

**MINISTERIAL STATEMENT ON SUPPORT MEASURES FOR PHASE 2
(HEIGHTENED ALERT) AND PHASE 3 (HEIGHTENED ALERT)**

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Mr Speaker Sir,

A. INTRODUCTION

1. It has been a year and a half since the start of the COVID-19 outbreak. And when the pandemic first broke out, some even thought it might be all over after a year.

- a. Unfortunately, this scenario has not materialised.
- b. We are dealing with a very tricky virus, and each time you think you have it under control, it comes storming back.

2. So we are continuing to see rolling waves of infections around the world, driven by new variants of the virus.

- a. Late last year, we had the Alpha variant, which was first detected in the United Kingdom, and which was about 50% more transmissible than the original strain detected in Wuhan.
- b. Now we are dealing with the Delta variant – it is estimated to be 60% more transmissible than the Alpha variant.
- c. That means it's about two and a half times more contagious than the original strain.
- d. Even countries which kept their borders tight like China and Australia are seeing outbreaks of new clusters linked to this variant.

3. So the Delta variant is fast becoming the world's dominant strain of SARS-CoV-2. It has spread throughout Asia, and is now making its way to countries around the world.

- a. For example, members would have read reports on how new infections are surging across the African continent because of the Delta variant.
 - b. Some countries that started relaxing their measures are also seeing new infections due to this strain.
 - c. The good news is that the mRNA vaccines (be it Pfizer-BioNTech or Moderna) offer excellent protection against severe illness, even with the Delta variant.
 - d. But in places where vaccination rates are not high enough, especially amongst the elderly population, the increase in infections may unfortunately lead to higher hospitalisation, ICU admissions and eventually fatalities.
4. The world is unlikely to reach a point where enough people are immune to stop the virus's spread before the emergence of new variants.
- a. Delta may not be the worst variant of this virus. I shudder to think what the Omega variant would look like.
 - b. We must be prepared to see new strains that are more transmissible, vaccine-resistant, and even able to evade current diagnostic tests.

B. SUPPORT MEASURES FOR PHASE 2 (HEIGHTENED ALERT) AND PHASE 3 (HEIGHTENED ALERT)

5. For Singapore, we can take heart that we are in a much better position to deal with the pandemic now, than at the start.

- a. We have more robust public health defences, including testing and contact tracing capabilities, which have enabled us to quickly detect and contain the spread of new clusters.
 - b. We have procured enough mRNA vaccines as part of our national programme, and are now able to offer these vaccines to all eligible persons in Singapore.
6. And to deal with the latest round of outbreaks, we decided there was no need to go into an economy-wide Circuit Breaker like what we had done last year.
- a. Instead, we adopted more targeted measures calibrated based on the severity of the outbreaks.
 - b. So in early- to mid-May, we saw the emergence of new clusters, most notably at Tan Tock Seng Hospital and Changi Airport, and a sustained increase in unlinked community cases.
 - c. We moved into Phase 2 (Heightened Alert) on 16 May, to protect Singaporeans and to control the spread of the virus.
 - d. We introduced measures aimed at reducing transmission risks in indoor settings where people do not have their masks on, and where there is a higher chance of large clusters forming. These included F&B dining-in, gyms and fitness centres, as well as live arts and cultural performances.
 - e. And these additional measures have worked in curbing the spread of the virus, while allowing most parts of the economy to continue operating.

f. And that's why we started to ease the restrictions from 14 June, when we moved from Phase 2 to Phase 3 (Heightened Alert); and we expect to open up further from 12 July to allow larger groups of five people to dine together.

7. In line with this calibrated approach during the Heightened Alert, we have targeted our support measures to help businesses and individuals most impacted by the tightened restrictions. The details of the support measures have been announced previously, so let me just provide a quick summary.

Jobs Support Scheme

8. First, we enhanced the Jobs Support Scheme, or JSS, to help enterprises retain local workers. From 16 May to 11 July, we provided different levels of JSS enhancements based on the impact of our measures on various sectors:

- a. We provided 50% JSS support for sectors which had to suspend all or most of their operations. These included F&B, gyms, fitness studios, as well as performing arts organisations and arts education centres.
- b. We also enhanced support to 30% for sectors that were not required to suspend operations but were nonetheless significantly impacted by the reduced footfall. These included the retail sector, cinemas, museums, art galleries, historical sites, indoor playgrounds, and other family entertainment centres.

