



Singapore Economic Update

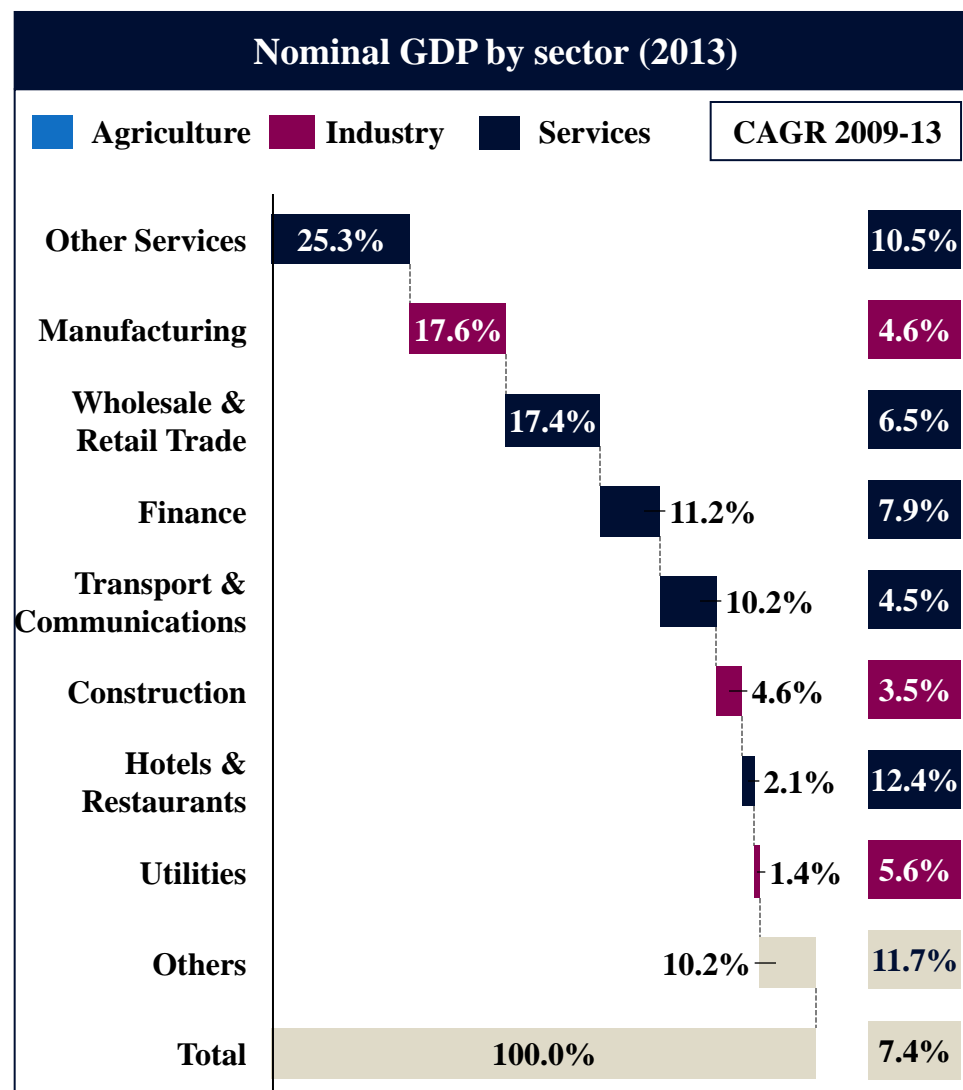
QNB Group

September 2014

Singapore – Overview

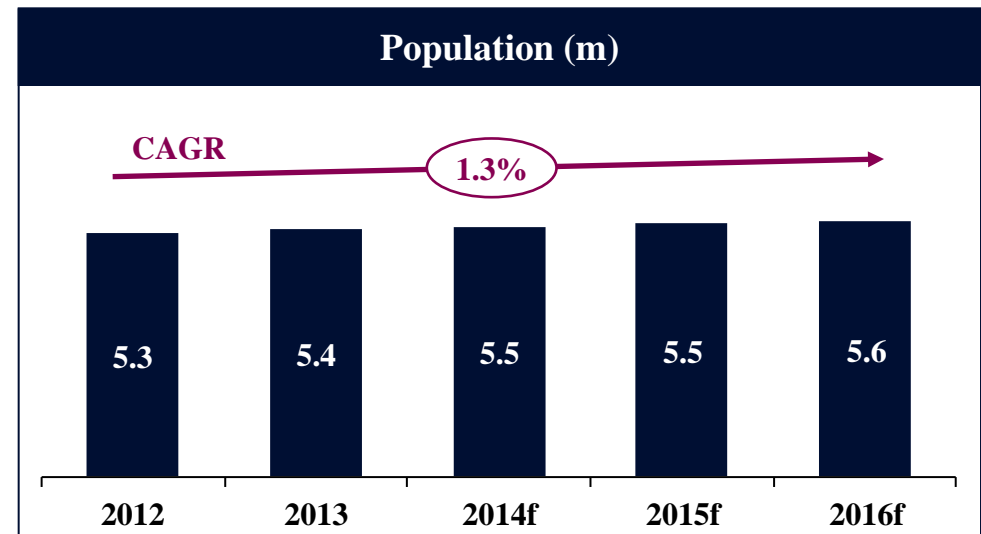
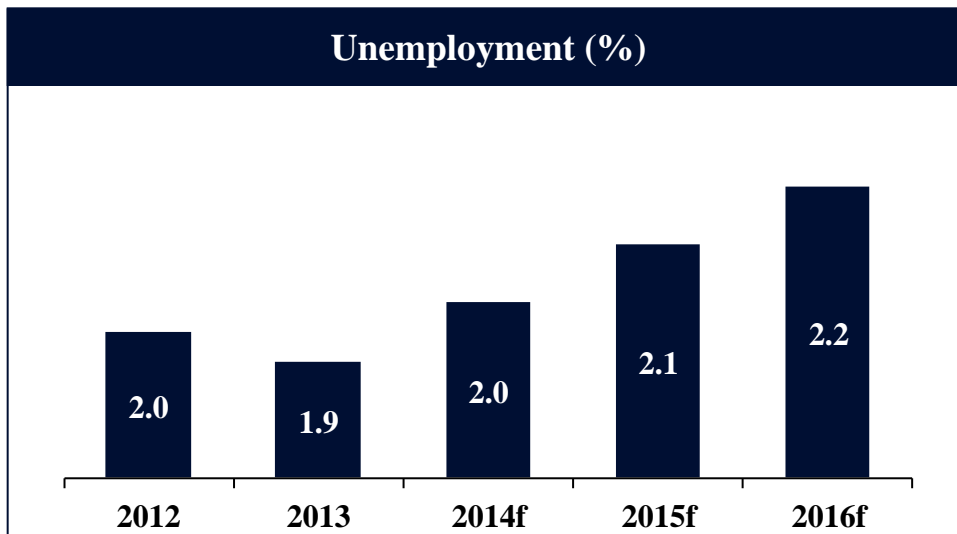
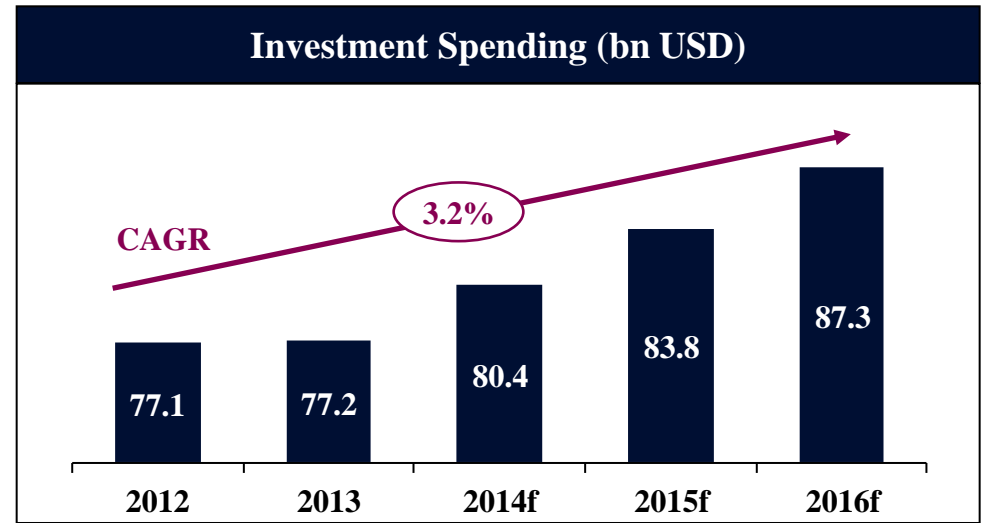
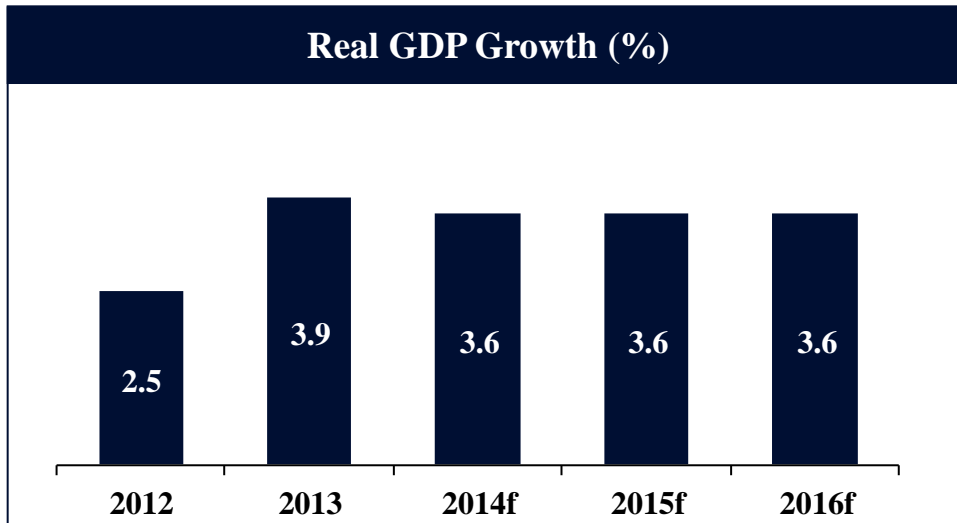
Following decades of rapid growth, the economy continues to perform well, benefiting from the global economic recovery; Singapore has become a key regional hub and has the highest ranking in ease of doing business in the world

Overview Data (2013)	
GDP (bn USD)	297.9
% GDP related to Services	66.2
Real GDP Growth (%)	3.9
Per Capita GDP (k USD, PPP)	64.6
CPI Inflation (%)	2.4
Current Account Balance (% of GDP)	18.3
FX Reserves (months of import cover, end-2013)	5.9
Exchange Rate (USD:SGD, end-2013)	1.3
Fiscal Balance (% of GDP)	7.0
Government Debt (% of GDP)	104.7
Broad Money Growth (%)	4.3
Banking Assets (% of GDP)	261.0
3-Month Interbank Rate (%)	0.4
Population (m)	5.4
Population aged 15-64 Years (% share)	73.8
Population growth (%)	1.6
Unemployment (%)	1.9
Religion (% Muslim)	14.3
Doing Business Rank out of 189	1
Competitiveness Rank out of 148	2
Moody's Rating (Long-term FX debt)	Aaa



