

## Strong economic fundamentals



### General Information

|                           |   |
|---------------------------|---|
| <b>GDP</b>                | USD240bn (World ranking 41, World Bank 2011)      |
| <b>Population</b>         | 5.18 million (World ranking 115, World Bank 2011) |
| <b>Form of state</b>      | Parliamentary Republic                            |
| <b>Head of government</b> | LEE Hsien Loong                                   |
| <b>Next elections</b>     | 2016, legislative                                 |



### Strengths

- Stable political system and effective policymaking
- High income country and Advanced Economy, that serves as a regional and global hub for trade and financial services
- Good track record of sound and flexible economic policies
- Strong external position with a long history of current account surpluses, ample foreign exchange reserves, and low external debt levels
- Very strong business environment
- Solid banking sector

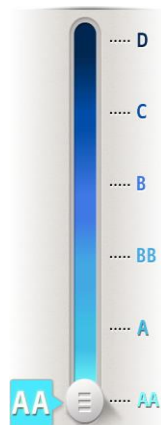
### Weaknesses

- Very high export dependency
- Economic growth volatility
- Supply-side driven rapid rise in housing costs

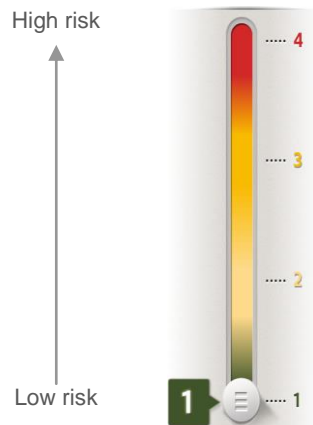
### Country Rating

**AA1**

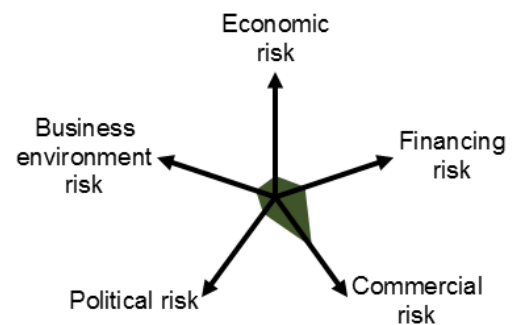
#### Country Grade



#### Country Risk Level

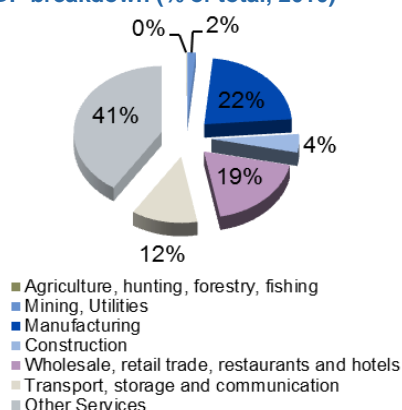


### Risk Dimensions



## Economic Structure

### GDP breakdown (% of total, 2010)



Sources: UNCTAD, Chelern, IHS Global Insight, Euler Hermes

### Trade structure (% of total, 2010)

#### By destination/origin

| Exports       | Rank | Imports |
|---------------|------|---------|
| Hong Kong     | 14%  | 11%     |
| Malaysia      | 13%  | 10%     |
| China         | 11%  | 10%     |
| Indonesia     | 11%  | 9%      |
| United States | 6%   | 8%      |

#### By product

| Exports                    | Rank | Imports |
|----------------------------|------|---------|
| Refined Petroleum Products | 30%  | 26%     |
| Electronic Components      | 28%  | 12%     |
| Computer Equipment         | 12%  | 11%     |
| Electrical Apparatus       | 4%   | 5%      |
| Plastic Articles           | 3%   | 3%      |