9. To ease businesses back towards re-opening, we will taper JSS support to 10% for two weeks from 12 July.

Rental Relief

10. Second, we helped businesses with their cash flow by providing relief for rental costs.

- a. We provided two months of rental waiver for hawkers in Government-owned premises.
- b. To support smaller businesses, including those in the heartlands, we extended rental support for Small and Medium Enterprises, or SMEs, and eligible non-profit organisations through:
 - i. One month of rental waiver for tenants of Government-owned commercial properties; and
 - ii. Half a month of cash payout for those who are end-tenants and owner-occupiers of qualifying private commercial properties.

Targeted Help for Affected Groups and Individuals

11. Third, we helped individuals impacted by the safe management measures:
- a. We supported taxi and private hire car drivers through the COVID-19 Driver Relief Fund.
 - b. And to further assist our hawkers who were impacted by the dine-in restrictions, we provided subsidies for table-cleaning and centralised dishwashing services.

- c. We also introduced a COVID-19 Recovery Grant (Temporary), or CRG-T, scheme to provide short-term support to employees and self-employed persons who suffered from sudden and significant income loss during this period ,and the coverage of this CRG-T scheme extends to end-July.

C. FUNDING APPROACH FOR SUPPORT MEASURES

12. In coming up with this package, we consulted closely with workers, union leaders, and business leaders to hear their concerns and challenges. And I thank them for their understanding and close cooperation as we navigate this crisis together.

13. The additional support measures for the period of Heightened Alert are expected to cost **\$1.2 billion**.

- a. We sized the package based on what we assessed to be appropriate to meet the needs of businesses and individuals during this period.
- b. As mentioned earlier, most parts of our economy continued to operate over the past two months. It was not the same as the Circuit Breaker last year where many activities were curtailed and literally the whole economy was shut down.
- c. In fact, many individuals and businesses have learnt to adapt and pivot to new ways of working and doing business, allowing them to keep going in the face of tightened restrictions.
- d. We are also building on a strong base of support measures announced earlier this year in Budget 2021, which are still in place. For example:

- i. We have the Jobs Growth Incentive and other measures in the SGUnited Jobs and Skills Package, to facilitate workers moving to jobs in growth areas.
- ii. We also have measures to foster innovation, help businesses adopt new technologies, and build deep digital capabilities.
- iii. And we continue to have various assistance for individuals and households including the GST Vouchers, CDC Vouchers, and the COVID-19 Recovery Grant.

14. Mr Speaker, under these circumstances, I do not believe there is a need to draw on our Past Reserves.

- a. Drawing on Past Reserves is a major move.
- b. We do so only in exceptional circumstances.
- c. That was the case last year. Our economy shrank by 5.4% - the largest fall since independence. Our resident unemployment rate rose to nearly 5%.
- d. At the start of this Financial Year, because we were starting out on a new term, we had to draw on Past Reserves again to finance the continuing COVID-related measures in the Budget.

15. We are not in the same situation this time.

- a. Our economy is recovering; our employment situation is steadily improving.
- b. On the COVID-19 front, we have improved testing and tracing capabilities, and we can now control the infection using more targeted restrictions.

- c. We have also made good progress in vaccinations. Almost 40% of our population has been fully vaccinated and we are going as fast as we can with nearly 80,000 doses being administered every day.

16. Let me be clear: we will not hesitate to use the full measure of our fiscal firepower to protect the lives and livelihoods of Singaporeans.

- a. But we also need to be careful about the state of our public finances, and ensure they are sustainable for the future.
- b. In many countries, COVID-19 has led to massive increases in debt levels, which have not been seen since the end of the Second World War.
- c. Not many people are paying attention to how all of these debts will be serviced.
- d. They may look affordable now, but will not be so once interest rates increase to more normal levels.
- e. The day of reckoning will come, and the burden will surely fall on the young and future generations.

17. We are one of the very few exceptions to this trend of rising public debt around the world. We are very fortunate to be where we are today, thanks to the foresight and fiscal prudence of our forefathers.

- a. When the Reserves Protection Framework was introduced in 1991, no one could have foreseen that a pandemic of this magnitude would hit us one day.

- b. But it is precisely this discipline of setting aside resources for rainy days that has put us in a strong fiscal position to respond decisively to this current crisis.

18. We already expect to draw up to \$53.7 billion from our Past Reserves – it's an amount which we are not likely to be able to put back anytime soon, if at all.

- a. Our expenditure in FY2020 was the highest ever in the history of our country; and this unprecedented fiscal response has also led to the largest budget deficit in Singapore's history.
- b. Now that things are better, we should refrain from drawing further on Past Reserves. Instead we will fund the support measures using resources that were approved in this year's Budget.
- c. That is the responsible way to manage our finances.

19. So we are not asking for new monies in this Bill, but are seeking a reallocation of monies to fund the support package. Let me explain what this entails.