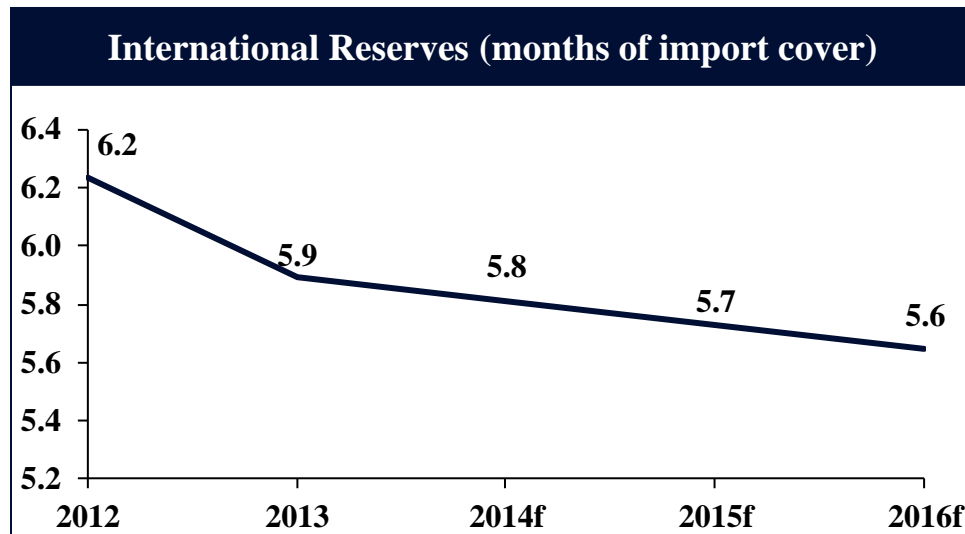
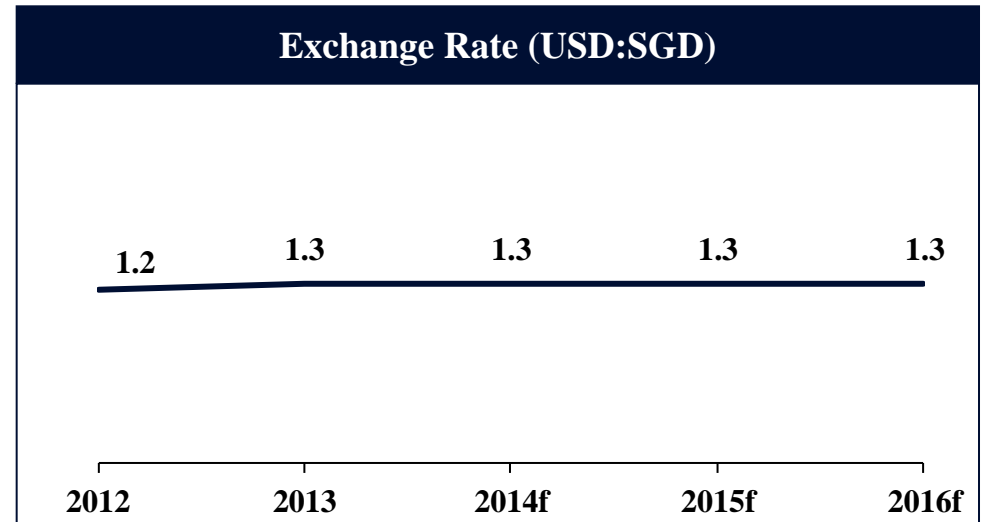
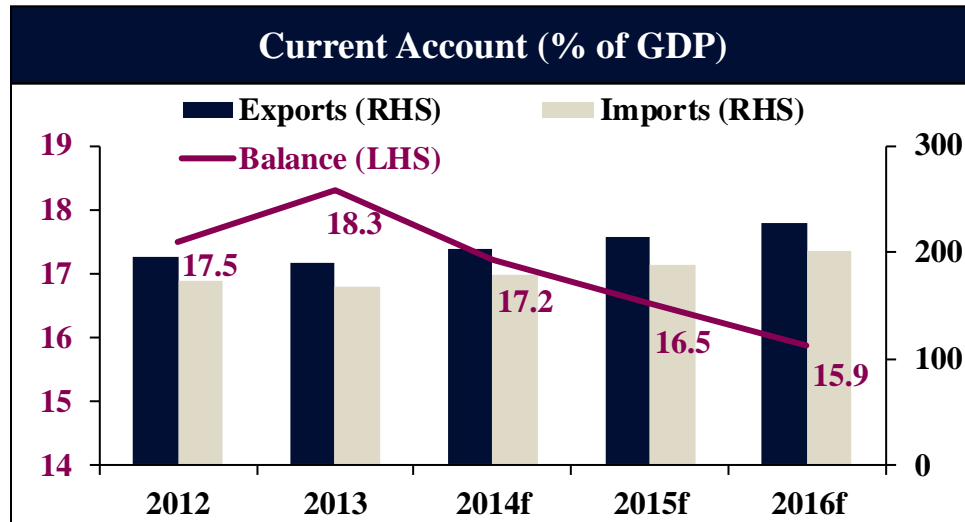
Singapore – GDP Growth

Real GDP is projected to grow moderately on softer Asian regional expansion; investment spending is expected to remain robust while unemployment is forecast to inch up from a low level, partly reflecting moderate population growth



