Economics

DBS Focus

Singapore: Implications of a strong PAP election victory

Economics/GDP/Fiscal

DBS Group Research May 5, 2025

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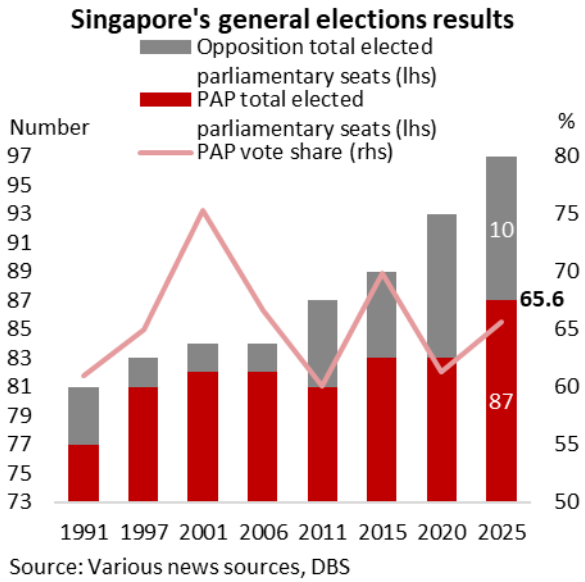


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- *Singapore's ruling People's Action Party (PAP) returned to government with a strong mandate in the May 3, 2025 general elections (GE).*
- *The PAP won 87 out of 97 elected parliamentary seats, with 65.6% of the total vote share.*
- *The strong mandate reflected high public confidence in the fourth generation leadership led by Prime Minister Lawrence Wong.*
- *The decisive result will reassure investors of ongoing political stability and policy continuity.*
- *In an increasingly challenging and volatile global economic landscape, we expect the PAP government to balance between providing immediate economic support with long-term priorities of fostering growth and addressing rising social needs.*

Incumbent PAP won GE 2025 decisively

Singapore's ruling People's Action Party (PAP) returned to government with a landslide victory in the May 3, 2025 general elections (GE), winning 87 out of 97 elected parliamentary seats and capturing 65.6% of the total vote share**.** This result marked an improvement from the 61.2% vote share attained in GE 2020, held during the depth of the COVID-19 pandemic. Led by Prime Minister Lawrence Wong and the fourth generation (4G) leadership, the strong mandate achieved by the PAP reflected high public confidence in the incumbent government's ability to navigate an increasingly challenging global economic landscape. While the opposition parties contested fiercely, they failed to make further inroads, with the Workers' Party (WP) retaining its 10 elected parliamentary seats in GE 2025.



Source: Various news sources, DBS

The PAP's strong mandate will reassure investors of ongoing political stability and policy continuity, that has potential to

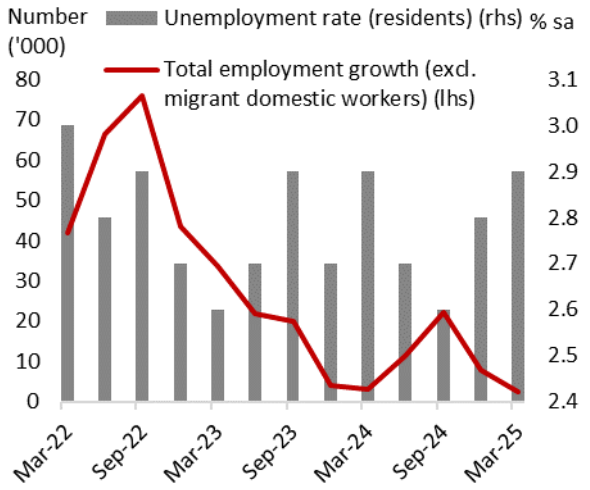
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enhance the already favourable business environment that will serve Singapore well over the coming years. GE 2025 took place amidst a shift away from globalisation and free trade, trends that have delivered tremendous success for Singapore's highly open and trade reliant economy throughout its 60 years of independence since 1965. **In an increasingly challenging global economic landscape, we expect the PAP government to balance between providing immediate economic support with long-term priorities of fostering growth and addressing rising social needs.**

Providing immediate economic support

Jobs were among the key issues in GE 2025 amid more challenging economic growth prospects for 2025 and beyond, besides cost-of-living concerns. The primary focus of the government following the elections will be navigating uncertainties arising from higher global tariffs led by sweeping US import levies, as highlighted by the Singapore Economic Resilience Taskforce.

