



# SINGAPORE

July 2024

## 2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SINGAPORE

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Singapore, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 24, 2024 consideration of the staff report that concluded the Article IV consultation with Singapore.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 24, 2024, following discussions that ended on May 16, 2024, with the officials of Singapore on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 1, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Singapore.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services  
PO Box 92780 • Washington, D.C. 20090  
Telephone: (202) 623-7430 • Fax: (202) 623-7201  
E-mail: [publications@imf.org](mailto:publications@imf.org) Web: <http://www.imf.org>

**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Concludes 2024 Article IV Consultation with Singapore

FOR IMMEDIATE RELEASE

**Washington, DC – July 31, 2024:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with Singapore.

Singapore continues to follow a path of gradual recovery. Growth moderated to 1.1 percent in 2023 mainly due to a contraction in manufacturing in 2023H1, originating from the downturn in the global electronics cycle. Growth started to recover in 2023H2, reflecting improved global demand for semiconductors, and strengthened further to 2.7 percent (year-on-year) in 2024Q1, supported by strong inbound tourism.

Gradual disinflation is expected to continue. Headline inflation declined to 2.7 percent in April 2024, and MAS core inflation (which excludes costs of accommodation and private transport but includes food and energy prices) decreased to 3.1 percent in April 2024, supported by disinflation in food and tradable goods. However, signs of persistence in services inflation remain. Two-year ahead inflation expectations based on consensus forecasts have been well-anchored at around 1.8 percent.

While labor market conditions have started to ease in 2023 amid weaker GDP growth and an inflow of foreign workers, the unemployment rate remained low at 2.1 percent in 2024Q1 and the job vacancy to unemployed persons ratio still exceeded the pre-pandemic level. The current account surplus rose, led by an improvement in the primary income balance. Singapore's banking sector continues to demonstrate ample capital buffers, sound asset quality, high profitability, and a comfortable liquidity position. Non-bank financial institutions, mainly comprising investment funds and insurers, have weathered stresses from the high interest rates well. High borrowing costs encouraged the nonfinancial corporate sector and households to deleverage, while the housing market cooled down moderately in 2023.

### Executive Board Assessment<sup>2</sup>

Executive Directors noted that Singapore's growth is gradually recovering, supported by an improvement in external demand, while downside risks to growth have diminished. Disinflation continues but is expected to be gradual, with significant upside inflation risks from tight labor market and high volatility in global energy and food prices. In this context, Directors underscored the need to maintain a prudent macroeconomic policy mix to promote price stability, while continuing with a steadfast implementation of the authorities' reform agenda to

---

<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

<sup>2</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

tackle Singapore's structural challenges, boost productivity growth, and strengthen climate resilience.

Directors agreed that the current broadly neutral fiscal policy stance will help moderate price pressures, while appropriately providing support to vulnerable households and firms. They concurred that Singapore is well-positioned to increase government spending to address medium- and long-term challenges, given its strong public finance and fiscal institutions. A slower pace of fiscal surplus accumulation within the government's balanced budget rule in the coming years could help accommodate the spending needs.

Directors supported the authorities' tight monetary policy stance, noting that it should remain in place until inflationary pressures firmly recede. They emphasized that monetary policy should continue to be data dependent and articulated through clearly communicated policy decisions.

Directors concurred that the financial sector remains sound, with solid capital and liquidity buffers, though vigilance against potential vulnerabilities remains important. They stressed that the tight macroprudential policy stance is appropriate and should be maintained to prevent the buildup of systemic risks from the housing market. The authorities should also continue monitoring banks' cross-border and foreign exchange exposures, the small segment of highly leveraged corporates and households, and the linkages between non-bank financial institutions and banks.

Directors noted that Singapore's external position remained substantially stronger in 2023 than warranted by fundamentals and desired policies, while acknowledging the uncertainties around the external sector assessment (ESA) estimates. Higher public spending and stronger social safety nets would reduce Singapore's large external surpluses. Many Directors were of the view that external current account surpluses will moderate over the medium-term due to population ageing, slowing income growth, and anticipated increases in healthcare and climate related spending.

Directors welcomed the authorities' efforts to promote a more inclusive, resilient, and greener economy. The Forward Singapore initiative appropriately aims to address Singapore's challenges, particularly rapid population ageing and technological advancements, including Artificial Intelligence, through stronger social safety nets and lifelong learning. Directors also welcomed the authorities' robust implementation of climate policies, including the planned increase in carbon taxes and improved climate risk management for the financial sector.

**Table 1. Singapore: Selected Economic and Financial Indicators, 2018–25**

Nominal GDP (2023): US\$501.4 billion

Population (2023): 5.9 million

GDP per capita (2023): US\$84,734

Main goods exports (2022, percent of total non-oil goods exports): machinery & transport equip. (63.1 percent); chemical products (14.4 percent); and misc. manufactured articles (9.8 percent).

Top three destinations for goods exports (2022, percent of gross goods exports): China (12.4 percent); Hong Kong SAR (11.2 percent); and Malaysia (10.0%).

	2018	2019	2020	2021	2022	2023	Projection	
							2024	2025
Growth (percentage change)								
Real GDP	3.5	1.3	-3.9	9.7	3.8	1.1	2.1	2.3
Total domestic demand 1/	1.3	1.9	-9.3	12.0	4.5	-2.6	-0.1	2.6
Final domestic demand 1/	0.8	2.7	-9.6	12.3	4.4	2.2	-0.1	2.5
Consumption	4.0	2.9	-7.4	6.9	5.5	3.5	2.9	2.1
Private consumption	4.3	2.7	-13.3	8.1	8.2	3.8	3.1	2.0
Gross capital formation 1/	-3.3	0.2	-12.8	21.7	2.7	-12.8	-6.1	3.5
Gross fixed investment	-5.0	2.5	-14.2	23.6	2.5	-0.2	-5.8	3.3
Change in inventories (contribution to GDP growth, percentage points) 1/	0.3	-0.5	0.1	0.0	0.1	-2.8	0.0	0.0
Net exports (contribution to GDP growth, percentage points) 1/	2.8	0.1	2.1	2.3	0.7	2.9	2.3	0.6
Saving and investment (percent of GDP)								
Gross national saving	40.7	40.6	39.5	43.8	40.3	40.8	39.8	39.9
Gross domestic investment	24.7	24.6	22.9	24.0	22.3	21.0	21.7	22.1
Inflation and unemployment (period average, percent)								
CPI inflation	0.4	0.6	-0.2	2.3	6.1	4.8	3.0	2.5
CPI inflation, excluding food and energy 2/	-0.1	0.4	-0.3	2.4	6.1	4.8	3.0	2.5
MAS core inflation 2/	1.7	1.0	-0.2	0.9	4.1	4.2	3.0	2.0
Unemployment rate	2.1	2.3	3.0	2.7	2.1	1.9	1.9	1.9
Output gap	2.0	-0.4	-2.8	1.1	1.2	-0.4	-0.1	
Inflation (end of year, percent)								
CPI inflation	0.5	0.8	0.0	4.0	6.5	3.7	2.9	2.5
CPI inflation, excluding food and energy 2/	0.4	0.4	0.0	4.0	6.5	3.7	2.9	2.5
MAS core inflation 2/	1.9	0.6	-0.3	2.1	5.1	3.3	3.0	2.0
Central government finances (percent of GDP) 3/								
Revenue	17.9	17.7	17.5	17.0	16.6	18.1	18.5	18.6
Expenditure	13.8	14.0	21.6	17.8	15.4	15.2	14.3	15.6
Net lending/borrowing	4.1	3.7	-4.1	-0.8	1.2	2.9	4.2	3.0
Net lending/borrowing, excluding nonproduced assets	1.1	1.4	-5.8	-2.8	-0.6	0.5	0.4	0.2
Primary balance 4/	-2.0	-1.9	-9.4	-6.2	-3.9	-2.9	-2.9	-3.2
Public Debt to GDP	107.5	124.7	146.1	133.4	157.1	170.8	175.0	175.6
Money and credit (end of period, percent change) 5/								
Broad money (M2)	5.1	4.5	10.7	9.7	7.8	3.2	...	...
Credit to private sector	4.8	3.0	1.4	6.8	0.5	-2.0	...	...
Three-month S\$ SIBOR rate (percent)	1.9	1.8	0.4	0.4	4.3	4.1	...	...
Balance of payments (US\$ billions)								
Current account balance	60.2	60.5	58.0	86.1	89.7	99.1	94.8	97.7
(In percent of GDP)	16.0	16.0	16.6	19.8	18.0	19.8	18.0	17.8
Goods balance	104.0	96.3	103.7	121.7	150.5	154.8	115.9	122.0
Exports, f.o.b.	460.4	440.8	417.9	511.9	589.4	545.9	555.9	584.5
Imports, f.o.b.	-356.4	-344.4	-314.2	-390.1	-438.9	-391.2	-440.0	-462.5
Financial account balance 6/	47.2	68.8	-16.8	20.1	202.3	35.4	41.2	44.4
Overall balance 6/	12.5	-8.4	74.9	66.2	-114.2	60.9	53.6	53.3
Gross official reserves (US\$ billions)	287.7	279.5	362.3	417.9	289.5	351.0	396.1	449.0
(In months of imports) 7/	6.2	6.4	6.8	6.8	5.1	5.6	6.0	6.5
Singapore dollar/U.S. dollar exchange rate (period average)	1.35	1.36	1.38	1.34	1.38	1.34	...	...
Nominal effective exchange rate (percentage change) 8/	0.5	1.4	-2.5	0.4	6.4	3.9	...	...
Real effective exchange rate (percentage change) 8/	-5.9	4.5	-25.2	2.8	13.6	4.7	...	...
Memorandum items:								
Nominal GDP (in billions of Singapore Dollars)	508.4	514.2	482.2	583.2	687.2	673.3	707.5	741.9
Growth (%)	7.2	1.1	-6.2	20.9	17.8	-2.0	5.1	4.9

Sources: Data provided by the Singapore authorities; and IMF staff estimates and projections.

Note: Data and forecasts as of May 24, 2022

1/ Approximation based on available data.

2/ IMF staff estimates. MAS core inflation excludes the costs of accommodation and private transport.

3/ IMF staff estimates on a calendar year basis following GFSM 2014.

4/ Net lending/borrowing excluding net investment return contribution (NIRC).

5/ Data reporting by financial institutions changed since July 2022 after two major changes in MAS' banking sector regulatory framework took effect, creating a break in the broad money and credit to private sector series.

6/ Following the BPM6 sign convention, a positive entry implies net outflows.

7/ In months of following year's imports of goods and services.

8/ Increase is an appreciation.



# SINGAPORE

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

July 1, 2024

### KEY ISSUES

**Context.** Following a slowdown in 2023, growth is projected to recover gradually to 2.1 percent in 2024. After reaching 6.1 percent in 2022, inflation has steadily declined to 2.7 percent in April 2024. The pace of disinflation has nonetheless been gradual, with signs of persistent price pressures including from a tight labor market. With risks to global growth now broadly balanced, downside risks to growth outlook have diminished relative to last year, but Singapore remains vulnerable to a deepening of geoeconomic fragmentation. Inflation risks remain tilted to the upside.

#### Policy Recommendations.

- Ensuring gradual disinflation remains top priority in the near term. Monetary policy should remain tight until inflationary pressures firmly recede.
- The broadly neutral fiscal stance relative to 2023 will complement the tight monetary policy stance in achieving price stability, while targeted support to vulnerable households and firms will provide temporary relief from high costs of living and business. With strong public finance and fiscal institutions, Singapore is well positioned for future downside risks as well as medium- and long-run spending needs from population ageing and climate change.
- Singapore's financial sector remains resilient with solid capital and liquidity buffers, though vigilance against pockets of vulnerabilities is warranted, including from potential systemic risks arising from the housing market. In this context, the tight macroprudential policy stance remains appropriate. The financial sector also faces pockets of vulnerabilities that could emerge during stress episodes, including due to banks' cross-border and FX exposures, a small segment of highly leveraged corporates and households, and the linkage between fast-evolving non-bank financial institutions and banks. While these risks are well contained at this juncture, continued vigilance is warranted.
- Many of the reforms envisaged in the government's *Forward Singapore* report published in October 2023, such as further strengthening of social safety nets and lifelong learning programs, should promote inclusive growth amid rapid population ageing and technological advancements including Artificial Intelligence.
- Singapore continues to make robust progress with climate policies, including carbon pricing and green bonds as well as climate risk management and information architecture for the financial sector.

Approved By  
**Rupa Duttagupta**  
**(APD) and Azim**  
**Sadikov (SPR)**

Discussions were held in Singapore during May 7–16, 2024. The mission met with Prime Minister and Minister for Finance Lawrence Wong, Monetary Authority of Singapore (MAS) Managing Director Chia Der Jiun, senior staff from the Ministry of Finance, MAS, various line ministries, and public sector entities, as well as representatives from the private sector. The mission comprised Masahiro Nozaki (head), Kodjovi Mawulikplimi Eklou, Shujaat Khan (all APD), Dulani Seneviratne (MCM), Natalia Novikova (Resident Representative in Singapore), and Defa Zhao (economic analyst based in Singapore). Executive Director Yati Kurniati and Advisor Justin Lee (OED) joined meetings with the public sector. Ganchimeg Ganpurev and Justin Flinner (both APD) assisted in the preparation of this report. Data used in this report for staff analyses are as of June 7, 2024, unless otherwise noted.

## CONTENTS

<b>CONTEXT</b>	<b>4</b>
<b>RECENT DEVELOPMENTS</b>	<b>5</b>
<b>OUTLOOK AND RISKS</b>	<b>11</b>
<b>POLICY DISCUSSIONS</b>	<b>13</b>
A. Monetary Policy	13
B. Fiscal Policy	14
C. Financial and Macroprudential Policies	16
D. Macro-Structural Policies	22
<b>STAFF APPRAISAL</b>	<b>27</b>
<b>BOXES</b>	
1. Asset Management Industry in Singapore	29
2. Forward Singapore	30
<b>FIGURES</b>	
1. Real Sector Developments	32
2. External Sector	33
3. Labor Market Developments	34
4. Inflation Developments	35
5. Monetary and Financial Sector Developments	36
6. Banking Sector Developments	37
7. Housing Market Developments	38

8. Spillovers	40
9. Demographic Transition	41
10. Social and Equality Indicators	42

## TABLES

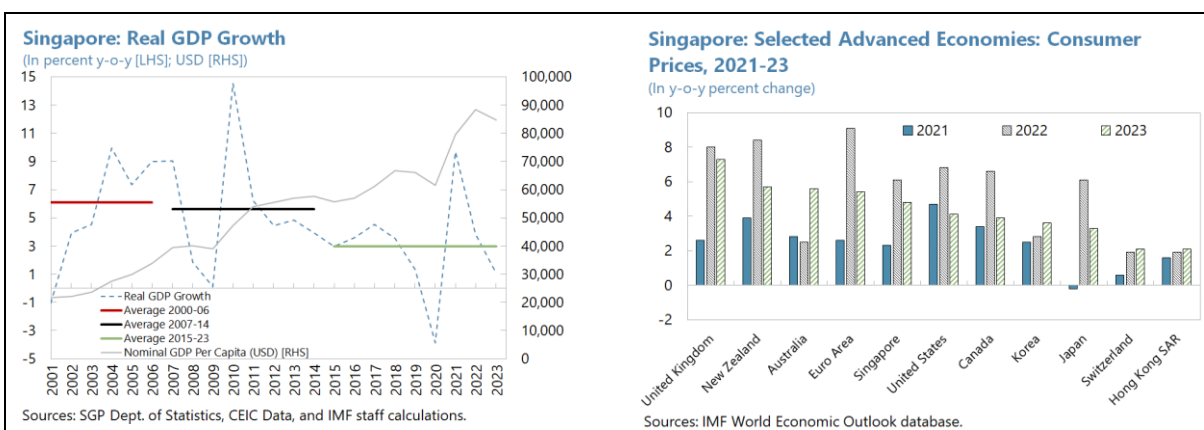
1. Selected Economic and Financial Indicators, 2018-25	43
2. Balance of Payments, 2018–25	44
3. Monetary Survey, 2018–25	45
4. Indicators of Vulnerability, 2018–2023	46
5. Medium-Term Scenario, 2018-29	47
6. Summary of Government Operations and Stock Positions, FY2018–FY2024	48
7. Financial Soundness Indicators, 2018–23Q3	50
8. International Investment Position, 2018–23	51

## ANNEXES

I. External Sector Assessment	52
II. Risk Assessment Matrix	54
III. Staff Policy Advice from the 2023 Article IV Consultation	57
IV. Sovereign Risk and Debt Sustainability Analysis	59
V. Status of Main Recommendations of the 2019 FSSA	65
VI. Data Issues	69

## CONTEXT

**1. Singapore continues to follow a path of gradual recovery and disinflation.** Following a moderation in 2023 due to weak external demand, growth has been recovering since mid-2023. Inflation rose sharply in late 2022, but has steadily declined since then, as observed in other advanced economies. However, the “the last mile” of return to price stability is still to be traveled amid stickiness in price pressures.



**2. Policy implementation has been broadly in line with staff recommendations during the 2023 Article IV consultation.<sup>1</sup>** The main focus of the consultation was to address elevated price pressures, while supporting the most vulnerable, containing risks to financial stability, and nurturing growth. With macroeconomic developments broadly in line with staff projection at the time of the previous consultation, the authorities have maintained a tight policy stance for monetary, fiscal, and macroprudential policies. The government has implemented multiple measures to support vulnerable households and businesses to cushion the high costs of living and doing business.

**3. Going forward, policies will have to adapt to evolving domestic and external challenges to maintain economic resilience.** Singapore has an impressive economic track record, with its GDP per capita quadrupling over the past two decades. However, it faces heightened global uncertainty such as geoeconomic fragmentation. Domestically, rapidly aging population, technological advancements such as Artificial Intelligence, and climate change will challenge Singapore’s sustainable and inclusive growth in the medium and long run. Against this background, the government published the *Forward Singapore* report in October 2023, detailing key policy shifts aimed at refreshing Singapore’s social compact.

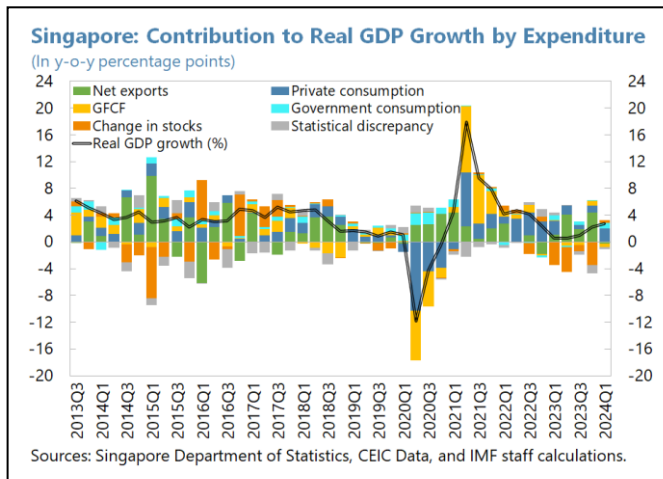
<sup>1</sup> See Annex III for staff policy advice from the 2023 Article IV consultation and policy actions.



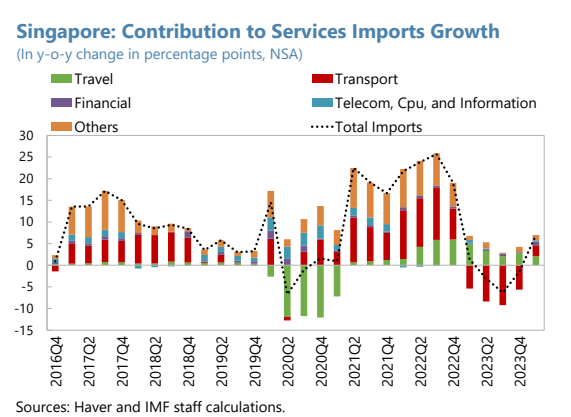
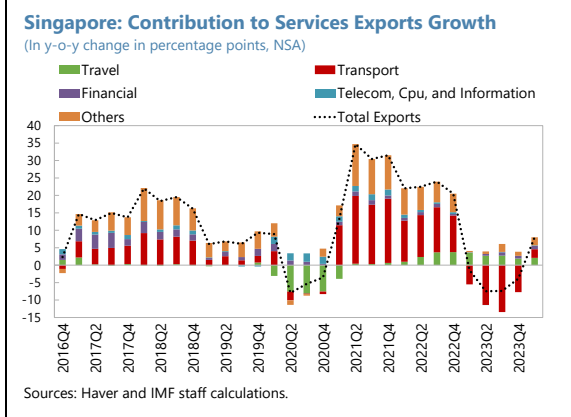
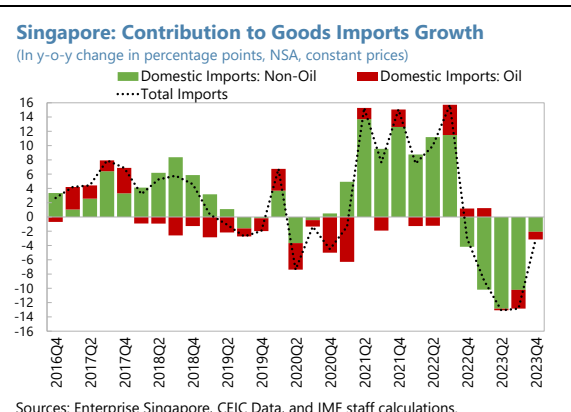
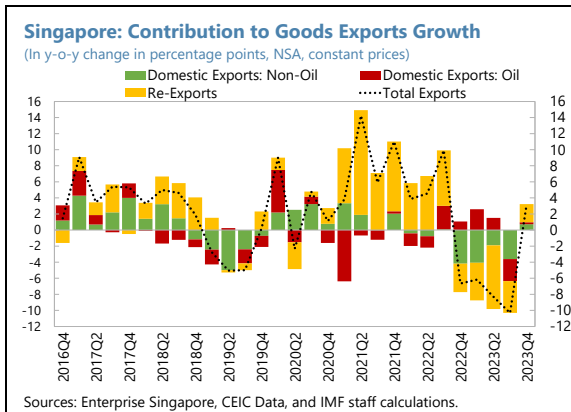
# RECENT DEVELOPMENTS

## 4. Growth is gradually recovering.

- Growth moderated to 1.1 percent in 2023 from 3.8 percent in 2022, mainly due to a contraction in manufacturing in 2023H1, originating from the downturn in the global electronics cycle. From the demand side, steady growth in private consumption and net exports (as the decline in imports outpaced the slowdown in exports) offset a significant decline in inventories (contributing -2.8 percentage points). Due to the slowdown, a small negative output gap of -0.4 percent was estimated to have emerged in 2023.

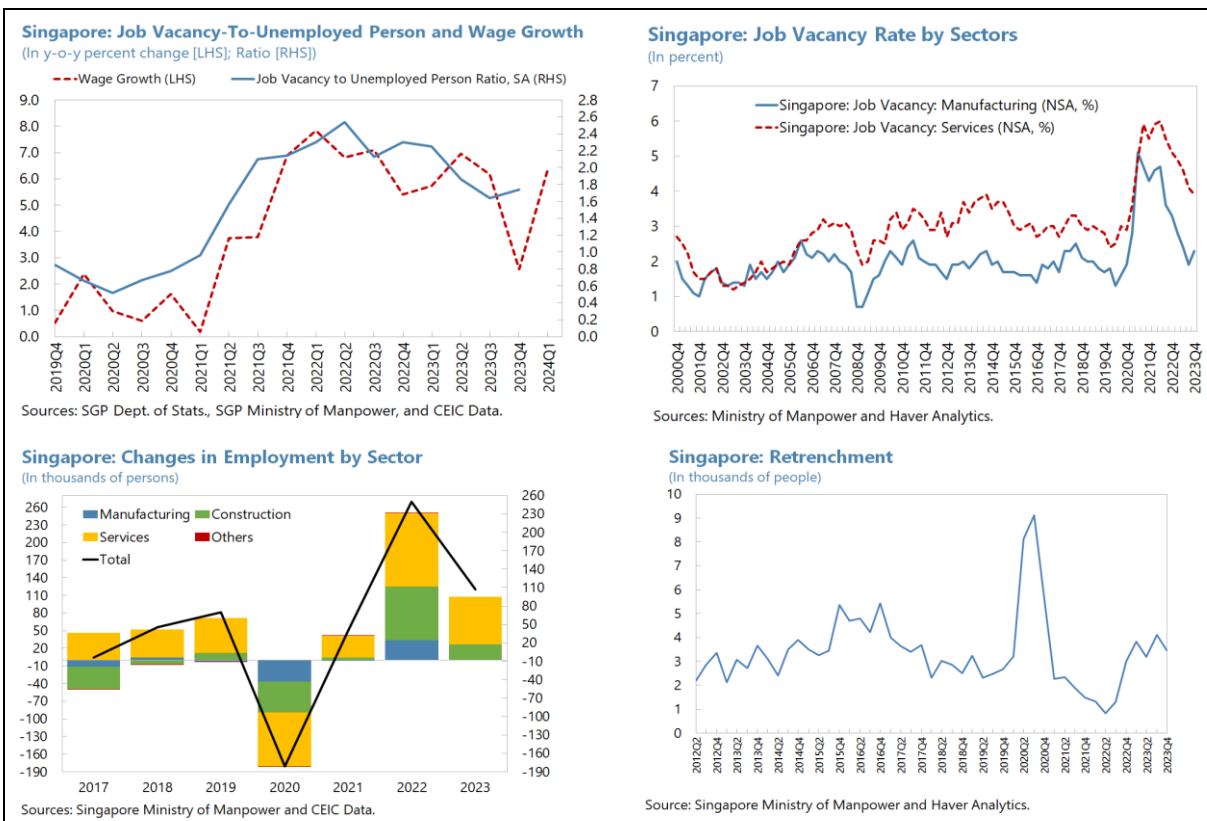


- Growth accelerated in 2023H2, rising to 2.2 percent (year-on-year) in 2023Q4 from 0.5 percent in 2023H1, supported by improved global demand for semiconductors. Growth further rose to 2.7 percent (year-on-year) in 2024Q1, at a seasonally adjusted annualized quarter-on-quarter rate of 0.2 percent, supported by strong inbound tourism.



**5. Exports, which contracted in 2023 due to external headwinds, show some signs of bottoming out.** Goods exports decreased by 10.1 percent in 2023, due to a contraction in non-oil domestic exports (NODX). NODX decline was broad-based, affecting both electronics and non-electronic products, and across all major markets, except for the U.S. Goods exports, however, started to bottom out in 2023Q4. Total merchandise exports rose by 4.4 percent in 2024Q1, supported by re-exports of electronic products including integrated circuits and personal computers. Services exports contracted in 2023, as a sharp decline in exports of transport services more than offset a recovery in travel services exports. Goods and services imports declined by 13.4 percent and 2.4 percent, respectively, in 2023, as both non-oil domestic and transport services imports contracted.

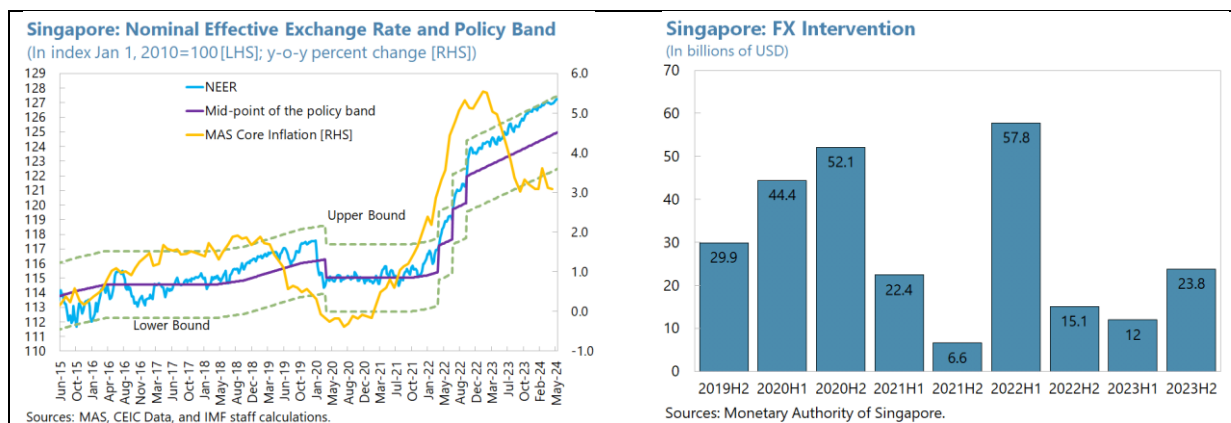
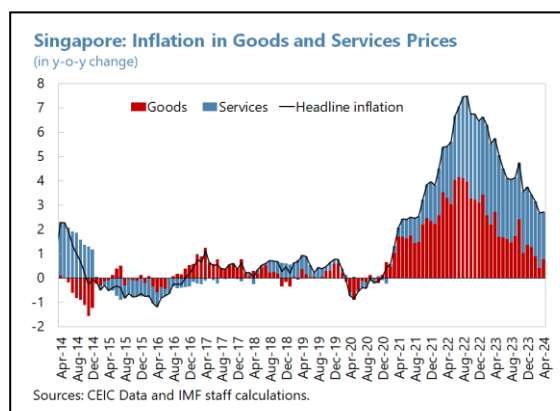
**6. The labor market has been normalizing but remains tight.** The labor market tightened significantly over 2021–22, due to the strong post-pandemic recovery and shortages in foreign workers. The unemployment rate remained below its pre-pandemic level, declining to 1.9 percent in 2023. Labor market conditions started to ease in early 2023 amid weaker GDP growth and an inflow of foreign workers. Employment growth slowed down, including in the services sector, retrenchments rose, and vacancies dropped in 2023. Nominal wage growth also slowed from a peak of 7.8 percent in 2022Q1 to 2.6 percent in 2023Q4 but has recently risen again to 6.4 percent in 2024Q1. However, the unemployment rate remained low at 2.1 percent in 2024Q1 and the job vacancy to unemployed persons ratio, at 1.7 in 2023Q4, still exceeds the pre-pandemic level.



**7. Disinflation continues, albeit gradually.** After peaking at 7.5 percent (year-on-year) in September 2022, headline inflation declined to 2.7 percent in April 2024. The Monetary Authority of Singapore's (MAS) core inflation measure, which excludes costs of accommodation and private transport but includes food and energy prices, decreased from a peak of 5.5 percent in January 2023 to 3.1 percent in April 2024, supported by disinflation in food and tradeable goods. However, signs of persistence in services inflation remain, in particular for healthcare and food services, amid accumulated cost pressures. The increase in Goods and Services Tax (GST) rate from 8 to 9 percent in January 2024 (19) is expected to raise inflation temporarily in 2024. Two-year ahead inflation expectations based on consensus forecasts have been well-anchored at around 1.8 percent, in line with the level which MAS considers as consistent with price stability.<sup>2</sup>

**8. MAS has kept the monetary policy setting tight.**

MAS operates a basket, band, and crawl (BBC) exchange rate-based monetary policy framework in which the nominal effective exchange rate (S\$NEER) is managed against an undisclosed basket of currencies.<sup>3</sup> MAS tightened the monetary policy stance consecutively over October 2021–October 2022, raising the slope of the exchange rate band and revising the midpoint of the band upward. Since then, MAS has kept policy settings unchanged, noting that the prevailing rate of appreciation of the exchange rate band is needed to keep a restraining effect on imported inflation and domestic cost pressures. Net foreign exchange (FX) purchases, which are endogenous in the BBC monetary policy framework, moderated slightly to US\$36 billion in 2023 from US\$73 billion in 2022. Gross international reserves increased to US\$351 billion at end-2023 (70 percent of GDP).