Singapore – Balance of Payments

The current account surplus is expected to moderate over the medium term; SGD is expected to stay stable against the USD while reserves remain at a comfortable level; trade flows are global on Singapore's regional hub role

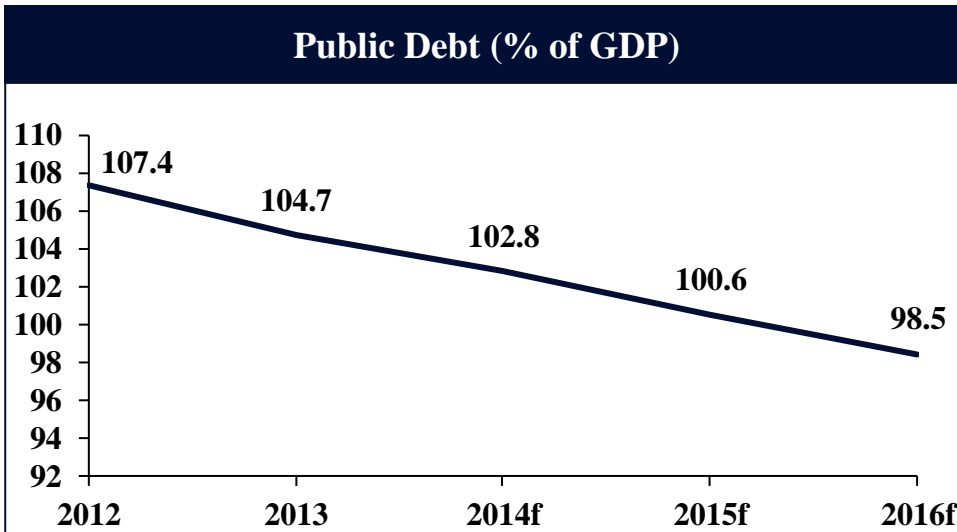
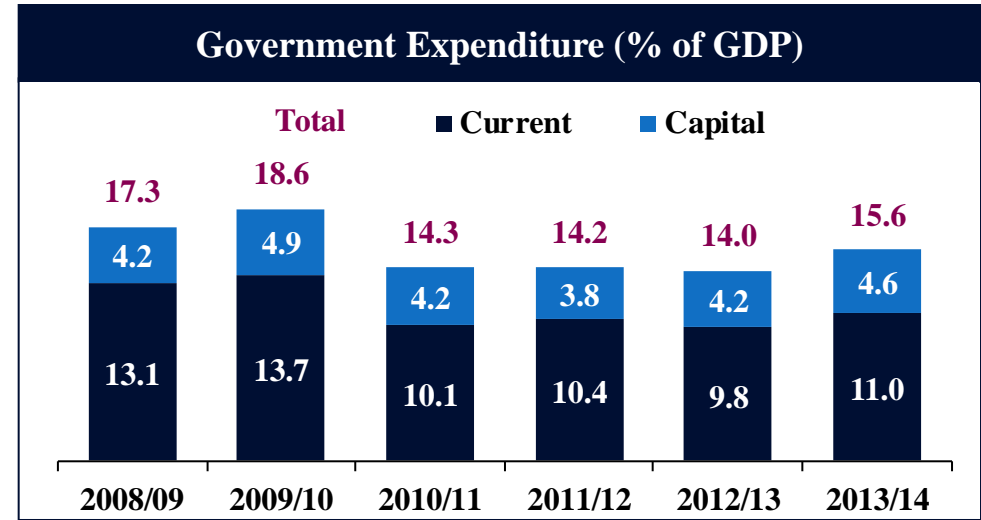
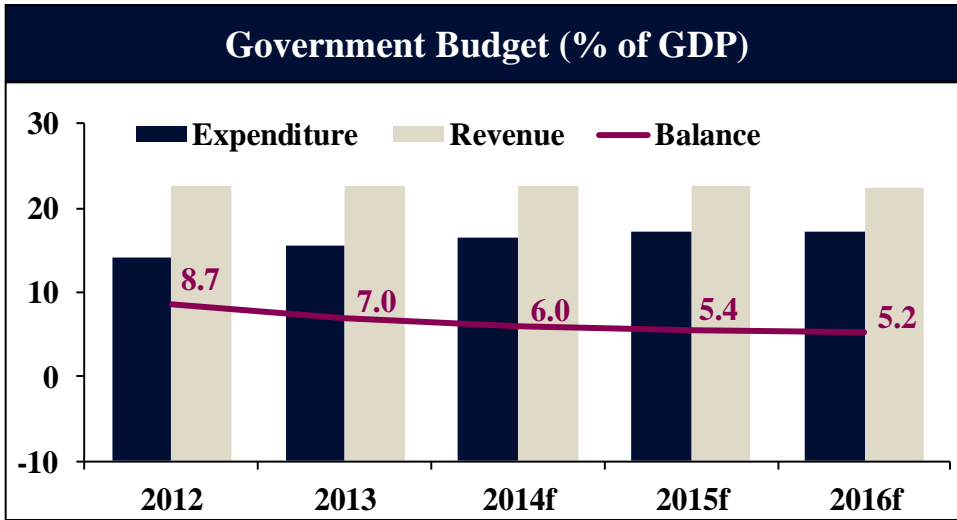


Directions of Trade (2013)

Exports		Imports	
Destination	(bn USD)	Source	(bn USD)
China	94.7	Europe	46.1
Malaysia	50.1	China	43.7
Indonesia	40.7	Malaysia	40.8
Europe	32.4	United States	38.9
United States	24.1	South Korea	24.0

Singapore – Fiscal Policy

Fiscal policy aims to maintain a large fiscal surplus to reduce public debt; the surplus is expected to narrow somewhat over the medium term on higher capital expenditures; public debt is projected to fall below 100% of GDP by 2016

