6.7 Finance & Insurance

OVERVIEW

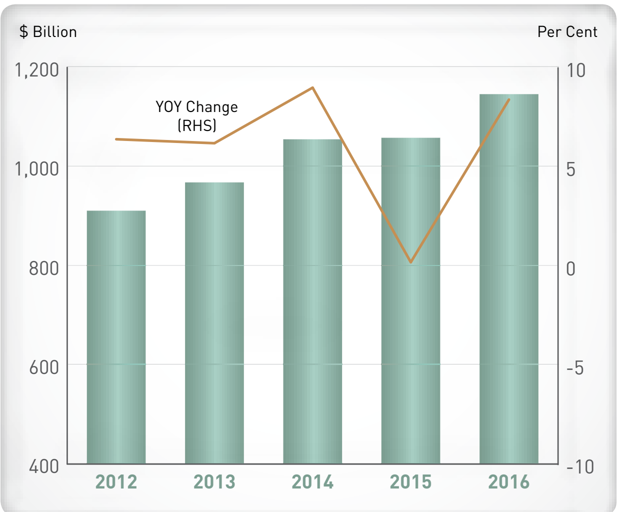
The finance & insurance sector grew by 0.6 per cent in the fourth quarter of 2016, an improvement from the 0.1 per cent growth registered in the preceding quarter.

For the whole of 2016, the sector expanded by 0.7 per cent, slower than the 5.7 per cent growth in 2015.

COMMERCIAL BANKS

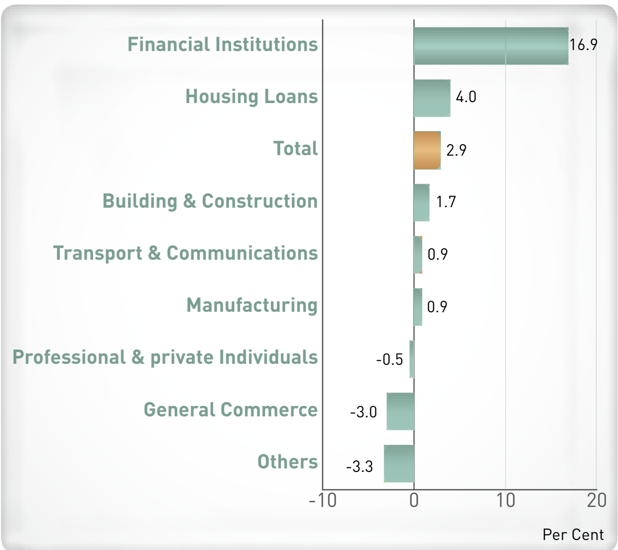
In 2016, the total assets/liabilities of commercial banks increased by 8.4 per cent to $1.1 trillion, compared with the muted 0.2 per cent expansion the year before (Exhibit 6.21). The stronger outcome came on the back of an improvement in both interbank and non-bank lending. Credit extended to non-bank customers rose by $18 billion (2.9 per cent), alongside an increase in both business and consumer loans.

Exhibit 6.21: Total Assets and Liabilities of Commercial Banks



Business lending expanded by 2.8 per cent in 2016, a reversal from the 3.7 per cent contraction in the preceding year, with most sectors registering growth in outstanding loan volumes. In particular, there was a 17 per cent step-up in lending to non-bank financial institutions. Meanwhile, consumer lending rose by 3.1 per cent, underpinned by sustained demand for housing loans (Exhibit 6.22).

Exhibit 6.22: Growth of Bank Loans and Advances to Non-Bank Customers by Industry in 2016



On the liabilities front, the total deposits of non-bank customers expanded by 6.5 per cent in 2016, extending the 1.8 per cent increase in the previous year. As at end-2016, total non-bank deposits stood at $597 billion, up from $560 billion the year before. The faster pace of growth could be attributed to a broad-based increase in demand, fixed and savings deposits.

FINANCE COMPANIES

Total assets/liabilities of finance companies declined by 5.8 per cent in 2016, a reversal from the 9.0 per cent expansion in 2015 (Exhibit 6.23). Notably, the bulk of the decline was due to the non-bank segment, which saw a 5.3 per cent pullback in contrast to the 7.0 per cent growth recorded the year before. Despite a step-up in the hire-purchase financing of motor vehicles, finance companies suffered from weak credit demand in the housing and building & construction segments (Exhibit 6.24).

