterprise and retail smart solutions, with telcos morphing into 'techcos'. Both Singtel and StarHub are well positioned to capitalise on the investments with new cloud-centric converged offerings. This comes on the back of the on-going transition from a capex to an opex-led model, which offers better unit economics and a better customer value proposition.

NEUTRAL rating on the sector: We see the stronger GDP growth and peaking interest rates as supportive of Singapore's telecommunications sector (SG telcos) in 2024F. The telcos notched a <1% return in 2023 (FSSTI: -0.3%, YTD: -2%) on stock-specific issues and earnings headwinds (investments in new capabilities and inflationary pressures). We see sector core EBITDA growing by c.12% YoY in CY24F from +7% YoY in 2023, largely from better

operational numbers and cost restraint. SG telcos continue to offer the highest dividend yields among the ASEAN-4 telcos. We see a further normalisation of industry roaming revenues in 2024 to pre-pandemic levels (currently at 60-70%) from the pick-up in visitor arrivals. This comes on the back of the reciprocal visa-free scheme extended to inbound China travellers, which is set to be implemented soon, and additional flights between the two countries. Overall, industry-blended mobile ARPU should be supported by stronger 5G monetisation and rational competition. Singtel is our top pick, being a regional sector bellwether and a core telco portfolio constituent.

Companies that could see an impact: Singtel (STE SP, BUY, TP: SGD3.20) and StarHub (STH SP, NEUTRAL, TP: SGD1.18)

Singapore 2024 Budget - Key Highlights

First instalment of the Forward Singapore programme

The deputy prime minister (DPM) clearly mentioned that the 2024 budget was the first instalment of the country's Forward Singapore (Forward SG) programme. The Forward SG initiative outlines seven changes to policy. The changes include helping families with potential future increases to paid parental leave as well as honouring and recognising all jobs, such as by closing pay disparities. Embracing learning beyond grades—which includes expanding the notion of merit, creating more diversified pathways, and providing every child with a solid start—is one of the major changes. The change to support families includes assistance for infant parents and carers, additional support for mental health and work-life balance, and the preservation of fair and affordable Housing Board (HDB) apartments.

Some of the other shifts are encouraging active ageing in the community, which is facilitated by programmes such as Healthier SG and Age Well SG. The living conditions for elders will be enhanced, and the community-based aged care system will be reinforced. There will be a shift that involves empowering those in need – uplifting lower-income families, closing the gaps for children from such families, and becoming more inclusive for persons with disabilities. There will also be a shift towards investing in a “shared tomorrow”. This speaks to long-term planning for the development of food and water security, a future resilient to climate change, and maintaining economic discipline for the benefit of present and future generations.

And lastly, the programme outlines a change in attitude regarding Singaporeans contributing as “one united people.” This entails fostering a more charitable culture, bolstering the nation's multiracial society, and expanding opportunities for civic engagement.

2024 GDP growth outlook

The DPM, Lawrence Wong expressed cautious optimism that 2024 will be a better year during the budget announcement. In addition to reduced inflation, a 1-3% increase in GDP growth is anticipated. Additionally, Enterprise Singapore (EnterpriseSG) has updated its full-year prediction for non-oil domestic exports (NODX) for 2024, predicting “modest growth” in the upcoming year and an anticipated rebound in the electronics sector. After growing by 2-4% YoY in Nov 2023, NODX is now expected to expand by 4-6% YoY in 2024. Our team at Global Economics & Market Strategy projects that Singapore's GDP will expand by 2.5% in 2024.

Addressing the high cost issues for Singaporeans and businesses

i. Support for Singaporeans

Enhancement of the Assurance Package: The following measures were announced: a) An additional SGD600 in CDC vouchers for all Singaporean households; b) cost-of-living special payment of between SGD200 and SGD400 in cash based on meeting certain conditions; c) additional one-off U-Save rebates of up to SGD950 to help HDB households cope with increases in their utility bills; d) additional one-off service and conservancy charges (or S&CC) rebate for up to four months for eligible HDB flats, and e) the topping up of the GST Voucher Fund by SGD6bn.

ii. Supporting businesses for higher costs

Enterprise Support Package: The Government announced SGD1.3bn in support for companies. It also announced a 50% corporate income tax rebate, capped at SGD40,000. In addition, a minimum SGD2,000 in cash payouts will be offered for companies that employed at least one local employee in 2023.

Enhancement to the Enterprise Financing Scheme: The Government has increased the maximum working capital loan quantum permanently to SGD500,000. It has also extended the maximum trade loan until 31 Mar 2025. The Government's risk sharing of project loans to support domestic construction projects will be extended until 31 Mar 2025.

SkillsFuture Enterprise Credit: The Government has extended the SkillsFuture Enterprise Credit by a year to 30 Jun 2025.