Softer labour market conditions



Source: CEIC, DBS

Singapore's labour market softened in 1Q25, experiencing the slowest overall employment growth since 3Q21, and a slight uptick in unemployment rates in March 2025 compared to December 2024. We think that business hiring and wage increment expectations could weaken further amid a cyclical economic growth slowdown. Business sentiments are turning down. We expect weaker economic growth in 2H25, as deteriorating external demand from higher US-led global tariffs will likely hurt Singapore's trade-related sectors, with downside risks to our 2025 GDP growth forecast of 2.0%. Given the significantly weakened external demand outlook, the Ministry of Trade and Industry downgraded its 2025 growth projection range to 0.0-2.0% (from 1.0-3.0%) in April 2025.

To cushion the negative impact of rising global trade tensions, we foresee targeted fiscal support for businesses and workers, complementing monetary policy easing in April and January 2025. Measures will likely prioritise local small and medium-sized enterprises (SME) with lesser resources and greater constraints, and especially those engaged in goods exports business, which will be particularly vulnerable to the direct and indirect impacts of US tariffs.

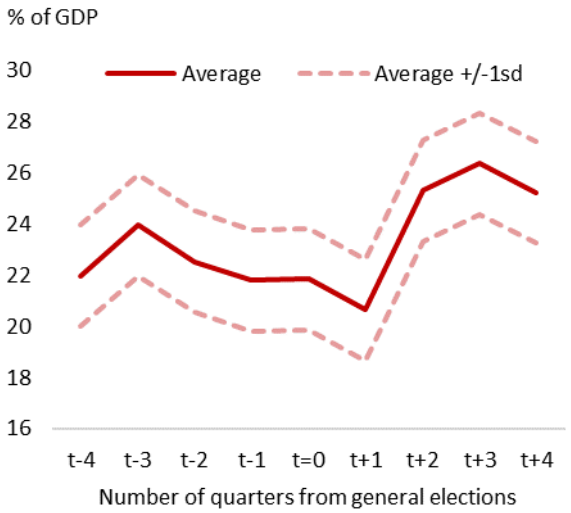
Near-term support areas for SMEs could be easing cash flows, improving access to funding, and managing manpower needs/costs to retain workers. Recognising potential challenges for fresh graduates and mature workers, as highlighted by Minister for Manpower Tan See Leng in April 2025, the government could provide traineeship support to help first-time job seekers and mid-career workers stay relevant, and enhance safety nets in case of increased layoffs.

Growing the economic pie and Forward SG

The government will continue to grow the economic pie, aiming for 2-3% average growth per annum over the next decade (as highlighted again in the Budget 2025 speech). Amid a retreat from globalisation led by an inward US, Singapore will aim to maintain an open economy and commitment to a stable and rules-based global system.

Besides political stability and remaining open, we believe that Singapore's continued efforts to ensure strong rule of law, favourable business environment, access to skilled talent, and high infrastructure connectivity will allow the city-state to be a stable and trusted investment destination in an increasingly turbulent global economy. These positive factors should continue to attract foreign direct investments (FDI), having supported robust long-term capital flows on average across the past four election cycles (*see Singapore's economy and markets around elections*).