20. About \$0.6 billion out of the \$1.2 billion will come from the capitalisation of development expenditure under the Significant Infrastructure Government Loan Act, or SINGA in short.

- a. There are two projects that meet the criteria for financing under SINGA – the Deep Tunnel Sewerage System and the North-South Corridor.
- b. We had set aside funds for these two projects in Budget 2021, before SINGA was passed.

- c. So with SINGA, we will borrow for these projects and capitalise their development expenditure from 4Q2021.
- d. So the amount that was originally budgeted to finance these two projects can now be reallocated to fund the support package.
- e. This is a one-off adjustment, because SINGA was passed after we started the financial year.
- f. Going forward, the amounts that will be capitalised under SINGA will be incorporated as part of future annual Budget Estimates, and so we will not have such reallocation space in future.

21. The remaining \$0.6 billion will be reallocated from underutilisation of development expenditure mainly due to delays in projects arising from COVID-19. It doesn't mean we are cancelling the projects; we are still doing the projects.

- a. We expect to catch up on our development schedules as the situation stabilises.
- b. Hence, the delayed expenditure will still need to be incurred in future financial years. But in the meantime, there's some fiscal space for reallocation

22. I am therefore introducing this Supplementary Supply Bill to effect this reallocation of \$1.2 billion to fund the support package.

D. SUPPORTING OUR SMES

23. Mr Speaker, the way we have gone about providing support this round, as well as our ongoing support schemes over the years, reflect our fiscal approach in supporting individuals and businesses.

24. Even before the crisis, we have been very careful to ensure a fair tax regime for all. Our overall income tax revenue – both corporate and personal – as a percentage of GDP is low, at only around 6%¹, about half the OECD average of 12%².

25. For individuals, we layer on a progressive system of transfers that provides more help for those in greater need. As we have shared in this house before, the bottom 20% of households by income receive around \$4³ of benefits for every dollar of tax they contribute.

26. We also have a competitive tax regime for companies, particularly our small and medium enterprises, as they are the backbone of our economy. While there is a global movement to change corporate tax rules, which we discussed at length just now, these changes are only applicable to a select group of global companies, and not to smaller enterprises. So our SMEs can continue to enjoy low taxes. Let me share some numbers.

¹ Source: MOF Budget data for FY2018.

² Source: OECD data for FY2018 (as of 1 Jul 2021). OECD income taxes refer to taxes on income and profits of individuals and corporates. The OECD average figure refers to the sum of income taxes in OECD member countries over total GDP for the same group.

³ Based on 2019 figures to remove effect of one-off COVID-19-related transfers in 2020.

- a. Our SMEs, or those with turnover of up to \$100 million, they comprise more than 95% of active companies in Singapore, but they contribute less than a third of our Corporate Income Tax revenue⁴.
- b. In fact, more than 50% of such companies do not pay any corporate tax at all.

27. Besides taxes, we recognise that SMEs are concerned with business costs like rental, labour, and utilities. We do not directly offset such costs in normal times, but instead provide a wide range of schemes to help them improve productivity and build new capabilities.

- a. So from 2015 to 2019, before COVID-19, about 70%⁵ of Government grant disbursements to businesses went to SMEs.

28. During times of crises, we recognise that lower-income households and SMEs face bigger challenges. And that is why we have designed our interventions to benefit them the most.

29. In particular, our COVID-19 support packages provide more help for SMEs. For example,

- a. About two-thirds of the \$26.7 billion of JSS paid out to-date went to SMEs.
- b. About 90% of the benefits from the Corporate Income Tax rebate in YA2020 went to SMEs.

⁴ Based on YA19 data.

⁵ Source: MOF and Department of Statistics.

30. For many SMEs, access to credit is a critical lifeline to tide them through this crisis.

- a. So we have supported over \$22 billion worth of loans to over 25,000 enterprises through Enterprise Singapore's financing schemes since the start of 2020.
- b. 99% of the recipients were SMEs.
- c. While economic conditions have improved, such access to credit remains critical to our SMEs.
- d. Therefore, I will **extend the Temporary Bridging Loan Programme and the Enhanced Enterprise Financing Scheme – Trade Loan for an additional six months from 1 Oct 2021 to 31 Mar 2022.**
- e. The parameters for both schemes remain unchanged, including the government risk-share of 70%. The Monetary Authority of Singapore (MAS) will also extend the MAS Singapore Dollar Facility for Enterprise Singapore Loans accordingly.

31. I encourage businesses to make use of this extension and other available schemes to ready themselves for the new normal. Many of our SMEs have already seized the opportunity to build new capabilities and future-proof their businesses.

