

SINGAPORE'S 2023 BUDGET: MORE OF THE SAME?

- Despite headwinds, the government's economic strategy remains more of the same.
- Budget 2023 signalled continued fiscal conservatism that risks increasing public savings beyond what is economically efficient. Money can be spent on pursuing long-term goals.
- The step up in social assistance schemes was welcome, but there is considerable latitude for more support for Singaporeans to face looming economic and social challenges.
- Goodies in Budget 2023 can be justified by prevailing macroeconomic conditions and the government's policy goals, so the budget is not sufficiently indicative of an early election.

WHAT DOES THE BUDGET MEAN FOR SINGAPORE'S MACRO OUTLOOK?

- The fiscal impulse from the budget is contractionary at -3.4% of GDP, but persistent upward pressures on prices from a tight labour market and a mildly positive output gap entail further monetary tightening by the MAS in Apr 23.
- Singapore's short-term outlook is relatively secure, but a comprehensive strategy to boost long-run sustainable and equitable growth remains lacking.

REGIONAL UPDATES

- Hawkish noises from the Blinken-Wang meeting in Munich are less worrying than meet the eye. The indirect fallout onto flashpoints in North Korea and Taiwan are the real risk.
- Chinese homeowners are opting for early mortgage repayments, putting a potential consumption rebound at risk.
- India sees an inflationary spike as food and beverage prices come under upward pressure. Merchandise exports and imports for Jan 23 contract as international demand softens.
- Indonesia's central bank halts rate hikes as inflation and currency pressures show signs of easing. Exports start the year on a strong note but will face headwinds moving forward.
- Taiwanese export orders experience another torrid month amidst weak global demand.
- Malaysian exports recorded the softest growth in over two years as demand for manufactured goods stagnate. Expect muted export performance for the coming months.
- Thailand sees a weak set of 4Q22 GDP figures. Weak private consumption is a concern.

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