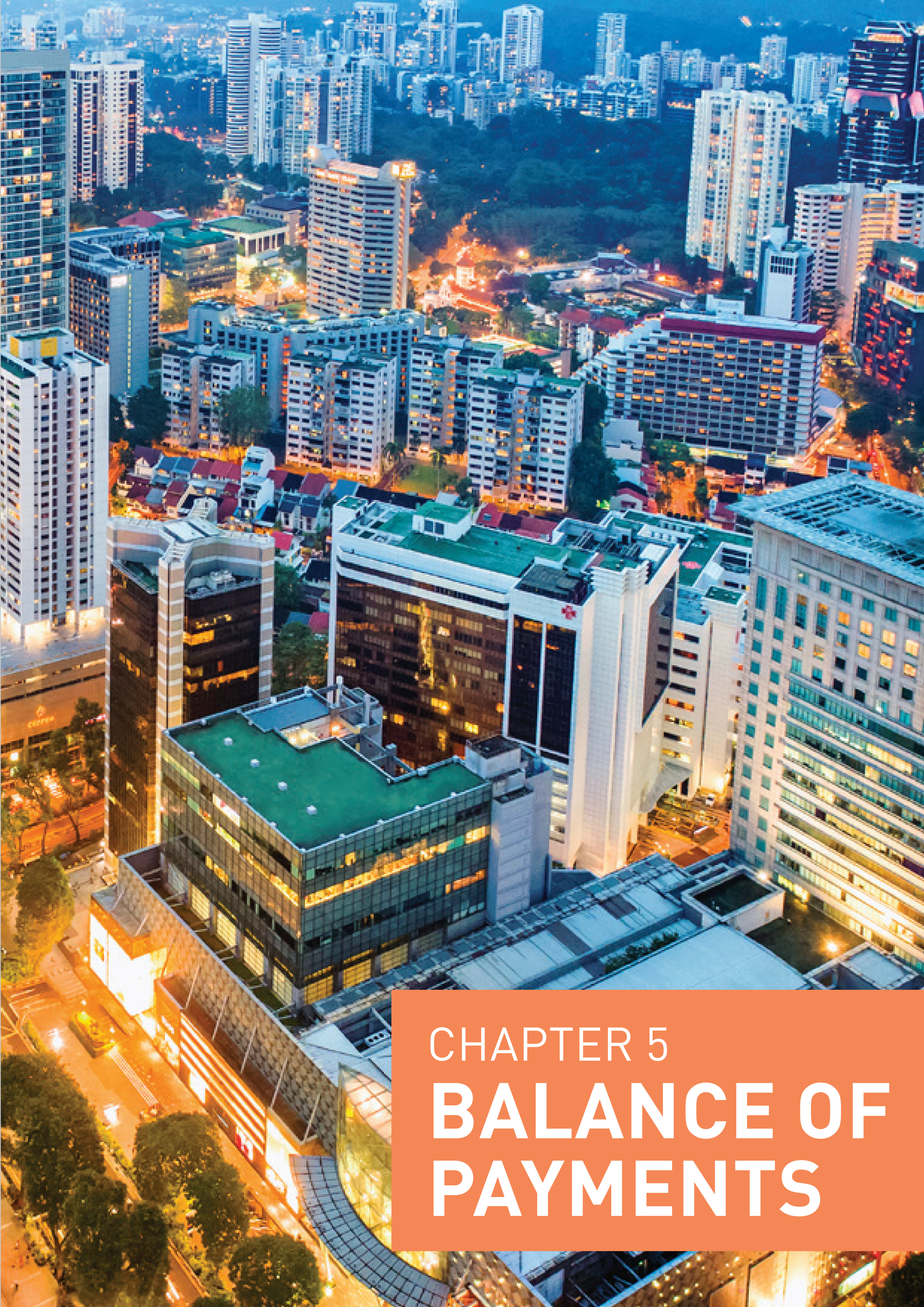
Image courtesy of Singapore Tourism Board