## Economic Forecasts

|                            | Average 2000-08 | 2009  | 2010 | 2011  | 2012  | 2013f | 2014f |
|----------------------------|-----------------|-------|------|-------|-------|-------|-------|
| GDP growth (% change)      | 5.8             | -0.8  | 14.8 | 5.2   | 1.3   | 2.2   | 3.8   |
| Inflation (% , end-year)   | 1.8             | -0.8  | 4.0  | 5.5   | 4.3   | 2.5   | 3.5   |
| Fiscal balance (% of GDP)  | 7.0             | -0.7  | 7.2  | 7.4   | 5.6   | 4.8   | 5.0   |
| Public debt (% of GDP)     | 92.1            | 101.5 | 99.3 | 105.2 | 111.0 | 108.0 | 104.0 |
| Current account (% of GDP) | 16.2            | 13.0  | 24.1 | 24.6  | 18.6  | 16.5  | 17.0  |
| External debt (% of GDP)   | 32.0            | 23.2  | 19.4 | 17.4  | 17.1  | 16.8  | 16.0  |

Sources: IHS Global Insight, IMF, national sources, Euler Hermes

## Economic Growth

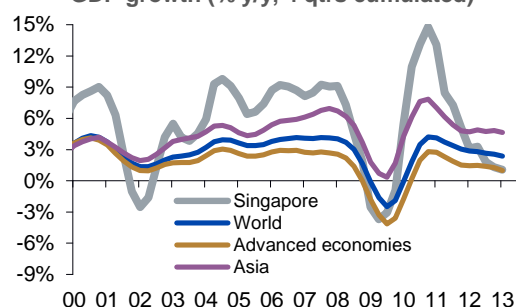
### Growth to pick up slowly in 2013-2014

Singapore has one of the most open economies in the world and is a regional and global hub for trade and financial services. Although generally positive, this makes the economy highly vulnerable to external effects such as the slowdown in global trade since 2012. Real GDP growth decelerated sharply from +5.2% in 2011 to +1.3% in 2012 and +0.2% y/y in Q1 2013. Real exports fell by -4.2% y/y in Q1, outpacing the -2.4% y/y decline in imports, so that net exports subtracted -1.2pps from Q1 growth. Private consumption expanded by +1.6% y/y and private investment dropped by -7% y/y. But thanks to strong increases of public consumption (+14.5% y/y) and public investment (+6.6% y/y) as well as a positive contribution of inventories (+1pp), the economy maintained meagre growth in Q1. EH expects economic activity in Singapore to pick up slowly in the course of 2013 and 2014—in line with the global economy—reaching full year growth of about +2.2% and +3.8%, respectively.

### Insolvencies to remain stable

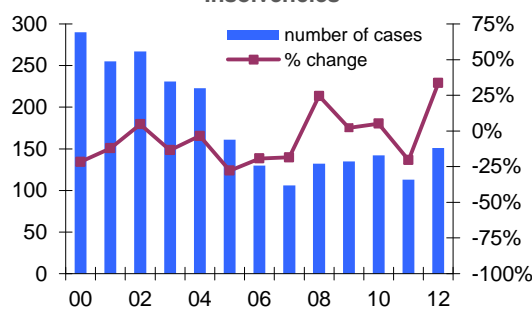
The number of insolvencies increased by +34% to 151 cases in 2012—still well below the 1999 peak (370 cases) and the figures until 2004. EH expects the number to remain relatively stable in the next two years.

### GDP growth (% y/y, 4 qtrs cumulated)



Sources: IHS Global Insight, national sources, Euler Hermes

### Insolvencies



Sources: Insolvency and Public Trustee's Office, Statistics Singapore, Euler Hermes

### Inflation is unproblematic

Headline consumer price inflation has been somewhat elevated but not critical in recent years, averaging 5.3% in 2011, 4.5% in 2012 and 4% in Q1 2013, largely due to rising housing and transportation costs. In April 2013, inflation fell sharply to 1.5% y/y, however, largely as a result of a policy change to vehicle purchases. Generally, inflation is somewhat volatile with regard to global oil prices. As economic activity is expected to gain some momentum in the course of 2013-2014, inflation is projected to pick up again slightly, but it should remain unproblematic until end-2014.

