

Press Release from the Singapore Indian Chamber of Commerce and Industry (SICCI) on our Chairman, Nominated MP Mr Neil Parekh's, scheduled speech in Parliament.

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Dear Media Editors,

Nominated MP Mr Neil Parekh is scheduled to deliver the following speech in Parliament.

- Speech on *Public Finances*

We attach his speech, which is embargoed till delivery.

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Mr Speaker sir,

Thank you for allowing me to speak on this motion.

Public finance and budgets are crucial for the government to raise funds, and simultaneously allocate these funds for national spending and fostering the development of our economy.

Management of our reserves is of great importance for Singapore as we are a relatively small and very open economy.

Our major trading partners have always looked very positively on our management of our reserves. While they recognize the fact that as a small and open economy, we will face more volatility they take comfort from both the professional management as well as the size of our reserves.

Many of these partners envy the discipline we have shown in managing and growing our reserves over the last many years.

Additionally, it is an issue that is of great concern for the entire business community in Singapore. As many of us in business know only too well, new business investment is driven by the level of confidence experienced by key decision makers and investors.

The way the government responds to each crisis and the step-by-step established process taken by the executive, legislature and finally the President of the Republic of Singapore, has instilled great confidence in MNCs, international investors and domestic companies to continue to invest in Singapore in times of trouble.

Coming from the business and financial sector and representing the view of a few chambers of commerce, trade associations and the Singapore Business Federation, I would like to share with this House some thoughts from the business fraternity.

During the COVID-19 pandemic, the government drew down reserves for public health expenditure including securing of vaccines and the roll out of stabilisation and support packages to help workers stay employed and provide support for businesses. Such policies helped us emerge stronger when the economy recovered. Also, setting aside 150 million dollars of reserves to guarantee deposits were some one of the measures that were instrumental in safeguarding the continuity of business operations.

Without these packages, the recovery process would have been significantly impeded, adversely impacting both our entrepreneurs and Singapore's broader economic landscape. It is important to note here that while other countries had to borrow to initiate similar packages in their respective countries, we were able to use our reserves to manage the crisis.

In the recent past, with high inflation hitting us, the government has rolled out additional assurance packages, such as the Cost-of-living Support, to ensure that Singaporeans are better able to cope.

Besides serving as a very important source of funds during times of emergency, our reserves also maintain stability within our economy. Having such stability and consistency is very important and acts like a shock absorber when the economy goes through a rough patch and unemployment needs to be minimized.

Let us also not forget how the drawing down on the reserves helped maintain jobs in Singapore during the Global Financial crisis in 2008 and 2009.

One very successful scheme was the Jobs Credit scheme which helped business leaders maintain a higher employment level than what would have been possible.

In my view, our reserves besides playing the role of a “rainy day fund” also play the role of an “endowment fund” that allows the use of the NIRC to meet the critical funding needs in the budget each year. The presence of substantial reserves and our ability to draw on the NIRC also allows us to maintain lower taxes within a very stable overall tax regime. For many other nations, their annual budgets are funded by additional borrowing or by raising taxes frequently.

Let me emphasise that while I welcome and respect the intentions of my friends who have filed this motion to help Singaporeans reduce their financial burden, the party’s call in their motion for the government to review and change its current budget and reserve accumulation policies is perhaps risking the long-term economic stability for our children and grandchildren.

We should realize that increasing the use of reserves to fund the NIRC (the endowment role) would mean a greater risk that the “rainy day fund” role will be compromised.

There are no free lunches in life and we should be aware of the tradeoffs involved.

In my view, the exact size and details of Singapore’s reserves should be confidential to reduce the chance of speculative attacks by any foreign institution. During the Asian Financial Crisis in 1997, several Asian countries experienced massive currency sell-offs partly due to the speculative attacks that exploited vulnerabilities in their financial systems. Given Singapore’s use of a managed float system, the revelation of our reserves will increase the likelihood of a speculative attack in times of economic downturn.

Furthermore, such speculative attacks on any currency are not easy to counter. After the financial crisis of 1997, Thailand and Indonesia only showed signs of recovery by late 1999, and South Korea’s GDP growth only rebounded many years later. This duration between the Financial Crisis and the economic recovery underscores the severity of speculative attacks, and how economies take significant time to recover from it. This reinforces my stance on the importance of keeping our reserves confidential, to prevent speculative attacks.