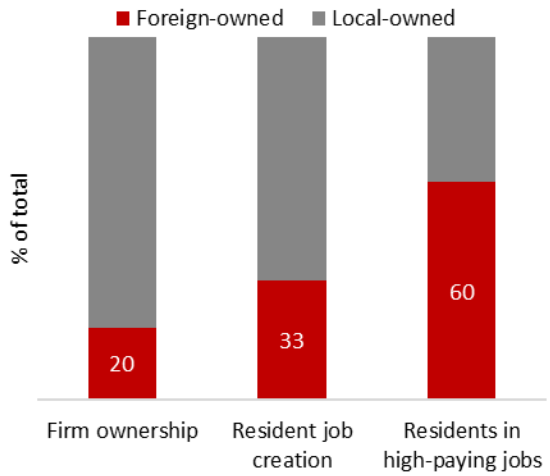
Singapore FDI flows around elections



Source: CEIC, DBS

Sustained FDI by anchoring foreign-owned firms in Singapore would help to secure long-term economic growth, creating job opportunities, sustaining continued real income growth (*see chart below)*, and generating fiscal resources needed for increased social spending under the Forward Singapore (Forward SG) agenda (*see 'Forward Singapore: A roadmap towards resilience'*).

Singapore resident employment outcomes by firm ownership

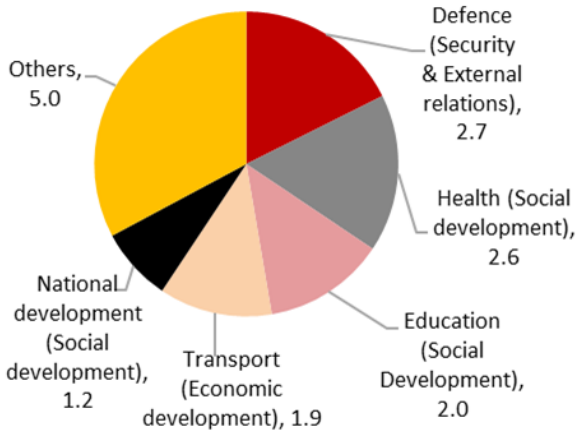


Source: MOM, DBS

We expect continued implementation of the 4G leadership's key Forward SG initiatives, which underpinned the PAP's election manifesto (*see tables behind).* With an expected total allocated government spending of close to SGD40bn by the end of this decade (as announced in Budget 2024), Forward SG focusses on refreshing the social compact by improving Singaporean's well-being and enhancing assurances in areas like healthcare, education, and housing – also the top government social development expenditure categories.

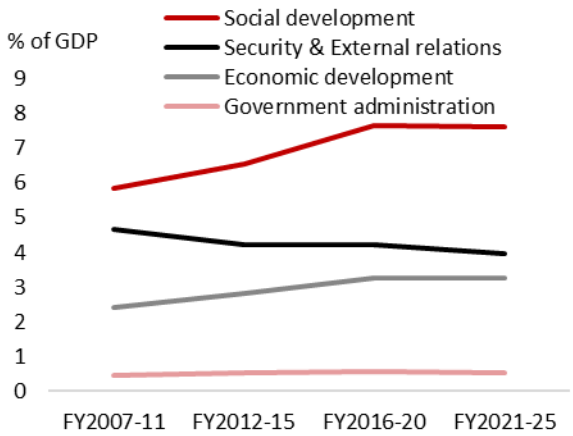
Singapore's government social development expenditures have increased over the years to reach an average of 7.6% of GDP in FY2021-25. Given the emphasis on Forward SG, we foresee elevated government social development expenditures in the years ahead, but still upholding fiscal prudence and responsibility, which has been the hallmark of the PAP's governing approach.

Total government expenditure breakdown (FY2021-25 average, % of GDP)



Source: CEIC, MOF, DBS
Note: Sum of operating and development expenditures for each category.

Rising government social development expenditures over the years



Source: CEIC, MOF, DBS
Note: Average for each period; Sum of operating and development expenditures for each category.