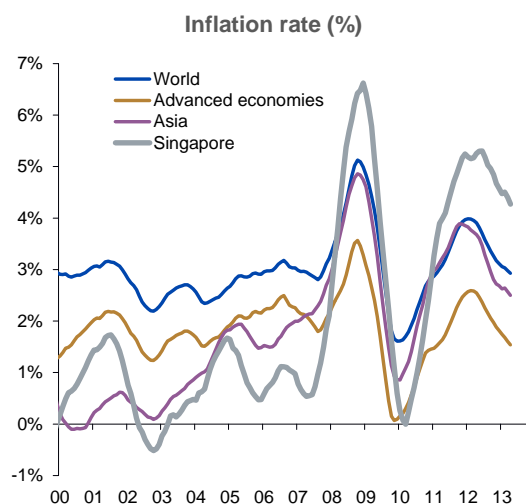
The Monetary Authority of Singapore (MAS) has kept monetary policy unchanged since April 2012, weighing between inflationary pressures and risks to growth.

### Fiscal position is solid

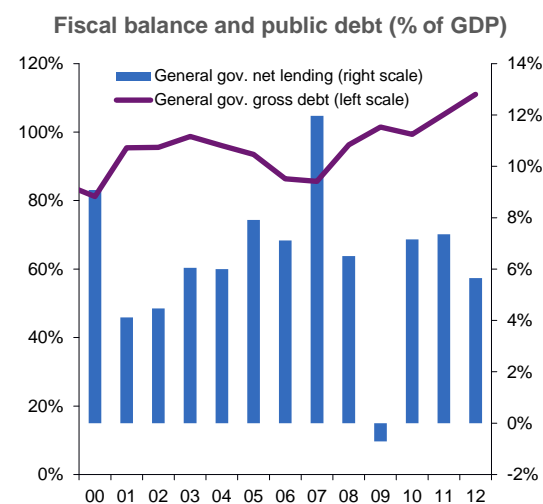
In 2010-2012, Singapore recorded large annual fiscal surpluses of more than 5% of GDP. Public-sector debt has maintained a rather high level of just over 100% of GDP, however, it is currently not a cause of much concern as it has been entirely domestic debt since 1995 and the government has a strong external position such that it enjoys an overall net creditor position. Moreover, it is able to tap reserves held by the MAS and the Government of Singapore Investment Corporation (a sovereign wealth fund) if needed.

### Banking sector is sound

Singapore's financial markets have not been immune to international financial turbulences in recent years but the banking sector has shown resilience. Banks have remained well-capitalised, profitable and liquid. Rapidly expanding domestic credit and housing prices should be monitored but do currently not cause serious concerns and appear to moderate already.



Sources: IHS Global Insight, national sources, Euler Hermes

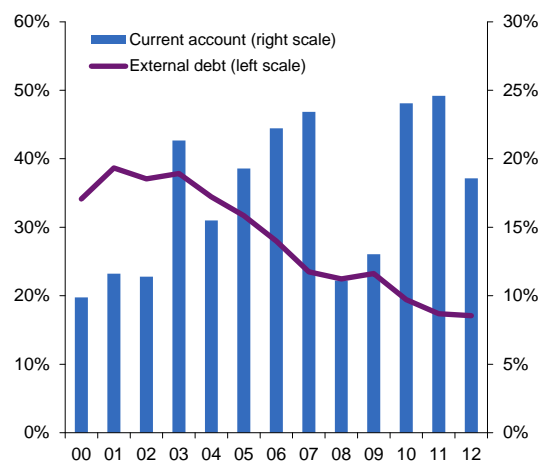


Sources: IHS Global Insight, national sources, Euler Hermes

### External position and competitiveness are superb

This is reflected in continuing high inflows of foreign direct investment, 25 consecutive years of huge current account surpluses (18.6% of GDP in 2012), very low (private-sector) external debt (17% of GDP) and ample foreign exchange reserves (USD262bn in April 2013). The latter are sufficient to cover more than six months of imports or 850% of all external debt payments falling due in the next 12 months.

Current account and external debt (% of GDP)



Sources: IHS Global Insight, national sources, Euler Hermes

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