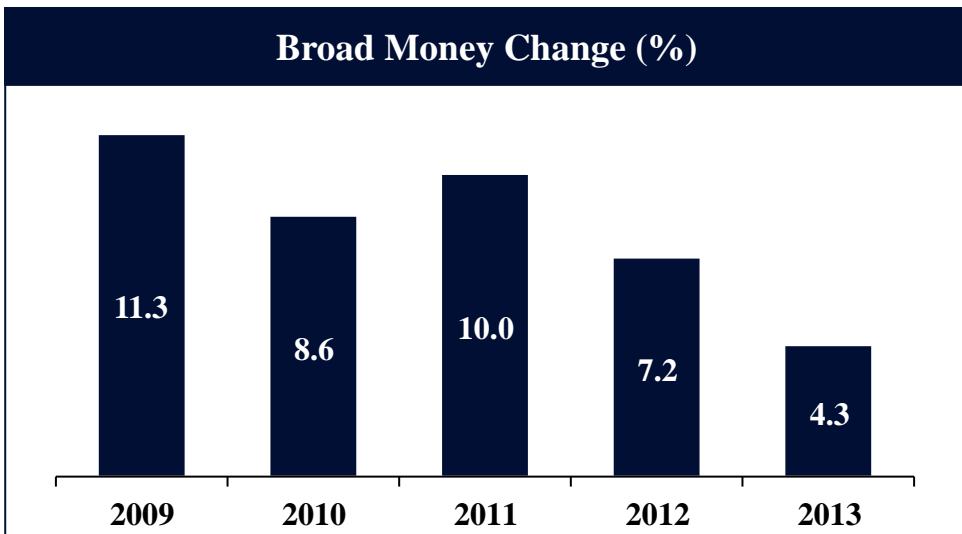
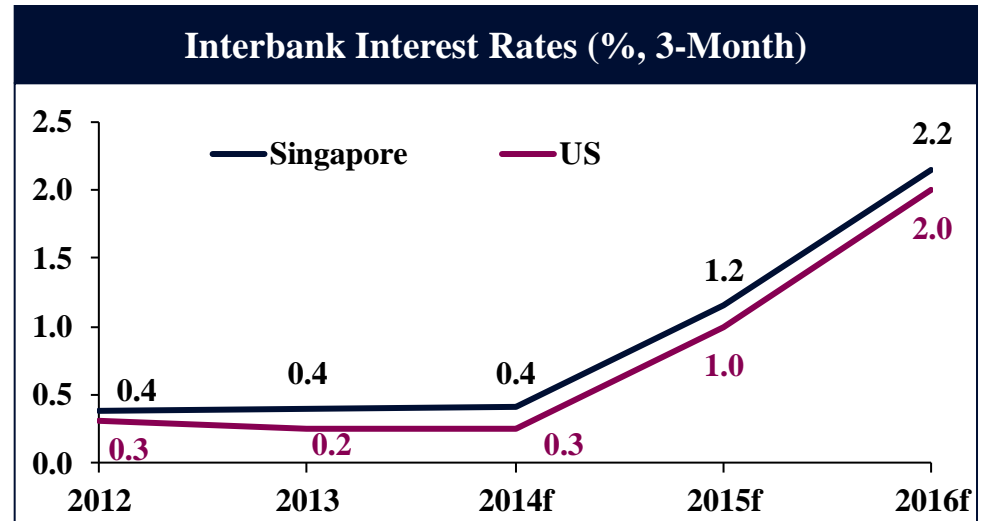
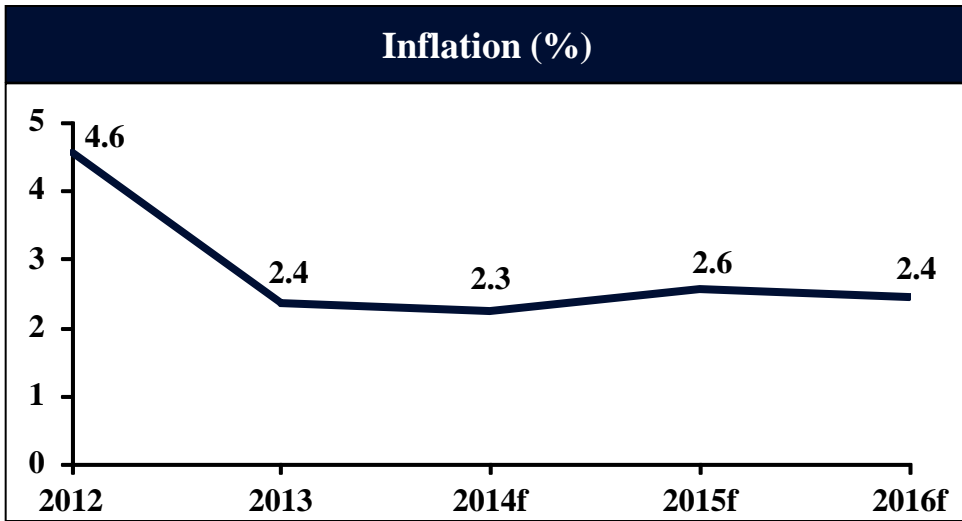


Fiscal Policy

- Fiscal policy aims to maintain a large fiscal surplus to reduce public debt
- Several new infrastructure projects are expected to increase capital expenditures, thus reducing the fiscal surplus moderately over the medium term
- As a result of continued surpluses, public debt is expected to decline to below 100% by 2016

Singapore – Monetary Policy

Monetary policy aims to keep inflation low to sustain growth by adjusting the exchange rate; inflation is likely to remain low on moderate increases in housing costs, while interest rates have risen above US rates on tighter liquidity

