

Singapore Budget 2025: Don't spend it all in one place

Key Takeaways

- **A generous budget:** Stronger than expected operating income for 2024 allowed the government to provide measures to help households and individuals. These include vouchers to ease cost-of-living pressures, and credits to support larger families.
- **Advancing Singapore's growth:** Enhanced investment in technology and innovation to attract high-value investments. Tax incentives for companies and measures to encourage investments in Singapore-listed stocks.
- **Investing in workers throughout life:** The budget provides funding to encourage upskilling and reskilling so that workers can continue to improve themselves amidst the competitive global landscape.
- **Building a sustainable Singapore:** As Singapore grows, renewal of its environment, upgrading of homes and infrastructure development remain key imperatives. Singapore seeks clean energy as a priority as it aims for net zero emissions by 2050.

Budget at a Glance

Themed "Onward Together For A Better Tomorrow", this year's Budget continues to strengthen Singapore's resilience and long-term growth, while balancing its short-term needs. The Budget reflected a holistic approach that covered economic strategies, business competitiveness, and support for Singaporeans.

Singapore's geopolitical neutrality, strategic location, and commitment to free trade has positioned it well to attract investors. The budget for R&D and innovation will encourage high-value technology investments such as AI and quantum computing, which will eventually lead to infrastructure needs from businesses. In the long-run, Singapore's Foreign Direct Investments will stand to benefit.

In addition, retailers will benefit as Singaporeans spend their CDC and climate vouchers. This will ultimately support Singapore's economy through domestic spending.

From a market perspective, the tax exemption for fund managers that invest substantially in Singapore-listed companies is a step in the right direction that reflects the

Equities Market Review Group's commitment to invigorating Singapore's stock market.

Overall, the Budget 2025 measures announced were mostly expected given Singapore's strong operating income for 2024. Looking forward, Singapore's economy is expected to grow at a modest 1% to 3%, with inflation at a manageable 1.5% to 2.5% in 2025 amidst global headwinds. We focus on what caught our eye during this year's Budget announcement.

Advancing its Growth Frontier

As technology gets more integrated into everyday life, Singapore plans to enhance its technology and innovation engines as these are the new drivers of growth.

Already a key player in semiconductors, Singapore supplies more than 10% of chips and one-fifth of semiconductor equipment worldwide. DNA chips, which enable scientists to sequence DNA, demand high levels of precision engineering. Today, Singapore produces more than 80% of the world's DNA chips.

To support such industries, Singapore will top up the National Productivity Fund by SGD3bn. Within the R&D space, Singapore will refresh public biosciences, medtech research infrastructure, and develop a new national semiconductor R&D fabrication facility to the tune of SGD1bn.

Tax Incentives

Singapore companies will get a 50% tax rebate for YA2025 and non-profitable ones with at least one employee will receive a minimum benefit of SGD2,000. The total benefit will be capped at SGD40,000 per company.

Newly introduced in this Budget was a tax exemption for eligible fund managers that invest at least 30% of their Assets Under Management in Singapore-listed entities. We feel this is the right step to encourage greater SGX activity.

Focus on Lifelong Learning

As Singapore expands its R&D and manufacturing capabilities, the Budget has also catered to workforce upskilling.

From March 2025, individuals over 40 can apply for a training allowance of up to SGD3,000 per month for selected full-time courses to support mid-career workers gain new skills. This will be capped at SGD72,000 per worker.

Workers undergoing part-time training will be able to apply for a SGD300 monthly allowance to help to defray course fees.

Cleaner and Greener

Since its early days, water has been a constraint for Singapore. Today's challenge has evolved, given the energy intensive nature from industries such as Artificial Intelligence and Biopharmaceuticals.

The government aims to have net zero carbon emissions by 2050 and has committed an additional SGD5bn to the Future Energy Fund that was set up in 2024. One of the areas mentioned in the Budget was the exploration of nuclear energy in its quest to secure clean power for the country.

Investment Ideas

Renewable energy players like **Sembcorp Industries** could benefit from the SGD5bn top-up in the Future Energy Fund as it encourages new investment opportunities in clean energy infrastructure.

Industrial REITs, particularly **CapitaLand Ascendas REIT** which has properties in One-North, are likely to gain from the refresh of R&D infrastructure in that area.

Banks and large-cap stocks stand to benefit from tax incentives for fund managers to invest in Singapore-listed entities, which could attract more institutional capital. Our preferred picks are **UOB** and **SingTel**.

Our Singapore stock picks trade at reasonable valuations with attractive yields

Company	Price (SGD)	Market Cap (USD)	CY25F PER (x)	CY25F P/B (x)	CY25F ROE (%)	CY25F Div Yield (%)	YTD Return (%)
UNITED OVERSEAS BANK LTD	38.58	48,050	10.2	1.3	13%	5.4%	6%
SINGAPORE TELECOMMUNICATIONS	3.37	41,435	19.6	2.2	11%	5.0%	9%
CAPITALAND INVESTMENT LTD/SI	2.48	9,209	15.2	0.9	5%	5.0%	-5%
SEMBCORP INDUSTRIES LTD	5.63	7,466	9.9	1.6	18%	2.6%	2%
CAPITALAND ASCENDAS REIT	2.54	8,328	16.5	1.1	6%	6.0%	2%
MAPLETREE INDUSTRIAL TRUST	2.01	4,266	14.8	1.1	7%	6.8%	-8%
FRASERS CENTREPOINT TRUST	2.07	2,804	18.1	0.9	5%	5.9%	-2%
Average			14.9	1.3	9%	5.2%	

Source: Bloomberg (as at 19 February 2025), CIMB Chief Investment Office

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