Chapter 6.9

FINANCE & INSURANCE

OVERVIEW

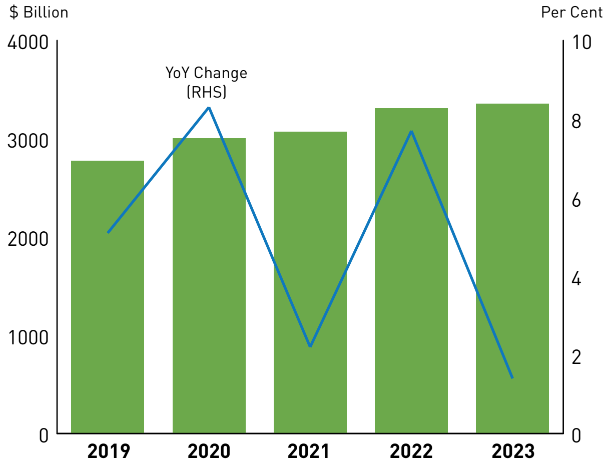
The finance & insurance sector expanded by 5.4 per cent year-on-year in the fourth quarter of 2023, improving from the 2.5 per cent growth in the previous quarter.

For the whole of 2023, the sector expanded by 1.3 per cent, up from the 0.2 per cent growth in the preceding year.

COMMERCIAL BANKS

In 2023, total assets/ liabilities of commercial banks increased by 1.4 per cent to $3.4 trillion (Exhibit 6.19).

Exhibit 6.19: Total Assets/Liabilities of Commercial Banks



On the assets side, domestic interbank lending rose by $32.5 billion (18.8 per cent). However, domestic credit extended to non-bank customers fell by $37.6 billion (-2.9 per cent), with total loans and advances to residents contracting by 1.7 per cent.

Business lending shrank by 3.9 per cent, weighed down mainly by the decline in loans to the general commerce and manufacturing sectors, although this was partially offset by the growth in loans extended to the business services sector (Exhibit 6.20). In comparison, consumer lending fell by a smaller 0.1 per cent, supported largely by housing and bridging loans. Meanwhile, loans to non-residents also contracted, by 3.8 per cent, with East Asia and the Americas contributing the most to the decline (Exhibit 6.21).

Exhibit 6.20: Loans and Advances to Residents by Industry in 2023

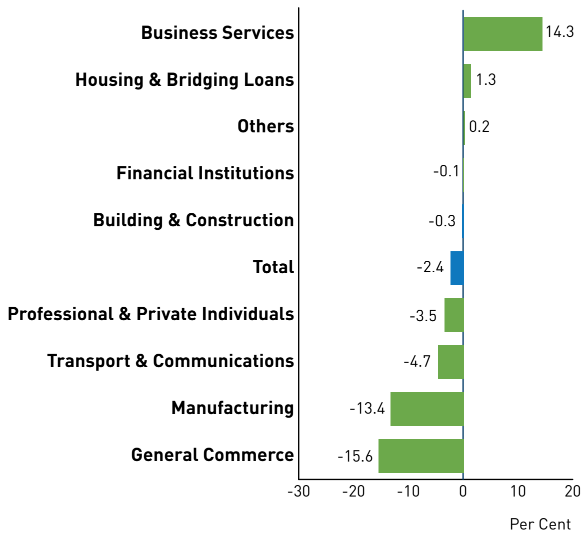
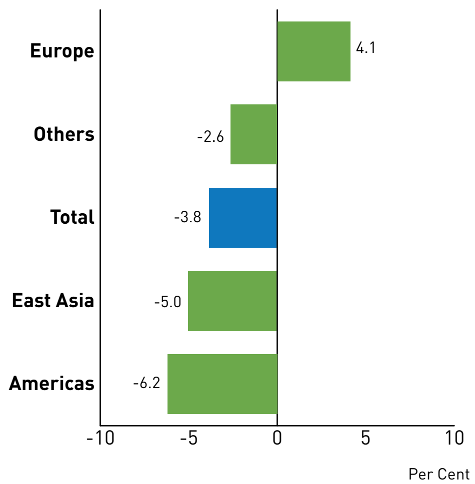


Exhibit 6.21: Loans and Advances to Non-Residents by Industry in 2023



On the liabilities front, total deposits of non-bank customers grew by 4.3 per cent in 2023. As at end-2023, total non-bank deposits amounted to $1.8 trillion, compared to $1.7 trillion in the year before, mainly driven by the increase in fixed deposits, which rose by 15 per cent.

FINANCE COMPANIES

Total assets/ liabilities of finance companies grew by 5.3 per cent in 2023 to $19.8 billion, moderating from the 8.8 per cent expansion in 2022 (Exhibit 6.22).

