6.7 FINANCE & INSURANCE

OVERVIEW

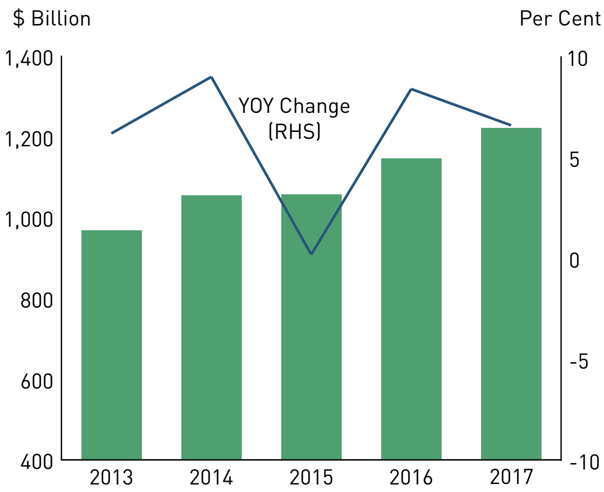
The finance & insurance sector grew by 6.3 per cent in the fourth quarter of 2017, following the 7.1 per cent expansion registered in the previous quarter.

For the whole of 2017, the sector expanded by 4.8 per cent, a step-up from the 1.6 per cent growth in 2016.

COMMERCIAL BANKS

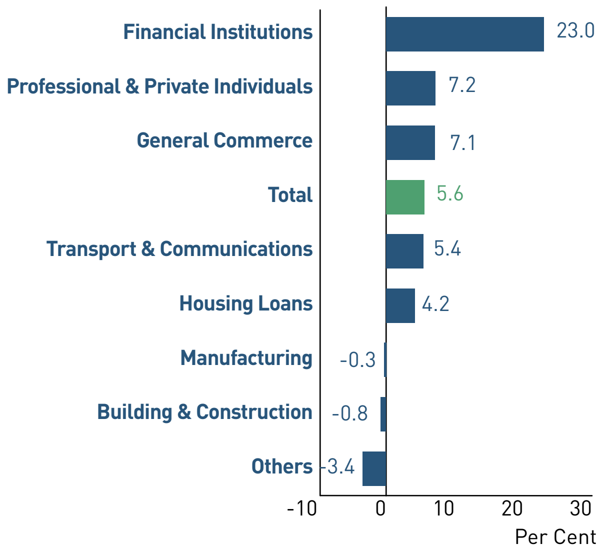
In 2017, total assets/liabilities of commercial banks increased by 6.6 per cent to $1.2 trillion (Exhibit 6.21). The stronger outturn came on the back of an improvement in both domestic non-bank and interbank lending. Notably, credit extended to non-bank customers rose by $34.6 billion (5.6 per cent) in 2017.

Exhibit 6.21: Total Assets and Liabilities of Commercial Banks



Business lending expanded by 6.2 per cent in 2017, accelerating from the 2.8 per cent growth in the preceding year, with most sectors registering positive growth. In particular, there was a 23 per cent increase in loans to non-bank financial institutions. Meanwhile, consumer lending grew by 4.8 per cent, with continued growth in housing and car loans (Exhibit 6.22).

Exhibit 6.22: Growth of Bank Loans and Advances to Non-Bank Customers by Industry in 2017



On the liabilities front, total deposits of non-bank customers rose by 1.6 per cent in 2017, moderating from the 6.5 per cent increase in the previous year. As at end-2017, total non-bank deposits stood at $606 billion, up from $597 billion the year before. Increases in demand and savings deposits outweighed a modest decline in fixed deposits.

FINANCE COMPANIES

Total assets/liabilities of finance companies increased marginally by 0.3 per cent in 2017, reversing the 5.8 per cent contraction in 2016 (Exhibit 6.23). Notably, the non-bank lending segment grew by 2.4 per cent, a modest turnaround from the 5.3 per cent decline recorded the year before, in part due to higher credit extended to segments such as building & construction and hire-purchase financing of motor vehicles (Exhibit 6.24).

On the liabilities front, deposits of non-bank customers remained broadly unchanged in 2017, after contracting by 7.2 per cent in 2016.

