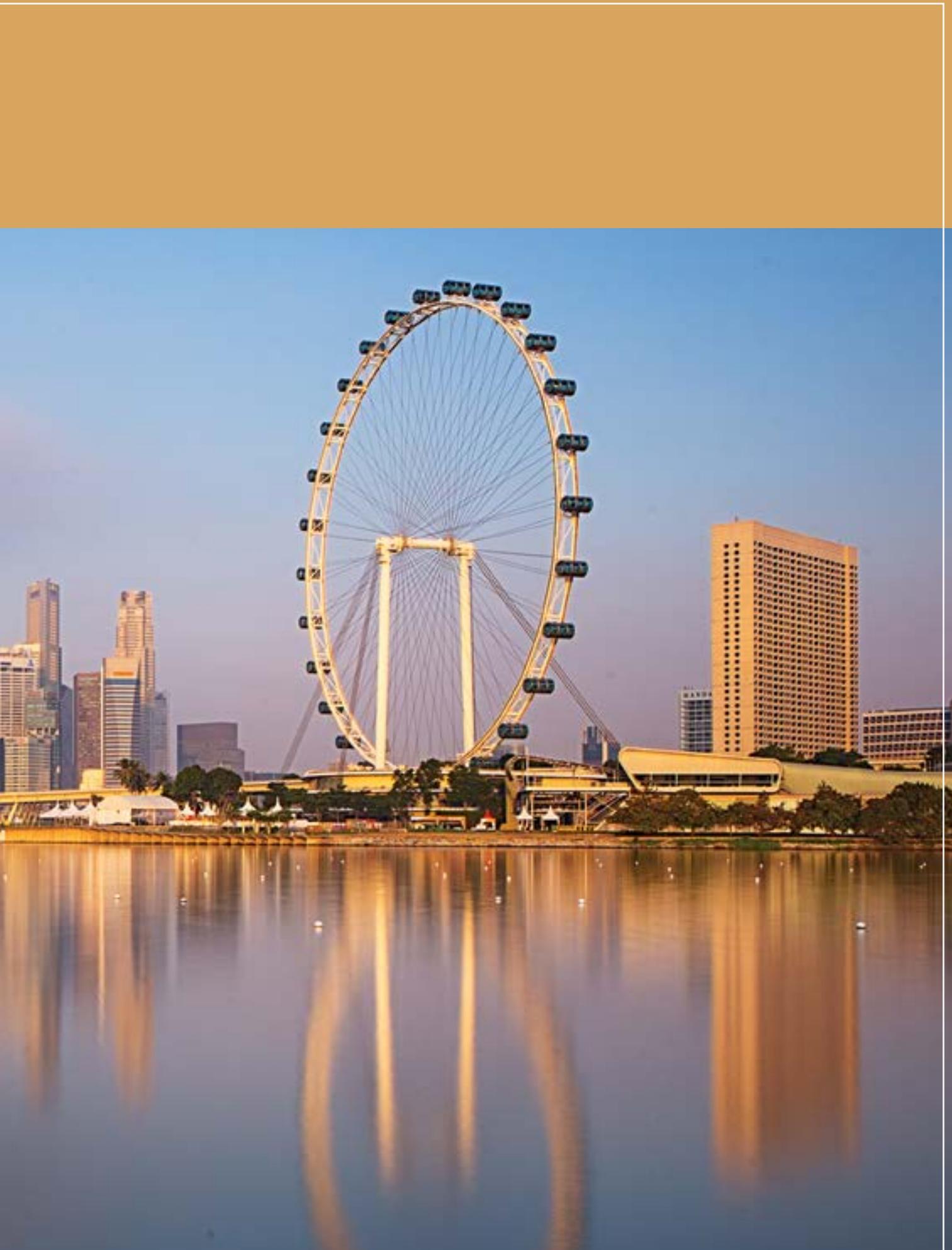


CHAPTER 5

BALANCE OF PAYMENTS

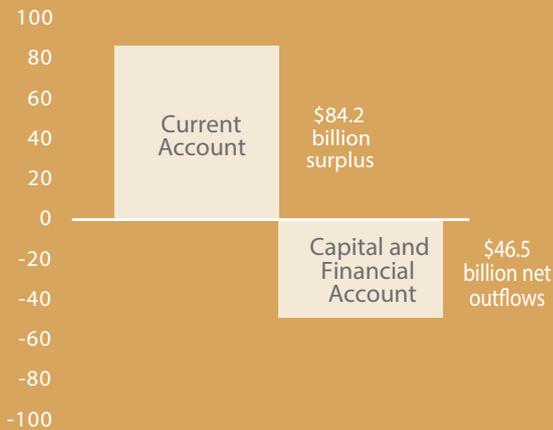




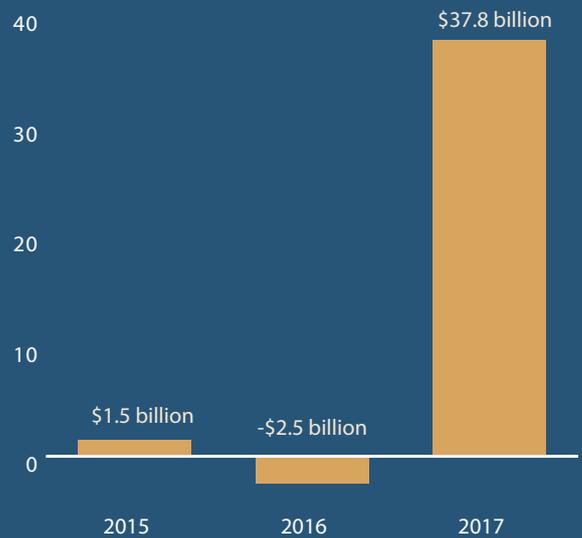
CHAPTER 5

BALANCE OF PAYMENTS

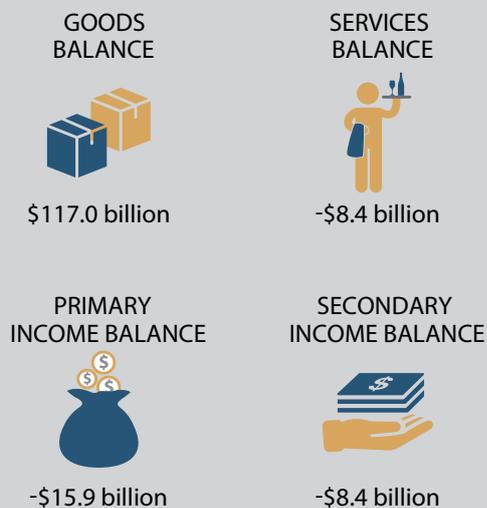
Singapore's balance of payments surplus came in at **\$37.8 billion** in 2017