Non-bank lending contracted by 0.4 per cent in 2023, compared to the 8.5 per cent expansion in the previous year, as housing loans contracted (Exhibit 6.23). Meanwhile, the growth of deposits of non-bank customers also eased to 5.9 per cent in 2023, from 10.8 per cent in 2022.

Exhibit 6.22: Total Assets/Liabilities of Finance Companies

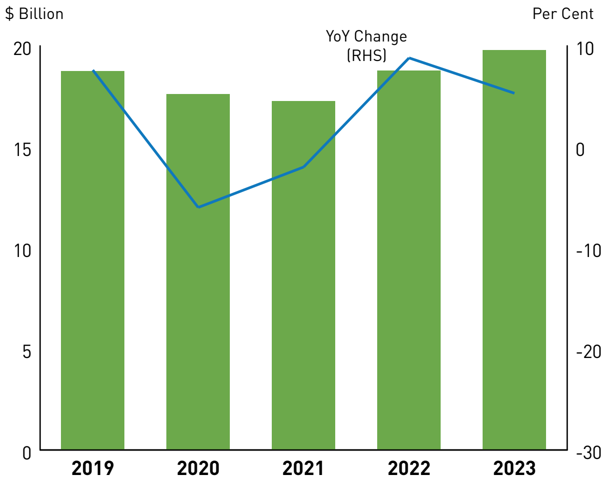
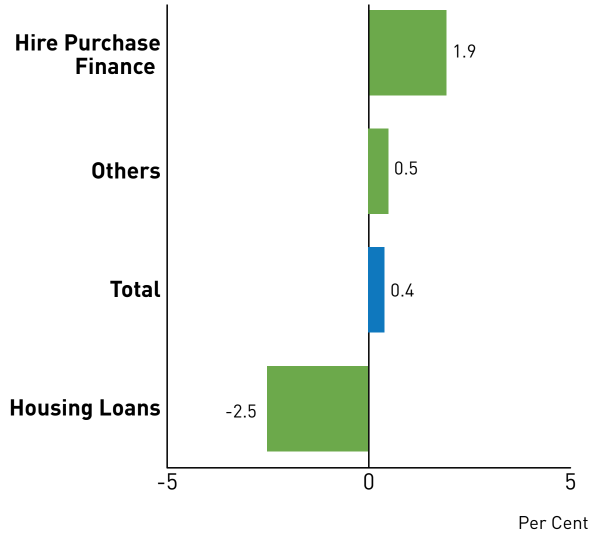


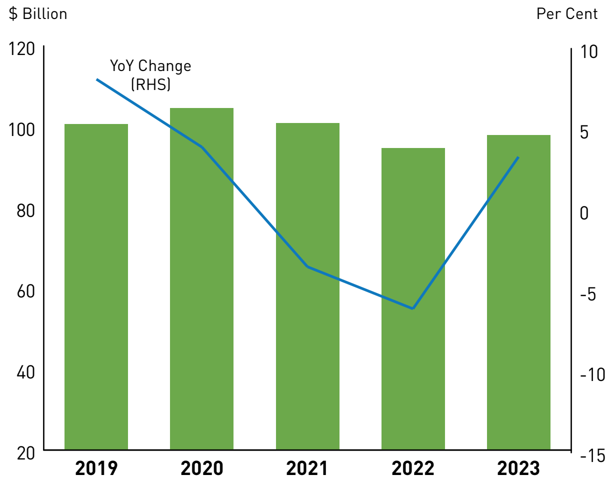
Exhibit 6.23: Growth of Loans and Advances of Finance Companies in 2023



MERCHANT BANKS

Total assets/ liabilities of merchant banks grew by 3.3 per cent to $97.9 billion in 2023, in contrast to the 6.1 per cent decline in the previous year (Exhibit 6.24). The expansion was underpinned by a rise in the holdings of securities & equities.

Exhibit 6.24: Total Assets/Liabilities of Merchant Banks



INSURANCE INDUSTRY

Overall, the net income of the direct life insurance industry reversed from -$1.5 billion in 2022 to $2.1 billion in 2023, largely due to investment income. Meanwhile, total weighted new business premiums in the direct life insurance industry increased by 0.7 per cent from 2022 to $6.3 billion in 2023 (Exhibit 6.25). Single premium business decreased by 33.8 per cent to $15.6 billion and regular premium business increased by 21.4 per cent to $4.8 billion.