During challenging times, the government’s actions reaffirm its dedication to maintaining economic stability and ensuring the well-being of Singaporeans, thereby showcasing the strategic and compassionate use of its reserves. This clearly illustrates that the discretion in revealing our reserves’ specifics has not impacted the government’s ability to respond effectively and quickly to the needs of its people.

Additionally, keeping our reserves confidential prevents the likelihood of public pressure and in extension, misallocation of the reserves. In my view, public pressure on the government to roll out populist schemes and initiatives might not be in Singapore’s best interest in the medium and long term.

For example, if Singapore’s reserves were larger than what the public anticipated, pressure to increase government spending if not managed carefully could lead to greater inflationary pressures. Especially in this economic environment where inflation levels are high, this would erode purchasing

power and affect the savings of Singaporeans. As has been seen in many, more advanced economies, populist policies have led to a quick erosion of large reserves replaced now by massive, expensive debt loads that will take many generations of citizens of those countries to repay.

In my view, a balanced, stable economic policy that supersedes any need for ultra populist initiatives ensures that spending decisions are made judiciously, and in line with long-term goals.

Responding to the suggestion that the Singapore government should not limit the use of up to 50% of the Net Investment Returns Contribution, I respectfully disagree. There are several reasons why I think it would be not advisable for Singapore to use more than 50% of the NIRC.

Firstly, I believe placing the limit of the NIRC to 50% ensures the long-term sustainability of Singapore's reserves. By spending only, a portion of the investment returns, the government aims to and will be able to preserve the principal value of the reserves.

Additionally, by limiting the use of the NIRC to only 50% ensures prudent fiscal management both in terms of taxation as well as government expenditure.

Finally, the 50% rule is based on expected future returns (to make it smooth). Realized returns can be lower and so the 50% rule also protects the principle in those scenarios.

This effectively allows us to save for the future, whether during times of economic crises or for future generations. Especially given Singapore's context, a small city-state lacking natural resources, our reserves act as a critical buffer against economic volatility and provide financial security, as seen recently during the pandemic.

Furthermore, saving for the future ensures that subsequent generations have access to similar, if not better resources and opportunities, through the government's investment in better education and healthcare. If we were to remove this policy, this could place an undue financial burden on our children and grandchildren, potentially limiting their ability to respond to their economic challenges and emergencies.

Our reserves are strategic assets that carry the commitment of past generations to the next to make sure that Singapore is ever ready to address any crisis when faced with it. That doesn't mean you can allow one generation to take away from the next generation!

In my view, our focus should be on growing our economy which in turn will lead to better, well paying jobs for our citizens in the future.

What we need are prudent fiscal and monetary policies that allows the government to effectively function, enable funding of all important development programs, ensure that NO One falls through the cracks and help is actually available when needed.

I urge all Singaporeans to have confidence that the representatives in this Chamber will exercise proper judgment and make the right decision, if the reserves must be unlocked.

Mr Speaker sir, based on the views that I have expressed, I am unable to support this motion.

Thank you.

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About Singapore Indian Chamber of Commerce and Industry

Established in 1924, the Singapore Indian Chamber of Commerce and Industry (SICCI) is the premier business association for Indian businesses in Singapore. With over 1000 members from all walks of trade and industry, SICCI serves as

a connector, enabler, and advocator, helping companies grow both locally and internationally.

We offer our members an array of business support services, including trade matching, business advisory, networking sessions, seminars, and training, and also serve as a champion of members' interests. Our aim is to function as a gateway of opportunities for Indian business in Singapore, helping both home-grown and international companies realise their full potential.

SICCI strives to provide its members with insight, connections and support services that will give their companies a competitive edge in the global market.

For more information, please visit: www.sicci.com.

About Mr Neil Parekh

Neil is a Partner at Tikehau Capital. Prior to his current role Neil was CEO, Asia for National Australia Bank. In July 2023, Neil was selected as a Nominated Member of Parliament in Singapore.

Besides having deep knowledge of traditional players in asset and wealth management, banking, insurance and non-bank finance companies, Mr. Parekh takes an active interest in Fintech and currently serves as a director of Elevandi (established by the MAS).

Neil contributes his time as a member of the Governing Council of the Singapore Business Federation and the Singapore Institute of Directors as well as serving on the advisory committee for James Cook University, Singapore. Earlier this year, he was recognized and admitted as a Fellow of the Australian Institute of Company Directors (AICD). He also serves as a member of the Investment Committee for SINDA and SNM.

A Singapore Citizen, Neil holds a Bachelor's degree in Accounting, a Master's degree in Finance, an MBA in International Business.