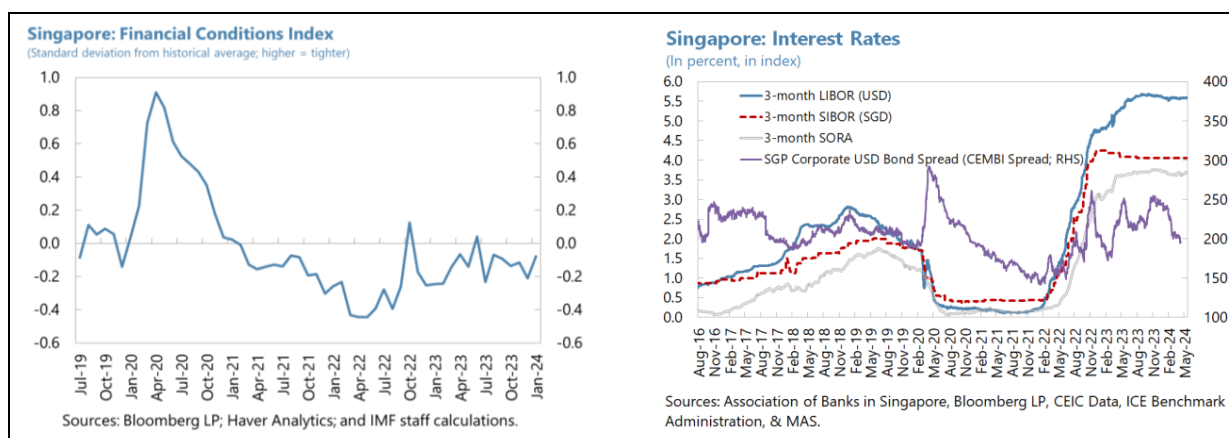


<sup>2</sup> MAS does not have an explicit inflation target but sees MAS core inflation of just under 2 percent as consistent with overall price stability.

<sup>3</sup> See Appendix VI of IMF Country Report No. 22/233 for more details.

**9. The fiscal policy stance tightened in 2023.** After a fiscal deficit averaging 0.7 percent of GDP in FY2021–22, mostly accounted for by a rise in pandemic-related spending, the fiscal balance recorded a surplus of 0.8 percent of GDP in FY2023, driven mainly by strong corporate income tax collections. This resulted in a tightening of the fiscal policy stance in FY2023, against the small negative output gap in 2023. The GST rate was increased from 7 to 8 percent in January 2023 and further to 9 percent in January 2024, mainly to cover rising healthcare costs due to a rapidly aging population. Moreover, the carbon tax rate has been increased from S\$5 per tonne to S\$25 per tonne in January 2024 (¶149).

**10. Financial conditions remained broadly stable in 2023, despite the tight monetary policy setting and an increase in short term interest rates.** In line with the interest rate hikes in major advanced economies, the 3-month compounded Singapore Overnight Rate Average (SORA) steadily rose until end-2023Q1 and has stabilized since then. However, given that Singapore has a globally integrated financial system, the aggregate financial conditions index (FCI)<sup>4</sup> that captures the price of risk and quantity indicators points to financial conditions remaining close to their long-term average (i.e., in the neutral territory), mostly owing to relatively low sovereign spreads as well as low volatility in equity market sentiment.



**11. Singapore’s financial sector, which is highly integrated into international financial markets and serves as a global and regional financial hub, remains sound.**

- The banking sector, which comprises nearly 60 percent of total financial sector assets, continues to demonstrate ample capital buffers, sound asset quality, high profitability, and a comfortable liquidity position. Banks’ profitability and net interest margins improved, propelled by high interest rates on assets, while their pass-through to deposit interest rates was slow. This mirrors the evolution observed in other global banks (see text chart). Asset quality conditions remained solid throughout 2023, while banks also maintained adequate provisioning coverage.

<sup>4</sup> Going beyond short-term interest rates, the FCI summarizes information about the price and nonprice (such as terms and conditions) costs of credit for various agents in the economy (adjusted for inflation). In a globally integrated financial system, global factors contribute to domestic financial conditions.

- The non-bank financial institutions (NBFIs), mainly comprising investment funds and insurers, have weathered stresses from the high interest rates well. Fund managers were able to handle withdrawals in an orderly manner. Insurers maintained sound capital buffers and liquidity positions despite pressures on their investment portfolios.

**Text Table 1. Singapore: Financial System Structure in Singapore, 2021**

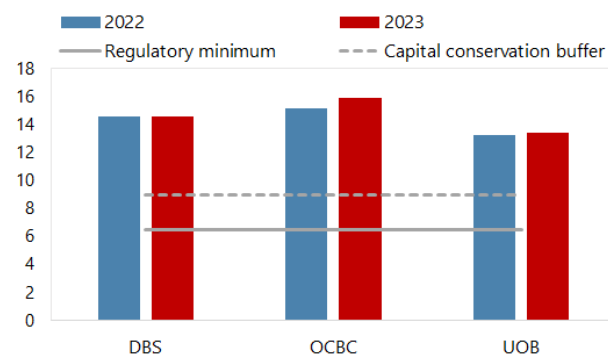
	Assets in percent of GDP
Banks	597.8
Central Bank	108.7
NBFIs	340.1
Insurance corporations	73.3
Other Financial Intermediaries 1/	168.0
Pension funds	98.7
<b>Total</b>	<b>1046.6</b>

Sources: FSB and IMF staff calculations.

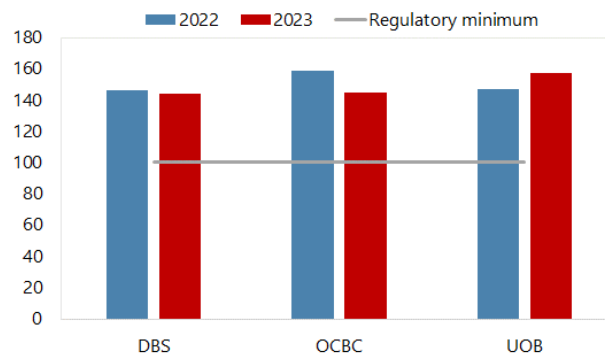
1/ Other financial intermediaries (OFIs) are a subset of the NBFI sector, including money market funds (MMFs), hedge funds (HFs), other investment funds (OIFs), captive financial institutions and money lenders, central counterparties (CCPs), broker-dealers (BDs), finance companies (FinCos), trust companies (TCs), and structured finance vehicles (SFVs).

**Singapore: Local D-SIBs: CET1 Capital Adequacy Ratio**

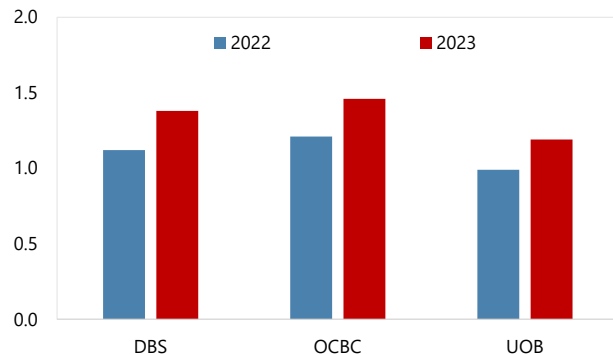
(In percent of risk weighted assets)

**Singapore: Local D-SIBs: All Currency LCR**

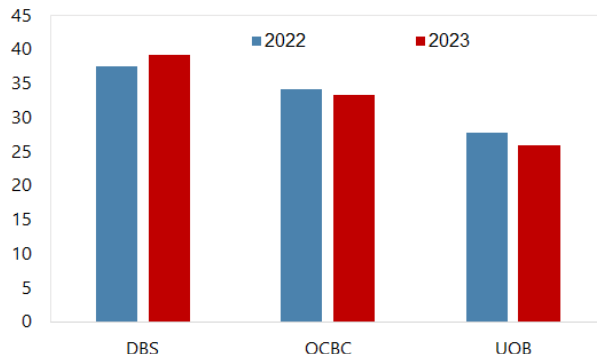
(In percent)

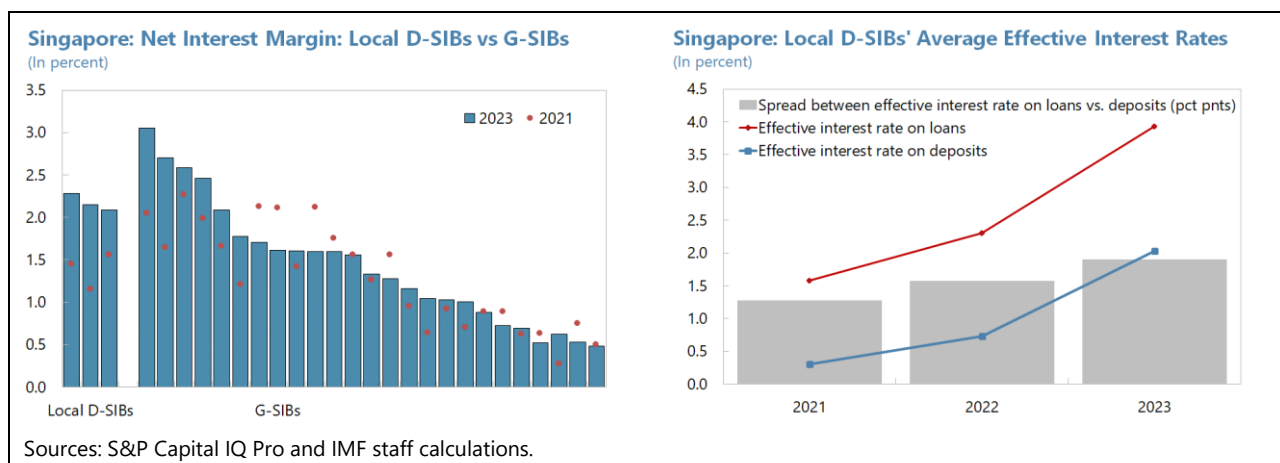
**Singapore: Local D-SIBs: Return on Assets**

(In percent)

**Singapore: Local D-SIBs: Share of USD Deposits**

(In percent of total deposits)





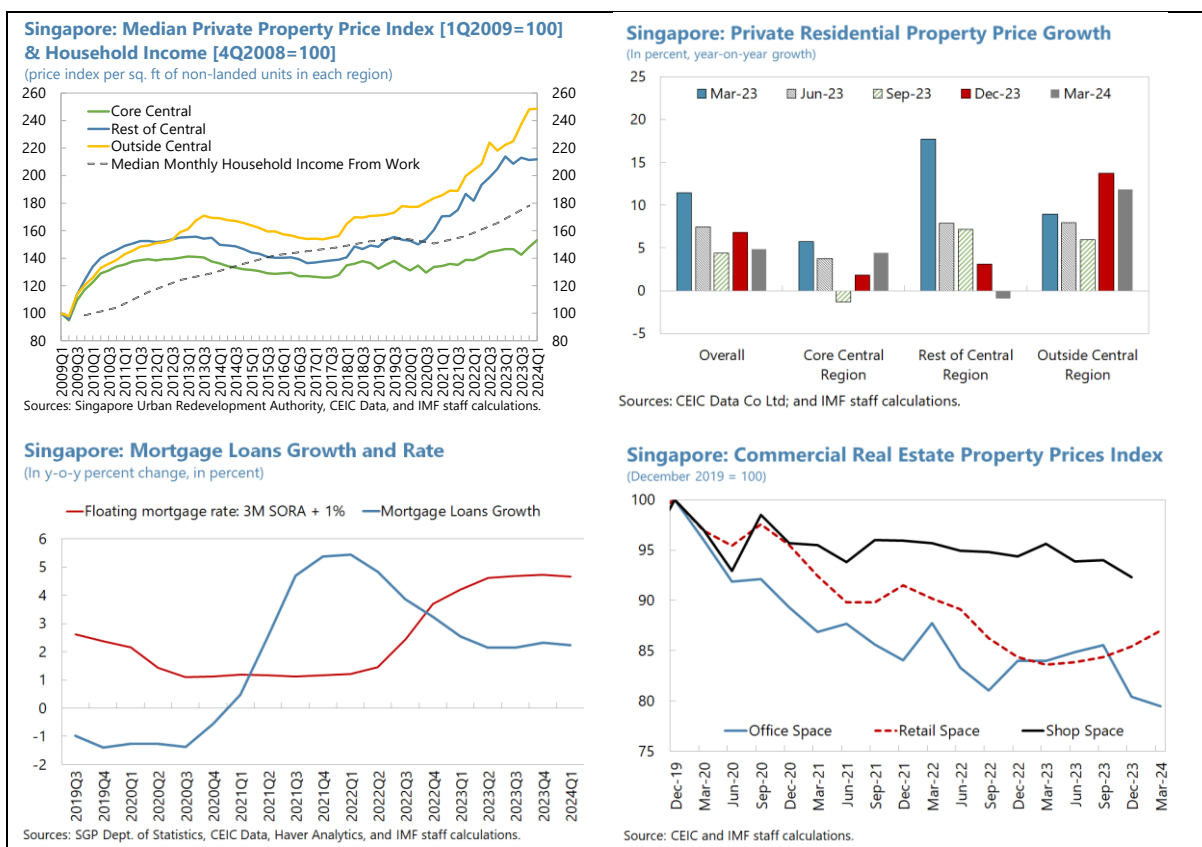
**12. High borrowing costs encouraged the nonfinancial corporate sector and households to deleverage.** Household and corporate debt declined over 2022-23, reaching around 55 percent of GDP and 130 percent of GDP in 2023, respectively, against the backdrop of active mortgage paydowns and slower corporate investment. Private sector credit declined throughout 2023, yet recovered to 0.8 percent (year-on-year) in April 2024. Corporate sector nonperforming loans (NPLs) remained low at around 2 percent in 2023 (Figure 6), while the NPL ratio for small and medium enterprises (SMEs) remained around 3 percent. Housing loan growth also moderated, while the share of banks' mortgage lending in total loans to non-financial corporates and households has modestly risen.

**13. The housing market has cooled moderately since 2023.** Private residential property prices increased by 4.9 percent (year-on-year) in 2024Q1, decelerating from the 11.4 percent increase observed in 2023Q1. Transaction volumes also moderated in the course of 2023. Both demand and supply factors contributed to this easing, including high mortgage rates, the hike in stamp duties in April 2023,<sup>5</sup> and the increase in the supply of private residential units. A significant divergence in the private residential property price growth exists across regions (text chart). Despite a strong rebound in return-to-office and tourism, commercial real estate prices for both office and retail spaces have shown a lackluster recovery compared to pre-pandemic levels.

**14. Singapore's external position in 2023 is assessed as substantially stronger than the level implied by medium-term fundamentals and desirable policies (Annex I).** The current account (CA) surplus rose to 19.8 percent of GDP in 2023 (from 18.0 percent in 2022), led by an improvement in the primary income balance. Adjusting for both cyclical and country-specific factors, staff assess the CA gap to be in the range of 5.2–8.8 percent of GDP. The main drivers of Singapore's external position have been its financial center status, high household savings related to rapid aging, and a relatively stronger fiscal position compared to the rest of the world. Higher public spending and stronger social safety nets are expected to help reduce the external imbalance over the medium and long term (¶128). Consistent with the stronger external position, the real effective exchange rate (REER) appreciated by 7.2 percent in 2023 relative to 2022.<sup>6</sup>

<sup>5</sup> See text table 2 in IMF Country Report No. 23/314 for more details.

<sup>6</sup> The need for an appreciation of the REER over the medium term should not have a direct bearing on short-term movements in the NEER, which is controlled to achieve price stability under the BBC monetary policy framework.



## OUTLOOK AND RISKS

Growth is expected to recover amid an upswing in global electronics demand, and disinflation is expected to continue gradually amid easing labor market pressures and global commodity prices. Downside risks to the outlook, arising mainly from external factors, have diminished since the last Article IV consultation. Inflation risks are tilted to the upside.

**15. Growth is projected to pick up gradually in 2024 and beyond.** Real GDP growth is projected to recover to 2.1 percent in 2024 from 1.1 percent in 2023. This reflects a recovery in manufacturing, supported by a turnaround in the global electronics cycle, as well as a continued rebound in tourism. Growth is projected to reach 2.7 percent (year-on-year) in 2024H1, owing to a strong carryover from the recovery in the tech cycle, and moderate in 2024H2. While external demand is expected to play a greater role in driving growth in 2024, domestic demand is also expected to strengthen. The small negative output gap, which emerged in 2023 (¶14), is expected to close by around 2025. Over the medium-term, growth is projected to converge gradually to 2.5 percent driven by private consumption, with capital accumulation and related total factor productivity growth offsetting the impact of ageing on employment growth.

**16. Despite upward pressures in the near term, gradual disinflation is expected to continue.** Both headline and MAS core inflation are projected to moderate to 3 percent in 2024, supported by a tight monetary policy stance (¶22) and a neutral fiscal policy stance relative to 2023

(1124), easing labor market tightness, and lower global energy and food commodity prices. The disinflation is expected to be gradual amid persistent upward price pressures. MAS core inflation is expected to stabilize at around 2 percent by 2025.

**17. Risks to the growth outlook mainly stem from external factors (Annex II).** Singapore, being a major trading and investment hub, would be impacted by changes in external demand, trade and FDI flows. With risks to global growth now broadly balanced, the downside risks to Singapore have diminished since the 2023 Article IV consultation.

- A steeper than projected growth slowdown in China is a key risk factor for Singapore. In addition to their deep integration into the global value chains, a considerable part of Singapore's value added is absorbed by final demand in China (see accompanying Selected Issues Paper "Spillovers from China's Growth Slowdown to the Singapore Economy"). Prolonged tight monetary policy in the U.S. could lead to abrupt financial, housing, and commercial real estate market correction in the U.S., resulting in adverse spillovers to Singapore. On the other hand, stronger growth in China and the U.S., including from greater-than-expected fiscal and monetary policy support, would have positive spillovers to Singapore.
- Additionally, broader geopolitical conflicts and inward-oriented policies could further deepen geoeconomic fragmentation (GEF). While Singapore's status as a high-rated global financial center has the potential to help mitigate the adverse impact on FDI, supply chain disruptions could still negatively impact Singapore's electronics sector and there could be some degree of vulnerability regarding short-term capital flows.<sup>7</sup> While developments in Artificial Intelligence (AI) have the potential to improve productivity, they may disrupt the labor market given that Singapore's workforce is also exposed to AI substitutability.<sup>8</sup> Furthermore, climate change poses a threat to longer-term growth prospects, given Singapore's vulnerability to rising sea levels.

**18. Risks to inflation remain tilted to the upside.** The still tight labor market amid persistent matching frictions and accumulated costs pressures from high wage growth in the past could lead to continued inflation stickiness, particularly for services. These upside inflation risks have diminished since the 2023 Article IV consultation due to the ongoing normalization in the labor market, but remain significant. In addition, intensification of geopolitical conflicts could increase volatility in global energy and food prices, disrupting disinflation in Singapore. The upside risks would remain more significant and likely than downside inflation risks arising from channels such as an unexpected slowdown in external demand or faster-than-expected cooling in the labor market.

### **Authorities' Views**

**19. The authorities expect a balanced economic recovery and gradual disinflation, though with inflation risks remaining tilted to the upside.** Real GDP growth is projected to be broad-based, supported by an upturn in the global tech cycle and an anticipated decrease in global

<sup>7</sup> See IMF Country Report No. 23/314, Appendix VI, for detailed analysis.

<sup>8</sup> See 1147 and accompanying Selected Issues Paper "Impact of AI on Singapore's Labor Market."



interest rates. Risks to the growth outlook are balanced in the near term. That said, the authorities continue to be vigilant to downside risks from escalation in geopolitical tensions and impact of high interest rates for longer. Gradual disinflation is projected to continue for the rest of 2024 and into 2025, supported by an ongoing easing in the labor market, an improvement in labor productivity, and the tapering off of one-off factors such as the increases in the GST rate. However, the authorities agreed with staff on net upside inflation risks in the near-term, originating mainly from global commodity prices volatility underpinned by intensifying geopolitical tensions. Moreover, a combination of an ageing workforce, high employment rates, and constraints to growing the foreign workforce mean that it will become increasingly difficult to drive economic growth through increasing the workforce.

**20. The authorities expressed their continued concern about the external balance assessment (EBA).** They stressed that EBA evaluation of the real exchange rate may risk some misinterpretation if it is conflated with current exchange rate policy settings, and in that regard emphasized the need to clarify that the implied undervaluation is relative to the medium-term. The authorities noted staff's assessment that the policy gap is largely driven by Singapore's stronger fiscal position compared to the rest of the world. They highlighted, however, that Singapore's fiscal policy stance has been appropriately geared toward domestic macroeconomic stability. Singapore's CA balance reflects its role as a regional financial hub, and its saving-investment gap is largely driven by household preferences including to save for retirement as well as prudent fiscal behavior in face of inflation risks.

## POLICY DISCUSSIONS

*The near-term monetary and fiscal policy stance is appropriately geared toward maintaining a disinflationary impulse, with targeted fiscal support cushioning vulnerable households and businesses. Singapore's strong fiscal position and framework will enable the country to address future downside risks as well as medium- and long-term spending needs. The financial sector remains resilient, while continued vigilance is warranted against vulnerabilities that could materialize during stress episodes. Many of the reforms envisaged in the Forward Singapore report, such as enhanced social safety nets and support for lifelong learning, will promote inclusive growth amid rapid population ageing and technological advancements such as Artificial Intelligence. Singapore continues to make robust progress with climate policies.*

### A. Monetary Policy

**21. Singapore's exchange rate based monetary policy framework has served the country well.** MAS' commitment to price stability has strengthened monetary policy credibility over the years. Singapore's average inflation was below 2 percent over 1990–2020, with inflation expectations broadly stable. Given the high openness of the Singaporean economy, MAS sees the exchange rate as having a strong influence on inflation. The recent change in the frequency of monetary policy reviews from biannually to quarterly has also enhanced monetary policy communication.

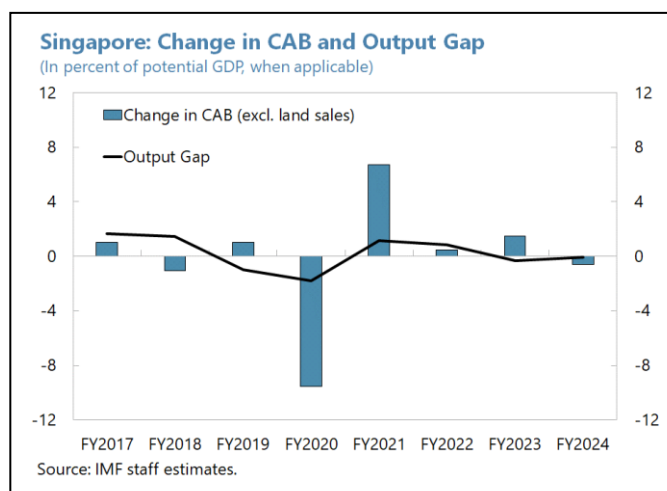
**22. Monetary policy should be kept tight until inflationary pressures firmly recede.** The monetary policy setting since October 2021 has delivered steady disinflation, and staff analysis suggests that the current stance is appropriately tight. Nonetheless, the upside inflation risks (T18) are not expected to disappear in the near term. Staff analysis suggests that the exchange rate pass-through to inflation is generally strong in Singapore but could be weakened, particularly for services inflation, under tight labor market conditions (see accompanying Selected Issues Paper “Exchange Rate Pass-Through to Inflation in Singapore”). In this context, premature monetary policy easing should be avoided. Once the envisaged disinflation is firmly in sight, monetary policy should be adjusted in a timely manner to address risks to price stability, continued to be guided by data and articulated through clearly communicated policy decisions. Should upside inflation risks materialize, the monetary policy stance should be tightened.

### **Authorities’ Views**

**23. In broad concurrence with staff’s assessment on monetary policy, the authorities reiterated their firm commitment toward achieving price stability.** MAS assessed that the current monetary policy stance is appropriately tight and conducive for price stability. The authorities agreed with the need for vigilance against upside risks to inflation, highlighting that monetary policy should not be loosened prematurely. They appreciated staff’s analysis on exchange rate pass-through, while noting that the focus on the pass-through for a 12-month horizon could be too short to fully capture monetary policy transmission in Singapore, which entails a substantial time lag.

## **B. Fiscal Policy**

**24. The broadly neutral fiscal stance implied by the FY2024 Budget is appropriate.** The FY2024 budget implies a surplus of 0.2 percent of GDP and a broadly neutral fiscal stance, which will complement the tight monetary policy stance toward achieving price stability.<sup>9, 10</sup> Should downside risks to growth materialize, Singapore has substantial fiscal space to deploy additional support, as the government owns financial assets (net of government debt) amounting to 95 percent



<sup>9</sup> The cyclically adjusted fiscal balance excluding land sales is estimated to be in a surplus of 0.8 and 0.2 percent of potential GDP in FY2023 and FY2024, respectively. This implies a broadly neutral fiscal stance in FY2024 after adjusting for the projected spending to top up senior citizens’ Central Provident Fund accounts.

<sup>10</sup> See footnote 3 of Table 6b for an explanation of the differences between staff’s and authorities’ measures of fiscal balance and impulse.

of GDP as of end-March 2023. Such support should be temporary and well targeted to vulnerable households and firms.<sup>11</sup>

**25. The FY2024 Budget includes measures to help vulnerable households and businesses address near-term cost of living concerns.** The GST Voucher Fund, which is designed to provide permanent support to lower- and middle-income Singaporeans to offset their GST expenses, has been topped up by S\$6 billion (0.8 percent of GDP). Similarly, the Assurance Package, which is designed to provide temporary support to cushion the impact of the rise in the GST rate and high inflation on households, has been enhanced by S\$1.9 billion (0.3 percent of GDP). The government also introduced an enterprise support package amounting to S\$1.3 billion (0.2 percent of GDP) to help businesses manage rising costs.

**26. Singapore faces multiple medium- and long-term fiscal challenges.** These challenges mainly comprise: (1) an increase in spending needs due to the rapidly aging population, in particular on healthcare<sup>12</sup>; (2) the need to raise productivity and help ease transition costs for firms and workers as Singapore embraces technological change and structural transformation; (3) risks from climate change (¶17); and (4) lumpiness in the spending needed to rejuvenate public housing and infrastructure.<sup>13</sup>

**27. Given strong public finance and fiscal institutions, fiscal spending should continue to be geared to address the medium- and long-term challenges.** Singapore's fiscal rule mandates a balanced budget over the government's 5-year political cycle. Investment returns from the government's financial assets have contributed a sustainable revenue stream (averaging 3.1 percent of GDP annually over the past decade), reducing the tax burden.<sup>14</sup> The issuances of the Singapore Government Securities (SGS) Infrastructure bonds, which started in 2021, offer an additional source of financing for major long-term infrastructure projects.<sup>15</sup> In parallel, the increase in the GST rate in recent years appropriately addresses the medium-term spending needs, particularly those associated with healthcare. To further accommodate the spending needs, a slower pace of fiscal surplus accumulation within the government's balanced budget rule would be warranted in the coming years, taking into account the cyclical position of the economy and inflation trends.<sup>16</sup>

<sup>11</sup> See IMF Country Report No. 23/314, Box 1 on the judicious use of fiscal space under downside risks.

<sup>12</sup> Staff estimates suggest that Singapore's total healthcare spending could rise from 4.2 percent of GDP in 2015 to 8.6 percent of GDP in 2050 (see IMF Country Report No. 22/233, Appendix I).

<sup>13</sup> Additionally, Singapore's planned implementation of Pillar Two of the BEPS 2.0 initiative from 2025 may reduce corporate income tax collections if eligible multinational enterprises shift their activities to other jurisdictions.

<sup>14</sup> Net Investment Returns Contributions (NIRC) comprise (i) up to 50 percent of long-term expected real returns, including capital gains, on the net assets invested by GIC, MAS, and Temasek (also referred to as net investment returns, or NIR), and (ii) up to 50 percent of the dividends, interest, and other income received, less expenses from past reserves (also referred to as net investment income, or NII) from the remaining assets.

<sup>15</sup> As of end-FY2023, the outstanding SGS (Infrastructure) debt stood at S\$11.2 billion (1.6 percent of GDP).

<sup>16</sup> In the decade prior to the pandemic, the government's overall fiscal balance (based on the government's definition) averaged a surplus of 0.8 percent of GDP annually.

**28. Higher public spending and stronger social safety nets will also help reduce Singapore's large external surpluses.** Higher public spending within the balanced budget rule will lower net public savings and contribute towards a reduction in the external current account imbalances. Additionally, higher public investment is also expected to catalyze private investment. Public spending to improve social services in areas such as healthcare and the planned strengthening of support for involuntary unemployment (¶45) could reduce households' precautionary savings and support stronger consumption. Together, these are expected to reduce the savings-investment gap in both the public and private sectors, thereby reducing external current account surpluses over the long term.

### ***Authorities' Views***

**29. Fiscal policy this year continues to support disinflation while addressing higher costs for households and businesses, with greater support for vulnerable households.** MOF assesses the fiscal impulse for FY2024 as broadly neutral, with the FY2024 Budget having a minimal impact on aggregate demand. Spending needs in FY2024 are expected to be accommodated within the need to run a balanced budget over the term of government while revenue would be supported by the significant revenue enhancements that have taken effect, such as increases in GST and Property Tax.

**30. The authorities underscored the importance of their fiscal rules in preparing Singapore to tackle future risks and challenges.** The worsening global geopolitical situation heightens external risks for Singapore as a small and highly open economy. As Singapore's economy matures and its population ages, constraints on key economic factors such as land, labor, and carbon are likely to become more binding. Given these constraints and the need to achieve inclusive and sustainable growth, the economy will have to be transformed, requiring increased spending. Going forward, it is expected to be more challenging for the government to run large surpluses. In this context, fiscal discipline, guided by Singapore's longstanding fiscal rules, has become increasingly more important for ensuring prudent spending and maintaining fiscal room to act against potential downside risks. The government also regularly reviews government programs and identifies opportunities for expenditure rationalization.

## **C. Financial and Macprudential Policies**

**31. Singapore's financial sector remains resilient, though vigilance against pockets of vulnerabilities is warranted.** Risks to financial stability remain contained with solid capital and liquidity buffers. Continued maintenance of adequate provisioning buffers and prudent risk management practices across banks including non-D-SIBs will help navigate external shocks. However, a sudden downward adjustment in housing prices still poses a potential systemic risk (¶35) and pockets of vulnerabilities could emerge during stress episodes. While these risks are well contained at this juncture, continued vigilance is warranted. MAS should continue to enhance its strong oversight of the financial system, given interlinkages within the system and cross-border exposures. Staff welcomes further progress made in completing several 2019 FSAP recommendations (Annex V).

### 32. Domestic systemically important banks (D-SIBs) remain solvent and liquid under adverse shocks.

The adverse scenario of MAS' industry-wide D-SIBs stress test in 2023 featured a protracted recession due to a global economic downturn resulting from an acute monetary policy tightening in advance economies; a slowdown in China and increased stress in its real estate sector; and dysfunctional U.S. dollar funding markets, under a 3-year stress test horizon. Results indicate that D-SIBs can maintain capital adequacy above the regulatory requirements, although capital adequacy declines by nearly 5 percentage points during the stress test horizon. Second-order solvency-liquidity feedback loop results indicate an additional capital depletion of around 1 percentage point per year. While these results offer some comfort, continuous vigilance against cross-border exposures, particularly vis-à-vis China and Hong Kong SAR, is warranted, given that potential risks could propagate through multiple channels and exposures may differ across D-SIBs.