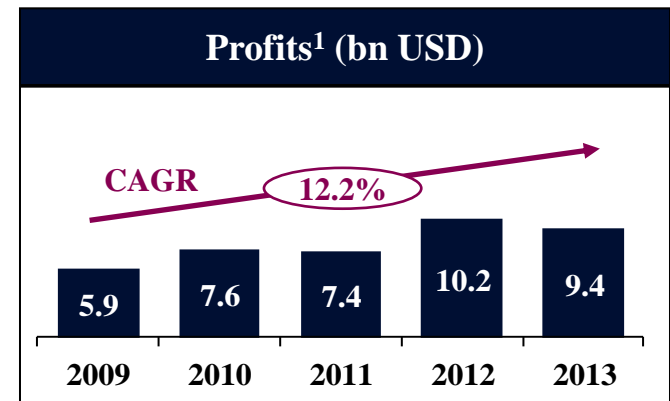
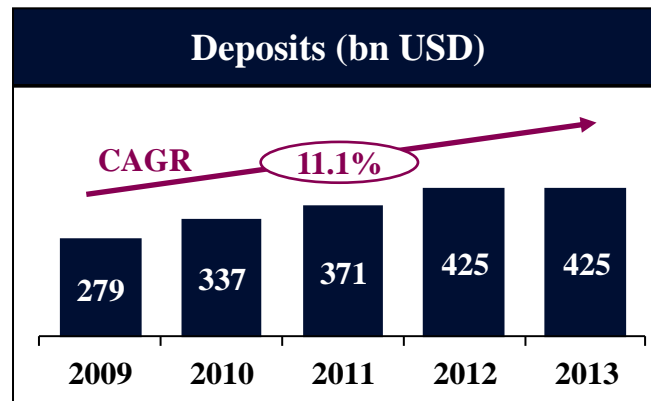
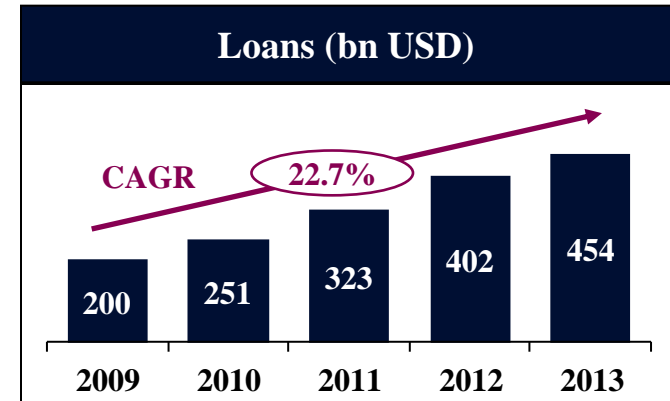
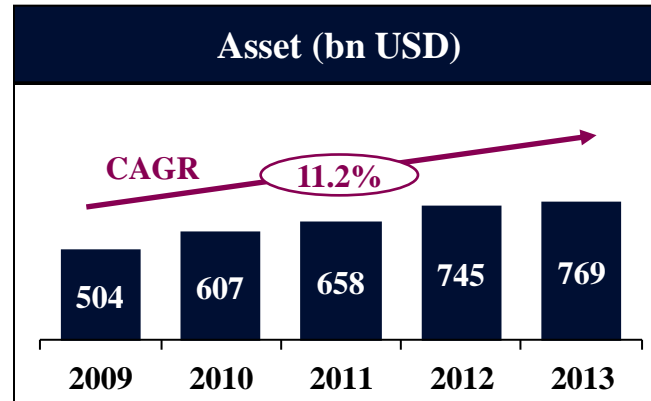
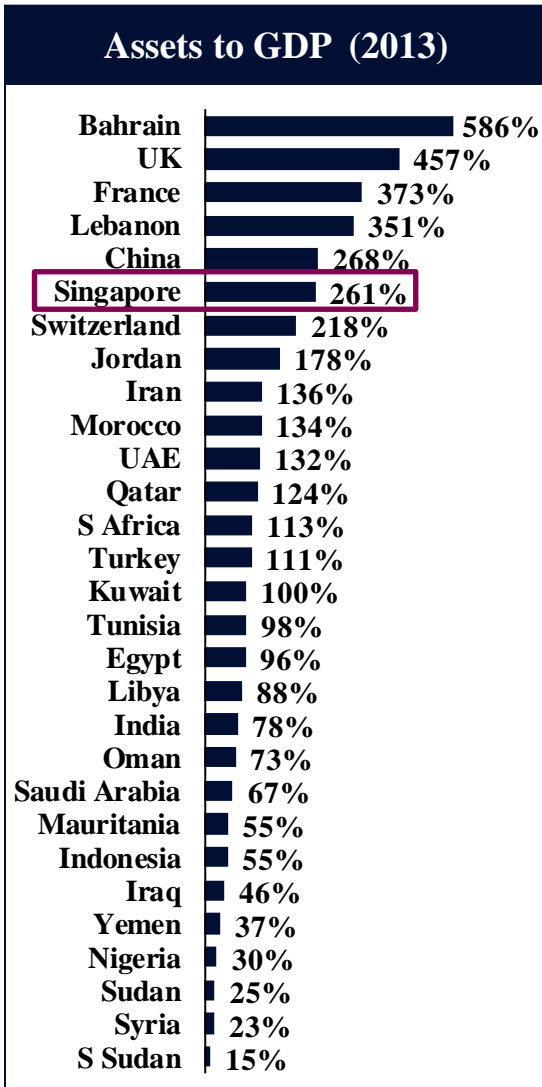