On the liabilities front, deposits of non-bank customers declined by 7.2 per cent, largely due to a fall in fixed deposits.

Exhibit 6.23: Total Assets and Liabilities of Finance Companies

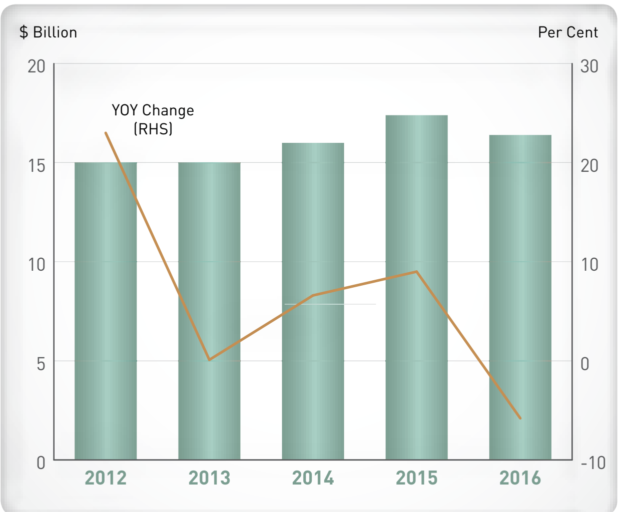
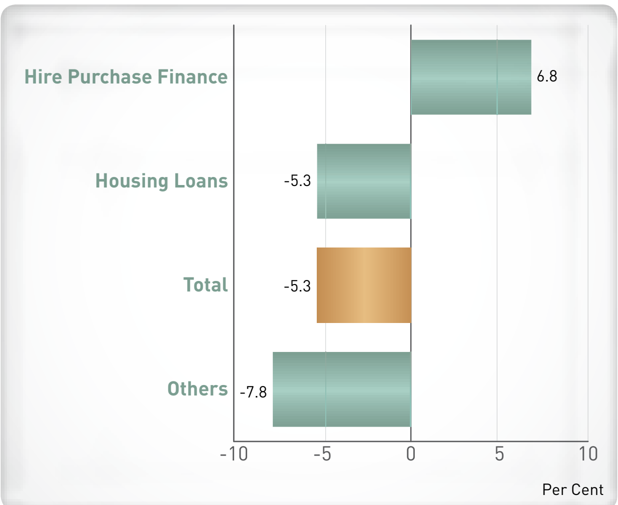


Exhibit 6.24: Growth of Loans and Advances of Finance Companies in 2016

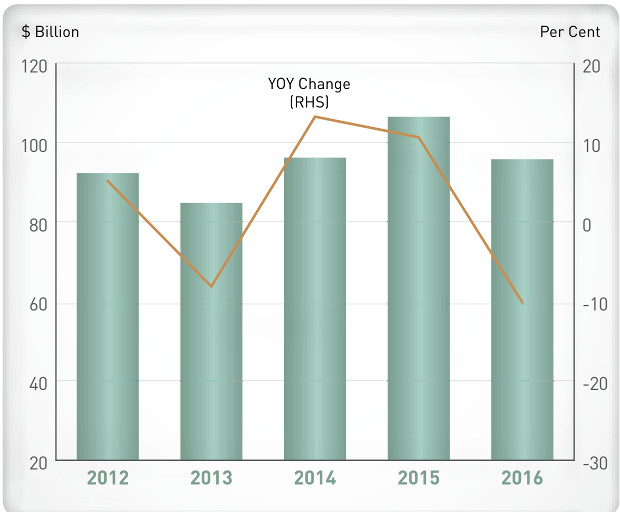


MERCHANT BANKS

Total asset/liabilities of merchant banks stood at $96 billion as at end-2016, a contraction of 10 per cent from the $107 billion recorded in the previous year (Exhibit 6.25). The decline stemmed in part from the offshore segment which saw weakness in non-bank lending extended to entities outside Singapore.