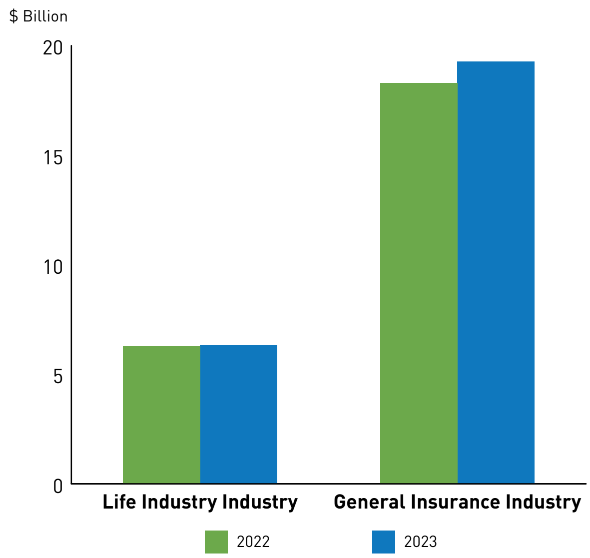
The general insurance industry recorded an operating profit of $2.6 billion in 2023, largely due to investment income. Gross premiums increased by 5.4 per cent to $19.3 billion in 2023, with offshore and domestic businesses accounting for $13.9 billion and $5.4 billion respectively.

STOCK MARKET

The benchmark Straits Times Index (STI) staged a late turnaround in December 2023, but ended the year 0.3 per cent lower than 2022 (Exhibit 6.26).

The STI trended downwards over the first half of 2023 following a short-lived banking crisis in the US and Europe, while global interest rates remained high. Bank stocks led the decline in the STI, but quickly rebounded as domestic lenders reassured markets of their well-capitalised status and healthy liquidity positions.

Exhibit 6.25: Premiums in the Insurance Industry



Over the rest of 2023, a modest pickup in the external environment boosted trade-related equities in the index. Ongoing geopolitical tensions, however, weighed on risk sentiments and led to the muted performance of the STI.

SECURITIES MARKET

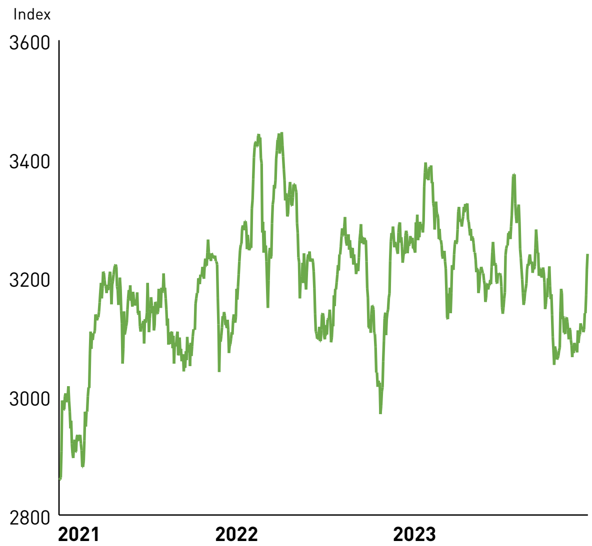
In 2023, the total turnover value of the securities market shrank by 16.2 per cent to $259 billion, and total turnover volume fell by 3.8 per cent to 341 billion shares. This translated to a 15.9 per cent decrease in the average daily traded value to $1.0 billion, while the average daily traded volume contracted by 3.4 per cent to 1.4 billion shares.

At the end of 2023, the total number of listed companies in Singapore was 632, with a combined market capitalisation of $802 billion, a 3.3 per cent decrease from 2022. In 2023, there were 427 companies listed on SGX's Mainboard, with the other 205 companies listed on SGX's Catalist.

DERIVATIVES MARKET

In 2023, SGX's derivatives market activity fell by 3.1 per cent to 252 million contracts. Compared to 2022, total futures trading volume decreased by 3.2 per cent to 242 million and options trading volume fell by 1.8 per cent to 10.0 million contracts. The most actively-traded contracts were the FTSE China A50 Index Futures, the Iron Ore 62% Futures and the USD/CNH FX Futures, which formed 59.9 per cent of the total volume traded on SGX's derivatives trading platform.

Exhibit 6.26: Straits Times Index



FOREIGN EXCHANGE MARKET

In 2023, divergent inflation trends between the major economies led the US dollar to weaken against the Euro and British Pound by 3.1 per cent and 5.4 per cent respectively, and strengthen against the Japanese Yen by 7.0 per cent. Abating inflation in the US contrasted against sustained price pressures in the Eurozone and UK, prompting financial markets to expect interest rate cuts by the Federal Reserve while still seeing further rate hikes by the European Central Bank and the Bank of England. In contrast, the Bank of Japan's doubts over the sustainability of Japan's inflation led it to push back against market rate hike expectations, which in turn weakened the Japanese Yen against the major currencies.