MAS could also consider increasing the stress test horizon (e.g., a 5-year horizon similar to the 2019 FSAP). As the 2019 FSAP highlighted, given the importance of U.S. dollar funding and liquidity for the banking system, the option of introducing minimum requirements for foreign currency liquidity coverage ratios (LCR) should remain open, in addition to its current supervisory approach.<sup>17</sup> MAS' cashflow-based liquidity stress tests with stress scenarios in line with recent bank runs in advanced economies and liquidation price impact haircuts on the held-to-maturity portfolios as well as cashflow-based FX liquidity stress tests are welcome.

### 33. Stress tests for nonfinancial corporates (NFCs) and households identify pockets of potential vulnerabilities.

NFCs on average maintained resilient viability conditions and low NPLs. However, MAS NFC stress tests in 2023 found that 15 percent of all listed NFCs would face viability concerns under a stress scenario, after utilizing their liquidity buffers. These corporates hold around 8 percent of total corporate sector debt, which could eventually transmit risks to the financial system through the asset quality channel. MAS household stress tests found that households' debt servicing ability remains manageable under a scenario where a concurrent and immediate increase in mortgage rates occurs alongside a negative income shock. Results identified a small segment of highly leveraged borrowers with below-median income that could be more vulnerable to payment risks, although they account for less than 5 percent of system-wide mortgage loans. These results underscore the need for continued vigilance, particularly concerning potentially vulnerable NFCs

**Text Table 2. Singapore: Regulatory Requirements on Banks' Capital and Liquidity**

Measure	Regulatory Minimum
Minimum CET1 capital adequacy ratio	6.5 percent
Tier 1 CAR capital adequacy ratio	8.0 percent
Total capital adequacy ratio	10.0 percent
Capital conservation buffer	2.5 percent
Countercyclical capital buffer (CCyB)	0 percent
Leverage ratio	3 percent
Liquidity coverage ratio for D-SIBs 1/ Singapore dollar LCR	100 percent
All currency LCR for local D-SIBs	100 percent
All currency LCR for other D-SIBs	50 percent
Net stable funding ratio for D-SIBs 1/ All currency basis for local D-SIBs	100 percent
All currency basis for other D-SIBs	50 percent
Minimum liquid assets 2/ All currency liquid assets over qualifying liabilities	16 percent

Source: MAS; IMF AREAER.

1/ Banks that are internationally active are subject to 100 percent all currency LCR and 100 percent net stable funding ratio requirements.

2/ Non-D-SIBs can choose to comply either with LCR or MLA.

<sup>17</sup> Following 2019 FSAP recommendations, MAS has also made improvements to its liquidity framework. As discussed in the IMF country report No. 23/314, MAS successfully introduced a temporary USD liquidity facility at the height of the pandemic, on the back of a swap arrangement with the U.S. Federal Reserve.

and households amidst rising costs. Continued maintenance of adequate provisioning coverage<sup>18</sup> across banks could help weather risk transmission to the banking system.

**34. Persistently high interest rates and volatile global sentiment could pose risks.** While Singapore's financial sector has remained resilient against the rise in interest rates, assets quality risks for banks could heighten further due to a rise in refinancing costs, thus posing risks as mortgages on fixed rates reprice. Refinancing of commercial mortgages could particularly become challenging due to high rates if commercial real estate (CRE) prices continue to decline. Given that banks' CRE loan exposure exceeds 15 percent, MAS could incorporate scenarios of large CRE price declines and volatility in real estate investment trusts in its stress tests. Singapore as a global financial center could also encounter volatility and dysfunction in funding markets in case of a sudden change in global investor sentiment. While Singapore has weathered such situations in the past relatively well (e.g., the Global Financial Crisis, the onset of the pandemic, and the banking turmoil in the U.S. and Europe in 2023), continued vigilance is warranted against interconnectedness risks that could be amplified in a higher-for-longer rates environment.

**35. The tight macroprudential policy stance should be maintained to prevent the buildup of systemic risks from the housing market in the future.**

- In Singapore, systemic risks could originate from the housing market, and therefore macroprudential measures are primarily centered around the housing market to prevent the buildup of systemic risks. Mortgage loans represent around a third of banks' total loans to residents. Notably, a sudden and large downward house price correction would reduce collateral values, possibly propagating spillovers into the financial sector and the real economy. The potential for the intensification of the housing-related systemic risk has decreased since the 2023 Article IV consultation to some extent, as the recent cooling in the housing market, the recovery in incomes, and past rental price increases brought the current levels of house prices to levels broadly in line with their fundamentals.<sup>19</sup>
- However, the tight macroprudential policy stance continues to play a key role in containing the housing-related systemic risk.<sup>20</sup> Specifically, MAS appropriately maintains macroprudential measures such as limits on the loan-to-value ratio (currently at 15-75 percent differentiated by borrower characteristics) and total debt servicing ratio (at 55 percent), weakening the transmission channels.<sup>21</sup> Banks' total property-related exposures are also capped at 35 percent of eligible assets since at least 1987. Further tightening of these measures could help if systemic

<sup>18</sup> Total provisioning coverage of the banking sector is 110 percent as of 2023Q3.

<sup>19</sup> Rental market pressures built up rapidly during the pandemic, resulting in a large decline in the ratio of housing prices to rents. The rise in households' disposable income decreased the ratio of housing prices to income.

<sup>20</sup> A broad set of indicators including a house price valuation model, price-to-rent, price-to-income, gap in credit to GDP ratio, MPP measures that are currently in place are used to form this view. Singapore's credit-to-GDP gap is estimated at around negative 30 percent as of 2023.

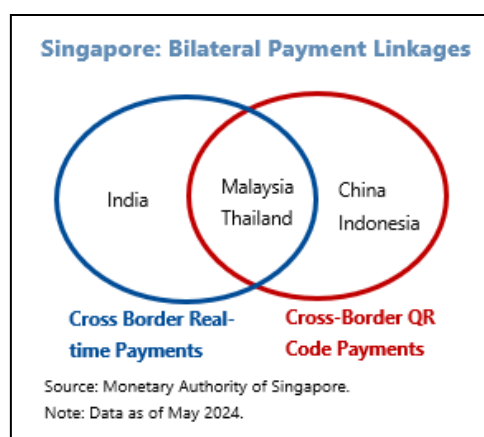
<sup>21</sup> Singapore also has capital-based macroprudential measures such as countercyclical capital buffers (CCyB) that are currently set at zero, and additional capital surcharges/buffers on D-SIBs. D-SIBs are also required to maintain positive CCyB for exposures in jurisdictions outside Singapore with positive CCyB.

risks were to arise due to large misalignments in housing prices in the future. Fiscal measures such as the Seller's Stamp Duty and the Additional Buyer's Stamp Duty (ABSD) may have also cooled down housing demand, particularly in the core central region. However, given that the ABSD rate is higher for non-residents than for residents, it is considered a capital flow management and macroprudential measure (CFM/MPP). Staff recommend phasing out the additional residency-based differentiation resulting from the April 2023 increase in the ABSD rates in a way that does not disrupt the market, and then continuing phasing out the remaining residency-based differentiation once systemic risks from the housing market clearly dissipate.<sup>22</sup>

**36. On the NBFi sector, MAS' efforts to upgrade its regulatory frameworks and analytical toolkit on interconnectedness, liquidity pressure, and leverage are welcome.** Singapore's asset management sector has expanded significantly in recent years, both in size and scope (Box 1). Potential risks stemming from the NBFi sector could propagate into the banking sector through counterparty risks (about 20 percent of banking sector assets and liabilities are vis-à-vis NBFIs) and liquidity risks due to asset fire sales (owing to cross-asset exposures).

- Asset management companies regulated by MAS are required to have effective liquidity risk management frameworks, and MAS conducts thematic inspections periodically. In 2023, MAS also introduced a liquidity stress simulation exercise covering both Singapore-domiciled and foreign-domiciled funds offered or managed in Singapore. The exercise concluded that most investment funds would have sufficient liquidity to deal with redemptions in times of severe stress. Retail investment funds are subject to leverage limits under the Code on Collective Investment Schemes; for others, such as hedge funds that take on leveraged positions, MAS conducts periodic analysis of leverage coupled with supervisory engagements with the fund managers, taking into account global comparators.
- A framework for designating domestic systemically important insurers (D-SIIs), which came in effect in January 2024, is a welcome step to enhance supervision of the sector. In addition, the annual industry-wide stress test incorporated a more rigorous liquidity stress scenario.

**37. MAS continues to promote digital innovations in the financial sector and enhance payments connectivity, balanced with enhanced regulation.** Bilateral cross-border payment linkages for small-value transfers made via instant and interoperable QR payments have been expanded with several Asian peers. While these payment corridors are still nascent, their usage is growing given no or much lower costs compared to alternatives. MAS sees no immediate need for retail Central Bank Digital Currency (CBDC) but plans to pilot a "live" issuance of wholesale CBDC for atomic



<sup>22</sup> See the IMF country report No. 23/314, paragraph 39, for more detail.

settlement across domestic banks.<sup>23</sup> MAS is also exploring asset tokenization initiatives. Nineteen Digital Payment Token (DPT) service providers have received licenses to operate in Singapore as of May 2024. MAS has expanded scope of regulatory measures for DPT services to protect customer digital assets, continues to discourage cryptocurrency speculation by retail customers, and is working on the necessary legislative amendments to effect the regulatory framework for stablecoins.<sup>24</sup> To promote a responsible use of Artificial Intelligence (AI) in the finance industry, a consortium led by MAS released an open-source toolkit in 2023. While promoting innovations, MAS should continue to put strong emphasis on safety and soundness to mitigate risks to financial stability. Singapore should continue to regularly reassess the cybersecurity landscape. Related strategies and guidelines for financial institutions should be adjusted in a timely manner.

**38. Singapore should continue efforts to strengthen its Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) regime.** Singapore's robust AML/CFT framework, and the authorities' efforts to continue enhancing its effectiveness to mitigate financial integrity risks are welcome. Given Singapore's position as a global financial center involving a large volume of financial flows, there is an exposure to cross-border, non-resident risks. The recent money laundering case involving illegally acquired assets worth US\$2 billion suggests scope for further improvement on the analysis of cross-border money laundering risks; more robust preventive measures (including customer due diligence, beneficial ownership checks, transaction monitoring, and swift reporting of suspicious transactions) on non-resident customers; and increased effectiveness of supervisory oversight of banks. In this connection, MAS recently launched the first centralized digital platform to facilitate customer information sharing among financial institutions related to AML/CFT, focusing on misuse of legal persons, misuse of trade finance for illicit purposes, and proliferation financing.<sup>25</sup> Staff also welcome increased scrutiny of wealth management and investment industries, including efforts to detect the misuse of single family offices. More targeted supervisory efforts could be considered on banks, e.g., thematic inspections on the treatment of wealthy nonresident customers. Efforts should continue to deepen the analysis on the impact of financial integrity events on financial stability, higher-risk jurisdictions and associated financial flows.

### **Authorities' Views**

**39. Singapore's financial sector remains sound.** For all banks, capital adequacy remained above the regulatory requirements under the adverse scenarios of MAS solvency stress tests. The stress test scenarios considered by MAS are more severe than past global stress episodes (e.g., the Global Financial Crisis) and incorporate a downturn in the Chinese economy, a property market downturn in China and Hong Kong SAR, as well as CRE sector risks in the United States, among others. MAS also emphasized that banks' NPLs domestically and to real estate sectors in Hong Kong

<sup>23</sup> In 2023, MAS unveiled a blueprint outlining the technology infrastructure required for a digital Singapore dollar.

<sup>24</sup> The framework applies to single currency stablecoins issued in Singapore and pegged to the Singapore dollar or any G10 currency. Issuers of stablecoins bearing a "MAS-regulated" label must fulfill requirements related to value stability, capital, redemption at par, and disclosure.

<sup>25</sup> The Collaborative Sharing of ML/TF Information and Cases (COSMIC) platform.



SAR and China remain low. D-SIBs are also required to maintain countercyclical capital buffers for their private sector credit exposures to jurisdictions (including Hong Kong SAR) that implemented non-zero CCyB rates as part of the CCyB reciprocity arrangements. MAS continues to engage regularly with banks to strengthen their US dollar liquidity risk management practices and contingency funding planning. MAS is exploring data collection on cross-sectoral and cross-asset exposures to assess interconnectedness risks. Household debt is not assessed to be elevated when compared to disposable income.

**40. MAS continues to be vigilant against NBFIs and AML/CFT risks, while balancing between promoting and regulating digital innovations.** Insurers, investment funds, and trust companies representing the bulk of non-bank financial institutions sector in Singapore are well regulated and pose limited financial stability risks. Recognizing the potential benefits in an innovative and responsible digital asset ecosystem, MAS has strengthened regulatory measures for digital payment token services by adopting a risk-centric approach, focusing on key risks including consumer harm, money laundering, technology, and cyber risks. Because the banking system's exposure to digital assets is small, it has limited impact on monetary policy transmission and financial stability. Financial institutions in the wealth management sector will be subject to greater supervisory attention given their inherent ML/TF risks.

**41. The authorities agreed with IMF staff assessment that the current tight macroprudential policy stance should be maintained, and noted that the residency-based differentiation in the ABSD rates remains necessary for limiting speculative housing demand from non-residents and containing systemic risks.**

- While maintaining an open capital account is a core priority for Singapore, the authorities noted that a distinction has to be made between capital flows into financial assets and real estate properties because of the different implications for systemic stability. When applying the IV framework for Singapore's housing market, country-specific factors should be fully taken into account, including the country's overall attractiveness as a global city-state and safe haven drawing in a large pool of global liquidity, which when juxtaposed against an almost "vertical" housing supply curve reflecting Singapore's small size and scarce land resources, suggests that spillover effects from speculative transactional flows to nationwide house prices are especially significant.
- In this regard, the authorities noted that the April 2023 increase in the ABSD rates was calibrated after careful and holistic deliberation on the housing market, including domestic supply and demand conditions as well as the rising demand from nonresidents at that time. The share of private housing purchases attributable to non-residents doubled from 3-4 percent during the pandemic to about 7 percent in 2023Q1 (while the share based on transaction volumes more than doubled to 13 percent), with a more acute increase for the core central region, which necessitated the ABSD increase.
- While the nonresidents transaction volumes have trended down recently, they continue to show significant price-signaling effects of the marginal buyer. Transaction volumes from non-residents

could reach historical highs if the ABSD rates are reduced substantially, especially given large latent demand. Tightening macroprudential credit measures such as the loan-to-value ratio would be ineffective since potential non-resident buyers own ample liquid assets, and they are not dependent on loans from Singapore's banking system.

- In the authorities' views, future adjustments in the ABSD rates should be based on holistic assessments, including on the severity of housing-related systemic risks, and progress with housing supply enhancements. ABSD adjustments should also be weighed against the risk of a possible market resurgence and implemented without unduly disrupting the market, given continued potential demand from non-residents and the attractiveness of housing in Singapore relative to its peers.

## D. Macro-Structural Policies

### ***Forward Singapore: New Social Compact to Promote Inclusive Growth***

**42. In 2023, the government unveiled the *Forward Singapore* (see Box 2) initiative aimed at renewing Singapore's social compact.** *Forward Singapore* covers a broad range of policy themes, charting the future directions of public education, healthcare, and housing; social insurance and assistance; labor market policies; and fiscal policy management. The FY2024 budget includes about S\$5 billion (0.7 percent of GDP) in spending measures related to *Forward Singapore* and about S\$40 billion (5.6 percent of FY2024 GDP) is expected to be spent on related measures by FY2030.

**43. Singapore needs concerted efforts to support the wellbeing of the aging population and young families.** Singapore's population is rapidly aging, with about 1 in 4 Singaporeans projected to be over 65 by 2030, and the total fertility rate is dropping, to 0.97 in 2023, dipping below 1 for the first time in the country's history. In this context, *Forward Singapore* sets multiple prudent policies, including enhancing the welfare of the elderly population by improving Singapore's preventive healthcare system; providing seniors more opportunities to be engaged in the community; and enhancing existing pension schemes to strengthen the retirement adequacy. *Forward Singapore* also aims at supporting families through every stage of life, making available affordable public housing, and strengthening support to parents of young children, including in the form of greater flexibility in work arrangement.<sup>26</sup>

**44. Income inequality in Singapore has declined, albeit with further potential for improvement.** Gini indices reached a two-decade low in 2023, both before and after tax and transfers, indicating a decrease in income inequality (Figure 10). Notably, the income gap between high- and low-income groups has narrowed, with lower-income households experiencing faster real income growth compared to higher-income households from 2012–2023. Wealth inequality appears to persist, although mitigated by high rates of home ownership. While Singapore continues to maintain a high international ranking on gender equality according to the United Nation's Gender Inequality Index, a gender pay gap exists, with female workers estimated to earn 6 percent less than

<sup>26</sup> This is in line with IMF staff advice in IMF Country Report No. 23/314 on increasing flexibility in work arrangement.

their male counterparts in 2023, after accounting for differences in age, occupation, industry, education, and usual hours worked.

**45. Measures to improve social safety nets, narrow wage disparity, and enhance support for low-income families should help reduce income inequality further.** The government has appropriately focused on labor market policies as a key policy tool to reduce income inequality. In a departure from its past approach, *Forward Singapore* envisages introducing a financial support scheme for the involuntarily unemployed, with its parameters to be announced later this year. In staff's view, such a scheme would reduce risks of temporary income losses for families, preventing income inequality from worsening amid adverse shocks and reducing their incentive for precautionary saving. To ensure an efficient scheme, it will be important to carefully calibrate the duration and level of benefits as well as the eligibility criteria, while minimizing disincentives for the unemployed to re-enter the workforce. The scheme should also integrate active labor market programs to facilitate the unemployed individuals' return to quality employment. Additionally, the government has also introduced various enhancements to existing schemes to uplift lower-wage workers and narrow workers' wage gaps. *Forward Singapore* also envisages further improving access to social assistance programs and preschool education for low-income families.

### Digitalization: Embracing Artificial Intelligence

**46. Singapore's efforts to promote digitalization continue, including the adoption of Artificial Intelligence (AI), with a strong potential for boosting country-level aggregate productivity.**<sup>27</sup> Based on the IMF's AI Preparedness Index, Singapore is well prepared for AI adoption.<sup>28</sup> The government is embracing the potential of AI to enhance Singapore's potential growth. The National AI Strategy 2.0, launched in 2023, aims to capitalize on AI's benefits, create new opportunities, and position Singapore as a global AI leader. Following the strategy, the government has committed to investing over S\$1 billion (0.1 percent of GDP) in the next five years to foster AI talent, infrastructure, and industry development. The government has also taken positive steps to promote innovation, for example by topping up the National Productivity Fund to attract high quality and high value investments to Singapore.

**47. Having a large share of skilled workforce, Singapore's labor market is highly exposed to AI.** Staff analysis finds that about 77 percent of Singapore's labor force is employed in occupations that have a high potential for AI integration, that is, have a high exposure to AI. This share is greater than the average exposure in advanced economies (see accompanying Selected Issues Paper "Impact of AI on Singapore's Labor Market").<sup>29</sup> About half of this highly exposed workforce (39 percent of total workforce) is employed in occupations in which AI can play a

<sup>27</sup> See IMF Paper 2023/01 "Accelerating Innovation and Digitalization in Asia to Boost Productivity."

<sup>28</sup> The IMF's AI Preparedness Index (AIPI) evaluates AI readiness in 174 countries using a comprehensive set of macro-structural indicators, including digital infrastructure, human capital and labor market policies, innovation and economic integration, and regulation and ethics. Singapore ranks highest on the AIPI among all countries.

<sup>29</sup> Also, Pizzinelli et al. (2023) estimate that about 60 percent of workforce in advanced economies may be highly exposed to AI, compared to about 40 percent in emerging economies.

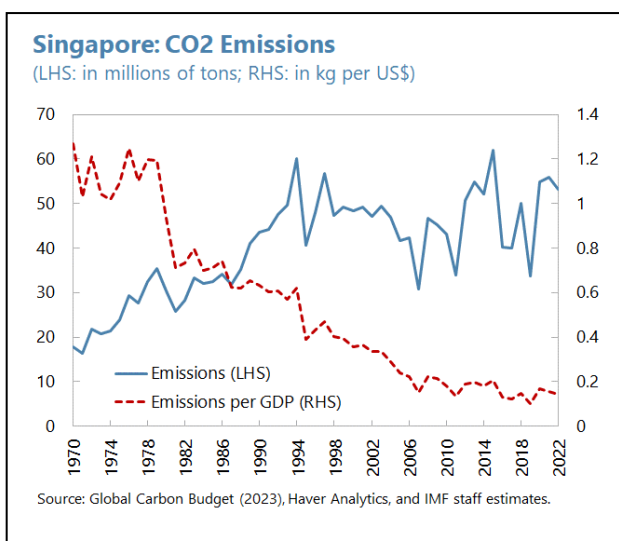
complementary role, leading to potential gains in productivity from the appropriate use and integration of AI. This, however, is contingent on the ability of workers in these roles to acquire the necessary skills for incorporating AI into their jobs. The remaining share of the highly exposed workforce is in occupations in which AI has a higher potential for substituting the tasks performed by humans. Additionally, staff analysis indicates that a higher proportion of women are employed in jobs more susceptible to being replaced by AI technologies.

**48. To mitigate AI's disruptive impact, policies should facilitate a smooth transition for affected workers.** Lifelong learning, a core aspect of *Forward Singapore*, is vital for nurturing a versatile and robust workforce capable of adapting to a rapidly changing technological landscape. In occupations where AI complements work, training is expected to enhance productivity, while roles at risk of AI replacement will require re-skilling or up-skilling for workers to transition to new jobs. In this regard, the *SkillsFuture* program, which is a government initiative designed to equip Singaporeans with the skills needed for a rapidly evolving job market through training opportunities, provides an avenue for Singaporeans to engage in lifelong learning. The expected financial support scheme for the involuntarily unemployed (¶45) would also assist workers affected by AI in transitioning to new jobs. The focus on re-skilling and up-skilling can also ease the tightness in the labor market, helping to contain inflationary pressures.

### Climate Change: Playing a Role Model for the Region

**49. Singapore continues to implement robust climate policies.** Singapore's carbon intensity has declined over the last several decades and is currently one of the lowest in the world. Further, Singapore's goal to achieve net-zero emissions by 2050 will be pursued through a multifaceted strategy that includes spurring business transformation and investing in low-carbon technologies. In this regard, the Energy Efficiency Grant, Resource Efficiency Grant for Emissions, and Investment Allowance for Emissions Reduction are designed to support businesses in enhancing energy efficiency and reducing emissions within their industrial facilities. Additionally, the government has conducted a feasibility study on carbon capture, utilization, and storage, and although low-carbon hydrogen technologies and supply chains are still in the early stages, Singapore is proactively preparing for hydrogen deployment. With 30 percent of its land less than 5 meters above sea level, Singapore needs to invest in coastal defenses and flood prevention.

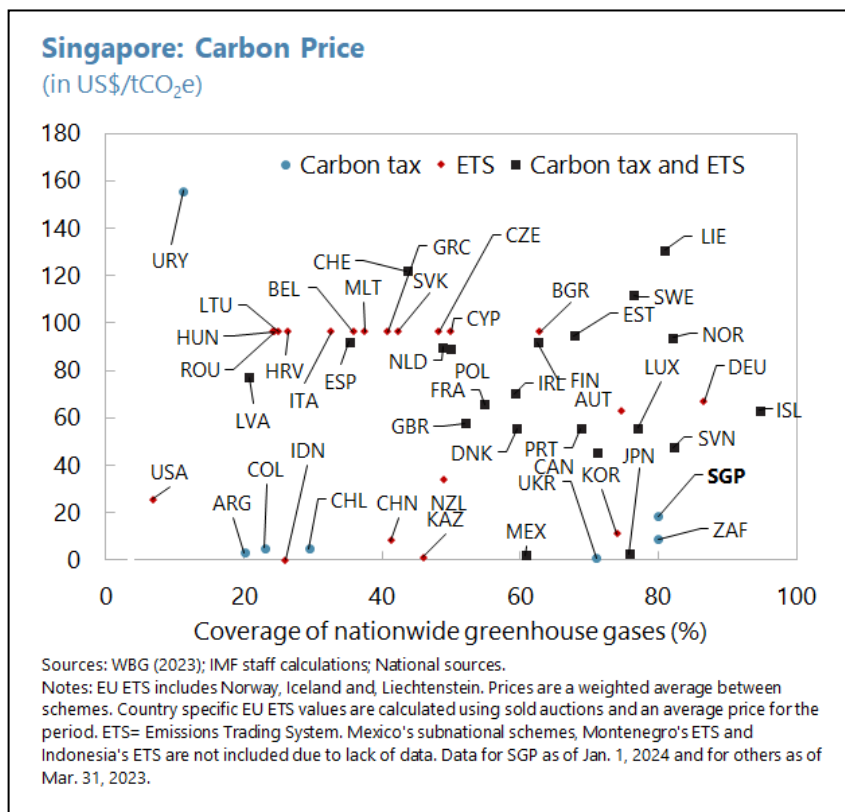
- The carbon tax serves as a crucial policy tool toward the net zero emissions goal. At S\$25 (US\$19) per tonne of CO<sub>2</sub> emission, Singapore currently has one of the highest carbon pricing rates in the region. The government's commitment to raise the rate further to S\$45 (US\$33) per



tonne in 2026 and to S\$50-80 (US\$37-59) by 2030 reduces policy uncertainty for firms and households, facilitating de-carbonization, while part of the carbon tax revenue is used to cushion the adverse impact of high carbon prices.<sup>30</sup> While Singapore's domestic carbon market is not large enough to effectively implement an Emissions Trading System (ETS), Singapore's International Carbon Credit Framework, which allows carbon tax liable

companies to use eligible international carbon credits to offset up to 5 percent of their taxable emissions, was implemented on January 1, 2024.

- Electricity generation, which relies heavily on natural gas, is the main contributor to Singapore's emissions, requiring efforts to develop clean energy sources. The FY2024 Budget allocates S\$5 billion (0.7 percent of GDP) to the newly established Future Energy Fund to support this effort.
- The government has issued green bonds, with a view to issuing a total of S\$35 billion (4.9 percent of FY2024 GDP) by 2030 to fund green infrastructure projects. The government issued its first sovereign green bond, valued at S\$2.4 billion, in August 2022. Part of the proceeds have been used to finance major mass public transport projects.
- The government established the Coastal and Flood Protection Fund in 2020, with an initial funding of S\$5 billion (1 percent of FY2020 GDP), to fund coastal protection measures and drainage infrastructure. This fund represents the government's proactive approach to addressing the challenges of rising sea levels and climate change, with plans to utilize a mix of funding methods, including potential borrowing through green bonds. In 2023, Singapore also launched a S\$125 million Coastal Protection and Flood Management Research Program, the country's first



<sup>30</sup> The 2022 Article IV staff report for Singapore (IMF Country Report No. 22/233, Box 1) analyzes the effect of the carbon tax increases on CO<sub>2</sub> emissions in the long run.

research program dedicated to strengthening coastal protection and inland flood management capabilities.

**50. Singapore has made welcome progress with incorporating climate change into financial sector risk management and strengthening the climate information architecture.**

- MAS started a consultation process with banks, insurers, and asset managers on issuing guidelines on transition planning. These transition planning guidelines set expectations across governance and strategy, risk management, and disclosures on the transition planning process.
- MAS conducted climate risk analysis in 2023, focusing on assessing the impact of net-zero transition pathways through large banks' and insurers' credit and market risk exposures to 27 climate policy relevant sectors. The results suggest that a disorderly transition could result in significant financial losses for banks and insurers, while heterogeneities exist across financial institutions.
- Financial sector regulators recently published details of the mandatory climate disclosure requirements for listed firms and large non-listed firms in Singapore. All listed firms will be required to report annual climate-related disclosures in line with the standards set by the International Sustainability Standards Board by 2025, while large non-listed firms will be required to report the same by 2027.
- MAS recently published the Singapore-Asia Taxonomy for Sustainable Finance, a comprehensive multi-sector transition finance taxonomy. It defines thresholds and criteria for defining green activities (activities that are aligned with net zero emissions by 2050), amber/transition activities (activities transitioning towards green within a certain timeframe or enabling significant emission reductions in the short term), and ineligible activities. This taxonomy also specifies criteria for the early and managed phasing out of coal-fired power plants, a challenge in Asia due to its large share of coal power generation. The authorities could also consider linking the taxonomy to climate-related disclosures along with implementation timelines in the future.

**Authorities' Views**

**51. The authorities underscored their commitment to fostering an equitable and inclusive economy.** Various policies have helped the government reduce income inequality in Singapore. The Progressive Wage Model has reduced wage disparities by helping wages for lower wage workers to grow faster than the median worker, while also maintaining business sustainability by linking wage increases to upskilling. The Workfare Income Supplement (WIS) scheme has helped supplement lower-wage workers' income through cash and Central Provident Fund (CPF) payments. The GST Voucher Scheme and the Assurance Package have helped increase the overall progressivity of fiscal policy. Several other measures, including the Majulah Package, aim to improve the retirement adequacy for senior Singaporeans. Furthermore, the government will launch a financial support scheme for the involuntarily unemployed, which will provide greater assurance to individuals in their search for jobs.

**52. The authorities are also committed to embracing technological advancements.** While acknowledging the potential disruptions from technological advancements, the authorities emphasized their intention to proactively adapt to these changes and seize new opportunities. Singapore's investment in the National AI Strategy 2.0 represents its commitment to realize the benefits of AI and create new opportunities. Having a large share of skilled workforce and access to training programs for productivity enhancement and upskilling, Singapore's labor market is well-positioned to maximize the gains from AI. In this regard, the *SkillsFuture* movement and the country's tripartite system—which facilitates policy coordination and collaboration between the government, the Labor Movement, and employers—play an integral role in navigating this transition. The government has also worked with industry partners to develop Jobs Transformation Maps. These maps provide detailed insights on the impact of technology and automation on jobs in different sectors, and outline job redesign and reskilling pathways to help employers and workers leverage technologies such as AI for greater productivity.

**53. The authorities reiterated their commitment to implementing robust climate policies.** They recognize climate change as a significant long-term challenge for Singapore, against which they are building resilience through various mitigation and adaptation measures. Beyond reducing emissions, Singapore is also focusing on managing energy demand and improving energy efficiency across sectors. This includes initiatives such as enhancing energy efficiency in buildings and industries, promoting the use of renewable energy sources, and implementing smart grid technologies to optimize energy use and distribution. MAS developed the Singapore-Asia taxonomy (SAT) primarily to support greater standardization in green and transition activities classification, which in turn will help to reduce green or transition washing. Disclosures of the SAT is on a voluntary basis and it will not be linked to climate-related disclosures as the activity-based nature of taxonomies may not fully reflect climate-related financial risks at borrower level. It is more meaningful for financial institutions to engage their customers or investee companies and to facilitate their transition based on credible transition plans.

## STAFF APPRAISAL

**54. A gradual recovery and disinflation are underway.** Growth is projected to recover to 2.1 percent in 2024, supported by improved global demand for semiconductors and inbound tourism, and converge gradually to 2.5 percent over the medium term. While both headline and MAS core inflation are projected to moderate to 3 percent in 2024, the disinflation is expected to be gradual amid persistent upward price pressures. Singapore's external position in 2023 is assessed as substantially stronger than the level implied by medium-term fundamentals and desirable policies.

