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July 7, 2021

**Statement by Mr. Massourakis and Ms. Cerami on Singapore  
(Preliminary)  
Executive Board Meeting  
July 9, 2021**

*We thank staff for a comprehensive and insightful set of reports and Ms. Lim, Mr. Ong, and Ms. Yoe for their informative Buff statement. We share staff's assessment and policy recommendations and note that these are broadly aligned with the authorities' policies. We provide a few additional remarks.*

- **We concur with staff that the authorities' macroeconomic policy stance is appropriate.** A decisive and comprehensive policy response has mitigated the impact of the pandemic on the population and the economy, which is on a recovery mode and projected to grow robustly. Nonetheless, the uncertainties related to the evolution of the pandemic and the external demand remain high. Against this backdrop, we agree that additional but more targeted fiscal and financial support is appropriate until the recovery is well entrenched.
- **We note that despite disagreement on the external balance assessment, the authorities' policies remain in line with staff's recommendations.** Staff assess the external position as substantially stronger than warranted by fundamentals, following a large increase in the CA surplus in 2020. While we agree with staff on the need to correct large and persistent external imbalances, we also share the authorities' view that model-based assessments should be interpreted with caution amid uncertainty around the model itself and the impact of the pandemic. As stated by the authorities, policies to address the medium-term challenges related to aging, climate change, and digitalization are expected to reduce external imbalances.
- **Active labor market policies seem to serve Singapore well.** We commend the authorities for their effective labor market policies, which have contributed not only to mitigating the impact of the pandemic on employment but also to reducing income

inequality. This is a noted achievement when compared to the surging inequalities observed in many countries since the onset of the pandemic. *What lessons can be drawn from the Singaporean experience for other countries which rely more on automatic stabilizers, such as unemployment insurance?*

- **We support the authorities' strategy to transition to a more inclusive, digital, and greener economy.** The authorities' agenda for the medium-term is rightly focused on boosting productivity and sustainability by supporting digital and green technologies and shifting labor to the most dynamic sectors. We thank staff for the detailed analysis of the planned reforms and their expected impact based on the experience of peers. In this regard, we particularly support ongoing efforts to promote wider digitalization of the service sectors, including the financial sector. We also welcome the authorities' plan to support the development of green finance and invite staff to follow up in the next consultations.