Exhibit 6.23: Total Assets and Liabilities of Finance Companies

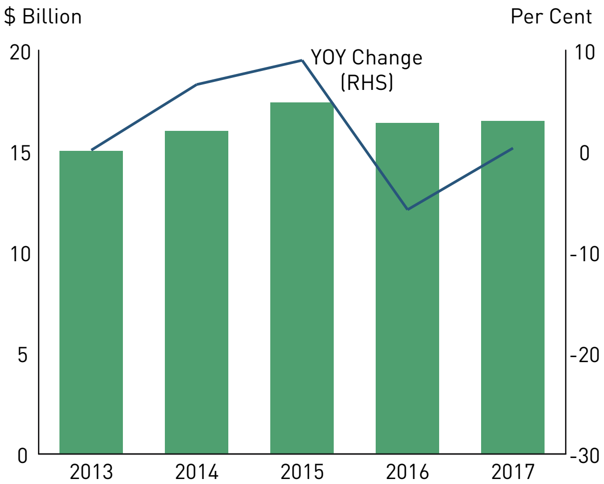
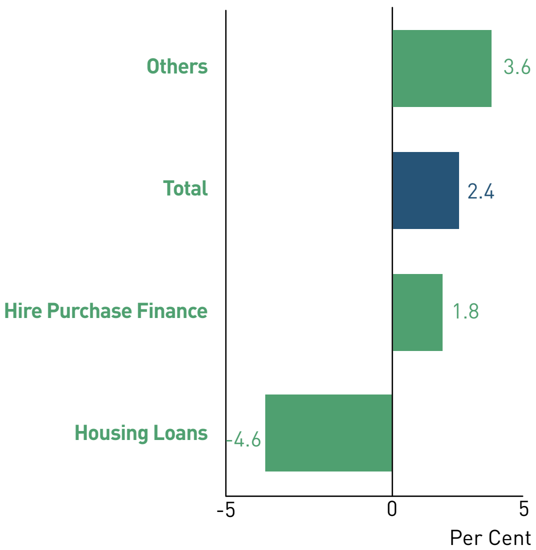


Exhibit 6.24: Growth of Loans and Advances of Finance Companies in 2017

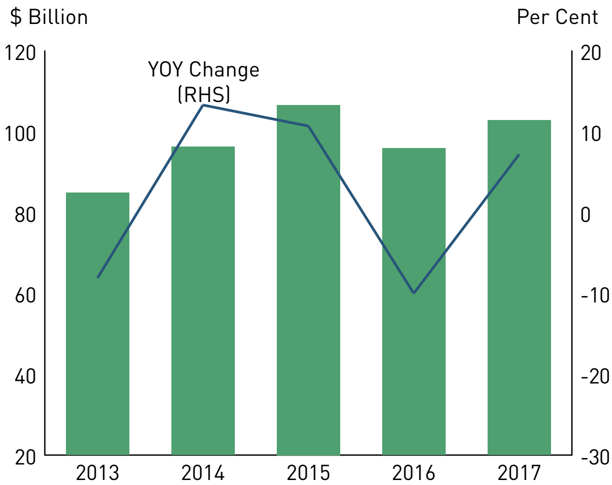


MERCHANT BANKS

Total asset/liabilities of merchant banks expanded by 7.2 per cent to reach $103 billion as at end-2017, from $96 billion in the preceding year (Exhibit 6.25). The improvement stemmed from the offshore segment, which saw strong growth in non-bank lending and holdings of securities and equities.

In comparison, the domestic operations of merchant banks saw a decline of 5.6 per cent, reversing the 4.9 per cent increase posted in 2016. Activity was weighed down by shrinking interbank credit and a flat outturn in non-bank lending.

Exhibit 6.25: Total Assets and Liabilities of Merchant Banks



ASIAN DOLLAR MARKET

Total assets/liabilities of the Asian Dollar Market expanded by 9.3 per cent in 2017, a turnaround from the 1.9 per cent decline registered in the previous year (Exhibit 6.26). Notably, non-bank loan volumes recorded robust growth of 20 per cent, amidst broad-based improvements in credit extended to East Asia, Europe and the Americas. Meanwhile, interbank loans grew by 5.3 per cent, accelerating from the 0.6 per cent uptick in 2016.

On the liabilities front, non-bank deposits rose by 13 per cent, as foreign currency deposits by both residents and non-residents increased. Concomitantly, interbank deposits also grew by 7.8 per cent, due to a step-up in deposits from banks outside Singapore.

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

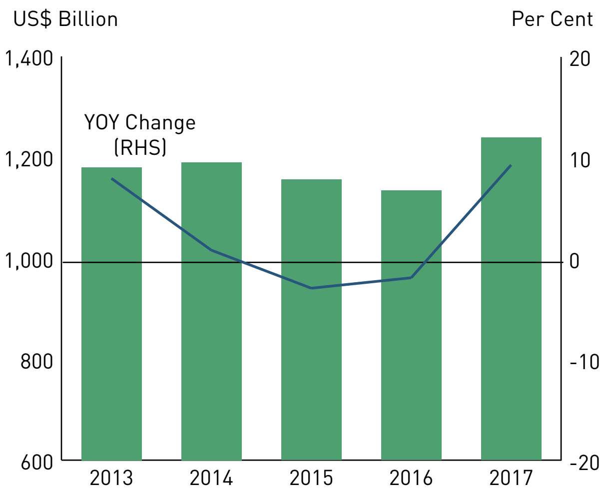
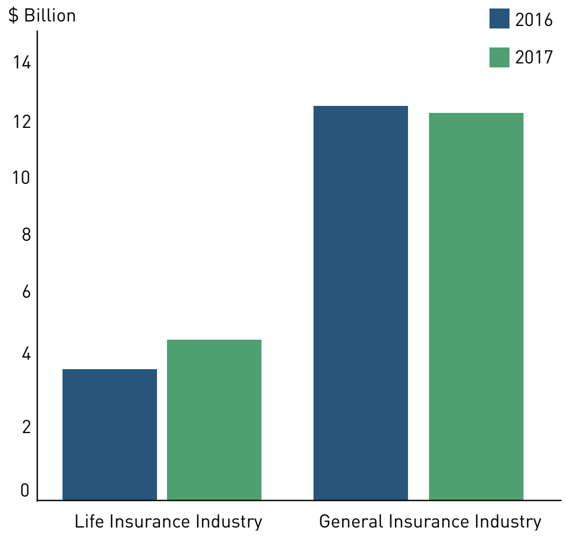