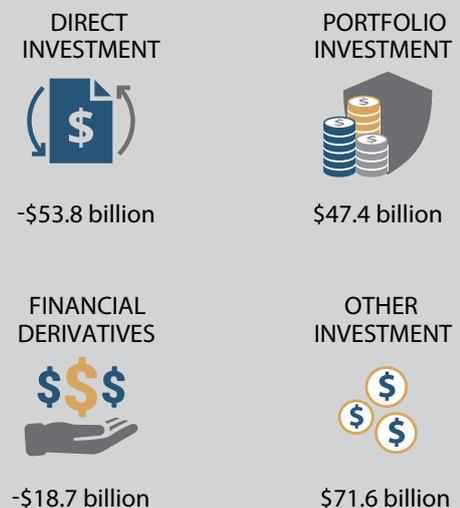
BALANCE OF PAYMENTS TREND



COMPONENTS OF CURRENT ACCOUNT



COMPONENTS OF CAPITAL & FINANCIAL ACCOUNT



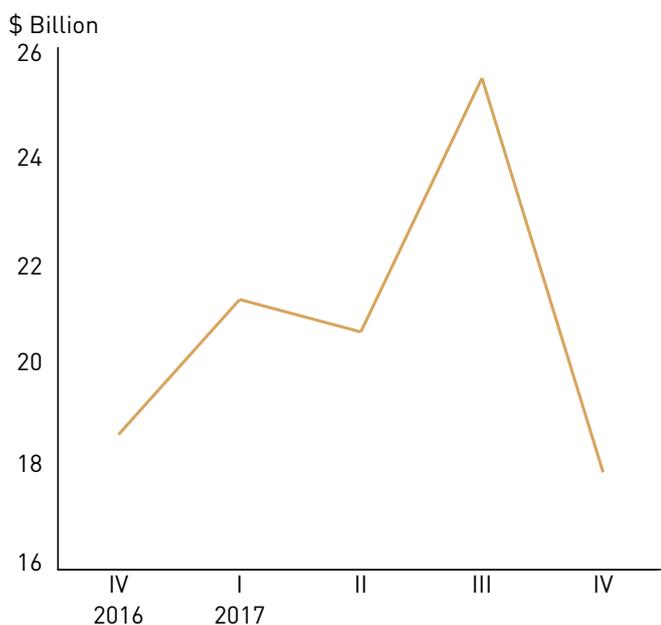
OVERVIEW

Singapore's overall balance of payments recorded a smaller surplus of \$5.6 billion in the fourth quarter of 2017, compared to \$11 billion in the third quarter. For the year as a whole, the surplus amounted to \$38 billion, a reversal from the deficit of \$2.5 billion in 2016. The reversal was largely due to a smaller net outflow from the capital and financial account and, to a smaller extent, an increase in the current account surplus. Singapore's official foreign reserves rose to \$374 billion at the end of 2017, equivalent to 10 months of merchandise imports.

CURRENT ACCOUNT

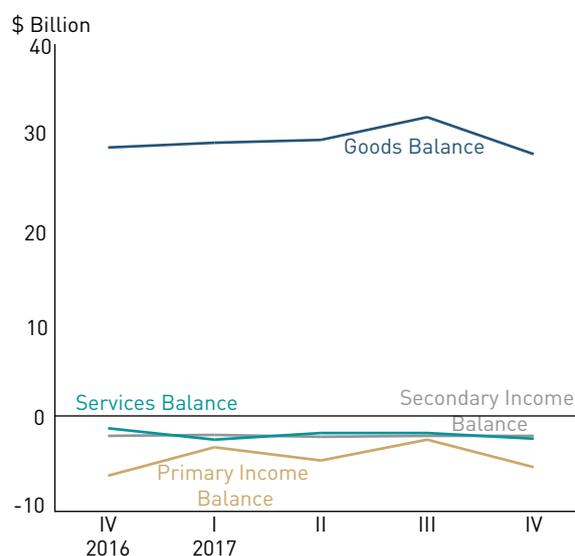
The current account surplus narrowed to \$18 billion in the fourth quarter, from \$25 billion in the third quarter (Exhibit 5.1). For the full year, the surplus rose to \$84 billion (19 per cent of GDP), from \$81 billion a year ago. This increase in surplus was primarily driven by a smaller deficit in the primary income balance.

Exhibit 5.1: Current Account Balance



In terms of the sub-components of the current account, the surplus in the goods balance declined by \$3.9 billion to \$28 billion in the fourth quarter, as imports rose by more than exports (Exhibit 5.2). Similarly, for the full year, imports grew slightly more than exports, leading to a marginal fall in the surplus in the goods balance from \$118 billion in 2016 to \$117 billion in 2017.

