

Singapore Strategy

Fiscal windfall support handouts galore



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SINGAPORE | STRATEGY | BUDGET 2025

19 February 2025

- FY2024 overall fiscal surplus was S\$6.6bn (0.9% of GDP), much higher than estimated surplus of S\$0.8bn (or 0.1% of GDP). Revenue was S\$6bn higher than expected due to higher corporate income tax and net investment returns. FY2025 is expected to show a surplus of S\$6.8bn (or 0.9% of GDP).
- The highlight this year was the multiple handouts to households. SG60 will distribute S\$600-800 per Singaporean, S\$800 CDC voucher per household, and S\$200 personal income tax rebate. The next area of extra spending was infrastructure, especially Changi airport (S\$5bn), energy (\$5bn), coastal protection (\$5bn), productivity (S\$3bn), and R&D (S\$1bn).
- The 2025 budget was again to address the cost of living conditions but further bolstered with the direct SG60 handouts. The first set of measures to strengthen the Singapore stock market is introducing tax incentives for listed companies and fund managers. Our view is that aspiring listings look for higher valuations and equity capital that is multiple times the value of taxes saved. Instead, a new \$1bn private credit growth fund was established. Sectors that benefit from the budget are construction, defence, power, retail, and supermarkets.

Sector snippets

1. **Construction.** Additional S\$5bn in funds were topped up into the Coastal and Flood Protection Fund (initial budget: S\$5bn) for sea walls and land reclamation. Around S\$60 billion in this decade will be spent expanding the rail network to ease overcrowding. A S\$5bn top-up to the Changi Airport Development Fund (original budget: S\$3bn) was also made to build Terminal 5.
2. **Defence.** FY24 total defence expenditures was above the expected S\$20.2bn to S\$20.85bn (or +7.7%). The budget for FY25 is expected to jump 12.4% to S\$23.4bn.
3. **Finance.** Tax incentives for Singapore-based companies and fund managers that list in Singapore and invest substantially in Singapore-listed equities and a new S\$1bn Private Credit Growth Fund.
4. **Healthcare.** More cash support for large families through schooling and healthcare grants. Health spending is expected to jump 16% in FY25 to S\$20.8bn (FY24 +4%).
5. **Power.** By 2035, 1/3 of electricity demand will be met through electricity imports. Accelerating the decarbonisation of the transport sector will drive power demand. Top up Future Energy Fund by S\$5bn for further use of clean power such as nuclear power.
6. **Property.** Property tax rebates for owner-occupied residential homes and lower tax rate bands. More than 50,000 new HDB flats will be launched over the next three years.
7. **Retail.** Singapore households will gain from the S\$600-800 SG60 per Singaporean, S\$800 CDC voucher per household, and S\$200 personal income tax rebate.
8. **Semiconductor:** S\$1bn top-up for R&D infrastructure, including new national semiconductor R&D fabrication facility. Up to S\$150mn set aside for a new Enterprise Compute initiative for firms to partner with major cloud service providers to access AI tools and computing power, bolstering demand for the latest AI chips.
9. **Transportation:** A S\$5 billion top-up to a fund for the development of Changi Airport, alongside an S\$3 billion investment to enhance productivity, is part of new measures to support economic growth.

➤ Construction

- BRC Asia (BRC SP, ACCUMULATE, TP S\$3.15)
- Centurion Corp (CENT SP, ACCUMULATE, TP S\$1.02)
- Pan-United (PAN SP, ACCUMULATE, TP S\$0.68)
- Wee Hur Holdings (WHUR SP, BUY, TP S\$0.62)

➤ Defence

- ST Engineering (STE SP, ACCUMULATE, TP S\$5.00)

➤ Power

- Keppel (KEP SP, BUY, TP S\$8.00)
- Sembcorp Industries (SCI SP, BUY, TP S\$6.27)

➤ Retail

- Frasers Centrepoint (FCT SP, BUY, TP S\$2.44)
- Lendlease Global (LREIT SP, BUY, TP S\$6.27)

➤ Supermarkets

- Sheng Siong (SSG SP, ACCUMULATE, TP S\$1.74)

Paul Chew (+65 6212 1851)
Head of Research
paulchewkl@phillip.com.sg

Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli – qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Banking | Auto

Glenn Thum – glennthumjc@phillip.com.sg

US Tech Hardware | E-commerce | ETF

Helena Wang – helenawang@phillip.com.sg

Construction | Semiconductors

Yik Ban Chong (Ben) – chongyb@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangkok,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website: www.phillip.co.th

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler

Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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