**55. Downside risks to growth, primarily arising from external factors, have diminished, while risks to inflation remain tilted to the upside.** Growth prospect in China and the U.S. poses both upside and downside risks to growth in Singapore. In addition, Singapore remains vulnerable to a deepening of geoeconomic fragmentation and climate change. Upside risks to inflation stem from still tight labor market as well as high volatility in global energy and food prices due to intensification of geopolitical conflicts.

**56. The current tight monetary policy stance is appropriate and should be maintained until inflationary pressures firmly recede.** Once the envisaged disinflation is firmly in sight, monetary policy should be adjusted in a timely manner to address risks to price stability, continued to be guided by data and articulated through clearly communicated policy decisions. Should upside inflation risks materialize, the monetary policy stance should be tightened.

**57. The fiscal stance in 2024 is appropriate.** The broadly neutral fiscal stance, coupled with targeted support measures, will help moderate price pressures, while also assisting vulnerable households and firms in addressing cost of living concerns. Should downside risks to growth materialize, Singapore has substantial fiscal space to deploy temporary and targeted support.

**58. Given strong public finance and fiscal institutions, Singapore is well-positioned to address its medium- and long-term challenges.** A slower pace of fiscal surplus accumulation within the government's balanced budget rule would be warranted in the coming years to accommodate the rising spending needs. Higher public spending and stronger social safety nets will help reduce Singapore's large external surpluses.

**59. Singapore's financial sector remains resilient, though vigilance against pockets of vulnerabilities is warranted.** Risks to financial stability remain contained with solid capital and liquidity buffers. The tight macroprudential policy stance remains appropriate and should continue to play a key role in containing the housing-related system risk. The financial sector also faces pockets of vulnerabilities that could emerge during stress episodes, including due to banks' cross-border and FX exposures, a small segment of highly leveraged corporates and households, and the linkage between fast-evolving non-bank financial institutions and banks. While these risks are well contained at this juncture, continued vigilance is warranted.

**60. The authorities' efforts to promote a more inclusive, resilient, and greener economy are commendable.** The government's *Forward Singapore* report outlines reforms, including enhanced social safety nets and lifelong learning programs, aimed at fostering inclusive growth amid rapid population aging and AI advancements. Singapore is also advancing climate policies, such as carbon pricing, green bonds, and improved climate risk management and information architecture for the financial sector.

**61. It is recommended that the next Article IV consultation with Singapore be held on the standard 12-month cycle.**



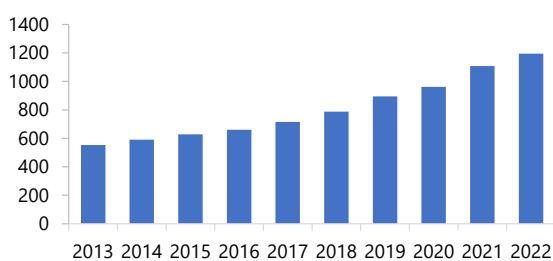
### Box 1. Singapore: Asset Management Industry in Singapore

Singapore's asset management sector grew significantly over the years, both in size and scope. Assets under management quadrupled since 2010 and stood at about US\$3.7 trillion in 2022. Alternative investment segment grew five times over the same period, as Singapore introduced programs to anchor private market players and to enhance investment capabilities in this asset class. Singapore also strengthened its status of a well-established private wealth management center<sup>1</sup> amid growing wealth generation in Asia and developed a sustainable finance ecosystem.<sup>2</sup>

Singapore's strategic connectivity to Asia, coupled with its high governance standards and stable financial system, offers essential competitive advantages that make it an attractive financial center. In addition, Singaporean authorities took steps to facilitate and promote a fund management ecosystem, including development of a comprehensive regulatory framework and establishment of incentive schemes aiming to defray set-up costs. Some of the recent initiatives include introduction of the Variable Capital Companies (VCC) framework, and tax incentives for family offices. At end-2022, there were about 1,200 regulated fund management companies supported by more than 250 fund services providers. Commencement of the VCC regime in early 2020 offered greater flexibility in fund structure and operations and by October 2023, 969 such companies have been incorporated and re-domiciled in Singapore, representing 1,995 sub-funds and covering various use cases and fund strategies. In December 2023, there were 1,400 single family offices that were awarded tax incentives.

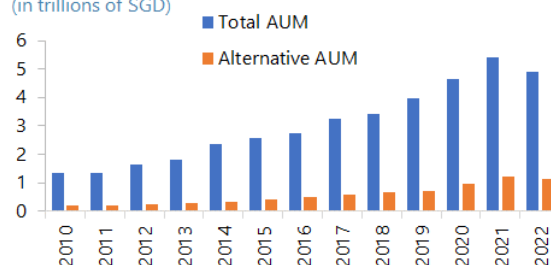
Asset management industry has a strong focus on cross-border activities. In 2022, about 76 percent of funds were sourced from abroad and 88 percent of total assets under management were invested outside Singapore. Investment funds and trust companies together account for about 13 percent of domestic financial system assets. Banking system exposure to all NBFIs—besides investment funds, these also include a wide variety of NBFIs such as securities and futures companies as well as treasury centers—is less than 15 percent of total bank credit assets. These exposures comprise mostly loans. Investment funds hold about 12 percent of outstanding sovereign and corporate bonds, and less than 6 percent of the domestic equity market.

Singapore: Number of Regulated Asset Management Firms



Source: Monetary Authority of Singapore.

Singapore: Assets Under Management (in trillions of SGD)



1/ Singapore was ranked second, after Switzerland, in Deloitte's 2021 International Wealth Management Centre Ranking.

2/ See Appendix X of IMF Country Report 21/156 on green finance in Singapore.

## Box 2. Singapore: Forward Singapore

**Forward Singapore is an initiative aimed at refreshing Singapore’s social compact to navigate future challenges and opportunities.** A workgroup led by the government and including National Trades Union Congress prepared the *Forward Singapore* report and published it in October 2023. Over 200,000 Singaporeans participated in engagement sessions and surveys. The report focuses on fostering a collective effort among Singaporeans to shape a shared future, emphasizing inclusivity, sustainability, and resilience across various sectors of society. Key policy themes include:

- **Embracing learning beyond grades:** A holistic approach to learning will be prioritized to help individuals fulfill their potential and stay adaptable amid global and technological changes. Preschool accessibility will be improved and the *SkillsFuture* program will play a crucial role in providing continuous learning, particularly for mid-career Singaporeans to re-skill and upskill. To further enhance *SkillsFuture*, the FY2024 budget introduced the *SkillsFuture* Level-Up Program for mid-career workers aged 40 and above to get reskilled or upskilled. Support measures include funds to offset out-of-pocket course fees and allowance to workers opting for selected full-time programs.
- **Respecting and rewarding every job:** The government will intensify its efforts to narrow the wage gap and provide more recognition and better pay for jobs requiring manual skills and jobs in the care sector. Additionally, there will be a focus on better skills matching to foster career agility and resilience. Strategies will be implemented to ensure that the foreign workforce complements local talent, thereby enabling Singaporeans to excel both locally and internationally, particularly in leadership roles in multi-national corporations. Some of the measures introduced in FY2024 budget include (i) raising the qualifying income cap from S\$2,500 to S\$3,000 and also raising the payouts under the Workfare Income Supplement scheme, which is directed towards lower-wage workers, (ii) raising the Local Qualifying Salary, which is the minimum monthly salary paid to local employees at companies that hire foreign workers, from S\$1,400 to S\$1,600, and (iii) raising wage ceiling for co-funding under the Progressive Wage Credit Scheme from S\$2,500 to S\$3,000 for 2025 and 2026 and the co-funding level for 2024 from a maximum of 30 percent to 50 percent. Such policies have largely been designed to limit the distortion of incentives.
- **Supporting families through every stage:** The government will ensure access to affordable public housing and provide greater work flexibility and support to young families with children, including by improving caregiving arrangements. Some of the recently announced policies include a reduction in the monthly childcare fee caps in government-supported pre-schools, an increase in preschool subsidies for lower income families, top up to the *Edusave* Endowment Fund with S\$2 billion (0.3 percent of GDP), and offering timely access to affordable housing for young couples.
- **Enabling seniors to age well:** The government aims to improve primary and preventive healthcare and launch more Active Aging Centers, including plans to enhance the physical environment with senior-friendly amenities. The government is also taking steps to increase financial support measures to improve retirement adequacy. Through the *Majulah* Package, which has a total expected lifetime cost of S\$8.2 billion (1.2 percent of FY2024 GDP), the government intends to boost the retirement savings of Singaporeans born in 1973 or earlier. The government has also introduced several improvements to the Central Provident Fund (CPF) system, including by increasing the CPF contribution rates for those aged 55 to 65, raising the maximum amount that can be put into individuals’ CPF retirement accounts, and increasing payouts to seniors who had low lifetime incomes through the Silver Support Scheme.
- **Empowering those in need:** The government will offer comprehensive support to lower income families and enhance inclusivity for individuals with disabilities. Preschool education will be made more accessible and affordable to reduce early gaps for children from underprivileged families.
- **Investing in Singapore’s shared future:** The government will focus on sustainable management of resources and strengthen its climate adaptation and mitigation measures. Efforts to strengthen food and water security will see investments in infrastructure to meet water demands and initiatives to diversify food

**Box 2. Singapore: Forward Singapore (concluded)**

sources and increase local production. Moreover, fiscal prudence will ensure responsible public finance management.

- **Contributing collectively as one united country:** Singapore will strive to build a culture of giving, strengthen multiracialism, and encourage civic participation. Some initiatives to support this include connecting donors and volunteers with community needs, fostering interactions among Singaporeans, and establishing the Singapore Government Partnerships Office to enhance the government's engagement and collaboration with Singaporeans.

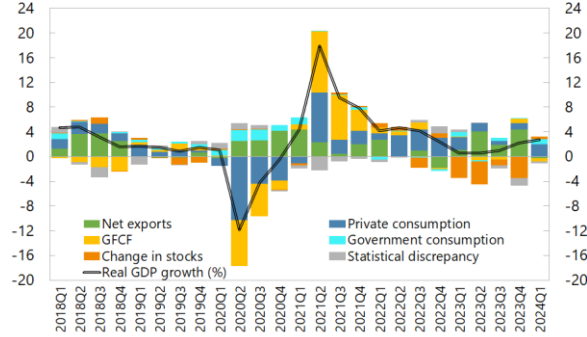
**Figure 1. Singapore: Real Sector Developments**

The economy slowed down from 3.8 percent growth in 2022 to 1.1 percent in 2023 ...

...as the manufacturing sector contracted...

**Singapore: Contribution to Real GDP Growth by Expenditure**

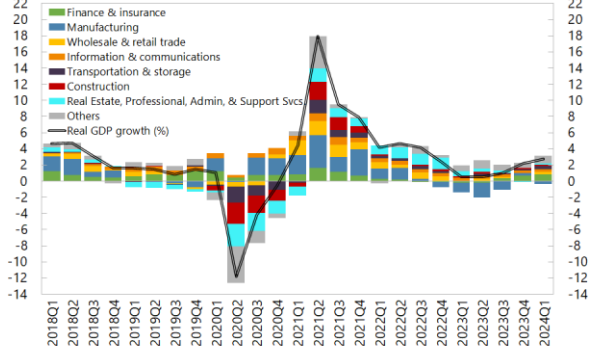
(In y-o-y percentage points)



Sources: Singapore Department of Statistics, CEIC Data, and IMF staff calculations.

**Singapore: Contribution to Real GDP Growth By Industry**

(In y-o-y percentage points)



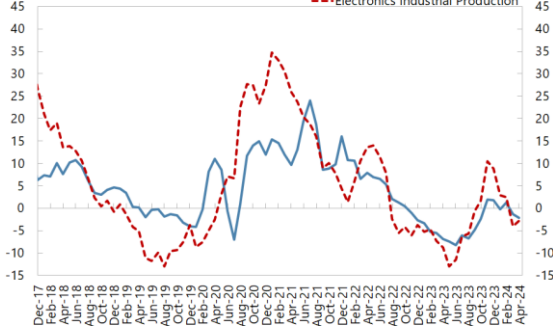
Sources: Singapore Department of Statistics, CEIC Data, and IMF staff calculations.

...due to the sharp downturn in the global electronics cycle.

The labor market remained tight with a low unemployment rate, while employment growth decelerated in 2023.

**Singapore: Industrial Production**

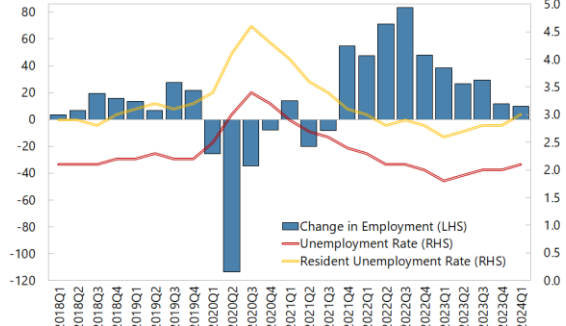
(In y-o-y percent change, 3-month MA)



Sources: Singapore Economic Development Board, CEIC Data, and IMF staff

**Singapore: Employment and Unemployment**

(In thousands of persons [LHS]; in percent, SA [RHS])



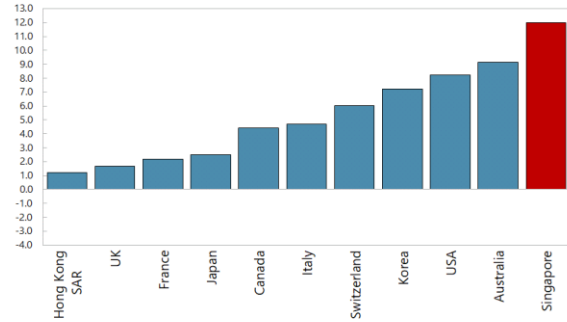
Sources: Singapore Ministry of Manpower and CEIC Data.

Singapore's post-pandemic recovery has been stronger than its peers...

...but construction, hotel and food sectors are below their pre-pandemic levels, suggesting that the recovery remains uneven.

**Singapore: Post-COVID Output Recovery**

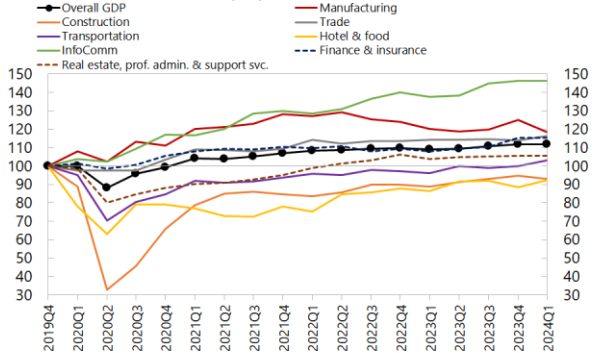
(In percent change, SA real GDP growth from 2019Q4 to 2024Q1)



Sources: Respective national statistical agencies and CEIC Data. Australia, Canada, Hong Kong SAR, and Switzerland as of 2023Q4.

**Singapore: Output Level since 2019Q4**

(index, 2019Q4 = 100; seasonally adjusted)



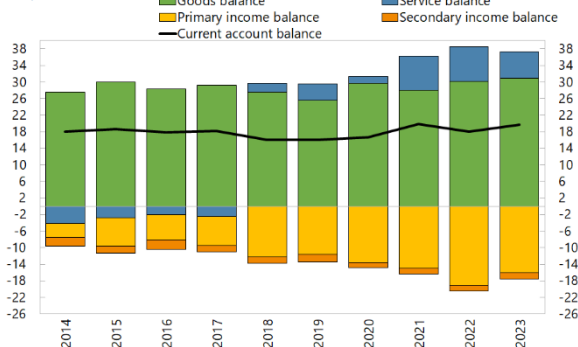
Source: Singapore Department of Statistics, CEIC Data, and IMF staff calculations

**Figure 2. Singapore: External Sector**

The current account (CA) surplus increased to 19.8 percent of GDP in 2023, reflecting an improvement in the primary income balance.

**Singapore: Current Account Balance**

(In percent of GDP)

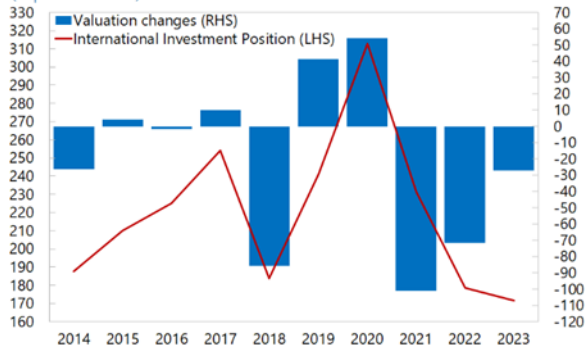


Sources: Singapore Dept. of Statistics, CEIC Data, and IMF staff calculations.

The net international investment position decreased to 171 percent of GDP in 2023 due to valuation effects as the S\$NEER appreciated following monetary policy tightening.

**Singapore: Intl. Investment Position & Valuation Changes**

(In percent of GDP)

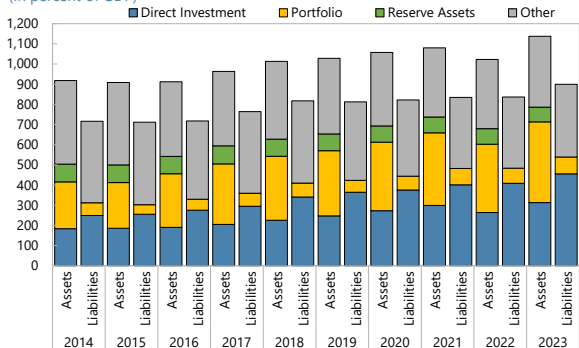


Sources: Singapore Department of Statistics, CEIC Data, and IMF staff calculations.

Singapore has a net asset position in portfolio investment and a net liability position in FDI holdings.

**Singapore: International Investment Position**

(In percent of GDP)

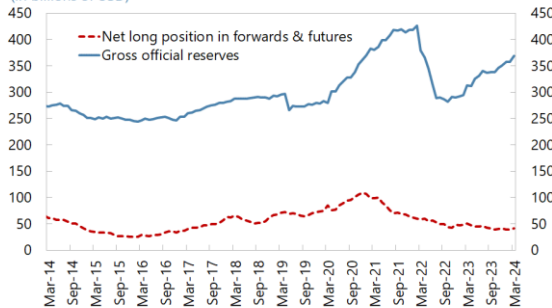


Sources: Singapore Dept. of Statistics, CEIC Data, & IMF staff calculations.

Gross official reserves increased in 2023.

**Singapore: Central Bank Gross Official Reserves and Net Foreign Currency Position in Forwards & Futures**

(In billions of USD)

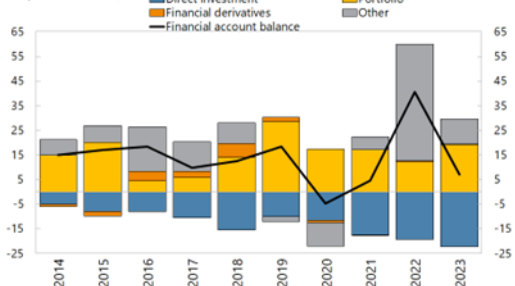


Sources: Monetary Authority of Singapore and CEIC Data.

The financial account recorded net capital outflows in 2023, reflecting net outflows of portfolio investment and in "other investment." Net FDI inflows increased in 2023.

**Singapore: Financial Account Balance by Type of Investment**

(In percent of GDP)

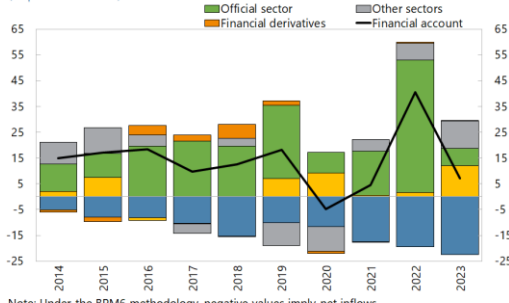


Note: Under the BPM6 methodology negative values imply net inflows. Sources: Singapore Dept. of Statistics, CEIC Data, & IMF staff calculations.

Financial outflows narrowed in 2023 and were mostly driven by banks.

**Singapore: Financial Account Net Flows by Sector**

(In percent of GDP)



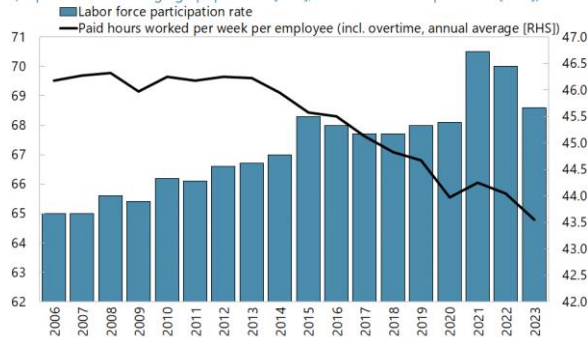
Note: Under the BPM6 methodology negative values imply net inflows. Sources: Singapore Dept. of Statistics, CEIC Data, & IMF staff calculations.

**Figure 3. Singapore: Labor Market Developments**

Residents' labor force participation decreased in 2023, although remained above the pre-pandemic level.

**Singapore: Labor Force Participation Rate & Hours Worked**

(In percent of working age population [LHS]; number of hours per week [RHS])

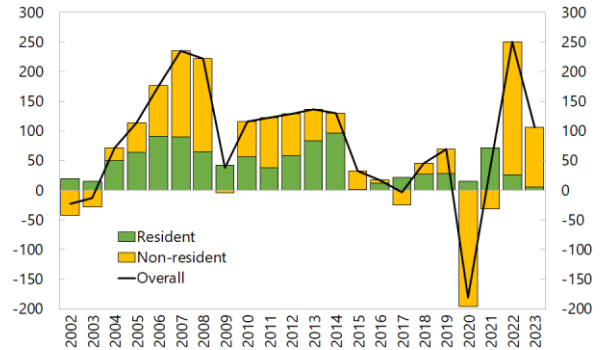


Note: Labor force participation data are as of mid-year.

Employment increased in 2023, led by non-residents segment, but at a slower pace amid the slowdown in growth.

**Singapore: Change in Employment by Residency**

(In thousands of persons)

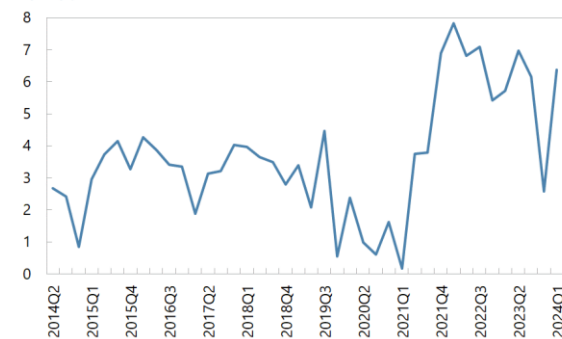


Sources: Singapore Ministry of Manpower and Haver Analytics.

Wage growth eased as labor market tightness eased in 2023 but picked up again in 2024Q1...

**Singapore: Average Monthly Earnings**

(In y-o-y percent)

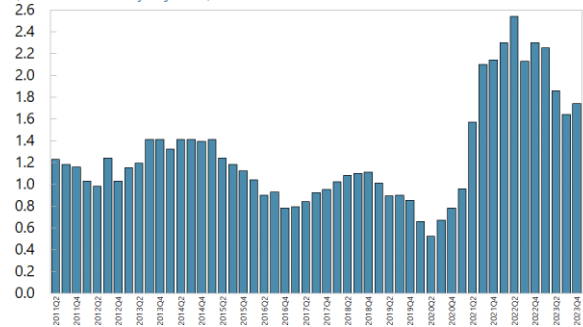


Sources: CEIC and IMF staff calculations.

...and job vacancies relative to job seekers remain higher compared to the pre-pandemic level.

**Singapore: Job Vacancy to Unemployed Persons Ratio**

(In ratio, seasonally adjusted)

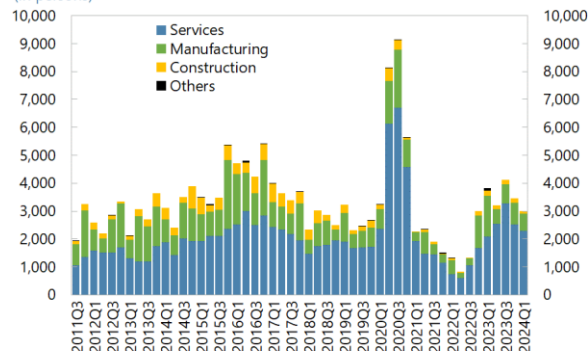


Sources: Singapore Ministry of Manpower and CEIC Data.

The number of retrenched workers increased in 2023, led mainly by services and manufacturing sectors.

**Singapore: Retrenchment by Sector**

(In persons)

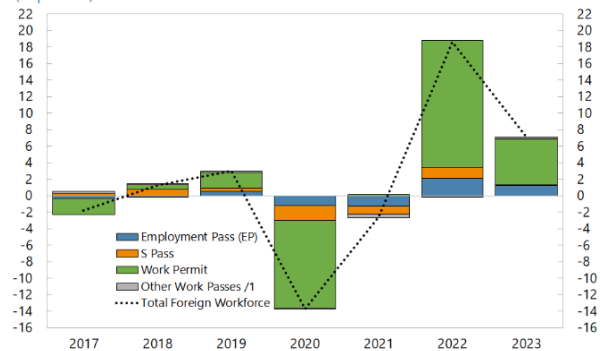


Sources: Singapore Ministry of Manpower and CEIC Data.

The expansion in the foreign workforce was the largest for semi-skilled work permit holders

**Singapore: Contributions to Change in Total Foreign Workforce**

(In percent)



Sources: Singapore Ministry of Manpower, CEIC Data, and IMF staff calculations.

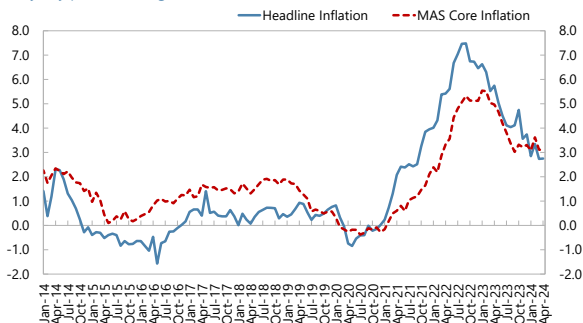
**Figure 4. Singapore: Inflation Developments**

Both headline and MAS core inflation declined in 2023, albeit with some stickiness in the latter...

...as price increases in private transportation cost and food prices eased.

**Singapore: Headline and MAS Core Inflation**

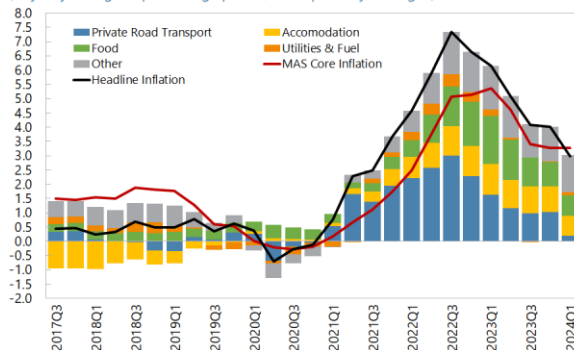
(In y-o-y percent change)



Note: MAS Core Inflation tracks prices of all components of headline inflation except for accommodation and private transport. Sources: Singapore Dept. of Statistics and CEIC Data.

**Singapore: MAS Core Inflation & Contributions to Headline Inflation**

(In y-o-y change in percentage points, NSA quarterly averages)



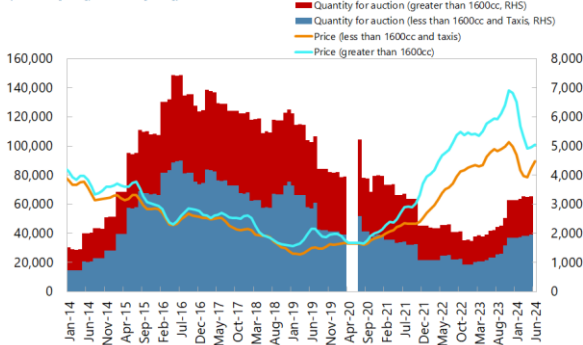
Sources: Singapore Department of Statistics, CEIC Data, and IMF staff calculations.

The prices of cars and car ownership certificates declined, easing the increase in private transportation cost,...

...and residential rents also declined recently,...

**Singapore: Car Certificates of Ownership, Price, & Quantity**

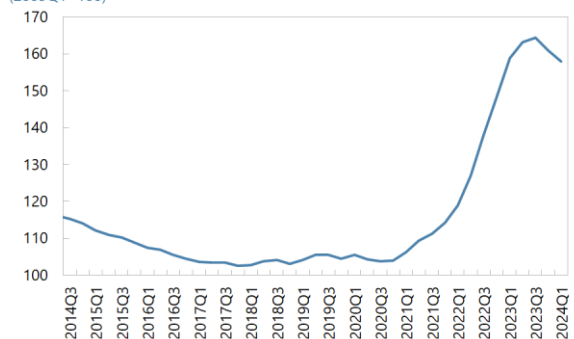
(In SGD [LHS]; in units [RHS])



Note: Data not released for Apr-Jun 2020. Sources: CEIC Data and IMF staff calculations.

**Singapore: Property Rental Index [Private Residential]**

(2009Q1=100)



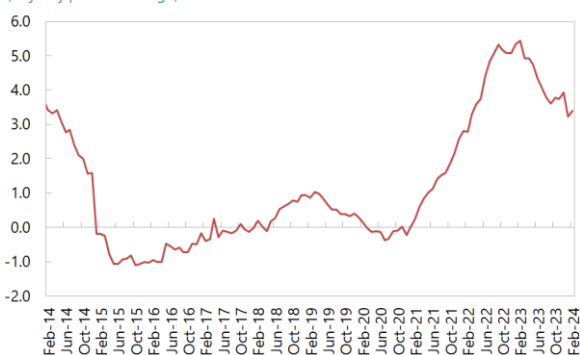
Sources: CEIC and IMF staff calculations.

...but services inflation shows some signs of persistence.

Inflation expectations based on consensus forecast remain well anchored.

**Singapore: Inflation in Services Prices**

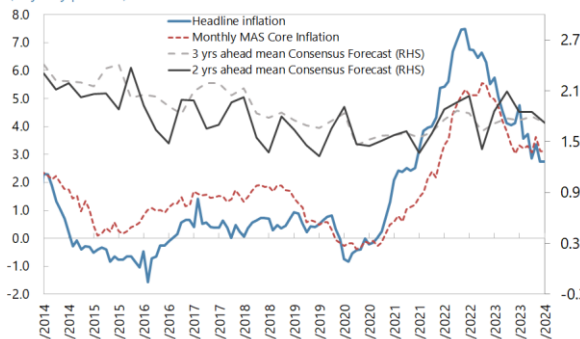
(In y-o-y percent change)



Sources: CEIC Data and IMF staff calculations.

**Singapore: Inflation**

(In y-o-y percent)



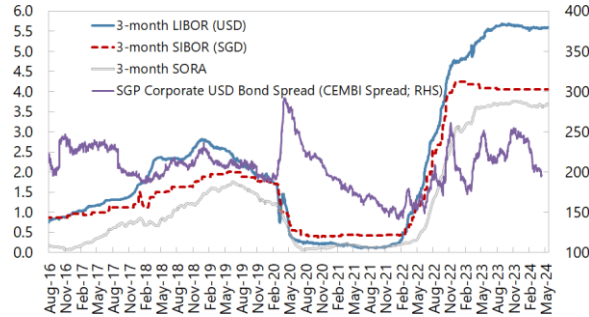
Sources: Monetary Authority of Singapore, Bloomberg LP, Consensus Economics, and CEIC Data.

