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July 12, 2022

**Statement by Mr. Hosseini and Mr. Ahmed on Singapore
(Preliminary)
Executive Board Meeting
July 15, 2022**

1. We thank staff for a well-written report and Ms. Lim and Mr. Ong for their insightful Buff statement. We broadly concur with staff appraisal.
2. Thanks to substantial policy buffers, robust policy frameworks, and strong institutions, Singapore has fully recovered from the Covid-19 shock. We concur with staff that given the strong but uneven recovery, near-term policies should focus on calibrating the pace of normalization to facilitate a broadening of the recovery, while managing price pressures and downside risks.
3. Following the strong 7.6 percent growth last year, Singapore GDP is projected to expand at a healthy pace this year, as private consumption, fixed investment and manufacturing activity benefit from the removal of Covid-19 restrictions. We note from the Buff that the economy is projected to grow in the lower half of 3-5 percent forecast range in 2022. This would be slightly above the five-year average growth rate of 3.2 percent prior to the pandemic. That said, a weaker external environment will limit the pace of expansion. The main downside risks stem from supply chain disruptions due to China's zero-covid strategy and high energy prices. At the same time, elevated global commodity prices and ongoing global supply frictions, have intensified inflationary pressures. *Amid growing concerns about the impact of global monetary policy tightening to counter surging inflation, we are interested to know if staff shares the authorities' view that Singapore's economy is not at risk of recession or stagflation at this stage.* We are of the view that things are unpredictable, volatile and there can be new shocks, so we encourage the authorities to continue to monitor the global and domestic environment very closely and if the need arises, adjust their approach and measures accordingly.

4. The tight monetary policy stance of Monetary Authority of Singapore (MAS) is appropriate to ensure medium-term price stability. The external and domestic inflationary pressures have been exacerbated by the war in Ukraine and the related sanctions, and we are confident that MAS will continue to monitor developments in the external environment and their impact on the Singapore economy.

5. We welcome the mildly expansionary fiscal stance in 2022, which combined with targeted and temporary assistance for vulnerable households, workers, and firms will limit inflationary pressures from domestic demand while ensuring that the recovery is broad-based. We support the government measures to help households and firms cope with the rising costs, including Public Transport Vouchers and the additional \$1.5 billion support package, targeted at providing immediate relief for lower-income and more vulnerable groups.

6. The financial system of Singapore remains healthy with strong buffers in place, and the MAS continues to monitor its resilience to evolving shocks. We laud the MAS's continued efforts to advance digital innovations in the financial sector. The MAS has been active in various areas of digital innovation in the financial sector, including digital banks, central bank digital currency (CBDCs), cross-border payment systems and use of crypto assets. We note that the authorities' main priorities have been to promote innovation, including through improvements of the regulatory framework, while enhancing the resilience of the financial sector. *While the MAS is exploring the use of CBDCs, we note that it does not see a pressing need for the issuance of a retail CBDC (or digital Sing dollar) at this stage, given high efficiency of national e-payments with most domestic money supply created by commercial banks and in digital form. Nonetheless, the MAS continues to explore applications and build capabilities. We would welcome staff views on this as well as the MAS' cryptocurrency regulatory approach of 'no bans, but strong regulation'.*

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