Working towards achieving 2-3% annual growth over the next decade

i. Attracting investments into Singapore

The Government has announced that it will offer a Refundable Investment Credit, a tax credit with a refundable cash feature. This will support high-value and substantive economic activities, including the setting up or expansion of manufacturing facilities; new innovation and R&D activities; as well as activities in support of the green transition. It will also top up the National Productivity Fund by SGD2bn.

ii. Financial sector development fund

The Government is topping up the financial sector development fund by SGD2bn. The expectation is that it will not only improve core areas of banking, capital markets, asset management, and insurance, but also build capabilities in new areas like FinTech, as well as green and transition finance.

iii. More funds for R&D

Increasing the commitment towards Research, Innovation, and Enterprise 2025 by SGD3bn. This should help sustain the country's investments in research, innovation, and enterprise at about 1% of GDP. The additional resources will go towards research and related investments in national priorities such as advanced manufacturing, sustainability, the digital economy, and healthcare.

iv. National AI Strategy 2.0

Investing more than SGD1bn over the next five years into AI compute, talent, and industry development. Part of the investment will be used to ensure that Singapore can secure access to the advanced chips that are so crucial to AI development and deployment. The fund will also allow Singapore to work with leading companies in the country and around the world to set up their AI centres in Singapore.

v. Upgrading the Nationwide Broadband Network

Allocating additional resources to catalyse investments in upgrading the Nationwide Broadband Network (NBN). This is to enable mass market access to broadband speeds of up to 10Gbps in the second half of this decade.

vi. Enhancing the Partnerships for Capability Transformation (PACT) scheme

To support partnerships in more areas, namely capability training, internationalisation, and corporate venturing. The PACT scheme supports collaborations between larger companies and SMEs in the areas of supplier development and co-innovation.

vii. Extending the enhanced support for green loans under the Enterprise Financing Scheme

The Government will extend the enhanced support for green loans under the Enterprise Financing Scheme and expand its scope to help more SMEs adopt green solutions.

viii. Extending the Energy Efficiency Grant

The Energy Efficiency Grant was introduced in 2022 for companies in the food services, food manufacturing, and retail sectors. This grant has now been extended to more sectors, including manufacturing, construction, maritime, and data centres and their users.

Developing Singapore's workforce so the country's labour remains competitive

Improving long term employability of labour force

New SkillsFuture Level-Up Programme: The Government is offering all Singaporeans aged 40 and above a top-up in SkillsFuture Credit of SGD4,000 for selected training programmes with better employability outcomes. The Government will also offer subsidies to all Singaporeans aged 40 and above to pursue another full-time diploma from 2025. It will also offer a monthly training allowance to Singaporeans aged 40 and above who enrol in selected full-time courses. This allowance will be equivalent to 50% of a Singaporean's average income over the latest available 12-month period, capped at SGD3,000 per month. Every individual can receive up to 24 months of training allowance throughout their lifetime.

Supporting the involuntarily unemployed: The Government will introduce a temporary financial support scheme for the involuntarily unemployed while they undergo training or look for better-fitting jobs. It will provide more details on this later this year.

Addressing the ageing population needs

i. Making healthcare affordable

The Government will provide a one-time MediSave Bonus of up to SGD300 for adult Singaporeans aged 21 to 50. Amidst rising income and wage levels, the Government will also update the per capita household income thresholds of the country's healthcare and associated social support subsidy schemes so that more families become eligible to benefit from them.

The Government has announced SGD3.5bn for Age Well SG initiatives over the next decade. This will be used to: a) Create an expanded network of Active Ageing Centres; b) develop more assisted living options, such as community care apartments and better home care arrangements; c) "silver upgrades" to the country's residential estates; and d) improvements to the country's commuter infrastructure for seniors' mobility and safety.

ii. Focus on the ageing population and support for retirement adequacy

Adjustments to the CPF system

The Government will increase CPF contribution rates for those aged 55 to 65 by a further 1.5 percentage points in 2025. It will also provide the CPF Transition Offset to employers for another year, to cover half of the increase in employer contributions for 2025. The Government plans to raise the Enhanced Retirement Sum (or ERS) from 2025. It will also rationalise the CPF system. From 2025, the Government will close the Special Account (SA) for those aged 55 and above. The SA savings will be transferred to the Retirement Account (RA) up to the Full Retirement Sum, where they will continue to earn the long-term interest rate. The remaining SA savings will be transferred to the Ordinary Account.

Changes to the Silver Support Scheme (from 2025)

The Government will raise the qualifying per capita household income threshold for Silver Support from SGD1,800 to SGD2,300, and increase the quarterly payments by 20%.