**Figure 5. Singapore: Monetary and Financial Sector Developments**

*Singapore dollar interest rates plateaued after a steep rise in 2022, in tandem with U.S. interest rates.*

**Singapore: Interest Rates**

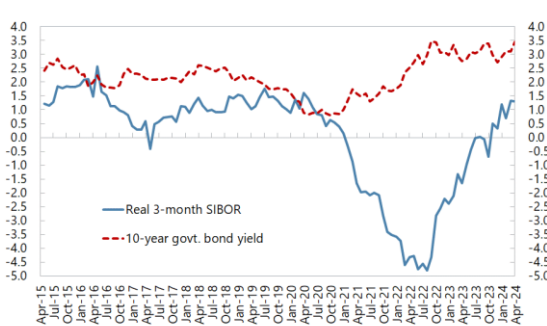
(In percent, in index)



Sources: Association of Banks in Singapore, Bloomberg LP, CEIC Data, ICE Benchmark Administration, & MAS.

*Due to disinflation, real government bond yields have risen, getting into a positive territory.*

**Singapore: Real Interest Rate and Government Bond Yield**

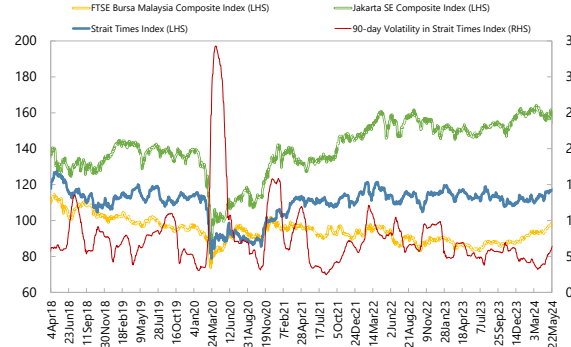


Sources: Monetary Authority of Singapore, Association of Banks in Singapore, SGP Dept. of Statistics, CEIC Data, & IMF staff calculations.

*The Singapore stock market continues to perform well after recovering to its pre-pandemic level.*

**Singapore: Stock Market Indices and Volatility**

(In index, Jan. 4, 2016=100 [LHS]; standard deviation [RHS])

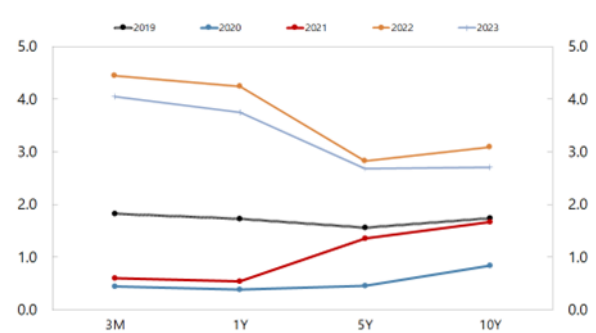


Sources: Bursa Malaysia, Indonesia Stock Exchange, Singapore Exchange, and CEIC Data.

*The yield curve has shifted slightly down compared to a year ago but remains inverted.*

**Singapore: Government Bond Yields**

(In percent, end-of-period)

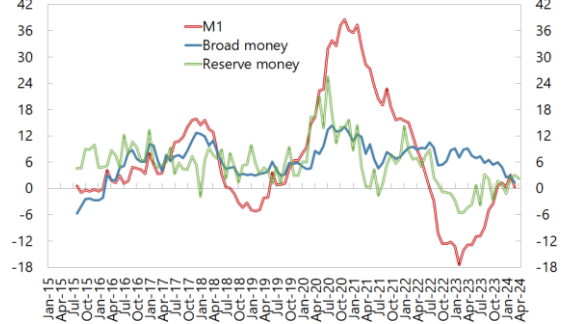


Sources: Monetary Authority of Singapore and CEIC Data.

*Broad money continued to grow but at a slower rate.*

**Singapore: Growth in Monetary Aggregates**

(In y-o-y percent change)

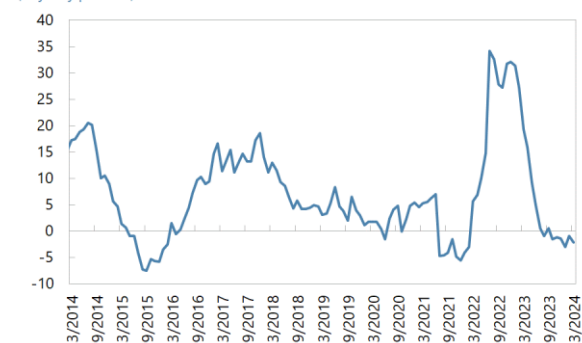


Sources: Monetary Authority of Singapore and CEIC Data.

*Credit growth weakened amid the growth slowdown and a high interest rate environment.*

**Singapore: Domestic Credit Growth**

(in y-o-y percent)



Sources: CEIC and IMF staff calculations.

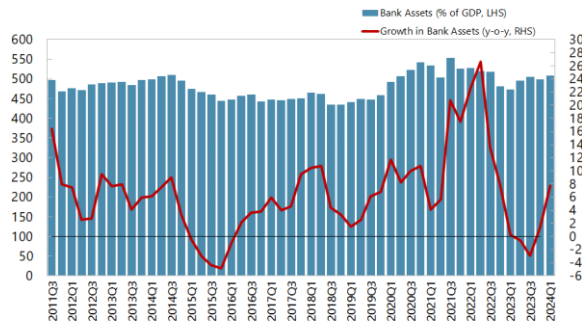


**Figure 6. Singapore: Banking Sector Developments**

Banks continue to dominate the financial sector, holding nearly 60 percent of the financial sector assets.

**Singapore: Banking Assets**

(In percent of 4 quarter rolling GDP [LHS], y-o-y percent change [RHS])

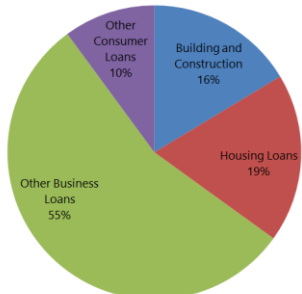


Note: Data has a structural break in July 2021 reflecting removal of DBU-ACU divide & revision of MAS 610/1003. Sources: Monetary Authority of Singapore and CEIC Data.

Loans to the corporate sector—mostly trade-related—account for nearly half of the non-bank loans.

**Singapore: Commercial Bank Loans & Advances by Purpose, Mar 2024**

(In percent of total commercial bank loans & advances)

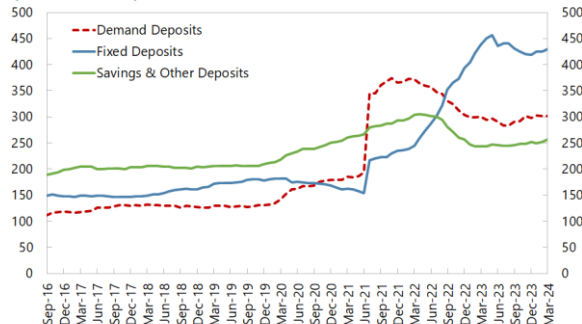


Sources: Monetary Authority of Singapore, CEIC Data, and IMF staff calculations. Note: This includes loans provided by commercial banks to both residents and non-residents.

Share of fixed deposits have risen, as deposit holders took up higher yielding fixed deposits.

**Singapore: Resident Deposits**

(In billions of SGD)

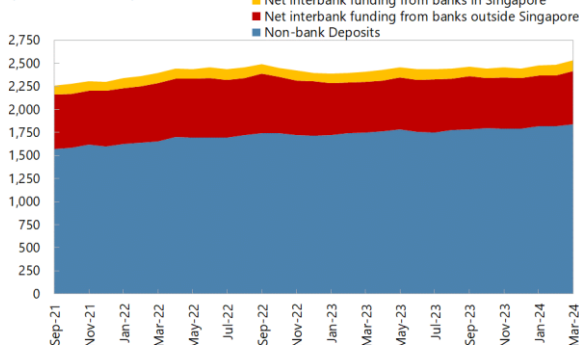


Note: Data has a structural break in July 2021 reflecting removal of DBU-ACU divide & revision of MAS 610/1003. Sources: Monetary Authority of Singapore and CEIC Data.

Non-bank deposits—mostly fixed, demand, and saving deposits—hold the lion share of the funding base.

**Singapore: Funding Structure of the Banking System**

(In billions of SGD)

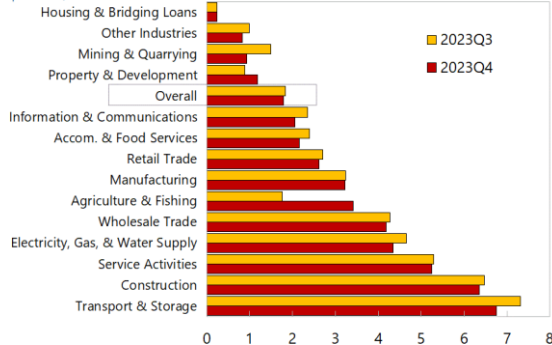


Sources: Monetary Authority of Singapore and CEIC Data.

Despite monetary policy tightening, asset quality remained solid. NPLs declined in sectors such as transportation and communication.

**Singapore: Non-Performing Loans by Sector**

(In percent)

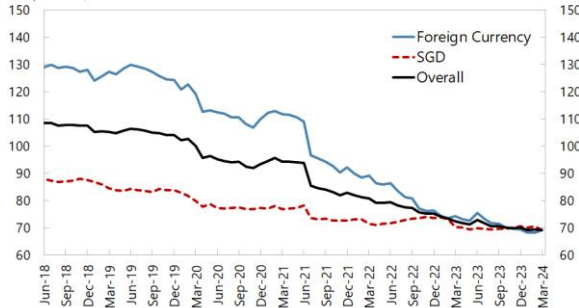


Sources: Monetary Authority of Singapore and CEIC Data.

Loan-to-deposit ratios including for foreign currency continued to decline in 2023.

**Singapore: Loan to Deposit Ratio by Currency**

(In percent)



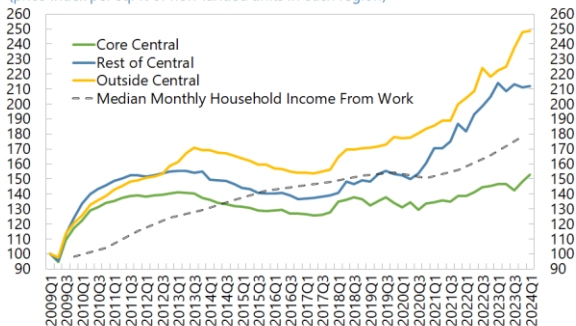
Note: This covers loans extended by the banking sector, excluding interbank lending. Data has a structural break in July 2021 reflecting removal of DBU-ACU divide & revision of MAS 610/1003. Source: Monetary Authority of Singapore.

**Figure 7. Singapore: Housing Market Developments**

House prices moderated in late 2023, except in the outside central region, where pent-up demand continued.

**Singapore: Median Private Property Price Index [1Q2009=100] & Household Income [4Q2008=100]**

(price index per sq. ft. of non-landed units in each region)

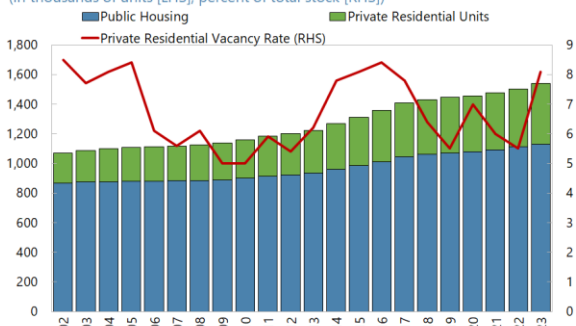


Sources: Singapore Urban Redevelopment Authority, CEIC Data, and IMF staff

...while the vacancy rates in the private market picked up in 2023.

**Singapore: Housing Stock and Vacancy**

(In thousands of units [LHS]; percent of total stock [RHS])

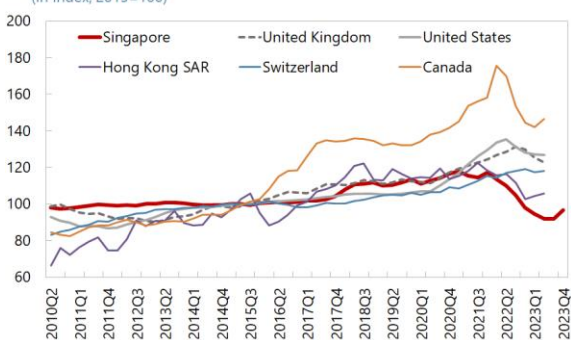


Sources: Singapore Urban Redevelopment Authority, Singapore Dept. of Statistics, & CEIC Data.

While cross-country heterogeneities are prominent in recent valuation trends, the price-to-rent ratio in Singapore has started to pick up as the rental market pressures subsided, owing to improvements in housing supply...

**Price-to-Rent**

(In index, 2015=100)

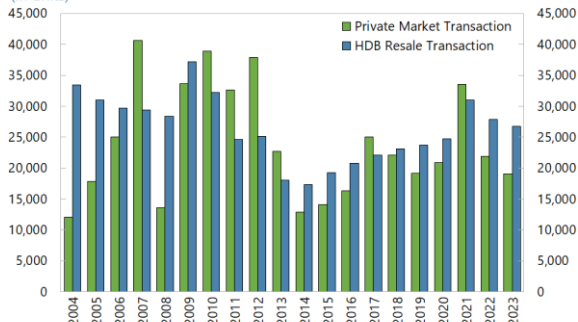


Sources: CEIC, Haver, OECD, and IMF staff calculations.

Residential property transaction activity showed signs of cooling...

**Singapore: Private & Public Residential Transactions**

(In units)

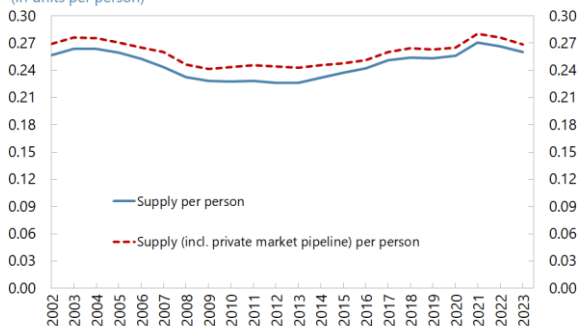


Sources: Singapore Urban Redevelopment Authority, Singapore Housing & Development Board, and CEIC Data.

Housing stock per capita remains broadly stable.

**Singapore: Housing Supply per Person**

(In units per person)

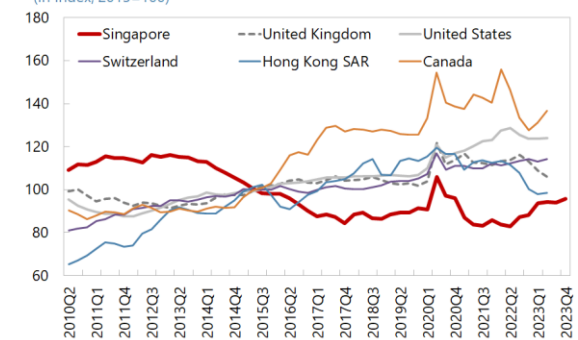


Sources: Singapore Urban Redevelopment Authority, Singapore Dept. of Statistics, CEIC Data, and IMF staff calculations.

... and the momentum in Singapore's price-to-income ratio shows signs of cooling post 2023Q1.

**Price-to-Income**

(In index, 2015=100)

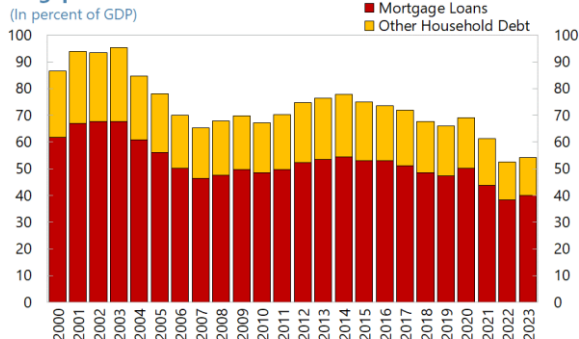


Sources: CEIC, Haver, OECD, and IMF staff calculations.

**Figure 7. Singapore: Housing Market Developments (concluded)**

Households continued to deleverage...

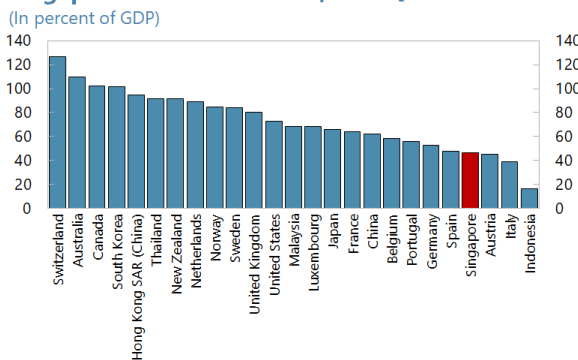
**Singapore: Household Debt**



Sources: Singapore Dept. of Statistics, Haver Analytics, and IMF staff calculations. Note: 2022 Q3 numbers were used for 2022 as placeholder.

...and their indebtedness remained low compared to peers.

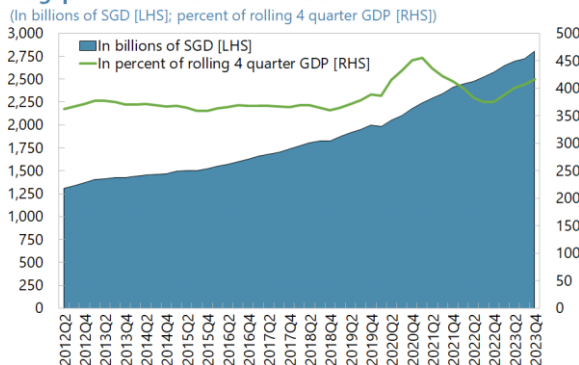
**Singapore: Household Debt, 2023Q3**



Sources: Bank for International Settlements.

Household balance sheet remained strong with net wealth about 4-times the GDP...

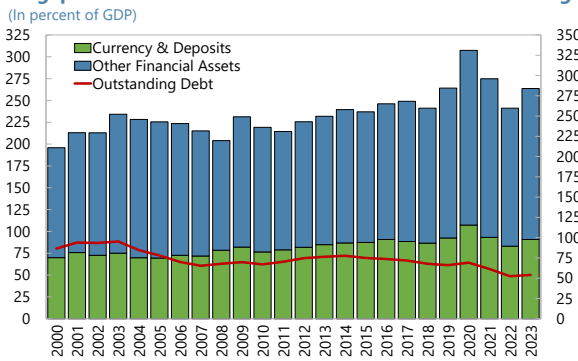
**Singapore: Household Net Wealth**



Sources: Singapore Dept. of Statistics, CEIC Data, and IMF staff calculations.

...and their liquid assets remained well above their debt position.

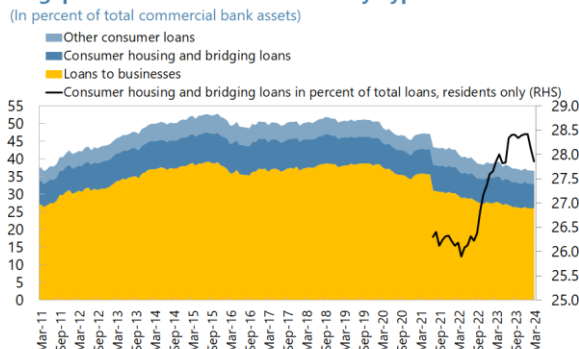
**Singapore: Household Financial Wealth & Debt Outstanding**



Sources: Singapore Dept. of Statistics, Haver Analytics, and IMF staff calculations.

Banks' exposure to housing has risen by about 200 bps in the last two years.

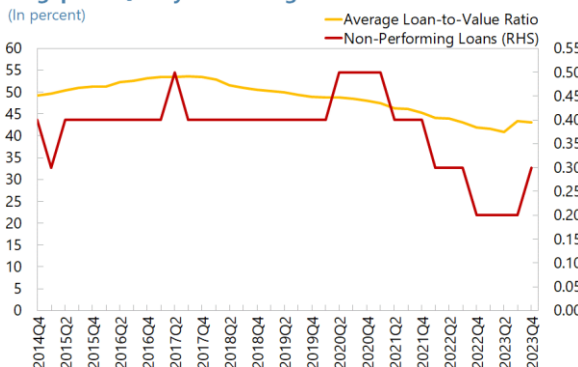
**Singapore: Commercial Bank Loans by Type of Borrowers**



Note: Data has structural break in July 2021 reflecting removal of DBU-ACU divide & revision of MAS 610/1003. Sources: Monetary Authority of Singapore, CEIC Data, & IMF staff calculations.

Households remained resilient with low NPLs and existing LTV measures helped build up significant buffer.

**Singapore: Quality of Housing Loans**

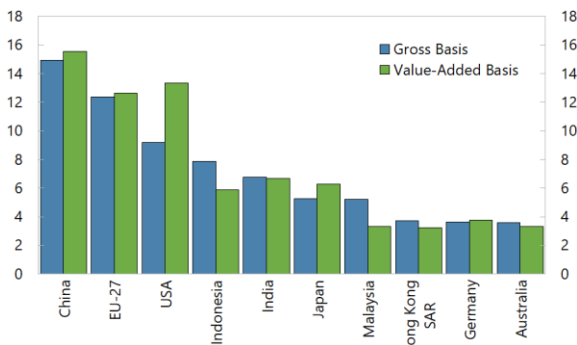


Sources: Monetary Authority of Singapore and CEIC Data.

**Figure 8. Singapore: Spillovers**

Singapore depends mainly on foreign final demand from China, the EU, and the US, while Malaysia and Indonesia are important partners within the region.

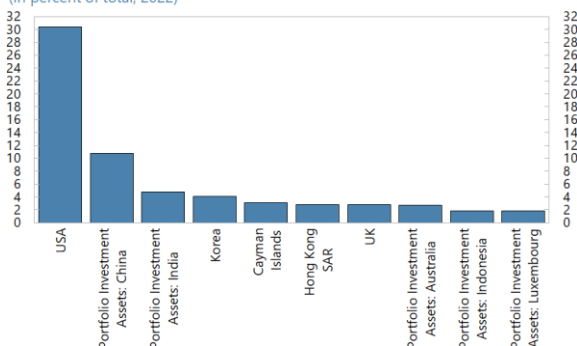
**Singapore: Value-Added in Foreign Final Demand versus Gross Exports**  
(In percent of total, 2018)



Sources: OECD-WTO, Trade in Value Added (TiVA) database.

Singapore has large portfolio assets, which would make its external balance sheet vulnerable to shocks in the US and several regional economies such as China and India.

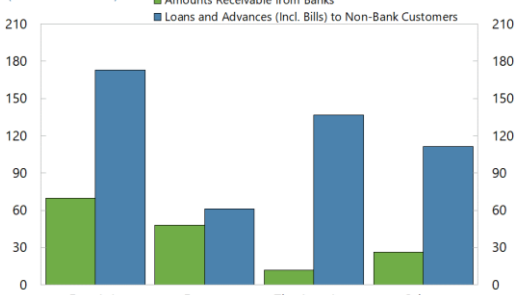
**Singapore: Composition of Portfolio Investment Assets**  
(In percent of total, 2022)



Sources: IMF, Coordinated Portfolio Investment Survey (CPIIS) and IMF staff calculations.

East Asia is a major user of funds and likely to experience outward spillovers from Singapore, in the event of a banking sector stress in Singapore.

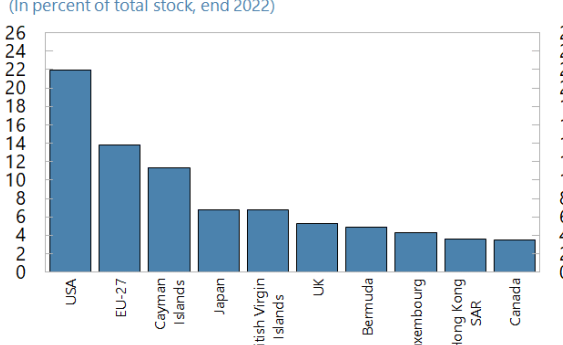
**Singapore: Banking System Use of Funds by Region, Mar 2024**  
(In billions of SGD)



Sources: Monetary Authority of Singapore and CEIC Data.

FDI stocks are also dominated by the US and the EU and are mainly concentrated in the finance and insurance sector.

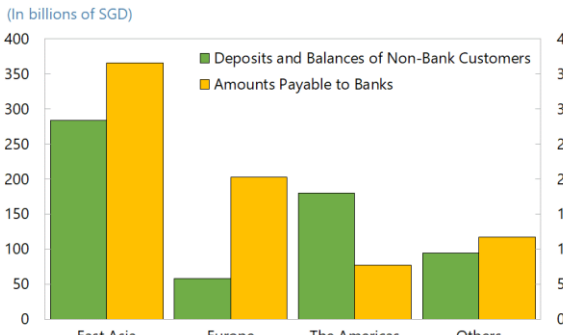
**Singapore: FDI by Top Source Economy**  
(In percent of total stock, end 2022)



Sources: Singapore Department of Statistics, CEIC Data, and IMF

Major sources of funding for Singapore's financial center include East Asian banks (including ASEAN banks) and European banks.

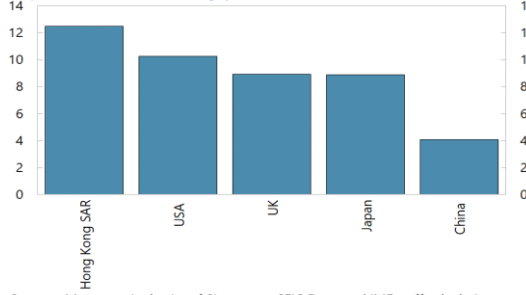
**Singapore: Banking System External Funding Sources by Region, Mar 2024**  
(In billions of SGD)



Sources: Monetary Authority of Singapore, CEIC Data, and IMF staff calculations.

Cross-border exposures of domestic banks to greater China and other Asian economies remain high, exposing Singapore to the risk of regional spillovers.

**Singapore: Total Loans to Nonresidents by Region, 2023Q3**  
(In percent share of total banking system's loans)

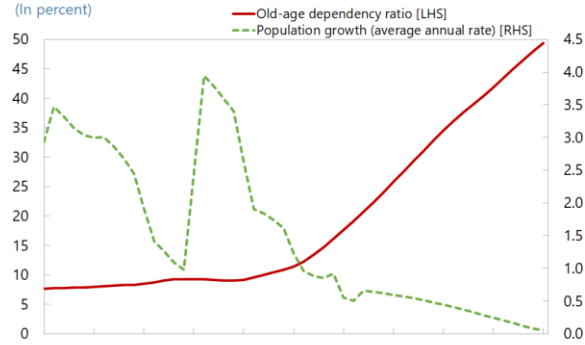


Sources: Monetary Authority of Singapore, CEIC Data, and IMF staff calculations.

**Figure 9. Singapore: Demographic Transition**

Old-age dependency is projected to increase significantly in the medium to long term.

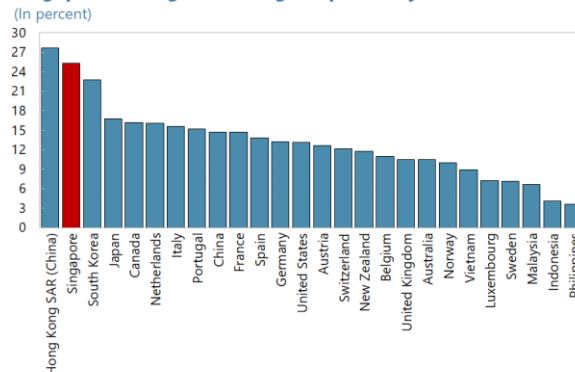
**Singapore: Old-Age Dependency Ratio & Population Growth**  
(In percent)



Sources: United Nations Department of Economic and Social Affairs.

Singapore's aging speed is among the highest in the region and advanced economies across the world.

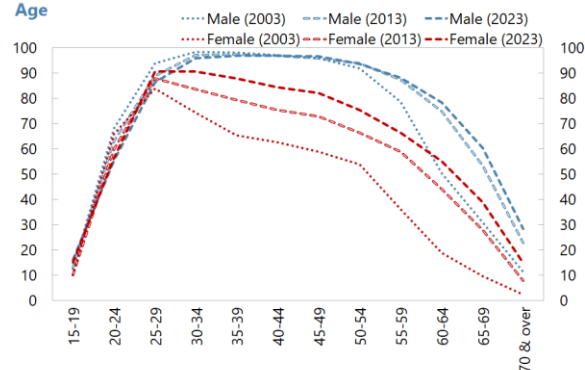
**Singapore: Change in Old-Age Dependency Ratio, 2010-2030**  
(In percent)



Sources: UNDESA, World Population Prospects 2019.

Labor force participation has risen in recent years particularly for the elderly and women in prime-working age, but there is scope for further improvement.

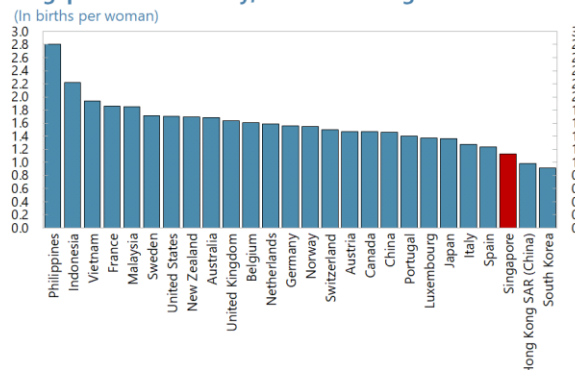
**Singapore: Resident Labor Force Participation Rate by Gender & Age**



Sources: Singapore Ministry of Manpower and CEIC Data.

The average number of children per woman is among the lowest in the world.

**Singapore: Total Fertility, 2017-21 Average**  
(In births per woman)



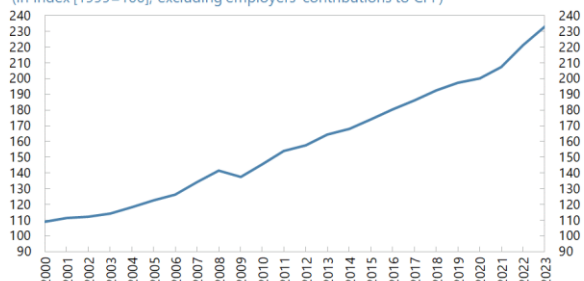
Sources: World Bank, World Development Indicators, CEIC Data, and IMF staff calculations.

**Figure 10. Singapore: Social and Equality Indicators**

Average monthly earnings have risen steadily in Singapore.

**Singapore: Average Monthly Earnings**

(In index [1999=100], excluding employers' contributions to CPF)



Sources: Singapore Department of Statistics, CEIC Data, and IMF staff calculations. Note: Source data includes all remuneration received before deduction of employee Central Provident Fund (CPF) contributions & personal income tax. It comprises basic wages, overtime pay, commissions, allowances & bonuses but exclude employer CPF contributions. Data cover full-time & part-time employees who have CPF contributions. They exclude identifiable self-employed persons who have made CPF contribution.