Exhibit 6.27: Premiums in the Insurance Industry



INSURANCE INDUSTRY

Total weighted new business premiums in the direct life insurance industry increased by 23 per cent to $4.8 billion in 2017, with robust growth achieved in both single and regular premium business. Single premium business rose by 42 per cent to $1.5 billion, while regular premium business grew by 15 per cent to $3.2 billion in 2017. Overall, the net income of the direct life insurance industry increased to $2.4 billion from $1.4 billion in 2016.

In the general insurance industry, gross premiums dropped slightly by 1.8 per cent to $11.5 billion in 2017, with offshore and domestic businesses accounting for $7.5 billion and $4.0 billion respectively. Despite the slight decline in premiums, the general insurance industry recorded an operating profit of $1.4 billion in 2017, which was 77 per cent higher as compared to 2016. This was largely due to improved underwriting performance.

CENTRAL PROVIDENT FUND

Total CPF balances grew by 9.3 per cent to $360 billion in 2017.

Members' contributions for the year amounted to $37 billion while total withdrawals reached $20 billion. This resulted in a net contribution of $17 billion, similar to the level recorded in 2016.

Total net withdrawals under the Public Housing Scheme and Private Property Scheme grew by 5.9 per cent to reach $210 billion as at 31 December 2017.

As at 31 December 2017, more than 174,000 CPF members have been included in the CPF Lifelong Income for the Elderly (CPF LIFE) Scheme which provides lifelong payouts in retirement. The CPF LIFE fund stood at $10 billion.

STOCK MARKET

Against the backdrop of the recovery in the global economy, the benchmark Straits Times Index (STI) began on an upward trajectory in the beginning of 2017 (Exhibit 6.28). Notably, healthy corporate earnings and a more sanguine outlook for regional demand lifted the STI by around 12 per cent in the first half of 2017, from 2,881 points in end-2016 to 3,226 points in end-June 2017.

However, with the emergence of geopolitical risks including tensions between US and North Korea, the STI saw a temporary pullback in August and September. Nonetheless, robust equity listings helped to provide some support to the local bourse in the second half of the year. Towards the end of 2017, positive macroeconomic data releases and expectations of positive growth spillovers from US tax policy changes led to broad-based equity rallies in global stock markets. On the domestic front, the STI closed the year with gains of around 18 per cent, reaching the highest level since early 2015.

Exhibit 6.28: Straits Times Index

SECURITIES MARKET

In 2017, the total turnover value of the securities market increased by 7.9 per cent to $294 billion, while the total turnover volume increased by 29 per cent to 544 billion shares. This translated to an 8.8 per cent increase in the average daily traded value to $1.2 billion, and a 30 per cent increase in the average daily traded volume to 2.2 billion shares.

At the end of 2017, the total number of listed companies in Singapore was 750, with a combined market capitalisation of $1,052 billion, a 14 per cent increase from 2016. In 2017, there were 550 companies listed on SGX's Mainboard while the other 200 companies were listed on SGX's Catalist.

DERIVATIVES MARKET

In 2017, SGX's derivatives market activity increased by 3.3 per cent to 178 million contracts. Compared to 2016, total futures trading volume rose by 2.4 per cent to 167 million, while options on futures trading volume grew by 22 per cent to 11.5 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 62 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$461 billion in 2017, a decline of 3.6 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. Trading in the US Dollar/ Singapore Dollar currency pair contributed less than 10 percent to the total turnover.

The US Dollar underperformed the other G4 currencies in 2017, down 15 per cent against the Euro, 10 per cent against the British Pound and 4.5 per cent against the Japanese Yen. The appreciation of the other G4 currencies against the US Dollar was a reflection of significant, broad-based improvements in growth rates across the rest of the world, while US inflation came in weaker than expected. Euro-area growth outstripped US growth in 2017, and the European Central Bank reduced its monthly pace of asset purchases. UK economic data held up surprisingly well despite the on-going Brexit uncertainty, leading to a rate hike by the Bank of England. The rise in Yen was more moderate as the Bank of Japan kept its monetary policy stance relatively unchanged throughout the year.