Changes to Matched Retirement Savings Scheme (from 2025)

The MRSS to those above the age of 70 will be extended and there will be an increase in the annual matching cap from SGD600 to SGD2,000, with set a lifetime matching cap of SGD20,000. However, the Government will remove the tax relief for the cash top-ups that attract the matching grant.

Support for all Singaporeans born in 1973 or earlier

The Government will provide an Earn and Save Bonus to help seniors earning up to SGD6,000 per month accumulate more retirement savings. Singaporeans born in 1973 or earlier will receive a yearly bonus of up to SGD1,000 for as long as they work, with more going to those who earn lower incomes. The Government will also provide a one-time Retirement Savings Bonus of between SGD1,000 and SGD1,500 to seniors with retirement savings below the Basic Retirement Sum. It will also provide a one-time MediSave Bonus to all seniors born in 1973 or earlier. Young seniors with fewer means will be given the higher tier of SGD1,500, and all other seniors will receive SGD750. To support these measures, the Government will set aside SGD7.5bn in a new fund, the Majulah Package Fund.

Focus on Singapore's long-term needs in nation building

Safety and security of Singapore

The Government will continue to build and maintain a strong and effective SAF and Home Team. It will continue to invest in them, and upgrade their capabilities year by year, to protect Singapore from potential aggressors and security threats. The Government will provide SGD200 in the form of LifeSG credits to all past and present national servicemen, including those enlisting this year. In order to strengthen Singapore's cyber defence, the Government has already established the Digital and Intelligence Service in the Singapore Armed Forces.

The Government will now also establish a new National Cybersecurity Command Centre in the Punggol Digital District.

Energy security amidst energy transition

To address the growing energy needs of the country and to ensure the security of this energy supply as Singapore aims to move towards its net zero goal, the Government announced the following measures in the budget: i) It will build a second LNG terminal; ii) as hydrogen has the potential to be a clean fuel, the Government will start by testing and deploying ammonia, which is a hydrogen carrier, for power generation and bunkering on Jurong Island; iii) the Government will keep the adoption of nuclear power in the future if deemed viable.

In order to be able to import low-carbon electricity, Singapore will need to invest in submarine cables and upgrade the existing power grid. If the country decides to scale up the use of hydrogen, it will need to put in place new infrastructure for generation, storage, and delivery. To support these potential future expenditures, the Government will set up a Future Energy Fund with an initial injection of SGD5bn.

Key personal tax, corporate tax, and additional buyer's stamp duty (ABSD) changes

Personal income tax

The Government will offer a personal income tax rebate of 50% for the year of assessment 2024, which will be capped at SGD200 so that the benefits go mostly to middle-income workers. With effect from the year of assessment 2025, it will increase the annual income threshold for dependent-related reliefs from SGD4,000 to SGD8,000.

Property tax

As the annual values of properties increased significantly during the last two years, the Government announced changes to the annual value bands of the owner-occupier residential property tax rates with effect from 1 Jan 2025, to ensure that only the top-end property owners are taxed. As a relief, the Government announced that retirees living in higher-end residential homes who face cash flow issues when paying their property tax bills will get a 24-month instalment plan without any interest.

Changes to ABSD for purchase of residential property

Effective immediately, single Singapore citizens aged 55 and above will be able to claim a refund of the ABSD paid on their replacement private property if they sell their first property within six months after purchasing a lower-value replacement private property.

Changes to ABSD for developers

The Government will lower the ABSD clawback rate if developers sell at least 90% of each development within the prescribed sale timeline. The new tiered ABSD clawback rate applies only to residential projects where developers have sold at least 90% of the units within the 5-year stipulated time frame, with an additional 6-month extension during the COVID-19 period.

Corporate income tax

The Government plans to implement Pillar Two of the BEPS 2.0 initiative and introduce a global minimum effective tax rate of 15% for large multinational enterprise (MNE) groups in 2025. It will implement the Income Inclusion Rule (or IIR). A jurisdiction that introduces this will subject the overseas profits of MNE groups parented in that jurisdiction to a minimum effective tax rate of 15%. It will also implement the Domestic Top-up Tax (or DTT). This applies to the Singapore profits of MNE groups operating here. Without this tax, these MNE groups would have had to pay their parent jurisdictions the effective tax rate of 15% on their Singapore profits. Therefore, it is in Singapore's interest to implement the DTT so that the country can collect the tax rather than have it go somewhere else. The Government said that the additional revenues from Pillar Two will need to be reinvested for Singapore to stay competitive in a post-BEPS world.