Median wages for medium-skilled workers rose in 2023, while median wages for high-skilled and low-skilled workers have moderated.

**Singapore: Weighted Gross Monthly Wages**

(In y-o-y percent change, full-time employed residents [excluding employer's CPF contributions])

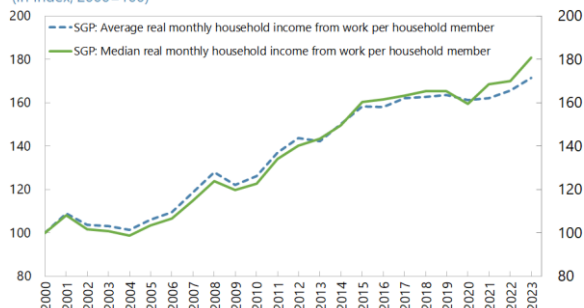


Sources: Singapore Ministry of Manpower and IMF staff calculations. Note: High-skilled comprises of managers and administrators; working proprietors; professionals; and technicians. Mid-skilled comprises clerical support workers; sales and service workers; craftsmen; plant and machine operators; and assemblers. Low-skilled comprises cleaners; laborers; and related workers.

Median household income continues to increase in real terms in recent years.

**Singapore: Mean & Median Real Household Income from Work Per Household Member**

(In index, 2000=100)



Sources: Singapore, Department of Statistics, CEIC, and IMF staff calculations. Note: For Singapore, data is on resident households and includes contributions from employers to CPF.

Real incomes of lower income groups have increased at a faster pace in the last decade.

**Singapore: Average Monthly Real Household Income by Decile 1/**

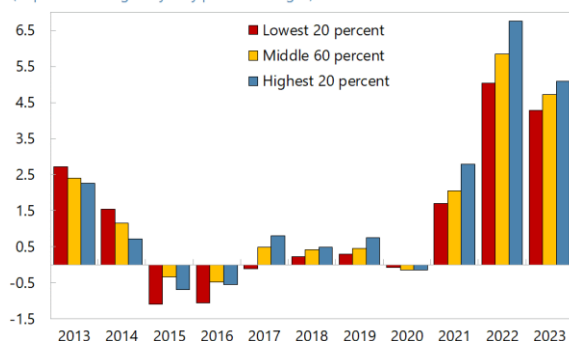
Decile	2000	2023	Cumulative Change (in percent)		
			2000–2023	2000–2012	2012–2023
Total	1,735	3,079	77.5	40.2	26.6
1st-10th	315	452	43.5	2.1	40.5
11th-20th	537	910	69.5	16.6	45.4
21st-30th	720	1,312	82.2	29.5	40.7
31st-40th	911	1,692	85.7	32.0	40.7
41st-50th	1,119	2,093	87.0	33.1	40.6
51st-60th	1,366	2,547	86.5	34.0	39.2
61st-70th	1,669	3,123	87.1	34.8	38.8
71st-80th	2,093	3,891	85.9	35.8	36.9
81st-90th	2,821	5,380	90.7	44.9	31.6
91st-100th	5,801	10,129	74.6	62.9	7.2
Top dec/bottom dec	18.4	22.4			

1/ Income from work per household member in employed households in 2000 prices. Household income from work includes employer CPF contributions. Deflated by CPI for the respective income group (lowest 20 percent, middle 60 percent, top 20 percent).

High Inflation affected all income groups in recent years.

**Singapore: Inflation by Income Group**

(In percent change of yearly period averages)

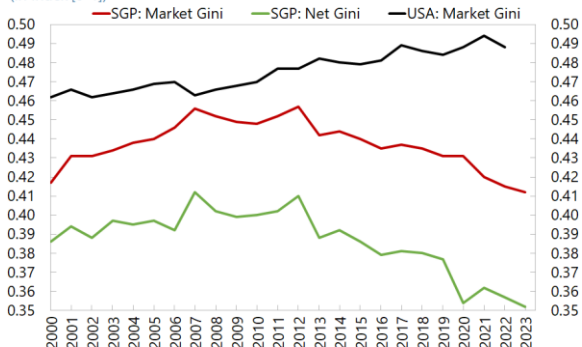


Sources: Singapore Dept. of Statistics, CEIC Data, and IMF staff calculations.

Inequality as measured by the Gini index has declined since the early 2010s.

**Singapore & USA: Household Gini**

(In index [0-1])



Sources: Singapore Dept. of Statistics, U.S. Census Bureau, and CEIC Data.

**Table 1. Singapore: Selected Economic and Financial Indicators, 2018–25**

Nominal GDP (2023): US\$501.4 billion  
 Population (2023): 5.9 million  
 GDP per capita (2023): US\$84,734  
 Main goods exports (2022, percent of total non-oil goods exports): machinery & transport equip. (63.1 percent); chemical products (14.4 percent); and misc. manufactured articles (9.8 percent)  
 Top three destinations for goods exports (2022, percent of gross goods exports): China (12.4 percent); Hong Kong SAR (11.2 percent); and Malaysia (10.0%).

	2018	2019	2020	2021	2022	2023	Projection	
							2024	2025
<b>Growth (percentage change)</b>								
Real GDP	3.5	1.3	-3.9	9.7	3.8	1.1	2.1	2.3
Total domestic demand 1/	1.3	1.9	-9.3	12.0	4.5	-2.6	-0.1	2.6
Final domestic demand 1/	0.8	2.7	-9.6	12.3	4.4	2.2	-0.1	2.5
Consumption	4.0	2.9	-7.4	6.9	5.5	3.5	2.9	2.1
Private consumption	4.3	2.7	-13.3	8.1	8.2	3.8	3.1	2.0
Gross capital formation 1/	-3.3	0.2	-12.8	21.7	2.7	-12.8	-6.1	3.5
Gross fixed investment	-5.0	2.5	-14.2	23.6	2.5	-0.2	-5.8	3.3
Change in inventories (contribution to GDP growth, percentage points) 1/	0.3	-0.5	0.1	0.0	0.1	-2.8	0.0	0.0
Net exports (contribution to GDP growth, percentage points) 1/	2.8	0.1	2.1	2.3	0.7	2.9	2.3	0.6
<b>Saving and investment (percent of GDP)</b>								
Gross national saving	40.7	40.6	39.5	43.8	40.3	40.8	39.8	39.9
Gross domestic investment	24.7	24.6	22.9	24.0	22.3	21.0	21.7	22.1
<b>Inflation and unemployment (period average, percent)</b>								
CPI inflation	0.4	0.6	-0.2	2.3	6.1	4.8	3.0	2.5
CPI inflation, excluding food and energy 2/	-0.1	0.4	-0.3	2.4	6.1	4.8	3.0	2.5
MAS core inflation 2/	1.7	1.0	-0.2	0.9	4.1	4.2	3.0	2.0
Unemployment rate	2.1	2.3	3.0	2.7	2.1	1.9	1.9	1.9
Output gap	2.0	-0.4	-2.8	1.1	1.2	-0.4	-0.1	
<b>Inflation (end of year, percent)</b>								
CPI inflation	0.5	0.8	0.0	4.0	6.5	3.7	2.9	2.5
CPI inflation, excluding food and energy 2/	0.4	0.4	0.0	4.0	6.5	3.7	2.9	2.5
MAS core inflation 2/	1.9	0.6	-0.3	2.1	5.1	3.3	3.0	2.0
<b>Central government finances (percent of GDP) 3/</b>								
Revenue	17.9	17.7	17.5	17.0	16.6	18.1	18.5	18.6
Expenditure	13.8	14.0	21.6	17.8	15.4	15.2	14.3	15.6
Net lending/borrowing	4.1	3.7	-4.1	-0.8	1.2	2.9	4.2	3.0
Net lending/borrowing, excluding nonproduced assets	1.1	1.4	-5.8	-2.8	-0.6	0.5	0.4	0.2
Primary balance 4/	-2.0	-1.9	-9.4	-6.2	-3.9	-2.9	-2.9	-3.2
Public Debt to GDP	107.5	124.7	146.1	133.4	157.1	170.8	175.0	175.6
<b>Money and credit (end of period, percent change) 5/</b>								
Broad money (M2)	5.1	4.5	10.7	9.7	7.8	3.2	...	...
Credit to private sector	4.8	3.0	1.4	6.8	0.5	-2.0	...	...
Three-month S\$ SIBOR rate (percent)	1.9	1.8	0.4	0.4	4.3	4.1	...	...
<b>Balance of payments (US\$ billions)</b>								
Current account balance	60.2	60.5	58.0	86.1	89.7	99.1	94.8	97.7
(In percent of GDP)	16.0	16.0	16.6	19.8	18.0	19.8	18.0	17.8
Goods balance	104.0	96.3	103.7	121.7	150.5	154.8	115.9	122.0
Exports, f.o.b.	460.4	440.8	417.9	511.9	589.4	545.9	555.9	584.5
Imports, f.o.b.	-356.4	-344.4	-314.2	-390.1	-438.9	-391.2	-440.0	-462.5
Financial account balance 6/	47.2	68.8	-16.8	20.1	202.3	35.4	41.2	44.4
Overall balance 6/	12.5	-8.4	74.9	66.2	-114.2	60.9	53.6	53.3
<b>Gross official reserves (US\$ billions)</b>								
(In months of imports) 7/	287.7	279.5	362.3	417.9	289.5	351.0	396.1	449.0
	6.2	6.4	6.8	6.8	5.1	5.6	6.0	6.5
<b>Singapore dollar/U.S. dollar exchange rate (period average)</b>								
Nominal effective exchange rate (percentage change) 8/	1.35	1.36	1.38	1.34	1.38	1.34	...	...
Real effective exchange rate (percentage change) 8/	0.5	1.4	-2.5	0.4	6.4	3.9	...	...
	-5.9	4.5	-25.2	2.8	13.6	4.7	...	...
<b>Memorandum items:</b>								
Nominal GDP (in billions of Singapore Dollars)	508.4	514.2	482.2	583.2	687.2	673.3	707.5	741.9
Growth (%)	7.2	1.1	-6.2	20.9	17.8	-2.0	5.1	4.9

Sources: Data provided by the Singapore authorities; and IMF staff estimates and projections.

Note: Data and forecasts as of May 24, 2022

1/ Approximation based on available data.

2/ IMF staff estimates. MAS core inflation excludes the costs of accommodation and private transport.

3/ IMF staff estimates on a calendar year basis following GFSM 2014.

4/ Net lending/borrowing excluding net investment return contribution (NIRC).

5/ Data reporting by financial institutions changed since July 2022 after two major changes in MAS' banking sector regulatory framework took effect, creating a break in the broad money and credit to private sector series.

6/ Following the BPM6 sign convention, a positive entry implies net outflows.

7/ In months of following year's imports of goods and services.

8/ Increase is an appreciation.

**Table 2. Singapore: Balance of Payments, 2018–25 1/**

	2018	2019	2020	2021	2022	2023	Projections	
							2024	2025
(In billions of U.S. dollars)								
Current account balance	60.2	60.5	58.0	86.1	89.7	99.1	94.8	97.7
Goods balance	104.0	96.3	103.7	121.7	150.5	154.8	115.9	122.0
Exports, f.o.b.	460.4	440.8	417.9	511.9	589.4	545.9	555.9	584.5
Imports, f.o.b.	-356.4	-344.4	-314.2	-390.1	-438.9	-391.2	-440.0	-462.5
Services balance	8.1	15.0	6.1	35.6	41.6	32.6	34.0	36.5
Exports	211.3	223.7	216.6	282.6	336.6	328.1	348.2	367.9
Imports	-203.2	-208.7	-210.5	-247.0	-295.0	-295.5	-314.1	-331.4
Primary income balance	-46.1	-43.7	-47.7	-64.9	-95.5	-80.8	-48.3	-53.7
Receipts	108.6	110.8	107.5	158.6	157.9	176.4	125.8	131.4
Payments	-154.7	-154.5	-155.1	-223.5	-253.4	-257.2	-174.1	-185.1
Secondary income balance	-5.8	-7.2	-4.2	-6.2	-6.8	-7.5	-6.8	-7.1
Financial account (net)	47.2	68.8	-16.8	20.1	202.3	35.4	41.2	44.4
Direct investment	-58.1	-38.1	-40.9	-75.9	-96.5	-112.2	-116.9	-121.6
Assets	23.9	67.8	39.8	61.4	52.2	63.0	68.8	74.9
Liabilities	82.0	105.9	80.7	137.3	148.8	175.2	185.7	196.5
Portfolio investment	52.8	107.4	60.2	74.0	60.2	95.9	111.5	119.9
Assets	39.8	113.6	56.6	84.1	86.4	100.2	116.4	125.2
Liabilities	-13.0	6.2	-3.6	10.1	26.1	4.3	4.9	5.3
Other investment and financial derivatives	52.5	-0.5	-36.0	22.0	238.6	51.8	46.6	46.0
Net errors and omissions	-0.4	0.0	0.1	0.1	-1.6	-2.8	...	...
Overall balance	12.5	-8.4	74.9	66.2	-114.2	60.9	53.6	53.3
Memorandum items:								
Current account as percent of GDP	16.0	16.0	16.6	19.8	18.0	19.8	18.0	17.8
Goods balance as percent of GDP	27.6	25.6	29.7	28.0	30.2	30.9	22.1	22.3
Re-exports as percent of GDP	54.0	54.6	58.3	57.5	55.3	52.5	...	...
Net international investment position								
In billions of U.S. dollars	693	909	1093	1005	889	860	...	...
In percent of GDP	184	241	313	232	178	171	...	...

Sources: Monetary Authority of Singapore, *Economic Survey of Singapore*; and IMF staff estimates and projections.

1/ Data for the current account balance, the capital and financial account balance, and net errors and omissions are converted to U.S. dollars from the official presentation in Singapore dollars using period-average exchange rates. The official presentation has adopted the sign convention for assets and liabilities in line with BPM6 manual.



Table 3. Singapore: Monetary Survey, 2018–25 1/

	2018	2019	2020	2021	2022	2023	Projections	
							2024	2025
(In billions of Singapore dollars, end of period)								
Net foreign assets	556	578	724	654	497	599	671	744
Monetary authorities	390	374	472	553	381	454	527	599
Banks	166	204	252	102	116	145	145	145
Domestic credit	950	996	1019	989	1240	1235	1285	1330
Claims on private sector	802	826	837	894	899	881	926	971
Claims on central government	148	170	182	95	341	353	359	359
Other items (net)	-615	-643	-712	-513	-518	-577	-636	-688
M2	891	931	1031	1131	1219	1257	1321	1385
M1	311	326	437	518	451	449	472	495
Quasi-money	580	605	595	613	768	808	849	890
(Annual percentage change)								
Domestic credit	5.7	4.9	2.3	-2.9	25.3	-0.4	4.1	3.4
Claims on private sector	4.8	3.0	1.4	6.8	0.5	-2.0	5.1	4.9
M2	5.1	4.5	10.7	9.7	7.8	3.2	5.1	4.9
(Contribution to M2 growth, in percentage points)								
Net foreign assets	2.6	2.4	15.7	-6.8	-13.9	8.4	5.7	5.5
Domestic credit (net)	6.1	5.1	2.5	-2.9	22.1	-0.4	4.0	3.4
Claims on private sector	4.4	2.7	1.2	5.5	0.4	-1.4	3.6	3.4
Claims on central government (net)	1.7	2.5	1.3	-8.4	21.7	1.1	0.5	-0.1
Other items (net)	-3.5	-3.2	-7.5	19.3	-0.4	-4.8	-4.7	-4.0
Memorandum items:								
Total loans to nonbanks (in billions of Singapore dollars) :	1,314	1,370	1,354	1,325	1,290	1,252	...	...
To residents 3/	763	786	793	816	814	794	...	...
Total loans to nonbanks (annual percentage change) 2/	5.3	4.3	-1.2	-2.1	-2.6	-2.9	...	...
To residents (annual percentage change) 3/	5.3	3.0	0.8	2.9	-0.3	-2.4	...	...

Sources: Monetary Authority of Singapore; and IMF staff estimates.

1/ Based on domestic banking units (DBUs) and Asian currency units (ACUs) until June 2021. Data reporting by financial institutions changed since July 2021 after two major changes in MAS' banking sector regulatory framework took effect, creating a break in the broad money and credit to private sector series.

2/ Total loans of DBUs and ACUs to both residents and nonresidents.

3/ For ACUs, data are converted to Singapore dollar using end-of-period exchange rate.

**Table 4. Singapore: Indicators of Vulnerability, 2018–2023**

	2018	2019	2020	2021	2022	2023
<b>Financial sector indicators</b>						
Broad money (M2, percent change, y/y, end of period)	5.1	4.5	10.7	9.7	7.8	3.2
Private sector credit (percent change, y/y, end of period)	4.8	3.0	1.4	6.8	0.5	-2.0
Credit to the property sector (percent change, y/y, end of period) 1/	5.9	1.0	2.4	8.4	2.8	0.6
Share of property sector credit in total nonbank credit (percent, end of period) 1/ 2/	50.6	49.6	51.8	46.7	48.1	49.6
Credit rating of local banks (S&P) 3/	AA-	AA-	AA-	AA-	AA-	AA-
Three-month S\$ SIBOR (percent, end of period)	1.9	1.8	0.4	0.4	4.3	4.1
NPL ratio (local banks, percent, latest available) 4/	1.5	1.5	1.6	1.4	1.3	1.3
Capital adequacy ratio of local banks (percent, latest available) 5/	14.9	15.3	15.5	15.1	15.2	14.8
<b>Asset market indicators (end of period)</b>						
Stock prices (percent change, y/y)	-9.8	5.0	-11.8	9.8	4.1	-0.3
P/E ratio 6/	...	13.2	18.2	21.7	16.3	12.6
Stock prices of the finance sector (percent change, y/y)	-8.7	10.2	-9.1	15.1	6.4	0.8
<b>Real estate prices (percent change, y/y)</b>						
Private residential (4-quarter average)	7.8	2.3	1.6	8.0	10.2	7.5
Private residential (end of period)	7.9	2.7	2.2	6.6	7.1	7.5
<b>External indicators</b>						
Current account balance (US\$ billion)	60.2	60.5	58.0	86.1	89.7	99.1
In percent of GDP	16.0	16.0	16.6	19.8	18.0	19.8
Gross official reserves (US\$ billion, end of period)	287.7	279.5	362.3	417.9	289.5	351.0
In months of next year's imports of goods and services	6.2	6.4	6.8	6.8	5.1	5.6
Real effective exchange rate (index, 2010=100, end of period)	106.3	106.5	103.6	103.3	109.6	117.5

Sources: Data provided by the Singapore authorities; and IMF, *Information Notice System*.

1/ For domestic banking units (DBU).

2/ Captures building and construction loans plus housing and bridging loans as a share of total loans and advances for Singapore residents.

3/ Ratings of the three major local banks.

4/ In percent of global nonbank loans. 2023 data is as of 2023Q3.

5/ 2023 is as of 2023Q3.

6/ This is PE ratio for MSCI Singapore Index.

Table 5. Singapore: Medium-Term Scenario, 2018–29

	2018	2019	2020	2021	2022	2023	Projections					
							2024	2025	2026	2027	2028	2029
Real growth (percent change)												
GDP	3.5	1.3	-3.9	9.7	3.8	1.1	2.1	2.3	2.5	2.5	2.5	2.5
Total domestic demand 1/	1.3	1.9	-9.3	12.0	4.5	-2.6	-0.1	2.6	2.9	3.3	3.6	3.6
(Contribution to GDP growth, in percent) 1/	0.9	1.3	-6.5	8.0	2.8	-1.5	0.0	1.7	1.9	2.2	2.5	2.5
Final domestic demand 1/	0.8	2.7	-9.6	12.3	4.4	2.2	-0.1	2.5	2.8	3.2	3.5	3.5
Consumption	4.0	2.9	-7.4	6.9	5.5	3.5	2.9	2.1	2.2	2.2	2.4	2.5
Private	4.3	2.7	-13.3	8.1	8.2	3.8	3.1	2.0	2.0	2.1	2.4	2.5
Public	2.9	3.4	13.2	3.9	-1.9	2.6	2.5	2.4	2.6	2.5	2.5	2.5
Gross capital formation 1/	-3.3	0.2	-12.8	21.7	2.7	-12.8	-6.1	3.5	4.4	5.6	6.0	5.8
Gross fixed investment	-5.0	2.5	-14.2	23.6	2.5	-0.2	-5.8	3.3	4.1	5.3	5.7	5.6
Private	-5.1	2.4	-11.6	23.5	3.2	-1.1	-7.0	2.3	4.9	5.7	5.4	5.1
Public	-4.3	2.8	-25.2	24.1	-1.1	4.0	1.1	7.4	1.0	3.3	6.8	7.5
Change in inventories 2/	0.3	-0.5	0.1	0.0	0.1	-2.8	0.0	0.0	0.0	0.0	0.0	0.0
Net exports 2/	2.8	0.1	2.1	2.3	0.7	2.9	2.3	0.6	0.6	0.3	0.0	0.0
Saving and investment (percent of GDP)												
Gross national savings	40.7	40.6	39.5	43.8	40.3	40.8	39.8	39.9	39.8	39.2	40.1	39.8
Government 3/	5.4	5.2	-2.6	0.2	2.6	3.8	3.9	3.8	3.9	3.9	3.9	3.9
Private and other	35.3	35.5	42.1	43.6	37.7	36.9	35.9	36.1	35.9	35.3	36.2	35.9
Gross capital formation	24.7	24.6	22.9	24.0	22.3	21.0	21.7	22.1	22.4	23.2	24.9	25.5
Government 4/	4.2	4.3	3.5	3.8	3.6	4.1	4.2	4.4	4.5	4.5	4.5	4.5
Private and other	20.5	20.3	19.3	20.2	18.8	16.9	17.5	17.6	17.9	18.7	20.4	21.0
Private credit growth (percent)	4.8	3.0	1.4	6.8	0.5	-2.0	5.1	4.9	4.6	4.5	4.5	4.5
Inflation and unemployment (period average, percent)												
CPI inflation	0.4	0.6	-0.2	2.3	6.1	4.8	3.0	2.5	2.0	2.0	2.0	2.0
CPI inflation, excluding food and energy 5/	-0.1	0.4	-0.3	2.4	6.1	4.8	3.0	2.5	2.0	2.0	1.8	1.8
MAS Core inflation 5/	1.7	1.0	-0.2	0.9	4.1	4.2	3.0	2.0	2.0	1.9	1.9	1.9
Unemployment rate	2.1	2.3	3.0	2.7	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Output gap	2.0	-0.4	-2.8	1.1	1.2	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0
Central government (percent of GDP) 6/												
Revenue 7/	17.9	17.7	17.5	17.0	16.6	18.1	18.5	18.6	18.7	18.8	18.8	18.9
Expenditure	13.8	14.0	21.6	17.8	15.4	15.2	14.3	15.6	16.2	16.3	16.3	16.3
Net lending/borrowing	4.1	3.7	-4.1	-0.8	1.2	2.9	4.2	3.0	2.6	2.5	2.5	2.5
Net lending/borrowing, excluding nonproduced asset:	1.1	1.4	-5.8	-2.8	-0.6	0.5	0.4	0.2	0.2	0.2	0.2	0.2
Primary balance 8/	-2.0	-1.9	-9.4	-6.2	-3.9	-2.9	-2.9	-3.2	-3.2	-3.2	-3.2	-3.2
Merchandise trade (percent change)												
Export volume	4.4	-2.0	2.1	9.4	5.1	-3.4	1.0	4.4	3.5	3.4	2.4	2.3
Import volume	4.7	-1.4	-1.9	10.0	3.3	-6.2	11.8	5.0	4.0	4.4	3.2	2.9
Terms of trade	-1.6	-0.3	-0.1	-0.9	0.6	0.9	0.2	0.6	0.4	0.3	0.2	0.2
Balance of payments (percent of GDP)												
Current account balance	16.0	16.0	16.6	19.8	18.0	19.8	18.0	17.8	17.4	16.0	15.2	14.3
Balance on goods and services	29.7	29.5	31.4	36.2	38.5	37.4	28.5	28.9	28.9	27.9	26.6	25.5
Balance on primary and secondary income	-13.8	-13.5	-14.8	-16.4	-20.5	-17.6	-10.5	-11.1	-11.5	-11.9	-11.4	-11.2
Gross official reserves (US\$ billions)	288	279	362	418	289	351	396	449	470	524	578	634
In months of imports 9/	6.2	6.4	6.8	6.8	5.1	5.6	6.0	6.5	6.9	6.9	6.9	6.9

Sources: Data provided by the Singapore authorities; and IMF staff estimates and projections.

1/ Approximation based on available data.

2/ Contribution to GDP growth.

3/ Based on fiscal accounts data.

4/ Based on national accounts data.

5/ IMF staff estimates, showing projections from 2023. MAS core inflation excludes the costs of accommodation and private road transport.

6/ IMF staff estimates on a calendar year basis following GFSM 2014.

7/ Does not include announced increase in goods and services tax from 7 to 9 percent sometime in 2021-2025.

8/ Net lending/borrowing excluding nonproduced assets minus net investment return contribution (NIRC).

9/ In months of next year's imports of goods and services.

**Table 6. Singapore: Summary of Government Operations and Stock Positions, FY2018–FY2024 1/**

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
						6/ Est.	6/ Proj.
<b>I. Statement of government operations</b>							
	(In billions of Singapore dollars)						
Revenue	90.2	91.3	85.6	102.9	113.4	127.2	132.1
Taxes	66.2	67.6	61.4	74.8	82.7	95.0	99.0
Other revenue	23.9	23.7	24.2	28.1	30.7	32.3	33.1
<i>Of which: Net investment returns contribution (NIRC)</i>	16.4	17.0	18.2	20.4	22.4	22.9	23.5
Expense	63.3	64.7	111.5	90.5	94.5	98.6	105.4
Compensation of employees	9.2	8.9	8.8	9.8	10.4	10.7	11.4
Use of goods and services	19.6	20.3	24.9	25.3	26.5	28.6	29.9
Expense not elsewhere classified 2/	34.5	35.5	77.8	55.4	57.6	59.3	64.1
Grants, subventions & capital injections to organizations	13.0	13.4	17.5	21.0	24.6	22.8	22.8
Transfers 2/	21.4	22.0	60.3	34.3	32.9	36.5	41.3
Gross operating balance	26.8	26.6	-25.8	12.3	18.9	28.7	26.7
Net acquisition of nonfinancial assets, excluding nonproduced assets	22.4	18.6	14.7	18.0	22.5	23.3	25.1
<i>Of which: Development expenditure</i>	20.3	16.7	13.4	16.3	20.4	21.5	23.3
<b>Net lending/borrowing, excluding nonproduced assets 3/</b>	<b>4.4</b>	<b>8.1</b>	<b>-40.5</b>	<b>-5.7</b>	<b>-3.6</b>	<b>5.4</b>	<b>1.7</b>
Net acquisition of nonproduced assets (land)	-14.5	-11.3	-7.4	-12.6	-12.0	-18.4	-30.5
Net lending/borrowing	18.9	19.3	-33.1	6.9	8.5	23.8	32.2
<b>II. Stock positions</b>							
	(In billions of Singapore dollars, unless otherwise indicated)						
Gross financial assets 4/	1,174	1,349	1,401	1,572	1,733	1,763	1,850
Gross debt 5/	562	656	729	874	1,081	1,193	...
Gross debt (in percent of GDP) 5/	109	128	148	143	158	175	...
Government deposits at the Monetary Authority of Singapore	41	44	70	54	16	...	...
Memorandum item:							
Nominal GDP (fiscal year)	514	514	492	612	683	683	715

Sources: Data provided by the Ministry of Finance; and IMF staff estimates and projections.

1/ The financial year begins on 1 April of the current year and ends on 31 March of the following year. Table presentation is based on GFSM 2014.

2/ Includes spending from government endowment and trust funds.

3/ This fiscal aggregate is used in policy discussions with the authorities. Proceeds from land sales do not affect the fiscal stance to the extent that the private sector is receiving an equivalent asset in return. They also do not affect total net worth for the government or for the private sector.

4/ Gross asset stock figures are as at the end of March for each year as reported in the "Statement of Assets and Liabilities" in the budget document.

5/ Debt is issued to deepen the domestic debt market, to meet the investment needs of the Central Provident Fund, and to provide individuals a long-term savings

6/ The IMF staff projection for GDP is used to calculate the authorities' budgetary accounts in percent of GDP.

**Table 6. Singapore: Summary of Government Operations and Stock Positions, FY2018–FY2024 1/ (concluded)**

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
						10/ Est.	10/ Proj.
<b>I. Statement of government operations</b>							
	(In percent of GDP)						
Revenue	17.6	17.8	17.4	16.8	16.6	18.6	18.5
Taxes	12.9	13.2	12.5	12.2	12.1	13.9	13.8
Other revenue	4.7	4.6	4.9	4.6	4.5	4.7	4.6
Of which: NIRC	3.2	3.3	3.7	3.3	3.3	3.4	3.3
Expense 2/	12.3	12.6	22.7	14.8	13.8	14.4	14.7
Gross operating balance	5.2	5.2	-5.3	2.0	2.8	4.2	3.7
Net acquisition of nonfinancial assets, excluding nonproduced assets	4.4	3.6	3.0	2.9	3.3	3.4	3.5
Of which: Development expenditure	3.9	3.2	2.7	2.7	3.0	3.2	3.3
<b>Net lending/borrowing, excluding nonproduced assets 3/</b>	<b>0.9</b>	<b>1.6</b>	<b>-8.2</b>	<b>-0.9</b>	<b>-0.5</b>	<b>0.8</b>	<b>0.2</b>
Net acquisition of nonproduced assets (land)	-2.8	-2.2	-1.5	-2.1	-1.8	-2.7	-4.3
Net lending/borrowing	3.7	3.8	-6.7	1.1	1.2	3.5	4.5
<i>Memorandum items:</i>							
Cyclically-adjusted overall balance (percent of potential GDP) 4/	0.7	1.7	-7.8	-1.1	-0.6	0.8	0.2
Primary balance 5/	-2.3	-1.8	-11.9	-4.3	-3.8	-2.6	-3.1
Structural primary balance (percent of potential GDP) 6/	-2.8	-1.9	-11.9	-4.8	-4.1	-2.6	-3.1
Expenditures on social development 7/	7.0	7.1	9.0	7.7	7.6	7.8	7.8
Spending from Endowment and Trust Funds	0.8	0.9	1.0	0.8	1.1	1.5	2.0
Authorities' budgetary accounts 8/							
Operating revenue (1)	14.4	14.5	13.7	13.5	13.3	15.2	15.1
Total expenditure (2)	15.2	14.7	17.6	15.5	15.3	15.6	15.5
Primary fiscal balance (3)=(1)-(2)	-0.8	-0.2	-3.9	-2.0	-2.0	-0.4	-0.4
Special transfers (excl. transfers to endowment funds) (4)	0.3	0.3	6.8	1.1	0.4	0.4	0.4
Basic balance (5)=(3)-(4)	-1.1	-0.5	-10.7	-3.1	-2.4	-0.8	-0.8
Transfers to Endowment and Trust Funds (6)	1.4	2.6	3.5	0.0	0.9	3.5	2.8
NIRC (7)	3.2	3.3	3.7	3.3	3.3	3.3	3.3
Overall balance (8)=(5)-(6)+(7)	0.7	0.2	-10.5	0.2	-0.1	-1.0	-0.4
Overall fiscal position 9/	0.7	0.2	-10.5	0.3	0.3	-0.5	0.1

Sources: Data provided by the Ministry of Finance; and IMF staff estimates and projections.

