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GRAY/21/1920

July 7, 2021

**Statement by Mr. Bevilaqua, Mr. Fuentes, and Ms. Mahabir on Singapore
(Preliminary)
Executive Board Meeting
July 9, 2021**

We thank staff for the report and Ms. Lim, Mr. Ong, and Ms. Yoe for their informative statement. The Singaporean authorities are to be commended for a timely, bold, and well-coordinated policy response to the pandemic. The economy is gradually emerging from the crisis on the back of an effective vaccination campaign and buffered by a strong fiscal position and a resilient financial sector. While uncertainty from the pandemic remains high, the country is well-positioned to address the impact of the materialization of downside risk scenarios.

Recovery has begun but will remain uneven in the near-term. The encouraging performance of the first quarter of 2021 was primarily driven by segments of the manufacturing sector, particularly electronics, precision engineering and chemicals clusters. It is projected that the strengthening global demand and the progress in the local vaccination campaign should bolster overall growth prospects during the second half of the year. Nevertheless, as the authorities were forced to reimpose restrictions in response to the recent rise in COVID-19 cases, economic activity in contact-intensive sectors should face further limitations and the current shortages in labor supply could now linger towards 2022.

Monetary authorities should continue to pursue a balance between supporting recovery and mitigating emerging risks. The accommodative policy stance fostered by the Monetary Authority of Singapore (MAS) remains appropriate. Against this background, we take note of MAS' intention to start transitioning away from specific support programs, encouraging households and businesses to work with their lenders in case they need extended support. While this announcement should help mitigate an abrupt increase in non-performing loans, the phase out process should be cautiously managed to avoid disrupting the recovery. Similarly, we also take note of the rise in housing prices in the context of a large exposure of

the banking sector to the real estate market. *Could staff indicate whether the authorities plan to deploy additional measures to moderate risks emanating from this trend in house prices?*

Fiscal support is becoming more targeted. The emergency response deployed since March 2020 have effectively cushioned the impact of the pandemic on households and firms drawing from the government's sizeable reserves. While the fiscal policy stance is estimated to remain expansionary in 2021, we welcome the government's plan to implement a better-focused emergency assistance, adjusting away from the broad-based support measures introduced at the height of the pandemic. We also commend the authorities' decision to allocate a sizeable share of the 2021 budget to bolster investment in physical and human capital, boost infrastructure spending on climate change adaptation and support businesses in fostering greater innovation and more widespread use of digitalization.

Finally, as policy focus gradually returns to the medium term, we welcome the authorities' determination to address structural issues. It is expected that a rapidly ageing population will intensify pressures on healthcare spending, as well as a significant drawdown on household savings in the coming years. Authorities are well aware of these challenging trends and has taken a number of proactive measures to meet this responsibility by implementing policy changes across multiple domains including housing, transportation, education and research. In addition, active labor market policies to boost participation and efficiency have been a part of the government's emergency response over the past year. Henceforth, focus on preventative health care programs for non-communicable diseases may help to limit the healthcare costs associated with the ageing population.

To conclude, we wish the Singaporean authorities continued success in handling the pandemic and tackling its medium-term challenges.