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July 13, 2022

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

We thank staff for the comprehensive reports and Ms. Lim and Mr. Ong for their helpful Buff statement. Singapore has shown outstanding economic performance in the recovery from the pandemic, supported by decisive policy responses and a remarkable vaccination campaign. We agree with the thrust of staff's assessment and offer the following comments for emphasis.

We agree that the near-term policy priority is to broaden the recovery while managing rising price pressures. Given the projected growth rate that remains above potential growth, a somewhat tighter fiscal stance seems reasonable. However, uneven recovery across sectors and deteriorating external conditions require continued support targeted towards vulnerable households and firms and agile and decisive policymaking to leverage sufficient fiscal buffers to provide additional support, should downside risks materialize. *With a significant downward revision to the global growth outlook expected in next week's WEO update, we wonder if the staff's projection for growth in Singapore will also be subject to a downgrade?* While we support the gradual normalization of crisis measures, the pace of normalization should be carefully calibrated taking into account the macroeconomic situation, the ramifications of external risks such as the Ukraine war, and undue impact on the vulnerable.

It is appropriate that Singapore maintains a tight monetary policy stance and macroprudential regulation given rising price pressures and elevated risks in the financial markets. Singapore is no exception to the unprecedented global inflation driven by multiple shocks such as supply chain disruptions, the Ukraine war and accelerated monetary tightening in advanced economies. Against this backdrop, the shift to a tighter monetary

stance seems appropriate, and further tightening will be warranted if higher inflation persists for an extended period. We encourage the MAS to keep monetary policy data dependent. The financial sector, including banking, remains overall strong and resilient, but continuous vigilance is necessary for some pockets of vulnerability such as credit exposure to Chinese entities and the housing market. We welcome the authorities' recent measures to tighten macroprudential regulation and plans to increase the supply of housing. We also welcome the enhanced monitoring of potential liquidity stress in non-bank financial institutions. *We wonder if the authorities have liquidity back-up plans or facilities in local or foreign currency for non-bank financial institutions. If not, what is staff's view on this?*

We commend the authorities' firm commitment to transition towards a digital, greener and more inclusive economy. We welcome the initiatives set out in the FY2022 budget to facilitate this transition, including gradually increasing carbon tax rates and funding green infrastructure projects through 2030, accelerating the adoption of advanced digital solutions and supporting upskilling of the digital workers, and increasing the progressivity of the tax system. Singapore seems to be on the right track towards its net zero emissions goal and better climate adaptation and we encourage the authorities to implement such measures as planned without delay. Given that the Singaporean authorities are active in various areas of digital innovation in the financial sector, *we would like to know what cooperation has been made between the Fund and the authorities on digital currencies?*