

## Below potential

### General Information



<b>GDP</b>	USD 297.94bn (World ranking 36, World Bank 2013)
<b>Population</b>	5.46mn (World ranking 117, World Bank 2013)
<b>Form of state</b>	Parliamentary Republic
<b>Head of government</b>	LEE Hsien Loong
<b>Next elections</b>	January 2017, legislative



### Strengths

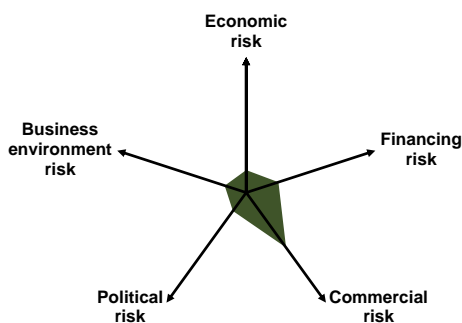
- Stable political system and effective policymaking
- High income country that serves as a regional and global hub for trade and financial services
- Good track record of sound and flexible economic policies
- Strong external position with a long history of current account surpluses, ample foreign exchange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

### Weaknesses

- Very high export dependency
- Economic growth volatility associated with U.S. tapering and from Unconventional Monetary Policies
- Shortage of high skilled professionals
- Very high old age dependency ratio

### Country Rating

**AA1**



Source: Euler Hermes

### Trade structure

By destination / origin (% of the total)

Exports	Rank	Imports
China	13%	12%
Malaysia	12%	11%
Hong Kong, China	11%	10%
Indonesia	9%	8%
United States	6%	6%

By product (% of the total)

Exports	Rank	Imports
Electrical, electronic	30%	9%
Mineral fuels, oils	17%	7%
Machinery	13%	5%
Commodities	8%	4%
Organic chemicals	4%	3%

Source: ITC, (2014)



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## Economic Overview

### Growth, but slowing a bit the pace

Singapore has a highly developed market economy, one of the freest, most innovative and business-friendly economy in the world. Despite strong macroeconomic fundamentals - a very strong external position, significant foreign reserves, adequate fiscal buffers - GDP growth slowed markedly over 2013-2014 (+3.7%) compared to 2002-2012 average (+6.4%) reflecting lower growth in global demand. In H1 2015, figures continue to indicate a fragile outlook. GDP growth accelerated in Q1 at +2.6% y/y (from +2.1% in Q4 2014) with external trade remaining the main driver for growth. However, weak business surveys and moderate growth outlook for large partners (China, ASEAN) point to a limited growth in Q2. Going forward, we expect activity to improve slowly. Exports are set to improve but at a limited pace as Chinese demand is slowing and U.S recovery is modest. Domestic consumption is set to gain traction as government spending will step up to accommodate the expansion of the social safety net, coping with the rapid ageing of Singapore's population. Investment will recover (+3.3% y/y) in line with improving global demand. All in all, we expect economic growth to stabilize around +3% in 2015 before accelerating slightly to +3.5%. Corporate insolvencies will continue to rise in 2015 (+13%) but at a slower pace compared to 2014(+27%).

### Macro-policies: on a prudent stance

The Monetary Authority of Singapore (MAS) retains a prudent monetary policy stance. In a context of downward price pressures and sluggish demand, the Central Bank reduced the pace of appreciation of the NEER, cutting the slope of the policy band in January 2015. Afterwards, seeing evidence of gradual recovery in advanced economies, the MAS refrained from easing further and choose to maintain a policy of a modest and gradual appreciation of the NEER. On the fiscal front, during the past years, Singapore has maintained a very prudent fiscal policy, building up significant buffers. The government budget in the Fiscal Year 2014/15 is more expansionary with an objective of boosting productivity, raising inclusiveness, and dealing with the projected population ageing.

### External risk is contained

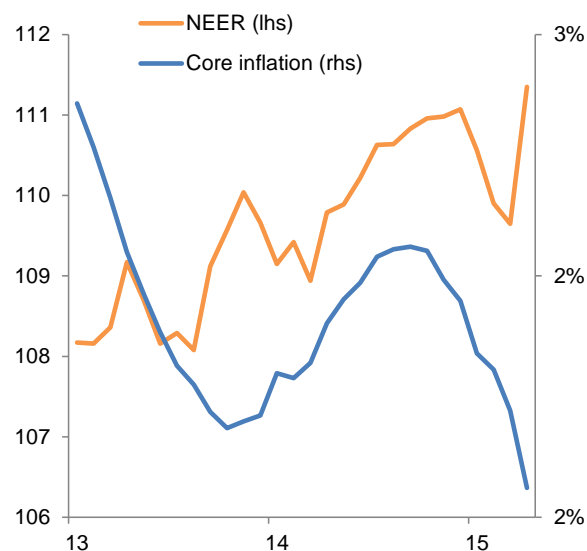
Singapore's external position is very strong due to a very large current account surplus (19% of GDP in 2014), although it is projected to slightly moderate in 2016, due to an increase in imports. Key external risks to the outlook remain a continued period of slower growth in advanced economies, a hard landing in China, and an abrupt surge in financial market volatility due to more aggressive FED tightening than expected. Regarding financial risks, a resilient domestic banking sector and strong regulatory and supervisory frameworks should allowed for continued domestic financial stability and also limit spillovers to the rest of the Asian region.

### Economic forecasts

	2013	2014	2015	2016
<b>GDP</b>	4.4	2.9	3.0	3.5
<b>Consumer Spending</b>	3.6	2.5	2.1	2.0
<b>Government Spending</b>	11.5	0.1	2.9	2.7
<b>Investment</b>	1.1	-1.9	1.4	2.7
<b>Stocks*</b>	-0.5	0.9	-2.1	-0.3
<b>Exports</b>	4.5	2.1	3.9	4.5
<b>Imports</b>	3.8	1.4	2.2	4.0
<b>Net Exports*</b>	2.3	1.7	3.7	2.2
<b>General government balance (% of GDP)</b>	5.4	4.2	1.5	2.1
<b>General government debt (% of GDP)</b>	102.1	98.8	97.8	95.2
<b>Current account (% of GDP)</b>	17.9	19.1	19.6	17.8

Sources: IHS, IMF, Euler Hermes

### Monetary policy



Sources: IHS, Euler Hermes

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