Monetary Policy

- Monetary policy aims to keep inflation low to sustain growth by adjusting the exchange rate, rather than interest rates
- Inflation fell sharply in 2013 as housing costs cooled; prices are expected to moderate over the medium term owing to a stabilization in housing rents and car permit costs
- Interbank interest rates have risen higher than US rates on tighter liquidity
- Broad money growth has fallen in recent years in line with the slowdown in inflation and tighter liquidity

Singapore – Banking Sector Overview

Banking penetration is moderately high by advanced economy standards; all banking sector indicators have grown rapidly in recent years, notwithstanding a slowdown in 2013 due to new macroprudential rules limiting real estate lending

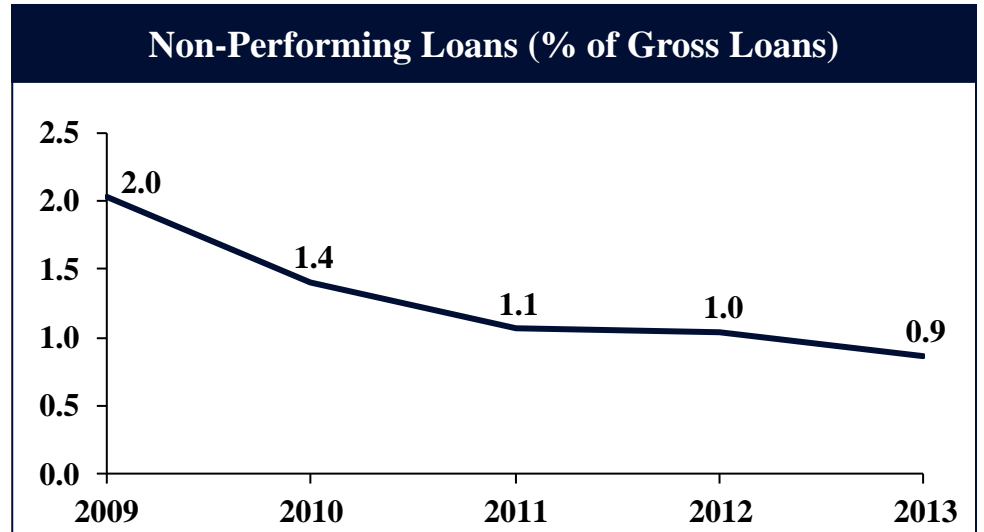
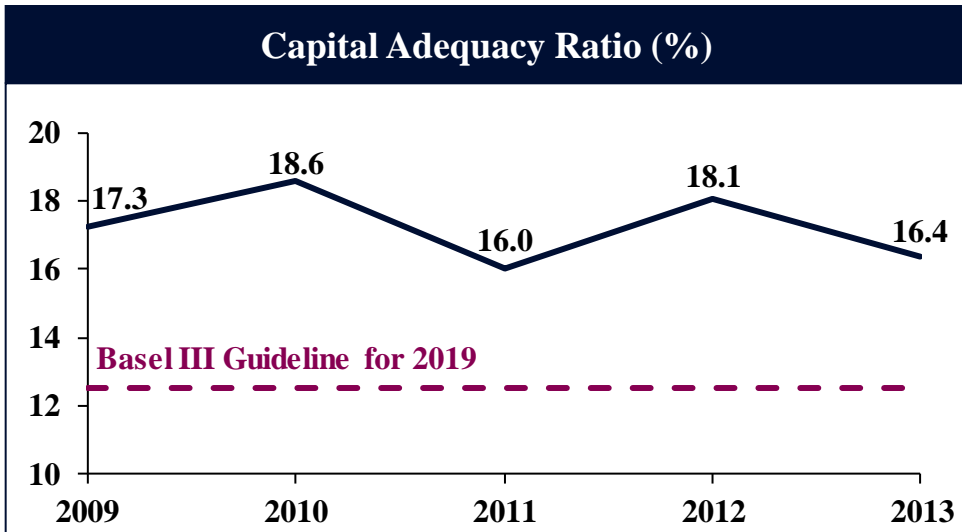
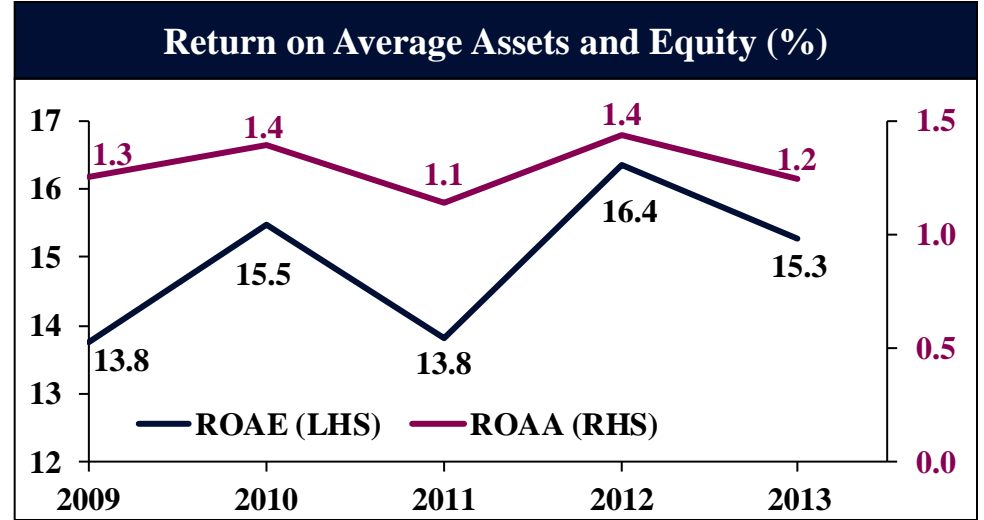
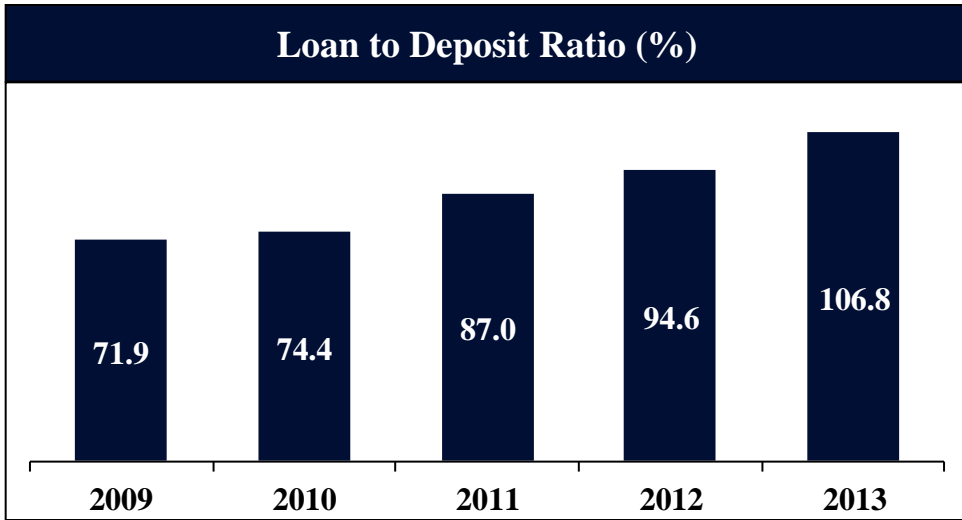


