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July 7, 2021

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

We would like to thank Ms. Choueiri and her team for an insightful report, and Ms. Lim, Mr. Ong, and Ms. Yoe for their Buff statement and for reaching out to our office**. We commend the authorities' comprehensive and coordinated policy response** that helped cushion the economy from the challenging global COVID-19 environment; in particular, **the labor market measures that managed to reduce inequality** could be considered for a longer time horizon.

We agree with staff's recommendation to quantify the spending needs to address medium and long-term issues such as aging, climate change and technological development. **We note that Singapore's ample fiscal buffers can be used to finance the post-pandemic structural transformation towards a greener, digital, and more inclusive economy and welcome the authorities' commitment in this regard**. Singapore Green Plan 2030 is an important step in the right direction. The green finance market is also growing rapidly; Singapore alone accounts for one tenth of the global sustainable fund market and for more than half of the ASEAN green debt issuance, adding a new dimension to the already well-developed financial sector of the country. Moreover, structural transformation could be enhanced by the productivity growth driven by the high digital usage and high industrial robots' intensity, which skyrocketed by 45 times over the last decade.

In the financial sector, we welcome the report on the status of FSSA recommendations, as a good practice for integrating financial supervision in Art. IV. Nevertheless, some of the recommendations aimed at strengthening the resolution regime and its enforcement will not be implemented. *We would like to know staff's assessment on the risks associated with not implementing these recommendations – as these risks are not reflected in the risk matrix.* While noting that residential real estate has weathered the pandemic well so far, uncertainties remain for both residential and commercial real estate. Given the large exposure of banks, vigilance and close monitoring is warranted. Considering rising virtual assets activities and the developments of new digital payment system, **we encourage the authorities to continue to develop related ML/TF risk assessments and supervisory activities.**

Finally, we note the authorities' continuing disagreement with staff on the external balance assessment. *Can staff indicate if it is possible to resolve this difference in views?* We wonder whether high custom duties on car imports could play a role in explaining the high residual in the current account assessment.