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July 7, 2021

Statement by Mr. Bhalla and Mr. Singh on Singapore
(Preliminary)
Executive Board Meeting
July 9, 2021

1. We thank the staff for their analytical report and insightful issue papers and Ms. Lim, Mr. Ong, and Ms. Yoe for their informative and useful Buff statement.

2. Singapore entered the pandemic with adequate fiscal buffers and was, therefore, able to minimize the damaging impact of the pandemic on economic activity. We recognize that a substantial fiscal package of about 21% of GDP, largely comprising above-the-line measures, was instrumental in supporting healthcare and mitigated economic and social hardship through assistance to businesses, workers, and households. This, in turn, accelerated the speed of recovery and helped the economy to jump back to a positive growth path. **The authorities' shift from broad emergency relief to more targeted fiscal and financial relief and policies to support post-pandemic priorities seems to be the most appropriate strategy**. We also agree that the **monetary policy is appropriately accommodative given the negative output gap and should remain data-dependent going forward**. We concur with the staff view that macroeconomic policies should remain supportive until the recovery is broadly entrenched.

3. As highlighted by the staff, medium- and long-term challenges including aging, climate change, and technological development would require expanding the fiscal space and raising additional revenues. In our view, the Covid-19 crisis has opened opportunities in the form of acceleration/forced adoption of digitalization in manufacturing, trading, and services. **Given the declining productivity growth in domestic-oriented sectors during the pre-pandemic period, the accelerated pace of digitalization can help reverse the declining productivity growth and raise the long-term growth potential**.

4. Despite sizable support for jobs, workers, and businesses (about 16% of GDP), non-resident employment seems to have borne the most brunt of the Covid-19 crisis, accounting for a predominant share of employment contraction. **It may be worthwhile to understand the nature of non-resident employment and the reasons for a severe retrenchment of non-resident employment vis-à-vis the resident employment**.

5. The sharp rise in corporate debt needs to be monitored from the viewpoint of potential risks to the bank's balance sheets as post-pandemic insolvencies may put pressure on the financial health. Secondly, the recent proposal of new global minimum corporate tax rules concerning multinational companies (MNCs) could affect Singapore's corporate income tax revenues and limit the effectiveness of its tax incentives. **How does the staff visualize the potential impact of global minimum corporate tax on the country's attractiveness for multinational investment as a financial center?**

6. We wish the authorities all the very best in their future endeavors.