32. Take the example of Slake, which started out in 2014 as a humble neighbourhood bistro in Siglap.

- a. In 2017, even before the pandemic, Slake pivoted to online ordering to reach more customers, by taking up the Productivity Solutions Grant. These investments paid off during the Circuit Breaker last year.
- b. Since then, Slake has doubled down on their efforts to go digital. They took up the Enterprise Development Grant to develop a virtual brand for new revenue streams, tapped on the Food Delivery Booster Package, and recently also expanded their social media marketing. And they are well-positioned for growth opportunities during this period and beyond.

33. Mr Speaker, let me say a few words in Mandarin.

- a. 今年五月，政府收紧了防疫措施，并为在这段期间最受影响的国人、员工和企业提供了一系列的援助。
- b. 政府会通过重新分配各部门的预算，拨出约12亿元，资助这些措施。
- c. 在推出这些措施时，我特别关注中小型企业的情况。中小企业是我国经济的支柱，但它们的规模比较小，资源也比较少。在面对危机时，它们一般需要更多的帮助。
- d. 因此，在政策方面，政府往往为中小型企业提供更多的支持。
- e. 例如，中小型企业的税务负担很低。
- f. 在新加坡，它们当中有超过一半不需要缴付公司税。
- g. 此外，本地虽然有超过百分之95的公司都是中小企业，但它们所支付的公司税，只占公司税总税收的不到三分之一。
- h. 在雇佣补贴方面，政府目前一共发放了超过267亿元的补贴，中小企业就获得了其中的三分之二。

- i. 从2020年初到现在，新加坡企业发展局的融资计划一共为2万5000多家企业，提供了超过220亿元的贷款，其中有百分之99是中小型企业。
- j. 为继续帮助有需要的中小型企业，我将把临时过渡性贷款计划和企业融资计划的贸易贷款延长六个月，到明年3月31日。
- k. 除了这些援助，政府也将继续协助企业数码化和创新，让它们做好准备，把握后冠病时代经济复苏和增长所带来的机会。

E. OVERALL ECONOMIC AND FISCAL OUTLOOK

34. Mr Speaker, looking ahead, the global economic outlook continues to be highly uncertain, as it depends critically on the path of the pandemic. On the upside, the US is picking up strongly, while the EU is showing the beginnings of a strong recovery. Faster-than-anticipated global vaccine rollout and effective pandemic containment could boost growth prospects. On the other hand, there are many downside risks, including the threat of new waves of infections, which could force a return to lockdowns in some jurisdictions, and a slower timeline for the re-opening of borders.

35. As a small open economy, Singapore's outlook depends crucially on these external developments. The uncertainty surrounding our economic outlook is therefore larger than usual. Nevertheless, barring unforeseen circumstances, we continue to expect GDP growth of at least 4% to 6% this year.

36. But the recovery will be uneven across sectors. The outward-oriented sectors which account for about 70% of our economy are projected to benefit from the pick-up in external demand.

37. The construction, marine and offshore engineering sectors are not short of projects. But they face a severe manpower crunch due to the COVID-19 restrictions. We have provided Foreign Worker Levy rebates to cushion the impact, and other support measures to help these companies adapt and resume work safely. But these cannot make up for the shortfall of workers. As we re-open our borders and allow more workers to come in, we expect the outlook for these industries to improve.

38. Likewise, domestic consumer-facing sectors like retail and F&B can expect to recover as we progressively ease our restrictions and allow larger groups to gather.

39. But the recovery will be more gradual in some of the hard-hit sectors like the aviation and tourism-related industries.

- a. Because it will take a longer time for international air travel volumes to return to pre-COVID levels.
- b. So there might be some consolidation in these industries.
- c. And the Government will do our part to re-skill the affected workers and help them transition to other growing sectors that need manpower.
- d. At the same time, we will continue to provide targeted support for these industries to preserve their core capabilities and to position them for recovery, which will come when travel restrictions are eventually lifted.

40. For FY2021, our budget position remains expansionary. We expect an overall deficit of \$11.0 billion or 2.2% of GDP, similar to what was previously announced at Budget 2021. (See Annex E-1.)

41. One important part of the recovery process is the re-opening of our borders. This is not just about GDP growth. It is in fact an existential issue for Singapore, because we survive and thrive on our ability to connect businesses and people to the region and the world.

42. There has been feedback from the business and investment community that Singapore might lose out to other hubs that are moving more aggressively to re-open their borders. We understand these concerns. But we are also very mindful that if we were to re-open prematurely before we reach high-enough vaccination levels, we could end up with another wave of infections, and worse, a surge in hospitalisation and ICU cases.

