Following a period of above-potential economic expansion, Singapore's economic growth is expected to moderate to 2.3 percent in 2019. Risks are tilted to the downside and mainly stem from external sources.

· The IMF team concurs with MAS's decision to keep monetary policy on hold for now. Going forward, monetary policy should continue to be data dependent, and the authorities should remain ready to provide fiscal stimulus as a first line of defense if downside risks materialize.

· The IMF team welcomes the authorities' concerted efforts to promote a more innovation-based growth model with targeted policies to facilitate the structural transition by mitigating disruption from technology and aging.

An International Monetary Fund (IMF) team led by Nada Choueiri visited Singapore from May 2 to May 14 to hold discussions in the context of the country's 2019 Article IV Consultation. At the end of the visit, Ms. Choueiri issued the following statement:

“Singapore’s economic growth moderated to 3.2 percent in 2018. After a surge in domestic demand in 2017, investment declined in 2018. This moderating trend continued in early 2019, with advanced estimates of growth at 1.3 percent in the first quarter of 2019 compared to the corresponding period of 2018. Inflationary pressures remained modest. Nonetheless, labor market conditions continued to improve in 2018 as unemployment declined, employment expanded, real wages grew, and take-home pay increased.

“Singapore’s growth is expected to slow further to 2.3 percent in 2019, as export momentum slows in the context of global trade tensions and softening global growth. Domestically, investment is expected to pick up with the economy-wide push for digitalization and new industry-related project plans.

“The IMF team projects MAS core inflation to slightly edge down to 1.5 percent in 2019 reflecting lower electricity prices due to the impact of the liberalization of the retail electricity market and lower global oil prices. Headline inflation is expected to rise to 1 percent as the drag from accommodation and private road transport costs recede.

“Risks to the outlook are tilted to the downside and mainly stem from external sources. Indeed, as a financial and trading hub, Singapore is highly exposed to a tightening of global financial conditions, escalation of sustained trade tensions, and sharper-than-expected deceleration of global growth.

“In its April 2019 monetary policy meeting, MAS kept unchanged the rate of appreciation of the S$NEER policy band, with no change to its width and the level at which it is centered. The IMF team concurs with MAS’s decision to keep monetary policy on hold. Going forward, monetary policy should continue to be data dependent.

“Building on its long-standing efforts to increase transparency and communications about its monetary policy framework, MAS has announced a decision to release data on net purchases of foreign exchange. The IMF team welcomes this announcement which will enhance

transparency without compromising the operational effectiveness of the MAS.

“In the FY2019/20 budget, the overall surplus excluding land sales is expected to reach 0.5 percent of GDP (IMF’s estimates), incorporating measures to help address medium-term challenges. Measures directed at businesses, particularly SMEs, are designed to foster investment, use of technology, and innovation. Measures to support inclusiveness include the Bicentennial Bonus, expansion of healthcare schemes, and measures to encourage employment of older workers. The team encourages the authorities to remain ready to provide fiscal stimulus as a first line of defense if downside risks materialize.

“Singapore is a large financial center with a strong regulatory and supervisory framework. The 2019 Financial Sector Assessment Program (FSAP) found that the banking sector’s health remains strong, backed by high capital, liquidity, profitability and overall strong asset quality.

“The IMF team supports the authorities’ concerted efforts to promote a more innovation-based growth model. Firms are provided targeted incentives to automate, internationalize and raise productivity. Workers are encouraged to retrain and upgrade skills through lifelong learning. The MAS is actively promoting development of a Fintech ecosystem, while safeguarding financial stability. In addition, social policies are aiming to make growth more inclusive and tackle rapid population aging. These policies should facilitate the structural transition by mitigating disruption from technology and aging.

“Singapore plays a leading role in regional cooperation. Singapore is also a leading and active participant in global and regional organizations and supports the development of economic policy capacity in the region. The team expresses its gratitude to the authorities for their openness, cooperation, and hospitality.”

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