CHAPTER 5

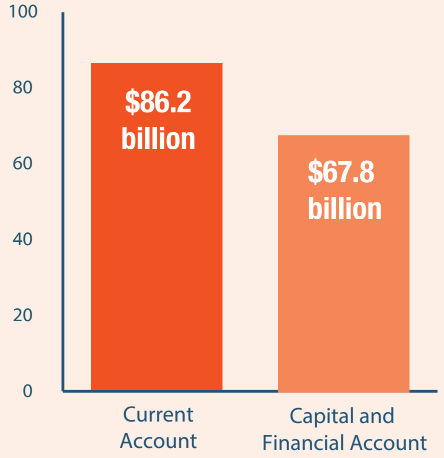
BALANCE OF PAYMENTS

CHAPTER 5
BALANCE OF PAYMENTS

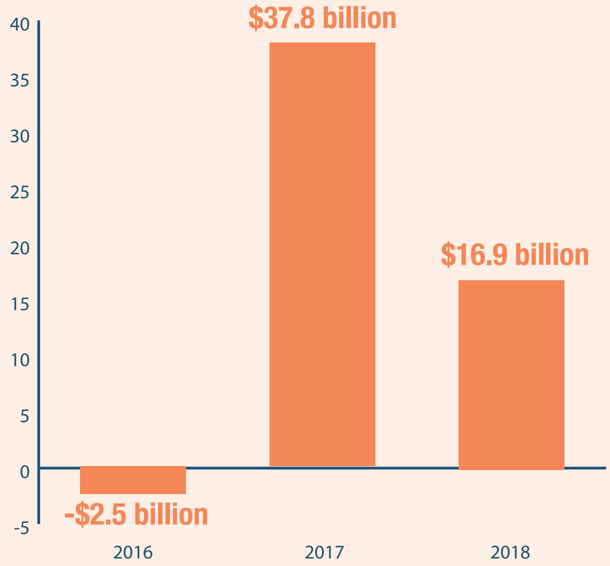
Singapore's balance of payments surplus came in at