Analysis

- New macroprudential rules put in place to slow the housing market have cooled asset and loan growth in 2013, while competition for deposits has placed pressure on profits

Singapore – Banking Sector Ratios

The loan to deposit ratio has risen steadily suggesting the potential for overheating; profits remain moderately high, banks are well capitalized and non-performing loans remain amongst the lowest globally



Singapore – Banking Sector Competitor Analysis

Singapore has a sound banking sector with strong government support; the sector is highly concentrated; profitability remains moderately high with low non-performing loans

Financials for Top 5 Banks (2013)*

	Market Share by Assets (%)	Net Income (bn USD)	Equity (bn USD)	ROE (%)	Assets (bn USD)	ROA (%)	Loan to Deposit Ratio (%)	Non-Performing Loans (%)
DBS Group Holdings	33.1	3.1	29.8	10.3	317.7	1.0	86.3	1.1
Oversea-Chinese Banking Corp (OCBC)	27.9	2.3	22.2	10.6	267.5	0.9	86.6	0.7
United Overseas Bank (UOB)	23.4	2.4	21.0	11.4	224.6	1.1	90.1	1.1
Citibank Singapore	3.1	0.5	3.8	12.6	30.0	1.6	59.9	N/A
Sumitomo Mitsui Banking Corp	2.6	0.1	0.3	41.5	25.1	0.6	128.7	N/A

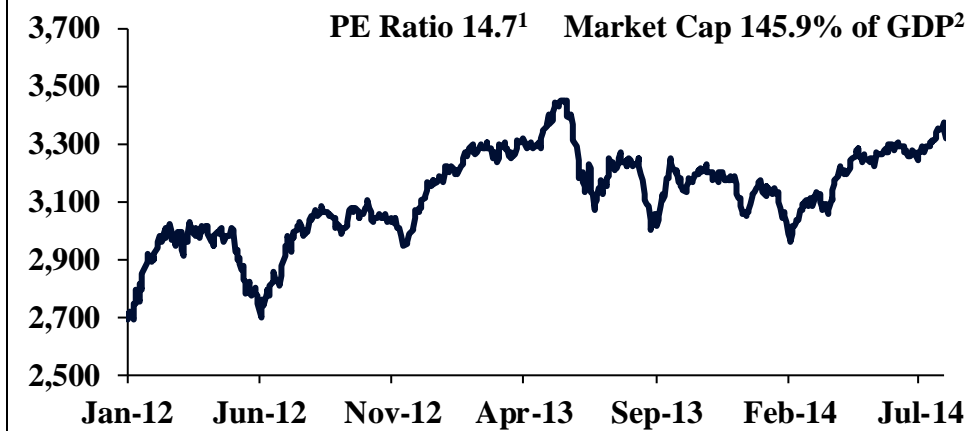
Analysis

- There are 124 commercial banks, of which 119 foreign banks and only 5 domestic banks
- The ratio of non-performing loans is low in the top 3 banks
- Rapid expansion of cross-border trade finance by the top 3 banks has increased their presence in relatively under-banked, fast-growing neighboring countries
- The largest bank, DBS Group Holdings, is one of the highest-rated banks globally, owing to its strong financial metrics, including consistent earnings

Singapore – Financial Markets

The stock market is up 6.5% since Jan-13 owing to outflows from global risk assets following the announcement of QE tapering in May-13; this resulted in a rise in bond yield by 100 basis points; Singapore has top sovereign ratings

Singapore Stock Exchange Index



Sovereign USD 10-Yr Bond Yield (%)



Country Risk

- Reliance on exports to drive economic growth signifies that Singapore is particularly vulnerable to any downturn in global demand
- Local banks are expanding rapidly in some higher-risk markets, which could deteriorate the health of their own balance sheet

Sovereign Ratings (July 2014)

	Rating	Outlook
Moody's	Aaa	Stable
Standard & Poor's	AAAu	Stable
Capital Intelligence	AAA	Stable
Fitch	AAA	Stable

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