43. So our priority is to speed up vaccinations. And we have the ability to reach a very high level of vaccination coverage over the next one or two months.

- a. This will enable us to progressively re-open and re-connect with the world.
- b. We are already discussing with other jurisdictions that have effectively controlled the infection, to work out travel corridors with them for vaccinated persons to travel more freely, either without the need for Stay Home Notice or with a reduced SHN duration.

- c. While we will not be able to prevent occasional imported infections, a high vaccination rate and our public health defences will prevent major outbreaks.

44. Beyond the immediate term, we are investing in new capabilities and building ourselves up strongly for the future.

- a. We are accelerating our automation and digitalisation efforts to help our businesses, especially SMEs, improve their productivity, and transcend the limitations of our size and geography.
- b. We are intensifying our efforts in SkillsFuture to equip our local workforce with deep skills, and to power our next bound of growth with a strong Singaporean Core.
- c. We are creating new investments and jobs in the green economy, and strengthening our position as a regional centre for green finance.
- d. We are investing in R&D to be at the forefront of new technological revolutions, and to spur more innovative start-ups and enterprises.

45. Through all of these efforts, we will emerge from this crisis as a smarter and greener economy, and a more innovative and inclusive nation.

46. The foundations for all these have been laid in previous Budgets under DPM Heng. We also convened the Emerging Stronger Taskforce – co-chaired by Minister Desmond Lee and Group CEO of PSA International Mr Tan Chong Meng – which has set out many useful recommendations to better position Singapore for future

growth. We will double down on these efforts, and develop new initiatives over the coming months to accelerate our progress.

47. To achieve these goals, we will need strong partnerships across the community, private, and public sectors. Our experience throughout this pandemic has shown that we are stronger and more effective when we are united and when we work together.

48. In this regard, I'm glad that the Emerging Stronger Taskforce has prototyped the Alliances for Action, where groups of private and public stakeholders come together to identify opportunities and create new solutions. We will build on this prototype and scale up more of such private-public collaboration.

F. LIVING WITH ENDEMIC COVID-19

49. To conclude Sir, I know there is a deep longing in all our hearts to go back to how things were before the pandemic:

- a. To gather freely with our family and friends.
- b. To be able to travel freely for business and leisure.
- c. To be able to participate in religious activities and enjoy entertainment and sports events, like football, although you can watch the Euro on TV.
- d. To go about our daily lives without masks.

50. For many people, such a way of life can seem like a lifetime ago, and they feel a sense of helplessness not knowing when normalcy will return, if at all. I share and understand these concerns.

51. The reality is that COVID-19 is unlikely to go away anytime soon. But with vaccination and with improvements in treatment, we can make SARS-CoV-2 look more like influenza in terms of morbidity and mortality.

52. As my fellow MTF Co-Chairs and I have shared, we are preparing a roadmap for Singapore to transit to such a scenario where we learn to live normally with COVID-19.

53. We see promising signs from countries that are ahead of us in vaccinations. Israel is one such example. Its vaccination rate is amongst the highest in the world – about 60% of its population have been fully vaccinated with the Pfizer-BioNTech vaccine.

- a. It has opened up most of its economy. Relaxed many of its measures.
- b. It has seen a recent rise in cases, mostly due to the Delta variant.
- c. But the new outbreaks have not led to higher hospitalisation rates, because of the protection from the vaccine.

54. So for Singapore, we are targeting two-thirds of our population to be fully vaccinated by National Day.

- a. It is an ambitious target. But we are making steady progress towards it.

- b. We are also going all out to engage our seniors and get more of them vaccinated. We have already reached higher than two-thirds for our seniors but it's not high enough, and we want to get even higher.
- c. With high vaccination rates, we will be able re-open our economy safely.
 - i. We will then ease the safe distancing rules progressively, especially for vaccinated persons.
 - ii. We can look forward to larger gatherings, concerts, performances and sporting events, and eventually to travel again.

55. Sir, this has been a long and difficult journey. We have been running this marathon together for some time. I know many are fatigued and tired. But we are seeing light at the end of the tunnel.

- a. I would like to once again thank our frontline workers and the many unsung heroes who have worked tirelessly throughout this past year and a half to support our battle against the pandemic.
- b. And I also thank all Singaporeans for your forbearance and cooperation with our safe management measures.

56. Throughout the darkest moments of this pandemic, we have seen the Singapore spirit shine brightly. So let's move forward with renewed confidence about the future. Because we will overcome this crisis together, and we will emerge as a better, stronger, and more united Singapore.

57. Thank you, Mr Speaker.