1/ The financial year begins on 1 April of the current year and ends on 31 March of the following year. Table presentation is based on GFSM 2014.

2/ Includes spending from government endowment and trust funds.

3/ This fiscal aggregate is used in policy discussions with the authorities. Proceeds from land sales do not affect the fiscal stance to the extent that the private sector is receiving an equivalent asset in return. They also do not affect total net worth for the government or for the private sector. The differences between staff's and authorities' fiscal balance measures primarily arise from their treatment of (i) spending from the government's endowment and trust funds and (ii) top-ups to these funds. While staff subtract the former to arrive at the overall fiscal balance, the authorities subtract the latter. Furthermore, to calculate the overall fiscal position, the authorities capitalize expenditure for nationally significant infrastructure funded through borrowing under SINGA, while staff do not. To calculate the fiscal impulse, both staff and authorities treat spending from the endowment and trust funds similarly; however, the key difference lies in the treatment of NIRC, which are excluded from revenues in the authorities' calculations.

4/ Cyclically adjusted net lending/borrowing excluding nonproduced assets.

5/ Net lending/borrowing excluding nonproduced assets minus net investment return contribution (NIRC).

6/ Cyclically adjusted net lending/borrowing excluding nonproduced assets minus NIRC and Monetary Authority of Singapore (MAS) contributions.

7/ Includes development and operating expenditure on education, health, national development, sustainability and the environment, culture, community and youth, social and family development, communications and information, and manpower (financial security). Does not include social spending from government endowment and trust funds.

8/ The authorities' budgetary accounts are based on Singapore's Financial Regulations and Constitutional rules governing the protection of Past Reserves. It includes the net investment returns contribution, which reflects the amount of investment returns that is taken into the Budget. It excludes receipts such as proceeds from land sales and the remaining part of investment income that accrues to past reserves and cannot be used to fund government expenditures without the approval of the President. While such receipts are not reflected in the overall balance, the information is presented annually to Parliament and included in Budget documents.

9/ Starting in FY2021, the authorities started to report an overall fiscal position which accounts for the capitalization and depreciation of nationally significant infrastructure.

10/ The IMF staff projection for GDP is used to calculate the authorities' budgetary accounts in percent of GDP.

**Table 7. Singapore: Financial Soundness Indicators, 2018–23Q3 1/**

	2018	2019	2020	2021	2022	2023 Q3
(End of period; in percent)						
<b>Capital adequacy ratio</b>						
Regulatory capital to risk-weighted assets	16.8	17.0	17.6	17.0	17.1	16.4
Regulatory tier I capital to risk-weighted assets	14.9	15.3	15.5	15.1	15.2	14.8
Shareholders' equity to assets	9.2	9.3	9.1	9.1	8.5	8.5
<b>Asset quality</b>						
Non-Bank NPLs to nonbank loans	1.5	1.5	1.6	1.4	1.3	1.3
Total Provisions to total unsecured NPAs	185.8	198.7	247.4	223.1	243.9	248.2
Specific provisions to total unsecured NPAs	88.0	91.9	91.1	85.7	85.0	85.2
<b>Loan concentrations (in percent of total loans) 2/</b>						
Interbank loans	13.0	12.5	11.8	10.2	10.8	11.3
Nonbank loans	87.0	87.5	88.2	89.8	89.2	88.7
<b>Profitability</b>						
Return on assets	0.9	1.1	0.8	0.9	1.2	1.3
After tax return on equity	10.2	11.2	8.0	9.1	13.7	15.4
Net interest margin	1.8	1.8	1.5	1.5	2.2	2.2
Non-interest income to total income	30.1	35.7	36.6	35.9	24.7	30.5
<b>Liquidity</b>						
Overall non-bank loans to deposits ratio (LTD)	88.5	88.0	83.9	84.8	83.1	81.3
Domestic currency non-bank LTD	90.3	88.8	78.9	78.5	80.8	78.4
USD non-bank LTD	75.8	69.0	65.6	66.9	59.2	54.1

Source: Monetary Authority of Singapore.

1/ The data relates to local banking groups' global operations.

2/ 2023Q3 data as of 2023Q2.

**Table 8. Singapore: International Investment Position, 2018–23**

	2018	2019	2020	2021	2022	2023
	(In billions of U.S. Dollars) 1/					
External assets	3,809	4,341	4,963	5,208	5,326	5,628
Direct investment	982	1,195	1,427	1,561	1,639	1,792
Portfolio investment	1,262	1,526	1,673	1,746	1,711	1,827
Equity securities	645	811	916	1,030	997	1,080
Debt securities	617	715	756	716	714	747
Other investment and financial derivatives	1,278	1,341	1,502	1,485	1,687	1,657
Reserve assets	287	279	362	417	289	351
External liabilities	3,116	3,432	3,870	4,203	4,436	4,768
Direct investment	1,523	1,739	2,004	2,224	2,327	2,632
Portfolio investment	279	317	358	433	486	509
Equity securities	205	229	261	291	297	306
Debt securities	74	88	97	142	189	203
Other investment and financial derivatives	1,315	1,376	1,508	1,546	1,623	1,626
Net international investment position	693	909	1,093	1,005	889	860
	(In percent of GDP) 1/					
External assets	1011	1152	1420	1200	1068	1122
Direct investment	260	317	408	359	329	357
Portfolio investment	335	405	479	402	343	364
Equity securities	171	215	262	237	200	215
Debt securities	164	190	216	165	143	149
Other investment and financial derivatives	339	356	430	342	338	331
Reserve assets	76	74	104	96	58	70
External liabilities	827	911	1107	968	890	951
Direct investment	404	461	573	512	467	525
Portfolio investment	74	84	102	100	97	102
Equity securities	54	61	75	67	60	61
Debt securities	20	23	28	33	38	41
Other investment and financial derivatives	349	365	432	356	326	324
Net international investment position	184	241	313	232	178	171

Sources: Singapore, Department of Statistics; and IMF staff calculations.

1/ IMF staff estimates using official data published in national currency.

## Annex I. External Sector Assessment

**Overall Assessment:** *The external position in 2023 was substantially stronger than the level implied by medium-term fundamentals and desirable policies.* The assessment is subject to a wide range of uncertainty, reflecting Singapore's very open economy and status as a global trading and financial center. Over the medium-term, the CA surplus is projected to narrow gradually driven by higher public spending, private investment and an increase in household consumption (as the share of prime working age population actively saving for retirement declines).

**Potential Policy Responses:** The planned execution of major green infrastructure projects and the strengthening of social safety nets should help reduce external imbalances in the near term. Over the medium term, Singapore's economy is expected to undergo structural transformation in light of a rapidly aging population and a transition to a green and digital economy. Higher public investment to address these issues, including spending on health care, green and other physical infrastructure, and human capital, as well as ongoing reforms to strengthen social safety nets, would help reduce external imbalances over the medium term by reducing net saving of the economy.

Foreign Asset and Liability Position and Trajectory	<p>Background. The NIIP stood at 171.4 percent of GDP in 2023, down from 178.4 percent of GDP in 2022 and below the average level of 227.1 percent of GDP in 2019-2023. Gross assets and liabilities are high, reflecting Singapore's status as a financial center. About half of foreign liabilities are in FDI, and about a fifth are in the form of currency and deposits. The CA surplus has been a main driver of the NIIP since the global financial crisis, but valuation effects were material in some years, driven mainly by NEER appreciation as MAS tightened its exchange rate-based monetary policy. CA and growth projections imply that the NIIP will rise over the medium term. The large positive NIIP in part reflects the accumulation of assets for old-age consumption, which is expected to be gradually unwound over the long term.</p> <p>Assessment. Large gross non-FDI liabilities (425.9 percent of GDP in 2023)—predominantly cross-border deposit taking by local branches of foreign banks—present some risks, but these are mitigated by large gross asset positions, banks' large short-term external assets, and the authorities' close monitoring of banks' liquidity risk profiles. Singapore has large official reserves and other official liquid assets.</p>					
2023 (% GDP)	NIIP: 171.4	Gross Assets: 1,122.3	Res. Assets: 70	Gross Liab.: 950.9	Debt Liab.: 326.9	
Current Account	<p>Background. The CA surplus was 19.8 percent of GDP in 2023, up from 18 percent in 2022. This mainly reflects an improvement in primary income balance as receipts rose and payments declined. The CA balance is higher than the average of 17.7 percent since 2018 and slightly lower than the post-global-financial-crisis peak of 22.9 percent in 2010. Singapore's large CA balance reflects a strong goods balance and a small surplus in the services balance that is partly offset by a (primary) income deficit.<sup>1</sup> Structural factors and policies that boost savings, such as Singapore's status as a financial center, consecutive fiscal surpluses in most years, and rapid aging—combined with a mandatory defined-contribution pension program (whose assets were about 84.8 percent of GDP in 2023)—are the main drivers of Singapore's strong external position. The CA surplus is projected to narrow over the medium term on the back of increased infrastructure and social spending. In 2023, public saving increased as the fiscal balance improved further, following the unprecedented COVID-related stimulus, while private saving decreased slightly.</p> <p>Assessment. Guided by the EBA framework, staff assesses the 2023 CA gap to be in the range of 5.2–8.8 percent of GDP, with a midpoint of 7.0 percent.<sup>2</sup> The identified policy gaps in 2023 reflect a more contractionary fiscal policy adopted in 2023 in Singapore compared to the rest of the world.</p>					
2023 (% GDP)	CA: 19.8	Cycl. Adj. CA: 20.1	EBA Norm:	EBA Gap:	Staff Adj.:	Staff Gap: 7.0

<sup>1</sup> Singapore has a negative income balance despite its large positive NIIP position, reflecting lower rates of return on its foreign assets relative to returns on its foreign liabilities, possibly due to the fact that the composition of Singapore's assets is tilted toward safer assets with lower returns.

<sup>2</sup> Nonstandard factors make a quantitative assessment of Singapore's external position difficult and subject to significant uncertainty. Singapore is not included in the EBA sample because it is an outlier along several dimensions. One possibility, though with drawbacks, is to use EBA estimated coefficients and apply them to Singapore. Following that approach, the CA norm is estimated to be about 15.6 percent of GDP in 2023 (including the multilateral consistency adjustor). However, using this approach understates the CA gap. In order to account for Singapore specificities, several adjustments are needed. First, a downward adjustment of 1 percentage points is made to EBA's implied contribution of public health expenditures to the norm to account for the fact that Singapore's health expenditure is appropriate given its high efficiency, even though its desirable, as well as current, public health expenditure is significantly lower than in other EBA countries. Second, a downward adjustment of 3.7 percentage points to the norm is made to better account for the effect of NFA composition and component-specific return differentials on the CA. Third, notwithstanding possible partial double-counting with the NFA components adjustor, a downward adjustment of 2.2 percentage point of GDP is applied to the underlying CA to account for measurement biases due to inflation and portfolio equity retained earnings (-5.4 and +3.2 percent of GDP, respectively). Adjusting for these factors, the staff-estimated CA gap is about 7.0 percent of GDP, to which the fiscal gap contributes about 1.6 percent of GDP, credit gap about -0.1 percent of GDP, public health spending about 0.2 percent of GDP, and reserves about 0.3 percent of GDP.



Real Exchange Rate	<p>Background. The REER appreciated by 7.2 percent in 2023 reflecting the appreciation of the NEER by 5.3 percent. This followed an appreciation of the REER by 5.8 percent and an appreciation of the NEER by 3.9 percent, both cumulative, between 2020 and 2022. As of April 2024, the REER appreciated by 2.0 percent relative to its 2023 average.</p> <p>Assessment. Consistent with the staff CA gap, staff assesses the REER to be undervalued in the range of 10.4 to 17.6 percent, with a midpoint of 14.0 percent in 2023 (applying an estimated elasticity of 0.5).<sup>3</sup></p>
Capital and Financial Accounts: Flows and Policy Measures	<p>Background. Singapore has an open financial account. As a trade and financial center in Asia, changes in market sentiment can affect Singapore significantly. Increased risk aversion in the region, for instance, may lead to inflows to Singapore given its status as a regional safe haven, whereas global stress may lead to outflows. The financial account balance reflects in part reinvestment abroad of income from official foreign assets, as well as sizable net inward FDI and smaller but more volatile net bank-related flows. In 2023, the capital and financial account featured lower net outflows of 7.1 percent of GDP compared to 40.6 percent in 2022 (outflows ranged from 4.6 to 40.6 percent in 2018–22).</p> <p>Assessment. The financial account is likely to remain in deficit as long as the trade surplus remains large.</p>
FX Intervention and Reserves Level	<p>Background. With the NEER as the intermediate monetary policy target, intervention is undertaken to achieve inflation and output objectives. As a financial center, prudential motives call for a larger NIIP buffer. Official reserves held by MAS reached US\$351 billion (70 percent of GDP) in 2023. Aggregate data on foreign exchange intervention operations has been published since April 2020 (with a 6-month lag).</p> <p>Assessment. In addition to FX reserves held by the Monetary Authority of Singapore (MAS), Singapore also has access to other official foreign assets managed by Temasek and GIC.<sup>4</sup> The current level of official external assets appears adequate, even after considering prudential motives, and there is no clear case for further accumulation for precautionary purposes.</p>
<p><sup>3</sup> We apply the maximum range of +/-1.8 percent in the EBA sample for the CA gap reflecting the uncertainty around Singapore's assessment.</p> <p><sup>4</sup> The reserves-to-GDP ratio is also larger than in most other financial centers, but this may reflect in part that most other financial centers are in reserve-currency countries or currency unions. External assets managed by the government's investment corporation and wealth fund (GIC and Temasek) amount to at least 100 percent of GDP.</p>	

## Annex II. Risk Assessment Matrix<sup>1</sup>

Risks	Likelihood	Impact of Risk	Policy Response
<b>External Conjunctural Risks</b>			
<p><b>Abrupt global slowdown, including in:</b></p> <p><b>China.</b> Sharper-than-expected contraction in the property sector weighs on private demand, further amplifies local government fiscal strains, and results in disinflationary pressures and adverse macro-financial feedback loops.</p> <p><b>U.S.</b> Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction.</p>	<b>Medium</b>	<p><b>Medium:</b> A sharper than expected slowdown in China, which is Singapore's largest trading partner, would hurt growth in Singapore through lower exports and damage business confidence.</p> <p><b>Medium:</b> Amid a slowdown and tightening global financial conditions, fragilities in the US financial system may propagate to Singapore through financial interlinkages, causing systemic financial stress.</p>	<p>Maintain countercyclical policies, including targeted fiscal support to affected workers and businesses.</p> <p>Provide targeted support to viable firms and institutions, while ensuring that governance principles, supported by strong insolvency and bankruptcy procedures, are applied to limit moral hazard.</p>
<p><b>Commodity price volatility.</b> A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.</p>	<b>High</b>	<p><b>Medium:</b> As a larger importer of commodities, this would damage confidence and increase inflationary pressures.</p>	<p>Monetary policy should remain data dependent and focused on preserving price stability. Provide temporary and targeted support to vulnerable groups.</p>
<p><b>Monetary policy miscalibration.</b> Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets and weakening the credibility of central banks.</p>	<b>Medium</b>	<p><b>Medium:</b> The ensuing tightening of global financial conditions and rise in risk premia could exacerbate financial vulnerabilities.</p>	<p>Monetary policy should remain data dependent and focused on preserving price stability. Adjust macro-prudential policies while safeguarding financial stability. Provide targeted support to vulnerable groups.</p>

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks	Likelihood	Impact of Risk	Policy Response
<b>External Conjunctural Risks</b>			
<b>Intensification of regional conflicts.</b> Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	<b>High</b>	<b>Medium:</b> Supply chains would be disrupted, and risk of domestic food insecurity could be elevated due to supply disruptions. A slowdown in key export markets would impact Singapore's external demand.	Extend targeted fiscal support to affected workers and businesses. If necessary, provide liquidity support to financial markets and use prudential regulatory actions to address asset quality deterioration and encourage debt resolution.
<b>Systemic financial instability.</b> High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	<b>Medium</b>	<b>Medium:</b> Given Singapore's status as a global financial center, this could exacerbate financial vulnerabilities.	Adjust macro-prudential policies while safeguarding financial stability.
<b>External Structural Risks</b>			
<b>Deepening geo-economic fragmentation.</b> Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	<b>High</b>	<b>High:</b> Being a trade and financial hub, geo-economic fragmentation makes Singapore particularly vulnerable. Reshoring and less trade would reduce potential growth.	Accelerate the implementation of structural reforms to transform Singapore into a knowledge-based innovation-driven economy. Should domestic demand weaken substantially, use temporary and targeted fiscal stimulus.
<b>Cyberthreats.</b> Cyberattacks on physical or digital infrastructure and service providers (including digital currency and crypto assets) or misuse of AI technologies trigger financial and economic instability.	<b>Medium</b>	<b>Low:</b> Cyberattacks on critical infrastructure and institutions, for example financial institutions and government entities, could lead to concerns about protection of critical data and may result in loss of confidence in Singapore.	Continue to assess the adequacy of IT risk management practices and prepare a contingency plan. Coordinate with global financial regulators. Should disruptions take place, provide temporary and targeted emergency liquidity support and/or fiscal support to ensure a functional banking system.

Risks	Likelihood	Impact of Risk	Policy Response
<b>External Structural Risks</b>			
<b>Extreme climate events.</b> Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	<b>Medium</b>	<b>Medium:</b> Climate issues could disrupt economic activity. Slower growth coupled with higher inflationary pressures would adversely impact investment and private consumption. Singapore's high-tech exports are a mitigant that lowers the likelihood of impact from trade disruptions.	Enhance climate change adaptation strategies. Improve preparedness and collaboration among agencies engaged in climate change adaptation. Provide targeted fiscal support to vulnerable groups.
<b>Disorderly energy transition.</b> A disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	<b>Medium</b>	<b>Medium:</b> A rapid shift in investment priorities could affect Singapore's economy and financial markets.	Continue steady efforts to decarbonize energy sources, in particular for electricity generation.
<b>Domestic Risks</b>			
<b>Disorderly correction in property prices.</b> A deterioration of market sentiment amidst tight monetary policy and a high share of mortgage loans in household debt leads to a sharp drop in property prices.	<b>Low</b>	<b>Medium:</b> A decline in collateral values and wealth effects could trigger a fall in economic activity and bank lending with adverse feedback effects on household indebtedness and property prices.	Adjust macro-prudential policies while safeguarding financial stability. Use targeted assistance measures to households whose debt servicing capacity is adversely affected.
<b>De-anchoring of inflation expectation.</b> Continued stickiness in core inflation could lead to inertia and risk de-anchoring of inflation expectations.	<b>Low</b>	<b>Medium:</b> This would disrupt ongoing disinflation, damaging confidence.	Tighten monetary policy stance and ensure clear communication of policy decisions.
<b>Artificial Intelligence (AI).</b> While AI has the potential to improve productivity, it may also result in disruptions in the labor market.	<b>Medium</b>	<b>Medium:</b> A widespread adoption of AI technologies could lead to displacement of individuals working in occupations that have a high exposure to and low complementarity with AI.	Provide training programs to re-skill and upskill workers. Enhance existing active labor market policies. Improve social safety nets to assist workers affected by AI in transitioning to new jobs.

## Annex III. Staff Policy Advice from the 2023 Article IV Consultation

Staff Advice	Policy Actions
<b>Fiscal Policy</b>	
Going forward, fiscal policy should continue to tighten and help moderate inflationary pressures without suppressing market price signals, while supporting the most vulnerable.	The fiscal stance in the FY2024 Budget is broadly neutral relative to FY2023, supporting monetary policy tightening to ensure disinflation. Moreover, targeted support continues to be provided to vulnerable households and businesses, while avoiding subsidies that would distort market price signals.
Should downside risks materialize, Singapore has fiscal space to deploy further policy support. Fiscal policy, which can best target affected sectors and households and implemented swiftly in Singapore, should continue to play the role of first line of defense.	The authorities' response to the COVID showcased their readiness to draw on the country's sizeable reserves to fund large fiscal stimuli to cushion the impact of large negative shocks.
<b>Monetary, Exchange Rate, and Financial Policies</b>	
Monetary policy should maintain its tightening bias, and may need to tighten further, given persistently elevated core inflation, and tight labor markets, amid a build-up of demand side pressures.	After tightening its exchange rate based monetary policy five consecutive times, including a preemptive move in October 2021 and two out-of-cycle moves, MAS has remained on pause since April 2023.
Potential stresses in core U.S. dollar funding markets call for continued close monitoring of Singapore banks' U.S. dollar liquidity profiles, particularly given likely spillovers to the region.	MAS continues to engage regularly with banks to strengthen their US dollar liquidity risk management practices and contingency funding planning. MAS recently introduced granular cashflow-based FX liquidity stress tests separately for U.S. dollar cashflows.
The tight macroprudential stance remains appropriate and should be tightened further should housing price pressures continue.	The macroprudential stance based on existing macroprudential measures (MPMs) remained appropriately tight in 2023. The tight stance partly contributed to a cooling in the private residential housing market in 2023. A countercyclical capital buffer (CCyB), loan to value ratio (LTV), total debt servicing ratio (TDSR), and loan tenure limits are in the MPM toolkit.
As the Additional Buyer's Stamp Duty (ABSD) is residency-based, it constitutes a capital flow management and macroprudential measure (CFM/MPM), and staff recommend phasing out the residency-based differentiation once systemic risks from the housing market clearly dissipate.	The ABSD continues to retain its residency-based distinction.

Staff Advice	Policy Actions
<b>Monetary, Exchange Rate, and Financial Policies</b>	
<p>MAS should continue with ongoing refinements to AML/CFT regulations and supervision, including to increase financial institutions' own controls and risk detection capabilities.</p>	<p>MAS launched a digital platform ("Collaborative Sharing of Money Laundering/Terrorism Financing (ML/TF) Information and Cases", or COSMIC) in collaboration with six D-SIBs to improve detection of criminal activity. The parliament also passed a new bill, providing MAS with wider investigative and supervisory capacity over the financial sector. The bill aims to improve MAS' regulatory oversight across six areas that govern financial services and markets, insurance, payment services, financial advisers, securities and derivatives, and trust companies. Financial institutions in the wealth management sector will be subject to greater supervisory attention given their inherent ML/TF risks.</p>
<b>Structural Policies</b>	
<p>Adapting to the post-COVID world would require pursuing active labor market policies that facilitate resource allocation to the sectors of the future.</p>	<p>In addition to introducing the Job-Skills Integrators to reduce skills mismatch, the government, through <i>Forward Singapore</i>, established a policy objective of ensuring Singapore's workers stay adaptable amid global and technological changes. The <i>SkillsFuture</i> program has also been enhanced to support mid-career workers get reskilled and upskilled.</p>
<p>Existing gaps between workers' preferences and what employers offer in terms of remote work suggest room to enhance the flexibility of work arrangements, particularly in digitalized sectors.</p>	<p>Through its 'Supporting families through every stage' theme, <i>Forward Singapore</i> aims to offer greater flexibility in work arrangements.</p>
<p>Singapore needs to continue enhancing its policies in line with the country's renewed climate objectives.</p>	<p>The government has accelerated its low-carbon transition to net zero emission by 2050. The carbon tax was increased in the beginning of 2024 to S\$25 per tonne of emissions from S\$5 per tonne, with the aim of increasing it to S\$50-S\$80 per tonne by 2030. The FY2024 budget also allocates S\$5 billion to establish the Future Energy Fund to support infrastructure investments for Singapore's energy transition.</p>

## Annex IV. Sovereign Risk and Debt Sustainability Analysis<sup>1</sup>

Figure 1. Singapore: Risk of Sovereign Stress			
Horizon	Mechanical signal	Final assessment	Comments
<b>Overall</b>	...	<b>Low</b>	The overall risk of sovereign stress is low, reflecting low levels of vulnerability in the medium-, and long-term horizons.
<b>Near term 1/</b>			
<b>Medium term</b>	<b>Low</b>	<b>Low</b>	Medium-term risks are assessed as low, against a mechanical low signal as well, on the basis of authorities' strong compliance with their balanced budget rule, which has led to sustained fiscal surpluses and the buildup of large net assets. Moreover, all debt is held domestically and issued in local currency, which is another risk mitigating factor.
Fanchart	<b>Moderate</b>	...	
GFN	<b>Moderate</b>	...	
Stress test	...	...	
<b>Long term</b>	...	<b>Low</b>	Long-term risks are low. As employment growth slows, in line with population aging, investment needs by the CPF are expected to moderate. Several other mitigating factors such as large net assets, strict adherence to the fiscal rule and the implementation of various tax reforms also limit the long-term risks.
<b>Sustainability assessment 2/</b>	Not required for surveillance countries	Not required for surveillance countries	
<b>Debt stabilization in the baseline</b>			No
<b>DSA Summary Assessment</b>			
<p>Commentary: Singapore's public debt is sustainable and large public financial assets are important risk mitigating factors. While public debt rose during the pandemic, the strong post-pandemic rebound, combined with a tightening of fiscal policy and large net assets imply that the risk of sovereign stress is low. Singapore is a low scrutiny country in the debt sustainability analysis framework for market access countries.</p>			
<p>Source: Fund staff.</p> <p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p> <p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p> <p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p>			

<sup>1</sup> While Singapore's debt-to-GDP is high (about 174 percent of GDP at end-FY2023), its large public financial assets result in a positive net asset position for Singapore. Moreover, the public debt is primarily issued for non-spending purposes (for example, development of Singapore's debt market, meeting investment needs of the CPF, and facilitating transfer of excess official foreign reserves from MAS to the government using Reserves Management Government Securities (RMGS)). As of end-FY2023, only about 1 percent of public debt comprised debt issued for spendings purposes under SINGA. The large increase in public debt in FY2022 was primarily driven by the issuance of RMGS, for which MAS's outstanding holdings amounted to S\$260.2 billion at end-FY2023.

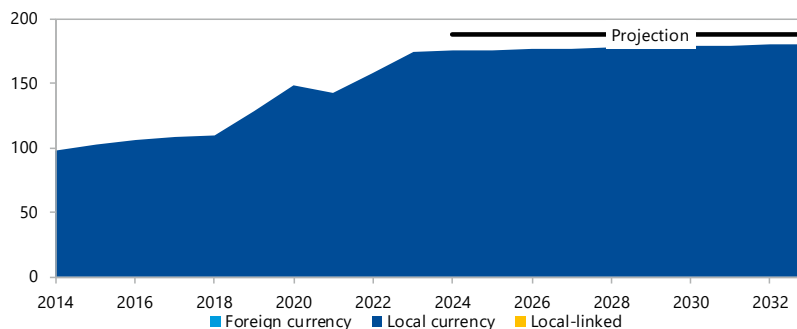
Figure 2. Singapore: Debt Coverage and Disclosures

						Comments								
<b>1. Debt coverage in the DSA: 1/</b>														
			CG	GG	NFPS	CPS	Other							
<b>1a. If central government, are non-central government entities insignificant?</b>						No								
<b>2. Subsectors included in the chosen coverage in (1) above:</b>														
Subsectors captured in the baseline						Inclusion								
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes	Not applicable							
				2	Extra budgetary funds (EBFs)	No								
				3	Social security funds (SSFs)	Yes								
				4	State governments	No								
				5	Local governments	No								
				6	Public nonfinancial corporations	No								
				7	Central bank	No								
				8	Other public financial corporations	No								
<b>3. Instrument coverage:</b>														
			Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/							
<b>4. Accounting principles:</b>														
			Basis of recording		Valuation of debt stock									
			Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/							
<b>5. Debt consolidation across sectors:</b>						Consolidated	Non-consolidated							
<b>Color code:</b> <span style="color: green;">■</span> chosen coverage <span style="color: red;">■</span> Missing from recommended coverage <span style="color: gray;">■</span> Not applicable														
<b>Reporting on Intra-Government Debt Holdings</b>														
		Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total			
CPS	NFPS	GG: expected	CG	1	Budget. central govt							0		
				2	Extra-budget. funds								0	
				3	Social security funds									0
				4	State govt.									0
				5	Local govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
				8	Oth. pub. fin. corp									0
Total			0	0	0	0	0	0	0	0	0			
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector. 2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable. 3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities. 4/ Includes accrual recording, commitment basis, due for payment, etc. 5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes). 6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity. 7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.														
Commentary: Consistent with the data on government debt reported by the authorities, the fiscal assumptions in this DSA are based on the central government debt.														



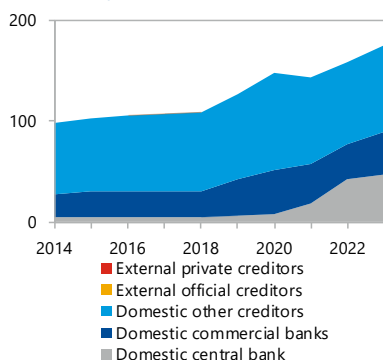
**Figure 3. Singapore: Public Debt Structure Indicators**

**Debt by Currency (Percent of GDP)**



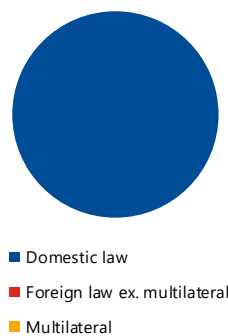
Note: The perimeter shown is central government.

**Public Debt by Holder (Percent of GDP)**



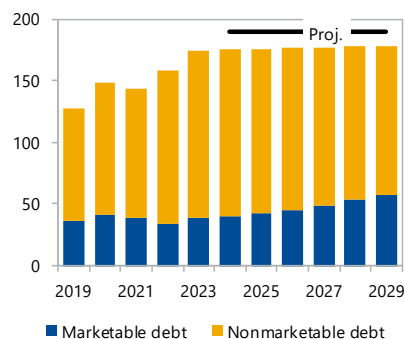
Note: The perimeter shown is general government.

**Public Debt by Governing Law, 2023 (percent)**



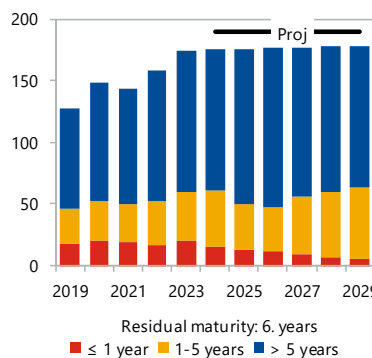
Note: The perimeter shown is general government.

**Debt by Instruments (Percent of GDP)**



Note: The perimeter shown is general government.

**Public Debt by Maturity (Percent of GDP)**



Note: The perimeter shown is general government.

Commentary: Debt-to-GDP ratio rose to about 174 percent of GDP at end-FY2023. Debt level is projected to stabilize at 178 percent of GDP in the medium-run. Singapore does not have any external public debt and the issuance of government debt securities is largely unrelated to the Government's fiscal needs. The Singapore Government issues domestic, local currency debt securities to mainly deepen the domestic debt market, to meet the investment needs of the Central Provident Fund (CPF), to provide individual investors with a long-term saving option that offers safe returns, and to facilitate the transfer of official foreign reserves not needed by MAS to the government using Reserves Management Government Securities (RMGS).