In comparison, the domestic operations of merchant banks grew by 4.6 per cent, reversing the 1.5 per cent decline posted in 2015. Activity was partly bolstered by an increase in the merchant banks' holdings of securities and equities.

Exhibit 6.25: Total Assets and Liabilities of Merchant Banks

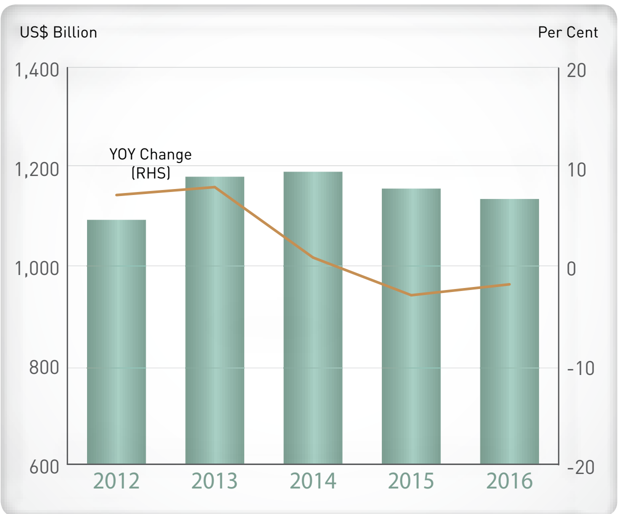


ASIAN DOLLAR MARKET

Total assets/liabilities of the Asian Dollar Market fell by 1.8 per cent in 2016, extending the 2.9 per cent decline in the previous year (Exhibit 6.26). Notably, non-bank loan volume decreased by 4.7 per cent, as lending to non-residents recorded a pullback. Loans to East Asia saw the largest decline of 18 per cent. Meanwhile, interbank loans grew modestly by 0.8 per cent, after two consecutive years of contraction.

On the liabilities front, non-bank deposits declined marginally by 0.5 per cent, as a fall in foreign currency deposits by non-residents outweighed the increase in resident deposits. Concomitantly, interbank deposits also contracted by 2.8 per cent, due to reductions in deposits from banks outside Singapore.

Exhibit 6.26: Total Assets and Liabilities of the Asian Dollar Market

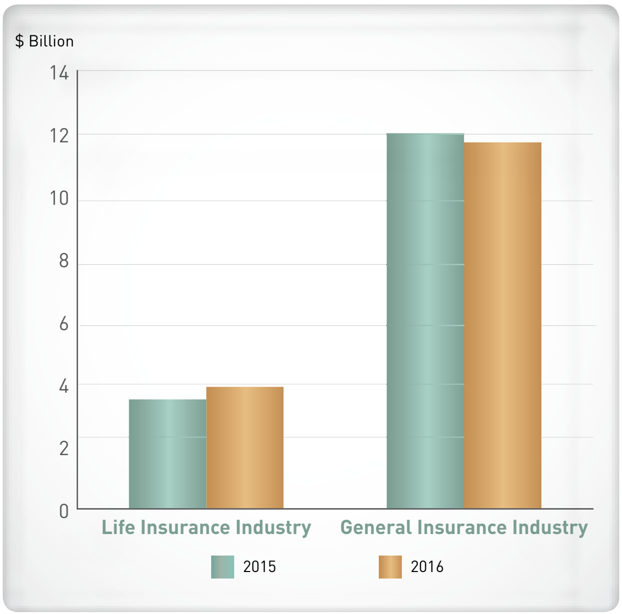


INSURANCE INDUSTRY

Total weighted new business premiums in the direct life insurance industry increased by 11 per cent to $3.9 billion in 2016, with robust growth achieved in both single and regular premium business (Exhibit 6.27). Regular premium business increased by 13 per cent to $2.8 billion, while single premium business grew by 6.5 per cent to $1.1 billion. The overall net income of the direct life insurance industry was $1.4 billion in 2016, broadly similar to 2015.

In the general insurance industry, gross premiums dropped slightly by 2.2 per cent to $12 billion in 2016, with offshore and domestic businesses accounting for $7.7 billion and $4.0 billion respectively. The general insurance industry recorded an operating profit of $770 million in 2016, a 6.0 per cent decline from the $819 million reported in 2015. This was due to weaker underwriting profits in 2016.

