

Singapore gets its fourth Covid-19 stimulus package

Despite the fourth stimulus, a deeper GDP fall this quarter and negative growth for the rest of the year is still very much a possibility for the heavily export-dependent economy



Source: Shutterstock

33 Fourth stimulus package
SGD bn

The Fortitude Budget - fourth package

Singapore has announced another stimulus package today to help the economy turn the Covid-19 tide bringing the total stimulus to SGD 92.5 billion, about 19% of GDP.

Unlike hefty stimulus packages in other countries, which constitute a lot of fluff than real spending, a substantial portion of Singapore's stimulus forms a real boost to the economy. This is further reinforced by the fact that more than half of the total stimulus is set to be funded by SGD 52 billion

drawdowns from past reserves, while the overall fiscal deficit is projected to be at a record SGD 74.3 billion, 15.4% of GDP.

Singapore's total stimulus package amounts to something like SGD 92.5 billion, about 19% of GDP.

Termed as “The Fortitude Budget”, the SGD 33 billion new supplementary budget builds on previous three such budgets (Unity, Resilience, and Solidarity budgets) to provide more support for workers, businesses, households, communities and frontline agencies dealing with the pandemic. The main focus of the new package is preserving jobs by further enhancing the jobs support scheme, extended waiver of foreign worker levy, rental grants for SMEs, and measures to create 40,000 new jobs in public and private sectors this year.

Even with a massive stimulus, large GDP contraction this quarter and potentially negative growth for the rest of the year could still become a reality for the heavily export-dependent economy given extremely weak global demand. That said, the unprecedented stimulus should go some way in lifting the confidence and facilitating a more vigorous post-Covid recovery than would otherwise have been the case.

Still weak outlook - another growth forecast cut

The additional stimulus comes on the day the government also cut its export and GDP growth forecast and warned about the weak labour market.

Enterprise Singapore's, the trade agency, now sees as much as a 12% fall in total exports and 4% fall in non-oil domestic exports this year against an earlier view of up to 1.5% growth in both measures. It cited a severe impact from Covid-19 and low oil prices as reasons for the downgrade.

Separately, the Ministry of Trade and Industry cut the full-year 2020 GDP forecast to around a 7% fall from the previous 4% fall - the third cut so far led by deteriorating external demand and impact from Covid-19. And, the Ministry of Manpower expects a “considerable uncertainty” ahead leading to retrenchments.

We have revised our GDP forecast to -3.7% for 2020, which we revised recently from -2.6%, subject to asymmetric downside risk.

Pharmaceuticals - a silver lining

Also released today, industrial production had yet another strong month of growth in April. A 13.0% year-on-year the surge in industrial production surge last month was a stark contrast to the consensus of a 1% fall. The seasonally adjusted output was up 3.6% from March, also beating the consensus of -7.0%. These gains follow 16.5% YoY and 21.7% MoM growth in March.

Exports have been the main source of manufacturing strength in recent months. However, it's been rather lopsided than a broad-based strength, lifted by a surge in the pharmaceutical demand during the global pandemic. A 174% YoY jump in pharma exports in April helped the output bounce by 141%. Everything else has been weak though.

The key question is how far the pharma-led export strength will last? Unlikely for too long, judging from sharp cuts to official export and growth forecasts.

Inflation - on a steady downward path

Domestic demand seems to be getting a beating as reflected by data on consumer prices today. For the first time since late 2016, CPI inflation slipped into the negative territory coming in at -0.7% YoY, dropping down from 0% in March. Core inflation also weakened slightly to -0.3% from -0.2%.

Food inflation continued to buck the broader negative trend, rising by 2.1% YoY on top of the 1.5% gain seen in March, but all other components posted steeper declines. The main administrative factors contributing to the negative trend in April was the quarterly budget rebate of services & conservancy charges for public housing and a 5.1% cut in electricity tariffs. Besides, the transmission of lower global oil prices to domestic fuel prices weighed on transport inflation, bringing it down to -1.7%.

We see negative inflation sticking around for the rest of the year amid weak demand and a challenging labour market situation. We recently cut our full-year 2020 inflation forecast to -1.0% from -0.5%, and this is unlikely to be the last downward revision.

Author

Olivia Grace

Editor

olivia.grace@ing.com**Julian Geib**

Junior Economist, Global Trade

julian.geib@ing.de**Zoltán Homolya**

Economic research trainee

zoltan.homolya@ing.com**Amrita Naik Nimbalkar**

Economist, Global Macro

amrita.naik.nimbalkar@ing.com**Mateusz Sutowicz**

Senior Economist, Poland

mateusz.sutowicz@ing.pl**Alissa Lefebre**

Economist

alissa.lefebvre@ing.com**Deepali Bhargava**

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Michiel Tukker

Senior UK & Eurozone Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Senior Economist, Healthcare & Technology

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Deputy Global Head of Editorial and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporate Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com