Exhibit 5.2: Components of Current Account Balance



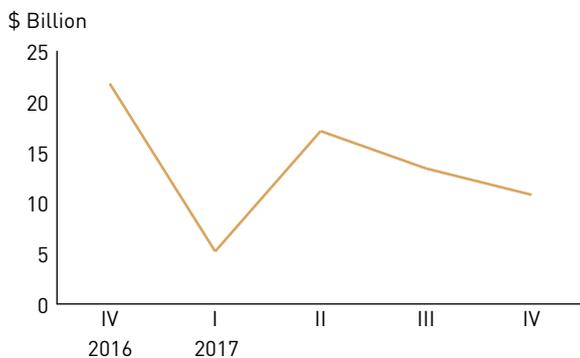
Meanwhile, the deficit in the services balance widened to \$2.4 billion in the fourth quarter, from \$1.8 billion in the preceding quarter. For the year as a whole, the deficit rose to \$8.4 billion, from \$6.3 billion in 2016. This was due to higher net payments for other business services, transport services, as well as for the use of intellectual property. Together, these more than offset the higher net receipts from financial services and maintenance and repair services.

For the primary income balance, the deficit rose by \$2.9 billion to \$5.4 billion in the fourth quarter. However, for the full year, the deficit shrank by \$6.2 billion to \$16 billion, as income receipts from abroad increased while income payments to foreign investors declined slightly.

CAPITAL AND FINANCIAL ACCOUNT

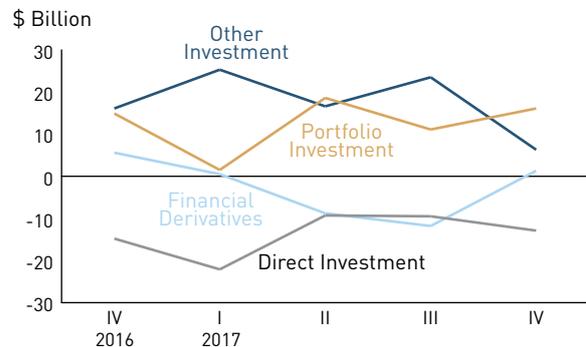
Net outflows from the capital and financial account¹ fell to \$11 billion in the fourth quarter, compared to \$13 billion in the previous quarter (Exhibit 5.3). For the year as a whole, net outflows decreased to \$46 billion (10 per cent of GDP), from \$84 billion in 2016. This was due to a reversal from net outflows of financial derivatives to net inflows, as well as smaller net outflows of “other investment”. These collectively exceeded the decline in net inflows of direct investment and larger outflows of portfolio investment.

Exhibit 5.3: Capital and Financial Account Balance



In terms of the sub-components of the capital and financial account, net inflows of direct investment rose by \$3.4 billion in the fourth quarter to \$13 billion (Exhibit 5.4). For the full year, however, net inflows of direct investment amounted to \$54 billion, \$10 billion lower than in 2016. This occurred as foreign direct investment into Singapore declined by more than residents’ direct investment abroad increased.

Exhibit 5.4: Components of Financial Account (Net)



Net outflows of portfolio investment increased from \$11 billion in the third quarter to \$16 billion in the fourth quarter. For 2017 as a whole, net outflows of portfolio investment rose to \$47 billion, from \$37 billion in the previous year. This was largely due to deposit-taking corporations reversing from net sales of overseas securities to net purchases, which outweighed the reduction in net purchases of overseas securities by the domestic non-bank private sector.

Meanwhile, net outflows from the “other investment” account fell to \$6.3 billion in the fourth quarter, from \$23 billion in the preceding quarter. For the full year, net outflows from this account fell by \$20 billion to reach \$72 billion. This largely reflected the change from net outflows to net inflows for deposit-taking corporations.

Financial derivatives turned from net inflows of \$12 billion to net outflows of \$1.3 billion in the fourth quarter. For the whole of 2017, net inflows of financial derivatives amounted to \$19 billion, in contrast to the net outflows of \$19 billion in 2016.

¹ Net inflows in net balances are indicated by a minus (-) sign. For more details regarding the change in sign convention to the financial account, please refer to DOS’s information paper on “Singapore’s International Accounts: Methodological Updates and Recent Developments”.

