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July 7, 2021

Statement by Mr. Guerra and Ms. Arevalo Arroyo on Singapore
(Preliminary)
Executive Board Meeting
July 9, 2021

We thank staff for the comprehensive set of documents and Ms. Lim, Mr. Ong and Ms. Yoe for their helpful Buff statement. Singapore entered the COVID-19 pandemic in a strong position with ample buffers and robust policy frameworks which allowed the country to put in place a substantial and resolute policy response. While the pandemic's impact on growth was significant, the policy response cushioned its effect and activity has started to pick up. Going forward, uncertainty remains high and as the recovery begins to take hold, a focus on addressing medium- and long-term challenges to enhance equity and growth may be warranted.

After the crucial role of fiscal policy in supporting the economy, we welcome the authorities' adjustments to transition from emergency support measures to targeted assistance. Large fiscal buffers allowed Singapore to provide a substantial stimulus to support the economy. As the recovery starts to take hold, we agree that calibrating and targeting fiscal support is appropriate. We commend the authorities for incorporating the transition towards a greener, digital, and more inclusive economy in the FY2021 budget. In this regard, we agree with staff that in order to tackle the medium- and long-term challenges, further measures to raise revenue will be required. We take note of the authorities' objective to scale up infrastructure spending through government bonds under the Significant Infrastructure Government Loan Act (SINGA), with the use of green bonds as an objective to develop green finance. We also take note of the authorities' difference in views regarding the need to increase government spending over the medium-term to support external rebalancing. In this regard, we agree with the authorities, as noted in the Buff statement, that the demographic shifts due to a rapidly ageing population, the increase in government spending on healthcare and households drawing down on their savings associated with these pressures, should contribute to the necessary adjustment in the external balance over the medium term.

While the current stance is adequate, monetary policy should remain data dependent. We continue to underscore the importance of transparency and clear communication in order to enhance monetary policy effectiveness. In this regard, we welcome that MAS started disclosing its FX interventions operations in April 2020. We welcome progress on the adoption of the Singapore Overnight Rate Average (SORA) interest benchmark and in the implementation of the 2019 FSSA recommendations related to strengthening cyber resilience, payment system oversight and US dollar liquidity among D-SIBs. While the financial system has proven resilient to the effects of the pandemic, continued monitoring of banks and corporate balance sheets will be needed as financial support measures are withdrawn.

We welcome the authorities' commitment to accelerate the transformation towards a digital, green and inclusive economy. In this regard, we thank staff for the very comprehensive SIPs encompassing these issues. Singapore continues to be a financial and digital innovation hub and we are encouraged that efforts on digital finance are expected to increase efficiency and promote inclusion. Adjustment to climate change given the vulnerability of the country to these shocks is crucial, and the strategy outlined in the Singapore Green Plan 2030 is a step in the right direction. Moreover, this effort will be underpinned by the Green Finance Action Plan, which will prepare the financial sector to manage environmental risk while fostering green investment capabilities. While there are significant benefits to this structural transformation, we underscore the need to help displaced workers with reskilling, training, and restructuring to ensure inclusiveness while also supporting capital and labor reallocation to growth sectors.