$16.9 billion

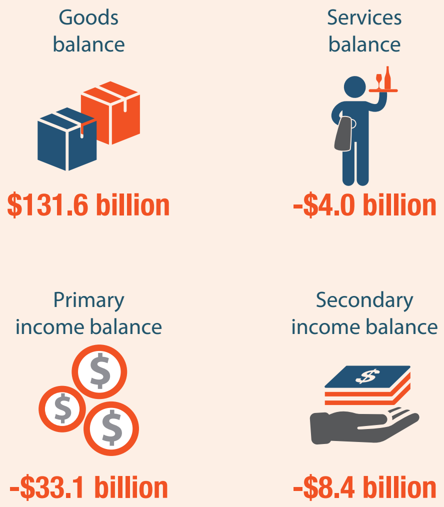
at the end of 2018



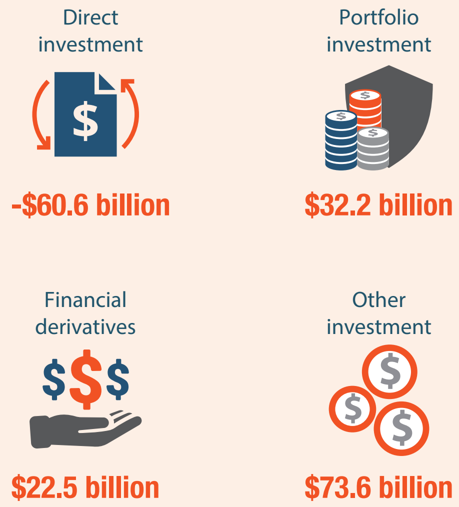
BALANCE OF PAYMENTS TREND



COMPONENTS OF CURRENT ACCOUNT



COMPONENTS OF CAPITAL & FINANCIAL ACCOUNT



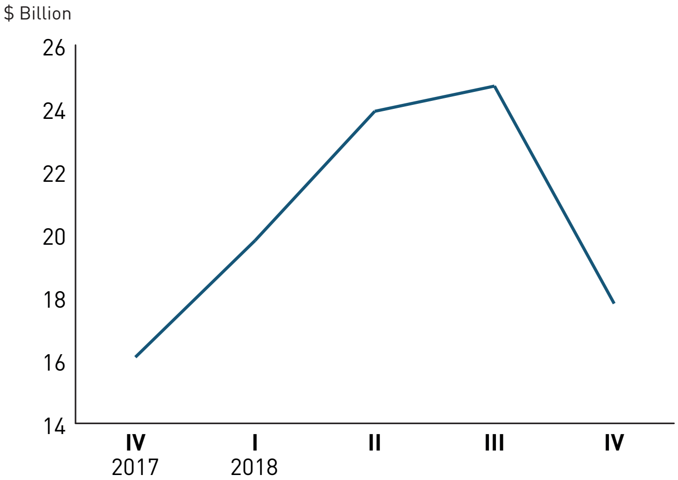
OVERVIEW

Singapore's overall balance of payments recorded a deficit of $3.9 billion in the fourth quarter of 2018, reversing the surplus of $6.2 billion in the third quarter. For the year as a whole, the overall balance of payments registered a smaller surplus of $17 billion compared to the surplus of $38 billion in 2017. This was due to a larger net outflow from the capital and financial account, which outweighed the increase in the current account surplus. Singapore's official foreign reserves rose to $392 billion at the end of 2018, equivalent to nine months of merchandise imports.

CURRENT ACCOUNT

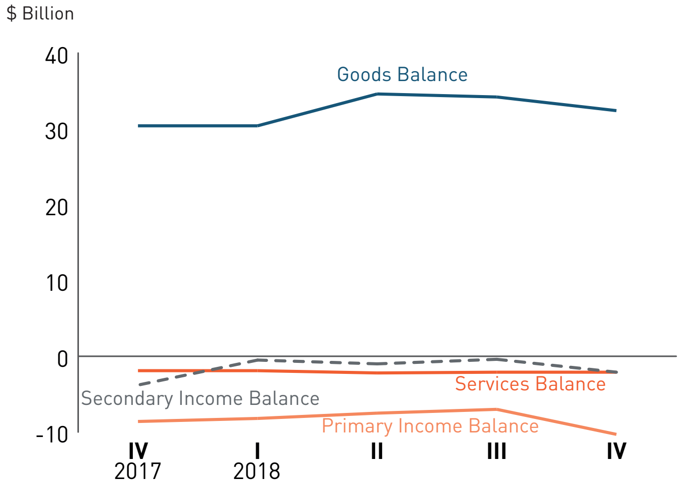
The current account surplus narrowed to $18 billion in the fourth quarter, from $25 billion in the third quarter (Exhibit 5.1). For the full year, the surplus rose to $86 billion (18 per cent of GDP), from $74 billion in 2017. This increase was driven by a smaller deficit in the services balance as well as a larger surplus in the goods balance.

Exhibit 5.1: Current Account Balance



In terms of the sub-components of the current account, the goods balance saw its surplus decline by $1.8 billion from the preceding quarter to $32 billion in the fourth quarter, driven by a fall in exports (Exhibit 5.2). However, for the full year, exports grew faster than imports, and the goods balance recorded a larger surplus of $132 billion compared to $126 billion in the previous year.