PAP GE 2025 Manifesto

Changed World, Fresh Team, New Resolve - Securing a Brighter Future for You

Chapter	Details
Chapter 1: A Dynamic Economy – Opportunities for All	• More support for PMETs, and nurturing more Singaporean corporate leaders • Strengthen safeguards for fair employment, including through Workplace Fairness Act • Keep Singapore a reliable and trusted business hub • Invest in transport and digital infrastructure • Adopt new technologies faster, including AI • Secure clean energy, including exploring nuclear power • Ease cost pressures for businesses via tax rebates, and Progressive Wage Credit Scheme • Enable businesses to upgrade and raise productivity • Improve access to manpower and capital • Help companies expand into new markets
Chapter 2: More Pathways – More Fulfilled Dreams	• Broaden definitions of success • Customise education for diverse abilities and interests • Invest in teachers' professional development • Partner with parents, industry, and community for holistic education • Build four new Special Education schools by 2030 • Establish more early intervention centers for children with developmental needs • Extend Development Support-Learning Support Programme to more pre-schools • Empower reskilling and upskilling • Help companies redesign jobs and invest in worker training • Help Singaporeans who have lost their jobs to bounce back with the SkillsFuture Jobseeker Support Scheme
Chapter 3: For Every Singaporean – The Support That You Need	• For households: CDC vouchers, cash payouts, utilities rebates • For parents: Expanded Parental Leave, lower pre-school fees, enhanced support for large families. Strengthen marriage and parenthood programs • Reinforce social safety nets (ComCare, Silver Support) • Enhance Workfare for lower-wage workers and extend Progressive Wages to more sectors • Support lower-income families through ComLink+ • Support disadvantaged children through regular pre-school attendance, and higher childcare subsidies • Strengthen post-18 transition from school to work for Persons with Disabilities (PwDs) • Boost PwDs employment opportunities • Subsidise adult disability services more generously • Pilot community living models for PwDs to offer choices for independent living
Chapter 4: For Seniors – Financial Security and Peace of Mind	• Raise re-employment age • Increase senior worker CPF contribution rates • Co-fund senior wages to encourage employers to hire and retain seniors • Review and enhance CPF system • Matching grants for volunetary CPF MediSave top-ups • Build more Active Ageing Centres • Increase subsidies for seniors needing long-term care • Develop new care models for aging in place • Strengthen caregiver support
Chapter 5: More Affordable Healthcare – Better Health	• Grow Well SG (children & adolescents), Healthier SG (adults), Age Well SG (seniors) • Innovations like Queenstown Health District • Add 13,600 healthcare beds in the next five years • Redevelop Alexandra Hospital and open new Eastern General Hospital by 2030 • Grow healthcare and nursing workforce • Boost support for mental health with a National Mental Health Office • More access to mental health services • Expand hospital and long-term care capacity for mental health

Chapter	Details
Chapter 6: More Affordable Public Housing – More Choices	• Build 50,000+ new HDB flats over the next three years • Increase Shorter Waiting Time flats • Explore more public housing options for higher-income couples & singles • Foster a stable property market • Plan HDB town rejuvenation, including through Voluntary Early Redevelopment Scheme (VERS) • New HDB classification framework (Standard, Plus, Prime), including new estates at Kallang-Whampoa, Bayshore, Mount Pleasant
Chapter 7: A Vibrant City – More Sustainable Living	• Reduce carbon emissions to reach net-zero by 2050 • Expand green spaces with new parks, park connectors, and therapeutic gardens) • Expand blue spaces with second marine park at Lazarus South and Kusu Reef • Integrate flood resilience, land reclamation, and redevelopment • Create waterfront living, such as Long Island and Greater Southern Waterfront • Build new Jurong Regional, Cross-Island lines, and extend existing MRT lines • Expand and improve bus services
Chapter 8: Arts, Culture and Sports – Everywhere for Everyone	• Develop Kallang Alive, including new indoor arena, and home for Team Singapore • Build new sports facilities in Clementi, Punggol and Toa Payoh • Upgrade existing sports facilities in Hougang, Pasir Ris and Queenstown • Expand the SG Culture Pass • Introduce early arts exposure in schools and pre-schools • Offer more arts apprenticeships and scholarships • Provide more arts spaces and artist support • Establish a new Museum of Design
Chapter 9: A More United Team – A Stronger Singapore	• Build Singaporean identity • Uphold multi-racial & multi-religious society • Enhance integration efforts • Keep Singapore an oasis of peace and harmony • Build society where, there is respect for all, everyone is valued, no one is left behind • Nurture a stronger culture of giving • Connect donors and volunteers to those in need • Increase civic participation avenues • Strengthen the partnership between people and government

Source: PAP website, DBS compilation

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