

Stuck in slow growth mode

General Information



GDP	USD293bn (World ranking 37, World Bank 2015)
Population	5.5mn (World ranking 113, World Bank 2015)
Form of state	Parliamentary Republic
Head of government	Lee Hsien Loong
Next elections	2017, Presidential



Strengths

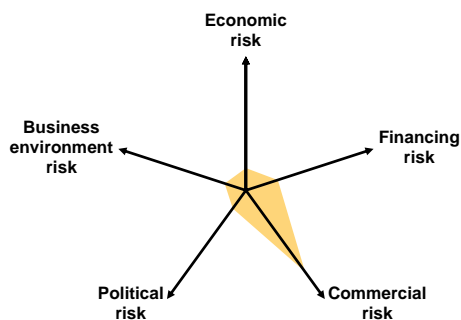
- Stable political system and effective policymaking, including prudent macroeconomic policies
- High-income country that serves as a regional and global hub for trade with the world's 2nd busiest port
- Strong external position with a track record of current account surpluses, ample foreign exchange reserves, and low public external debt
- Strong business environment and banking sector
- Strategic position at the heart of South-East Asia

Weaknesses

- High dependence on exports
- Pressure on productive population due to high old age dependency ratio
- Shift to a mature economy implies slower growth in the medium and long-term

Country Rating

AA2



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
China	14% 1	14% China
China, Hong Kong SAR	11% 2	11% United States
Malaysia	11% 3	11% Malaysia
Indonesia	8% 4	8% China, Taiwan Province of
United States	7% 5	6% Japan

By product (% of total)

Exports	Rank	Imports
Electrical machinery and apparatus	29% 1	24% Electrical machinery and apparatus
Petroleum and related materials	13% 2	21% Petroleum and related materials
Office and automatic data processing machines	6% 3	5% Office and automatic data processing machines
Organic chemicals	4% 4	4% Telecommunication and sound recording apparatus
Specialised machinery	4% 5	3% Other industrial machinery and parts

Source: UNCTAD



EULER HERMES
Our knowledge serving your success

Economic Overview

Towards a modest improvement

Real GDP grew by +2% in 2016. Exports growth continued to disappoint. Domestic demand was the main driver, supported by a strong fiscal policy.

In 2017, EH expects economic activity to somewhat accelerate (+2.5%) but remain well below the 10-year average (+5.5%, 2006-15). A gradual improvement in exports should be sustained by higher global demand. Reflation could bring some relief to turnovers and translate into a positive investment cycle.

Fiscal policy will remain flexible and supportive as it aims to address short-term challenges (limited export opportunities) and build strong foundations for the longer term (through innovation efforts, e.g.).

Short-term risks lie in a more protectionist US, weaker-than-expected demand growth in China and a tightening of global financial conditions. Insolvencies are forecast to increase by +12% in 2017.

A balanced policy mix

The central bank will maintain its prudent and neutral policy stance. Core inflation is set to pick up. Yet it would remain at a reasonable level (1 to 2%) limited by soft labor market conditions. Economic growth is improving and should be within the government's target range of 1 to 3%.

Singaporean public finances remain sound and proactively supportive. The reduction of the fiscal space (general government balance went from 8.7% in 2011 to 2.4% in 2016) reflects to some extent the state's involvement to steer growth in a much-altered environment. The 2017 fiscal budget, based on the recommendations of the Committee on the Future Economy (CFE), will be expansionary. It aims to support households and sectors such as construction and marine transportation. The government intends to offer corporate and personal tax rebates and launch public infrastructure projects.

External fundamentals are robust

As a strategic trade and financial hub, the city state is highly vulnerable to external shocks.

However, a solid external position provides a much needed cushion. Singapore has a sizeable current account surplus (more than 15% GDP), significant reserves (more than 6 months of goods imports) and a strong net international investment position. Constant efforts to boost innovation, improve logistic infrastructures, and strengthen business environment are helpful to the cause. Moreover, strong regulatory and monetary policy frameworks reduce currency and financial risks.

DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

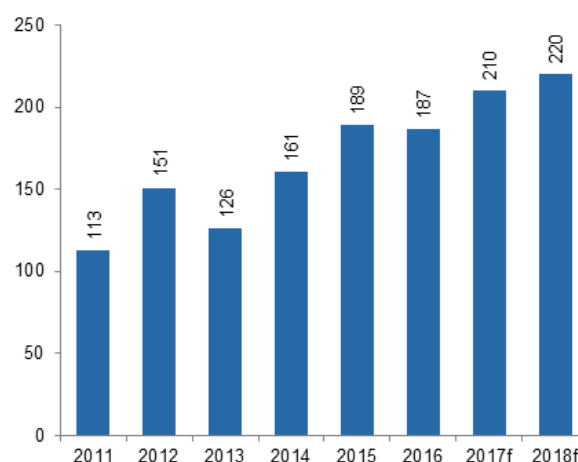
© Copyright 2017 Euler Hermes. All rights reserved.

Key economic forecasts

	2015	2016	2017f	2018f
GDP growth (% change)	1.9	2.0	2.5	2.3
Inflation (% , year average)	-0.5	-0.5	1.0	1.7
Fiscal balance (% of GDP)	2.6	2.4	2.4	2.5
Public debt (% of GDP)	104.7	106.4	105.7	104.2
Current account (% of GDP)	18.1	19.1	19.8	19.3
External debt (% of GDP)	436	425	446	438

Sources: IMF, IHS, Euler Hermes

Corporate Insolvencies



Sources: national statistics, Euler Hermes