Exhibit 6.27: Premiums in the Insurance Industry



CENTRAL PROVIDENT FUND

Total CPF balances grew by 10 per cent to $330 billion in 2016.

Members' contributions for the year amounted to $36 billion, while total withdrawals reached $19 billion. This resulted in a net contribution of $17 billion, an increase of 30 per cent from the level recorded in 2015.

Total net withdrawals under the Public Housing Scheme and Private Property Scheme rose by 5.9 per cent to reach $198 billion as at 31 December 2016.

As at 31 December 2016, more than 173,000 CPF members have been included in the CPF Lifelong Income for the Elderly (CPF LIFE) Scheme which provides lifelong payouts during retirement. The CPF LIFE fund stood at $9.8 billion.

STOCK MARKET

At the start of 2016, a rout in the Chinese stock market and downward revisions to global growth projections had led to a sharp turn in investor sentiments, with the benchmark Straits Times Index (STI) plunging to a multi-year low of around 2,533 points in late January (Exhibit 6.28). Nonetheless, a subsequent wave of optimism on the back of improving US economic data, increased stimulus in China, as well as expectations of higher oil prices, had resulted in a swift recovery in the index over the later part of the first quarter.

The domestic bourse was range-bound in the second and third quarters, as global developments such as the Brexit referendum in UK led to heightened volatility in financial markets. Towards the end of the year, the STI benefited from the global equity rally, amidst expectations that President Trump's administration will help spur US economic activity via tax reductions, regulation streamlining and infrastructure spending. All in, the STI closed the year at around the same level as 2015.

Exhibit 6.28: Straits Times Index

SECURITIES MARKET

In 2016, the total turnover value of the securities market decreased by 2.9 per cent to $272 billion, while total turnover volume increased by 6.4 per cent to 423 billion shares, compared with 2015. This translated to a 4.4 per cent decrease in the average daily traded value to $1.1 billion, while the average daily traded volume increased by 4.7 per cent to 1.7 billion shares.

At the end of 2016, the total number of listed companies in Singapore was 757, with a combined market capitalisation of $926 billion, a 2.3 per cent increase from 2015. In 2016, there were 572 companies listed on SGX's Mainboard, while another 185 companies were listed on SGX's Catalist.

DERIVATIVES MARKET

In 2016, SGX's derivatives market activity decreased by 6.3 per cent to 173 million contracts. Compared to 2015, total futures trading volume declined by 7.7 per cent to 163 million, while options on futures trading volume grew by 34 per cent to 9.5 million contracts. The most actively-traded contracts were the FTSE China A50 Index Futures, the Nikkei 225 Stock Index and the SGX CNX Nifty Index futures, which formed 67 per cent of the total volume traded on SGX's derivatives trading platform.

FOREIGN EXCHANGE MARKET

Singapore's foreign exchange market posted an average daily turnover of US$442 billion in 2016, an increase of 27 per cent from the previous year. Trading in the major currencies such as the United States Dollar, Euro and Japanese Yen continued to dominate the market, with the US Dollar/Yen currency pair registering the highest trading volume. Trading in the US Dollar/Singapore Dollar currency pair contributed less than 10 per cent to the total turnover.

In 2016, the Euro and British Pound fell by 3.2 per cent and 16 per cent against the US Dollar respectively, while the Japanese Yen was up 2.8 per cent. The US Dollar was range-bound for most of the year but rallied towards year-end on the back of expectations that President Trump's administration would embark on a programme of fiscal easing and comprehensive tax reforms, potentially including a border tax adjustment. The British Pound depreciated as the June referendum vote to leave the EU was seen as detrimental to the UK economy, and prompted further accommodative policy from the Bank of England, which also weakened the Pound. The Yen rallied over the first half of the year on safe haven flows, as events such as the UK referendum vote caused risk aversion to rise. However, the Yen weakened towards year-end as global growth and sentiments improved. The Euro depreciated slightly over the year as the European Central Bank's monetary policy remained accommodative, extending its Asset Purchase Programme till December 2017.