

PM's speech is a 'preview' to Budget 2010

More emphasis will be given to moving Singapore up the manufacturing value chain: economists

[SINGAPORE] Calling Prime Minister Lee Hsien Loong's speech at the NTUC conference on Tuesday a "preview" of what to expect in the 2010 Budget, economists here believe that more emphasis will be given to moving Singapore up the manufacturing value chain.

Barclays economist Leong Wai Ho also reckons that PM Lee's speech signalled that the 2010 Budget could be a "catalyst for faster change and longer term initiatives".

A shift in focus to the faster growing economies

of the world is likely and "this may impact the economy here", added Mr Leong.

This could see emphasis placed on new sectors such as bio-logics and manufacturing related to environmental sustainability.

"Manufacturing will have to move up the value chain," he said.

As such, while the "overall size of the budget will shrink", support of re-training of workers in the manufacturing sector is likely to stay. "Re-skilling issues could be re-skewed towards SMEs with labour incentives also more SME centric," added Mr Leong.

Associate Professor Shandre Thangavelu of the Department of Economics at the National University of Singapore also believes that there are signs that the upcoming budget will target SMEs.

"One thing lacking is the

development of SMEs and the linkages to larger companies as we link to the global value chain," he added.

For instance, he said that while the electronics in-

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– *Shandre Thangavelu, NUS*

dustry has developed its network of local contract manufacturers, there could be more support in branding and growing them. "There are existing programmes but these can be improved," he said.

"The important issue is elevating SMEs to become more organic in adopting new technology and human capital," he said.

This is of course is expensive so Asst Prof Thangavelu believes that the 2010 Budget could address cost sharing to elevate SMEs.

It would also be in line with the emphasis placed by the government recently on raising productivity and reducing

the reliance on foreign workers.

The 2009 Budget, which introduced a hefty stimulus package, is largely seen as an emergency measure that will not be repeated next year. And this is good

news for some.

CIMB-GK research economist Song Seng Wun believes that the current stimulus package has, to some extent, clouded the view on the strength of the economic recovery, with the Jobs Credit scheme for instance likely to have reduced the number of retrenchments in the labour force and loan insurance schemes making easier for unviable businesses to stay afloat.

He said that for next year, it might be better, "not to get help" as this would give "more clarity" on the depth of the recovery.

But it remains that if businesses do need help, it should be available. "The good thing is that Singapore is a small economy. It will be easy to see if demand slumps or bank financing falls," he added.