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July 14, 2022

**Statement by Mr. Mozhin and Mr. Shestakov on Singapore  
(Preliminary)  
Executive Board Meeting 22/66  
July 15, 2022**

We thank staff for the comprehensive report and Ms. Lim and Mr. Ong for the helpful Buff statement. We broadly agree with the staff appraisal. The Singaporean economy has demonstrated a strong recovery from the pandemic supported by a robust macroeconomic policy framework. Yet, the uneven nature of the recovery across sectors poses a challenge of adjusting the economic structure amid elevated uncertainty over the regional economic outlook. Going forward, the authorities are well-positioned to achieve soft landing with both monetary and macroprudential tightening cycles, while taking steps toward a more green and digital economy.

**Targeted support for the hard-hit sectors should decline only gradually as fiscal tightening proceeds.** Given the broadening recovery the faster pace of fiscal consolidation and exit from the pandemic-related support is appropriate. However, some sectors continue to linger below their pre-pandemic levels, notably tourism, contact-intensive and aviation-related sectors. Targeted support for these sectors should remain in the near term; however, over the medium term the economy might transition away from them, and the authorities might facilitate this adjustment. While we commend Singapore's long track record of fiscal prudence, we also agree with staff that aging population and climate-related risks present challenges over the medium to long term. More spending should be allocated to address these macro-critical challenges, partially drawing from the ample fiscal buffers accumulated over the previous decades.

**Tight macroprudential stance is appropriate against the financial stability risks.** We take positive note of the staff assessment of Singapore's banking system as sound and supported by ample liquidity buffers. We also support the authorities' plans to ramp up the housing supply to address the demand pressures, which would also help to curb a systemic risk for the financial system. We take positive note of the progress achieved in implementing

the 2019 FSSA recommendations, including better cyber resilience, payment system oversight, and US dollar liquidity. The non-bank financial sector expands rapidly, and the MAS is enhancing its monitoring through more detailed reporting requirements as well as through regular stress-testing. *Has the MAS conducted stress-tests to examine the financial system's resilience to climate transition risks?*

**We commend the authorities for accelerating transformation toward a green and digital economy.** The authorities are making progress toward the climate goals with mitigation policies, such as carbon tax and solar energy adoption. The planned long-term green infrastructure projects will serve as a critical line of defense against rising sea levels. We also note the active role of the MAS in facilitating digital innovations in the financial sector, including CBDCs and the use of crypto assets, and encourage the authorities to closely monitor possible AML/CFT risks stemming from the digital finance.