**Figure 4. Singapore: Baseline Scenario**  
(percent of GDP, unless otherwise indicated)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	174.3	175.1	175.8	176.4	177.1	177.8	178.3	178.7	179.2	179.6	180.1
Change in public debt	16.0	0.8	0.6	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4
Contribution of identified flows	13.3	0.8	0.6	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4
Primary deficit	-0.8	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Noninterest revenues	18.6	18.5	18.7	18.7	18.8	18.8	18.9	19.0	19.0	19.0	19.0
Noninterest expenditures	17.9	18.2	18.5	18.5	18.6	18.6	18.7	18.8	18.8	18.8	18.8
Automatic debt dynamics	0.2	-2.1	-2.4	-1.9	-2.1	-1.9	-2.4	-2.4	-2.5	-2.5	-2.6
Real interest rate and relative inflat	2.7	1.2	1.8	2.4	2.3	2.2	2.2	2.1	2.1	2.0	2.0
Real interest rate	2.7	1.2	1.8	2.4	2.3	2.2	2.2	2.1	2.1	2.0	2.0
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-2.5	-3.2	-4.2	-4.3	-4.4	-4.1	-4.5	-4.5	-4.6	-4.6	-4.6
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	13.9	3.0	3.2	2.7	2.9	2.8	3.0	3.0	3.1	3.2	3.2
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	13.9	3.0	3.2	2.7	2.9	2.8	3.0	3.0	3.1	3.2	3.2
Contribution of residual	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	15.7	24.9	20.5	21.9	23.0	24.4	24.8	27.0	29.1	30.6	30.8
of which: debt service	16.4	25.1	20.6	22.1	23.1	24.5	25.1	27.1	29.3	30.8	31.0
Local currency	16.4	25.1	20.6	22.1	23.1	24.5	25.1	27.1	29.3	30.8	31.0
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	1.6	1.9	2.5	2.5	2.5	2.4	2.6	2.6	2.6	2.6	2.6
Inflation (GDP deflator; percent)	-1.7	2.9	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	-0.1	4.8	4.9	4.5	4.6	4.4	4.6	4.6	4.6	4.6	4.6
Effective interest rate (percent)	0.0	3.6	3.5	3.4	3.3	3.3	3.3	3.2	3.2	3.2	3.1

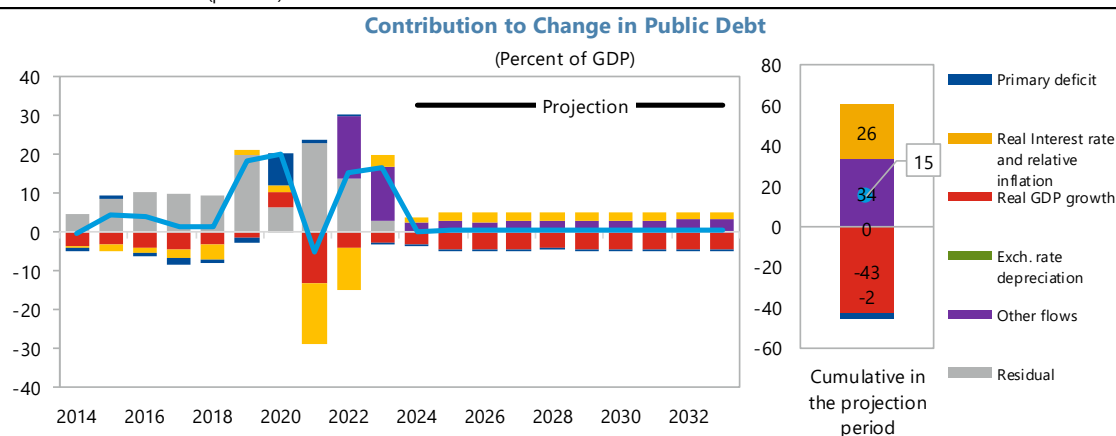


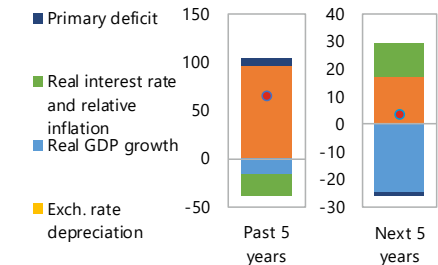
Figure 5. Singapore: Realism of Baseline Assumptions

Forecast Track Record 1/	t+1	t+3	t+5	Comparator Group:
Public debt to GDP	Red	Red	Red	Advanced Economies, Non-Commodity Exporter, Surveillance
Primary deficit	Red	Red	Red	
r - g	Red	Red	Red	
Exchange rate depreciation	Orange	Green	Green	Color Code:
SFA	Red	Orange	Green	Optimistic > 75th percentile
	real-time	t+3	t+5	Pessimistic < 25th percentile

Historical Output Gap Revisions 2/

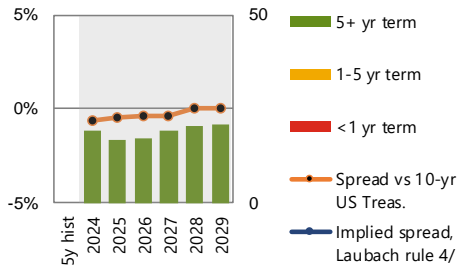
Public Debt Creating Flows

(Percent of GDP)



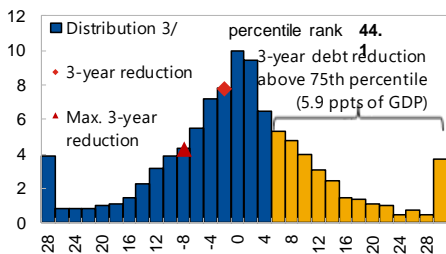
Bond Issuances

(Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



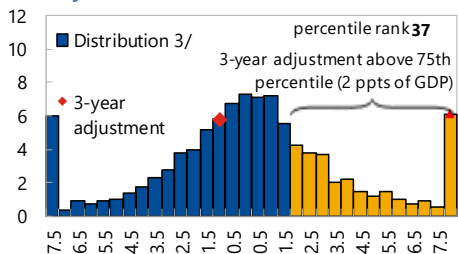
3-Year Debt Reduction

(Percent of GDP)



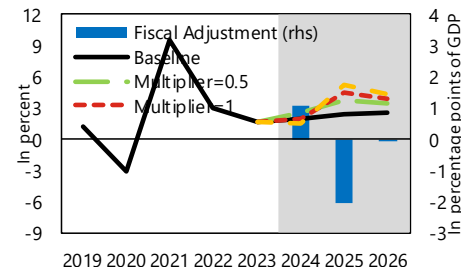
3-Year Adjustment in Cyclically-Adjusted

Primary Balance (Percent of GDP)

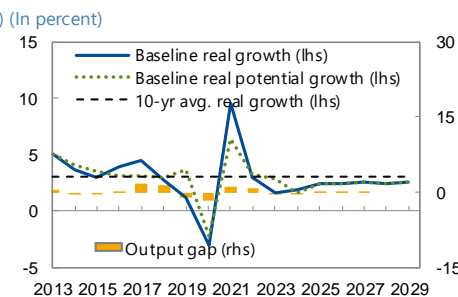


Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS) (In percent))



Real GDP Growth



Commentary: The realism tools do not indicate any major concerns: the projected debt reduction and fiscal adjustment is within norms.

Source : IMF Staff.

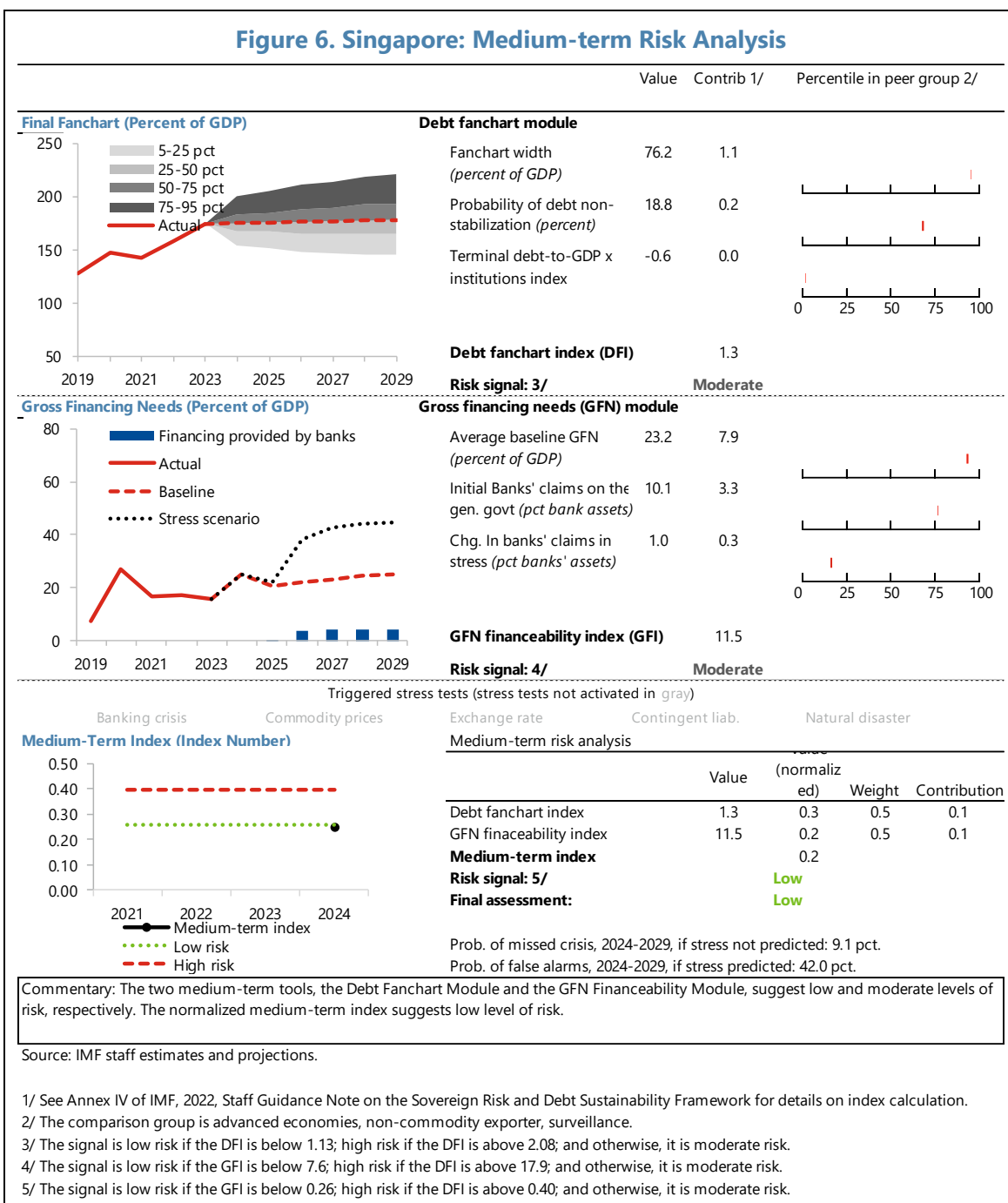
1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. Singapore: Medium-term Risk Analysis



Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is advanced economies, non-commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

## Annex V. Status of Main Recommendations of the 2019 FSSA

No.	Recommendations of 2019 FSSA	Time*	Authorities' Status Update (as of May 2024)
1.	The MAS should strengthen U.S. dollar liquidity among D-SIBs.	MT	<p><b>Ongoing.</b> MAS has continued to engage banks to strengthen their foreign currency liquidity management. Building on the 2019/20 review on banks' foreign currency liquidity management, MAS undertook two reviews in 2023, namely liquidity stress test practices and contingency funding plans (with observations impacting foreign currency liquidity management). MAS shared industry sound practices and issued bank-specific recommendations to the DSIBs in these key areas: (i) setting of appropriate stress test limits and triggers for significant foreign currencies such as U.S. dollars (USD), (ii) reviewing of methodologies to realistically assess their FX swap capacities under stress conditions, which inform setting of mismatch allowed for each significant currency; and (iii) setting out clearly their USD funding options under stress, including details on the available channels to raise USD funding, limits to each facility or counterparty, settlement timing and prioritization of funding actions.</p> <p>Between 2018 and March 2024, the proportion of more stable USD funding sources, comprising non-bank deposits and debt issuance, has increased and constitutes the bulk of their USD funding sources. MAS will continue to monitor the banks' USD funding profile through regular engagements and various USD liquidity indicators. D-SIBs consider issues such as central bank interest rate normalization, inflation, geopolitical situation when assessing their funding positions, all of which are actively discussed at banks' internal management forums such as Asset-Liability Committees (ALCO).</p>
2.	Establish a core staff within the MAS Resolution Unit (RSU) dedicated to resolution work and over time, transfer resolution planning to the RSU.	I	<p><b>Completed.</b> MAS established a new Resolution Office (RSO) in October 2023, comprising staff fully dedicated to resolution work. Over time, RSO will steer efforts across MAS to put in place an effective resolution regime for financial institutions in Singapore, working closely with various departments to develop and enhance MAS' resolution toolkit, as well as build strong capabilities within the organization to support MAS' role as a resolution authority.</p>

No.	Recommendations of 2019 FSSA	Time*	Authorities' Status Update (as of May 2024)
3.	Expand the scope of bail-in to include senior unsecured debt securities.	MT	<p><b>Not implemented.</b> After careful consideration, the authorities will not implement this recommendation. As conveyed by the authorities in the discussions with the FSAP assessors, the regime needs to be seen in the context of existing high regulatory standards as the first line of defense, such as Singapore's capital requirements that are two percentage points higher than the Basel capital standards, as well as close and intensive supervisory oversight. In designing the scope of the bail-in regime, the authorities had carefully balanced the trade-off between having broader bail-in scope which would increase the loss-absorbing capacity of a bank, versus the higher impact of possible contagion to the financial system and balance sheet of households. Given that the bail-in tool is relatively untested, MAS' preference is to have a narrower scope (i.e., confined to subordinated unsecured debt securities and equities).</p>
4.	Continue to develop guidelines and playbooks for the new resolution tools. Staff should be trained, and processes tested.	I	<p><b>Completed.</b> MAS has continued ongoing efforts to enhance its operational readiness and update its guidelines and playbooks for resolution tools developed and reflect the latest policy developments over time. Key examples include:</p> <ul style="list-style-type: none"> <li>• A table top walkthrough of the resolution of a foreign bank branch with significant operations in Singapore, where the home resolution authority takes a Single Point of Entry (SPE) approach and MAS recognizes the actions of, and cooperates with, the home resolution authority. The walkthrough sought to validate previous policy considerations and steps for cooperating with a home resolution authority while highlighting new insights in light of international developments in resolution approaches and considerations. It also served to train and familiarize staff with the requisite operational steps in such a scenario.</li> <li>• Updates to the Handbook on Management of Distressed Banks to incorporate updated operational procedures, aligning with recent legislative amendments (e.g., to include references to the Financial Services and Markets Act or the Banking Act), changes in organization structure and key contact details.</li> <li>• Ongoing work to further update the Handbook and the Guidance on Resolution Tools in other areas such as (i) valuation – study issues around the use of independent valuers to perform valuation in resolution; (ii) resolution fund trustee and bridge entity – consider the possible set up of a bridge entity to hold the distressed bank's assets, as well as a trustee to administer the resolution fund in the event of a resolution; (iii) bail-in execution – develop exchange mechanics based on FSB's practices paper on bail-in execution; and (iv) operational procedures for the Intervention Team's (I-Team) functional area plans.</li> </ul>

No.	Recommendations of 2019 FSSA	Time*	Authorities' Status Update (as of May 2024)
5.	The MAS should formalize and clarify that it may require pre-notification of material outsourcing arrangements where the MAS is not satisfied that a bank has managed its outsourcing risk adequately.	<b>MT</b>	<b>Completed.</b> MAS issued the revised Outsourcing Guidelines (for banks and merchant banks) on December 11, 2023. As per the Guidelines, where a bank is not meeting MAS' supervisory expectations, MAS requires the bank to take additional measures to address the deficiencies noted, which may include the pre-notification of new material outsourcing arrangements.
6.	Devote more resources to the oversight and supervision of the payments systems.	<b>NT</b>	<b>Completed.</b> From 2019, MAS allocated an additional 40 percent of dedicated resources to the oversight and supervision of payment systems. In addition, the Payments and Infrastructure Division has expanded to become the Payments Department in 2020, in charge of supervising both payment services and payment systems.
7.	Enhance the cyber resiliency of the central bank and MEPS+ by: (i) clarifying the role of Chief Cyber Security Officer; and (ii) continuing to strengthen its cybersecurity resiliency.	<b>I</b>	<p>(i) <b>Completed.</b> The role of the Chief Cyber Security Officer (CCSO) has been clarified. With the clarification, the CCSO will now assume the role of an independent second line of defense to challenge MAS Information Technology Department / Data and Technology Architecture Department on matters relating to MAS' technology risk and cyber resilience. A new CCSO office that is independent from the FI technology risk supervisory divisions has been set up to assist the CCSO to perform the independent assurance role.</p> <p>(ii) <b>Completed.</b> MAS has completed various cybersecurity initiatives such as Netflow, Database Activity Monitoring and User Behavioral Analytics to enhance the protection of MAS' critical systems. In addition, MAS has embarked on a cybersecurity transformation roadmap to strengthen cybersecurity resiliency on an ongoing basis. This would include implementing new measures (e.g., Data Loss Prevention) and enhancing existing security tools.</p>

No.	Recommendations of 2019 FSSA	Time*	Authorities' Status Update (as of May 2024)
8.	Develop a cyber network map that takes into account both financial linkages and Information and Communications Technology connections and use it for cyber risk surveillance.	<b>MT</b>	<p><b>Completed.</b> MAS has mapped a snapshot of the cyber interconnections of financial institutions (FIs) in Singapore, taking into account the financial importance and linkages between each entity. The cyber map integrates the following information:</p> <ul style="list-style-type: none"> <li>• Cyber interconnections of key financial institutions spanning banks, insurers, payment service providers, capital market services licensees and financial market infrastructure providers, including connections to other key financial institutions and to third-party service providers; and</li> <li>• Each entity's relative financial importance, through a financial measure of the potential financial impact to the banking system if an entity fails due to a cyber incident, which is used to prioritize between nodes.</li> </ul> <p>The resulting map of cyber and financial linkages is used to: (i) identify key nodes based on the network map to inform and prioritize cyber risk surveillance efforts; (ii) engage FIs on outsourcing, third-party and supply chain risk management practices for key service providers identified through the cyber map; and (iii) reach out to fellow regulators on means to engage key service providers that are common to many FIs globally. For example, MAS has been engaging FSB to address concentration risks posed by major cloud service providers such as Amazon, Google, and Microsoft by proposing the setting up of a Cloud Oversight Forum formed by global financial regulators.</p>
* "I-Immediate" is within one year; "NT-near-term" is 1–3 years; "MT-medium-term" is 3–5 years.			
Source: Fund staff and the authorities' self-assessment.			



## Annex VI. Data Issues

Figure 1. Singapore: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
A							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	A	A	B	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	B	A	B		
Granularity 3/	A		A	B	B		
Consistency			A	A		A	
Frequency and Timeliness	A	A	A	A	A		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
<p><b>Rationale for staff assessment.</b> Staff assess the overall data quality as adequate for the Fund's surveillance. The authorities have continued to expand the range of publicly available data, including on the financial sector. Data on (i) government assets held abroad, (ii) the financial position of the consolidated public sector, and (iii) sectoral disaggregation of the international investment position as suggested by the BPM6 could further enhance the basis for macroeconomic policy analysis (these data are currently either unpublished or partially published). The ratings for monetary and financial statistics are based on the publicly available data, which are adequate for surveillance. For instance, it allows the country team to assess banks' exposure to nonbank financial institutions (NBFIs) as well as to nonfinancial corporate and household sectors, counterparty exposures vis-a-vis different geographies, currency denominations of loans and deposits, and the maturity breakdown based on granular bank balance sheets. MAS also publishes financial soundness indicators along with supplementary data, while granular financial statements for D-SIBs are publicly available. However, there is room to improve the granularity and coverage of data on NBFIs to assess NBFIs' interlinkages with the nonfinancial corporate sector, other resident sectors, and nonresidents, in addition to banks, along with the currency composition.</p>							
<p><b>Changes since the last Article IV consultation.</b> Staff did not observe any notable data-related developments.</p>							
<p><b>Corrective actions and capacity development priorities.</b> Staff will continue to discuss with the authorities on ways to improve the coverage and granularity of the monetary and financial statistics, including for NBFIs, in the context of future Article IV consultations and in coordination with STA.</p>							
<p><b>Use of data and/or estimates different from official statistics in the Article IV consultation.</b> Staff do not use data and/or estimates different from official statistics.</p>							
<p><b>Other data gaps.</b> Staff do not see any other data gaps for surveillance.</p>							

Figure 2. Singapore: Data Standards Initiatives

Singapore subscribes to the Special Data Dissemination Standard (SDDS) since August 1996 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>).

**Table 1. Singapore: Table of Common Indicators Required for Surveillance**

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Expected Frequency <sup>6,7</sup>	Singapore <sup>8</sup>	Expected Timeliness <sup>6,7</sup>	Singapore <sup>8</sup>
Exchange Rates	10-Mar-24	10-Mar-24	D	D	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	Jan-24	Feb-24	M	M	M	M	1W	1W
Reserve/Base Money	Jan-24	Feb-24	M	M	M	M	2W	2W
Broad Money	Jan-24	Feb-24	M	M	M	M	1M	NLT 1M
Central Bank Balance Sheet	Jan-24	Feb-24	M	M	M	M	2W	2W
Consolidated Balance Sheet of the Banking System	Jan-24	Feb-24	M	M	M	M	1M	NLT 1M
Interest Rates <sup>2</sup>	Feb-24	Mar-24	M	M	D	D	...	1D
Consumer Price Index	Apr-24	May-24	M	M	M	M	1M	25D
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> –General Government <sup>4</sup>	2023:Q4	Jan-24	Q	Q	A	A	2Q	2Q
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> –Central Government	Jan-24	Feb-24	M	M	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	2023:Q4	Feb-24	Q	Q	Q	Q	1Q	7W
External Current Account Balance	2024:Q1	May-24	Q	Q	Q	Q	1Q	NLT 8W
Exports and Imports of Goods and Services	2024:Q1	May-24	Q	Q	Q	Q	1Q	NLT 8W
GDP/GNP	2023:Q4	Feb-24	Q	Q	Q	Q	1Q	NLT2M
Gross External Debt	2023:Q4	Mar-24	Q	Q	Q	Q	1Q	NLT 3M
International Investment Position	2023:Q4	Mar-24	Q	Q	Q	Q	1Q	NLT 3M

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than;.

<sup>7</sup> Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

<sup>8</sup> Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".



# SINGAPORE

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 1, 2024

Prepared By

Asia and Pacific Department

### CONTENTS

<b>FUND RELATIONS</b>	<b>2</b>
-----------------------	----------

## FUND RELATIONS

(As of May 31, 2024)

**Membership Status:** Joined August 3, 1966; Article VIII.

### General Resources Account

	SDR Millions	Percent of Quota
Quota	3,891.90	100.00
Fund holdings of currency (exchange rate)	2,861.46	73.52
Reserve tranche position	1,031.54	26.50
Lending to the Fund:		

### SDR Department

	SDR Millions	Percent of Allocation
Net cumulative allocation	4,474.42	100.00
Holdings	4,711.81	105.31

**Outstanding Purchases and Loans:** None.

**Financial Arrangements:** None.

**Projected Payments to the Fund:** None.

### Exchange Rate Arrangement

Singapore's de jure exchange rate arrangement is other managed and its de facto exchange rate arrangement is classified as crawl-like. The Monetary Authority of Singapore (MAS) monitors the value of the exchange rate against an undisclosed basket of currencies and intervenes in the market to maintain this value within an undisclosed target band. The U.S. dollar is the intervention currency. Singapore has accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for restrictions maintained solely for the preservation of national or international security, which have been notified to the Fund in accordance with the procedures set forth in Executive Board decision 144-(52/51).

### Article IV Consultation

Singapore is on the 12-month consultation cycle. The 2023 Article IV consultation discussions were held in person during May 8–17, 2023, and the Executive Board concluded the consultation on August 29, 2023 (IMF Country Report No. 23/314).

**FSAP Participation**

The FSAP Update involved two missions: October 29–November 14, 2018, and February 13–27, 2019. The findings were presented in the Financial System Sustainability Assessment (IMF Country Report No. 13/325).

**Technical Assistance:** None.

**Resident Representative:** Ms. Natalia Novikova has been posted in Singapore since October 2020.

**Statement by Yati Kurniati, Executive Director for Singapore,  
and Justin Lee, Advisor to the Executive Director  
July 24, 2024**

## **1 INTRODUCTION**

1.1 The Singapore authorities would like to thank the Article IV team for a constructive 2024 Consultation. We welcome the team's support of Singapore's policy responses in the current uncertain global macroeconomic environment.

## **2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

2.1 Singapore's economic growth expanded by 1.1% in 2023, gathering pace in the latter half of the year. Growth has since eased sequentially in the first half of 2024, but still improved on a year-ago basis. Tourism-related activities normalised in Q2 after the mega concert-driven boosts in the first quarter, while manufacturing output stabilised following the contraction in Q1, as the global IT recovery broadened. Meanwhile, the modern services cluster continued to be supportive of growth. In 2024, against generally supportive external demand conditions, the Singapore economy is expected to grow by 1–3%, in line with its potential.

2.2 MAS Core Inflation slowed to 3.1% y-o-y in Apr-May 2024 from 4.2% in 2023. At the same time, falling private transport and accommodation inflation contributed to a discernible decline in CPI-All Items inflation to 2.9% y-o-y, from 4.8% last year. These broad declines in inflation have occurred despite rising carbon taxes, a second increase in the Goods and Services Tax (GST) rate in January 2024, as well as higher water prices in Q2, and it reflects moderating underlying cost pressures in the economy. The significant strengthening of the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) continues to dampen import prices while the labour market has cooled with the resident unemployment rate rising to its pre-COVID average.

2.3 In the near term, the disinflation trend will continue, albeit gradually amid further expected catch-up in services prices to earlier cost increases. Global inflation is projected to remain stable while domestic cost pressures should continue to moderate as wage growth eases and productivity improves. As firms make greater progress in cost passthrough, the pace of price increases needed to restore profitability should slow commensurately. MAS Core Inflation is thus expected to step down more discernibly in Q4 2024 and into 2025. For 2024 as a whole, both MAS Core Inflation and CPI-All Items inflation are projected to average 2.5–3.5% (1.5–2.5% when the impact of the GST rate hike is excluded).

## **3 MACROECONOMIC POLICIES**

3.1 In January and April 2024, MAS maintained the prevailing rate of appreciation of the S\$NEER policy band, with no change to the width of the band or the level at which it was centred. Against the narrowing of the slightly negative output gap, MAS assessed that the prevailing rate of appreciation of the policy band was sufficient and necessary to anchor the disinflation path by restraining imported inflation and domestic cost pressures. Current policy settings are consistent with inflation stepping down more discernibly towards the end of this year and into 2025.

3.2 Amid the improving economic growth prospects and still-elevated inflation, fiscal policy was tailored to provide further targeted assistance to households and firms facing cost-of-living and cashflow concerns. At the same time, the Budget also set out the government's priorities in building a more productivity-driven economy and equitable society, in line with the vision laid out in the Forward Singapore report. The fiscal impulse for FY2024 is expected to be broadly neutral. Overall, macroeconomic policy will continue to contribute to medium-term price stability and sustainable growth in the economy.

3.3 The tight macroprudential policy stance remains appropriate to dampen speculative housing demand from investors, amid increasingly tight supply conditions in land-scarce Singapore. The authorities remain vigilant against the build-up of excessive leverage for housing in the banking system.

## **4 FINANCIAL SECTOR POLICIES**

4.1 The domestic financial system is resilient with strong buffers to cushion against adverse shocks. Banks in Singapore are well-capitalised with healthy liquidity positions, underpinned by a stable and diversified funding base. Capital adequacy ratios for all domestic systemically important banks (D-SIBs) are above the minimum regulatory requirements under the adverse scenario set out by MAS' solvency stress test, which had incorporated a major downturn in Singapore's trading partners, alongside sharply tighter global financial conditions amid a correction in key global property markets. The results affirm that Singapore banks have adequate buffers to withstand further interest rate and income shocks that may arise. Similarly, NBFIs have weathered stresses from higher interest rates and remain well-positioned to meet liquidity needs.

4.2 While retaining a focus on fostering an innovative and responsible digital asset ecosystem, MAS continues to maintain a high level of vigilance against money laundering and terrorism financing risks. MAS has strengthened regulatory measures for digital payment token services by adopting a risk-centric approach, focusing on key risks including consumer harm, money laundering and terrorism financing, technology, and cyber risks.

## **5 MEDIUM-TERM ISSUES**

5.1 Looking beyond immediate issues, the government expects spending to rise significantly in the future for healthcare, climate change and clean energy transition. Social spending would also need to rise to provide support to lower-income Singaporeans at various stages of life including retirement, and help workers with job transitions to higher skilled occupations.

5.2 Accordingly, in Budget 2024, the government laid out specific plans for the initial instalment of Forward Singapore initiatives, aimed at giving assurance to Singaporeans that they will have help in navigating the uncertainties of today's world amid major structural shifts stemming from the external environment, technological disruptions, as well as the green transition, and to strengthen the country's sense of cohesion and solidarity.

5.3 To foster a more inclusive society, the government has thus far leveraged on active labour market policies aimed at reducing wage disparity such as the Progressive Wage Model (PWM). Measures such as the permanent GST Voucher Scheme and the Workfare Income

Supplement (WIS) were also put in place to address cost of living issues while enhancing the progressivity of fiscal policy. These will be further supplemented by a financial support scheme for the involuntarily unemployed, as well as the SkillsFuture Level-Up Programme which supports mid-career workers seeking to upskill or reskill. The latter includes a SkillsFuture (Mid-Career) Credit top-up for all Singaporeans aged 40 and above, and a SkillsFuture Mid-Career Training Allowance to those enrolled in selected full-time training courses. Taken together, these measures will provide greater assurance to individuals in their job search after involuntary unemployment and those seeking further training and upgrading opportunities.

5.4 To enhance the productive capacity of the economy, the government has provided incentives for firms to invest in tangible and intangible capital, as well as introduced measures to facilitate technology transfer from the more productive sectors and firms in the economy. One such measure is a new Refundable Investment Credit (RIC), a corporate tax credit with a refundable cash feature aimed at supporting high-value and substantive economic activities in key economic sectors and new growth areas. The recent Budget also set aside a significant amount of funds to be deployed to upgrade the nationwide broadband network, invest in energy transition infrastructure and enhance security in clean energy, strengthen Singapore's R&D ecosystem, and build up know-how for new technologies such as Artificial Intelligence.

5.5 The Singapore Dollar Real Effective Exchange Rate (S\$REER) appreciated substantially from late 2021 to 2022, gaining about 9% with strong nominal currency appreciation. It has since appreciated by a further 4% since the start of 2023. The rapid appreciation in the S\$REER reflected the authorities' commitment to accommodate shifts in underlying structural trends and external developments. Despite the appreciation, since late 2021, Singapore's current account balances continued to rise, reflecting temporary investment weakness. This points to the indeterminacy of the link between exchange rate movements and trade balances over the short-term. The authorities in fact expect Singapore's structural current account surplus to moderate over the medium-term, as the household saving rate in Singapore economy begins to fall with population ageing, slowing income growth, and a further decline in government net savings with anticipated increases in spending on healthcare and measures to combat climate change.

## **6 FINAL REMARKS**

6.1 The authorities will remain vigilant over global and domestic developments and assess how they could impinge on both macroeconomic and financial stability. The authorities stand ready to undertake appropriate policy responses where they are needed, and remain committed to longer-term domestic restructuring, which will enable Singapore to embrace new economic opportunities and promote greater inclusive and sustainable growth.

6.2 Finally, the authorities are pleased to inform the Executive Board that they agree to the publication of the 2024 Singapore Article IV Consultation Report.