Exhibit 5.2: Components of Current Account Balance



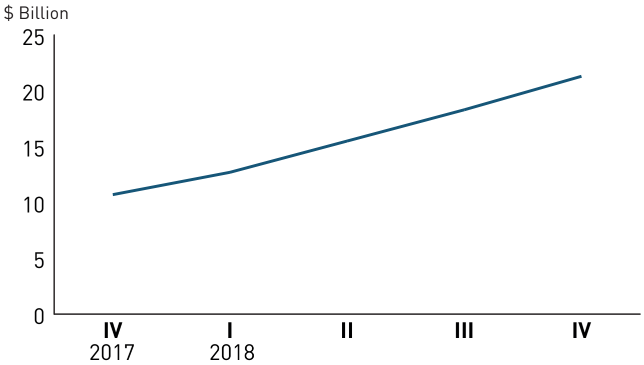
Meanwhile, the deficit in the services balance widened to $2.1 billion in the fourth quarter, from $0.4 billion in the preceding quarter. For the year as a whole, the deficit shrank to $4.0 billion, from $12 billion in 2017. This was due to lower net payments for other business services, transport services and charges for the use of intellectual property, as well as higher net receipts for financial services and maintenance and repair services.

For the primary income balance, the deficit widened by $3.3 billion from the previous quarter to $10 billion in the fourth quarter. Similarly, for the full year, the primary income deficit widened to $33 billion, from $31 billion in the preceding year, as income payments to foreign investors grew by more than income receipts from abroad.

CAPITAL AND FINANCIAL ACCOUNT

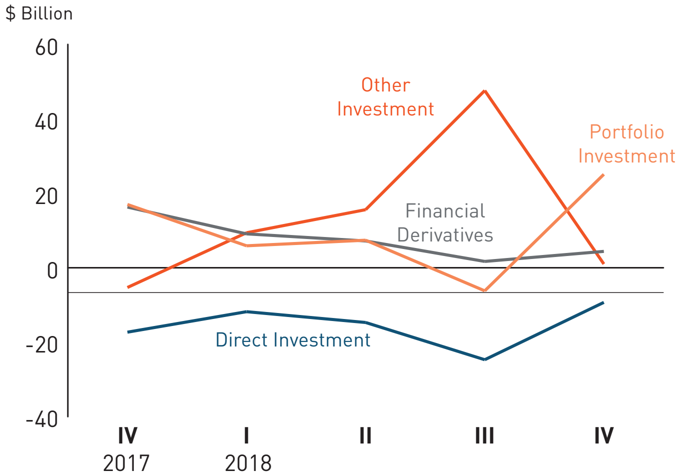
Net outflows from the capital and financial account[1] rose to $21 billion in the fourth quarter, compared to $18 billion in the previous quarter (Exhibit 5.3). For the year as a whole, net outflows increased to $68 billion (14 per cent of GDP), from $37 billion in 2017. Although net outflows of portfolio investment fell, there was an increase in the net outflows of "other investment". At the same time, there were larger net outflows of financial derivatives, as well as smaller net inflows of direct 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 fell by $15 billion in the fourth quarter to $9.3 billion (Exhibit 5.4). For the full year, net inflows of direct investment amounted to $61 billion, lower than the $71 billion recorded in 2017. This occurred as foreign direct investment into Singapore declined by more than residents' direct investment abroad.

Exhibit 5.4: Components of Financial Account (Net)



Portfolio investment turned to net outflows of $25 billion in the fourth quarter, reversing the net inflows of $6.2 billion in the third quarter. For 2018 as a whole, net outflows of portfolio investment fell to $32 billion, from $46 billion in the previous year. This was largely due to resident deposit-taking corporations reversing their net purchases of overseas securities to net sales of overseas securities for the year.

Net outflows from the "other investment" account fell to $1.0 billion in the fourth quarter, from $48 billion in the preceding quarter. However, for the full year, net outflows rose by $24 billion to reach $74 billion mainly on account of deposit-taking corporations reversing from net inflows to net outflows.

Net outflows from the financial derivatives account rose by $2.7 billion to $4.4 billion in the fourth quarter. For the full year, net outflows of financial derivatives doubled from 2017 to reach $23 billion in 2018.

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".