Analysis of revenue and expenditure for 2024

A basic deficit of SGD6.1bn (0.8% of GDP) is estimated for 2024. After factoring in top-ups to endowment and trust funds of SGD20.4bn, net investment return contribution (NIRC) of SGD23.5bn, capitalisation of nationally significant infrastructure of SGD4.1bn, and SINGA

interest costs and loan expenses of SGD0.4bn, the estimated overall fiscal position for 2024 is a surplus of SGD0.8bn (0.1% of GDP).

The main increases in the 2024 budget over the revised 2023 expenditure are for Ministry of Transport (MOT), Ministry of Health (MOH), Ministry of Education (MOE), Ministry of Social and Family Development (MSF), Ministry of Defence (MINDEF), Ministry of National Development (MND), Ministry of Law (MinLaw). MOT's expenditure is expected to increase by SGD1.3bn (9.8%), mainly due to the development of the domestic rail network and the upgrading of infrastructure and systems to support the air hub. MOH's expenditure is expected to increase by SGD0.8bn (4.6%) mainly due to the opening of new facilities such as Sembawang and Tampines North polyclinics, ramping up of capacity in the new Woodlands Health campus, and projected capacity increases in the long-term care sector. MOE expenditure is expected to increase by SGD0.7bn (4.8%), mainly due to annual cost adjustments, initiatives to improve the quality of education, and the resumption of school building projects that were previously delayed by COVID-19. MINDEF, MOH, and MOE remain the top three ministries by expenditure in descending order.

Addressing the social issues

Working towards income equality

- i. Reducing wage gaps: The government will enhance the Workfare Income Supplement scheme in 2025. It will raise the qualifying income cap from SGD2,500 to SGD3,000 and raise Workfare payouts to a maximum annual SGD4,900, up from SGD4,200. The Government will also raise the Local Qualifying Salary from SGD1,400 to SGD1,600 and increase the minimum hourly rate from SGD9 to SGD10.50 per hour.
- ii. Support for employers who raise wages for lower-wage workers: The co-funding levels in the Progressive Wage Credit Scheme (PWCS) will be raised from a maximum of 30% to a maximum of 50%. The Government will also raise the PWCS wage ceiling from SGD2,500 to SGD3,000 in 2025. It will top up the PWCS Fund by SGD1bn.
- iii. ITE Progression Award: The government has announced a slew of measures for ITE graduates aged 30 and below. It will provide a SGD5,000 top-up to the post-secondary education accounts of ITE graduates when they enrol in a diploma programme. And when these students attain their diplomas, the Government will provide a further SGD10,000 top-up to their CPF Ordinary Accounts.

Working towards social mobility

- i. ComLink+ Progress Packages: The Government will supplement the efforts of eligible lower-income families with young children to achieve stability, self-reliance, and social mobility. These families will receive financial top-ups through these packages when they work with MSF-assigned family coaches on an action plan and take active steps towards a) preschool education; b) employment; c) financial stability; and d) saving for home ownership.

Support for families and seniors

- i. Improve preschool affordability: The government plans to reduce monthly childcare fee caps in government-supported preschools in 2025 to SGD640 for anchor operators and SGD680 for partner operators (this is before the childcare subsidies). It will make another move to reduce fee caps in 2026. The Government will enhance existing preschool subsidies for lower-income families by extending them to all children from lower-income families, including those with non-working mothers. To support these measures, the Government will top up the Edusave Endowment Fund by SGD2bn.
- ii. Assisting young couples with rental housing (while they wait for completion of their flats): The Government will provide a PPHS (Open Market) voucher for one year to support eligible families who rent a HDB flat in the open market.
- iii. Support for families of persons with special needs or disabilities: The Government will reduce the maximum monthly fees at SPED schools to SGD90, down from SGD150. It will also lower the fee caps at all Special Student Care Centres to reduce families' out-of-pocket expenses. For adults with disabilities, the Government will provide more support for their employment and integration into the community. It will expand spaces in sheltered workshops and day activity centres where they can undergo skills training. It will also launch more Enabling Services Hubs to provide community support to persons with disabilities and their caregivers.

Supporting the development of arts and sports

The Government will invest SGD100m over the next four years in the National Arts Council's refreshed Our SG Arts Plan. The Government will also support the Sports Facilities Master Plan. The implementation of the plan will ensure that Singaporeans can look forward to new and rejuvenated sports centres in Toa Payoh, Punggol, and Clementi, as well as more sports and recreational facilities in neighbourhoods. The Government will do a SGD20m top-up for the One Team Singapore Fund and extend the fund till the end of 2027.

Strengthening the culture of giving

The Government will extend the Charities Capability Fund Collaboration Grant for three years until the end of 2026. It will also introduce an Overseas Humanitarian Assistance Tax Deduction Scheme, which will provide 100% tax deductions for cash donations made towards overseas emergency humanitarian assistance causes through designated charities. This will run for four years as a pilot programme.

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470