

# 6.7 FINANCE & INSURANCE

## OVERVIEW

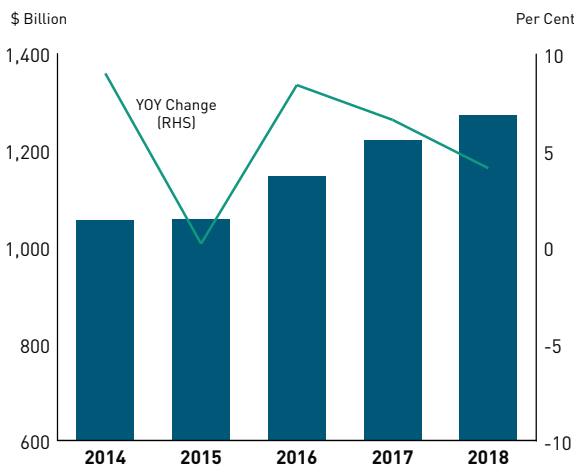
The finance & insurance sector grew by 4.1 per cent year-on-year in the fourth quarter, extending the 3.9 per cent expansion registered in the previous quarter.

For the whole of 2018, the sector expanded by 5.9 per cent, slightly faster than the 5.6 per cent growth in the preceding year.

## COMMERCIAL BANKS

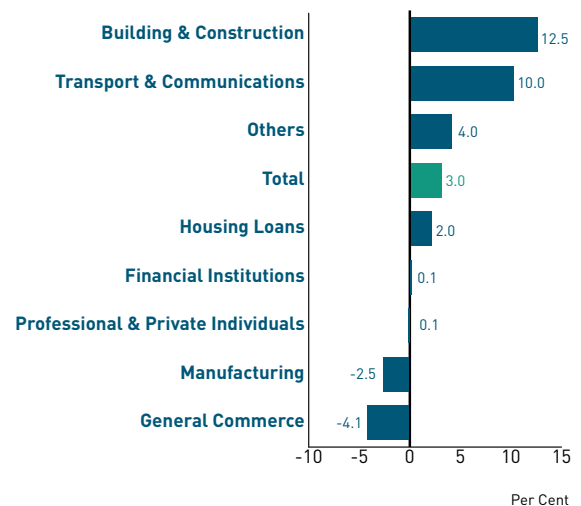
In 2018, total assets/liabilities of commercial banks increased by 4.1 per cent to \$1.3 trillion (Exhibit 6.21). Both domestic non-bank and interbank lending registered improvements, with credit extended to non-bank customers rising by \$20 billion (3.0 per cent).

Exhibit 6.21: Total Assets and Liabilities of Commercial Banks



Business lending rose by 4.1 per cent in 2018, moderating from the 6.2 per cent growth in the preceding year. Loans to the manufacturing and general commerce sectors declined, but this was more than offset by the strong growth in loans to the building & construction and transport, storage & communication sectors (Exhibit 6.22). Meanwhile, consumer lending grew by 1.5 per cent, supported by an increase in housing, credit cards and car loans.

Exhibit 6.22: Growth of Bank Loans and Advances to Non-Bank Customers by Industry in 2018



On the liabilities front, total deposits of non-bank customers increased by 3.5 per cent in 2018, accelerating from the 1.6 per cent rise in the previous year. As at end-2018, total non-bank deposits stood at \$628 billion, higher than the \$606 billion the year before, driven by strong demand for fixed deposits.

## FINANCE COMPANIES

Total assets/liabilities of finance companies increased by 5.8 per cent in 2018, up from the 0.3 per cent expansion in 2017 (Exhibit 6.23).

Notably, the non-bank lending segment grew by 3.2 per cent, a pickup from the 2.4 per cent growth recorded the year before, primarily driven by 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 rose by 6.4 per cent in 2018, an improvement from the mild contraction in 2017.

Exhibit 6.23: Total Assets and Liabilities of Finance Companies

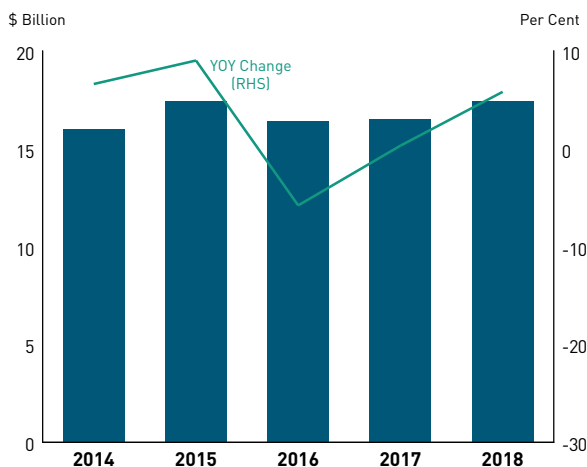
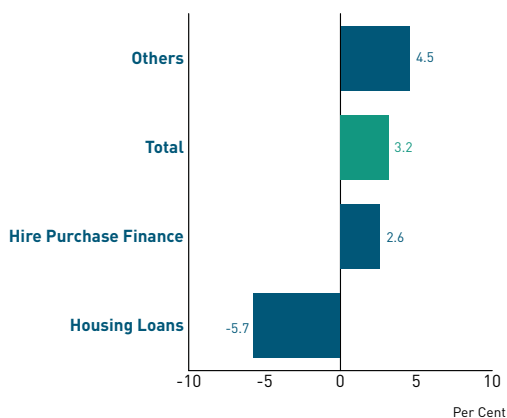


Exhibit 6.24: Growth of Loans and Advances of Finance Companies in 2018

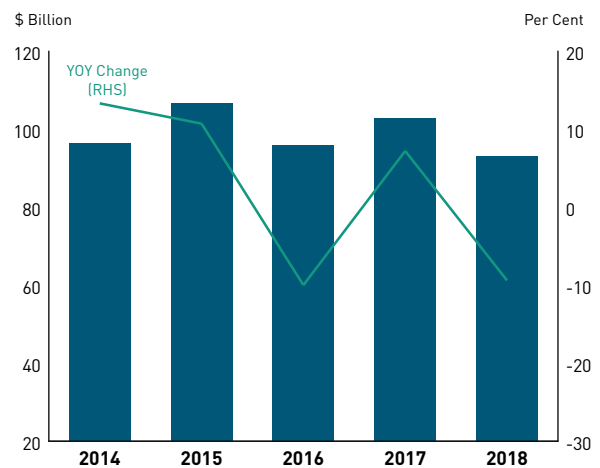


## MERCHANT BANKS

Total asset/liabilities of merchant banks contracted by 9.4 per cent to \$93 billion as at end-2018, from the \$103 billion recorded in the previous year (Exhibit 6.25). The weakness stemmed from the offshore segment, which registered declines in both interbank and non-bank lending.

By contrast, the domestic operations of merchant banks expanded by 8.1 per cent, reversing the 5.6 per cent decline posted in 2017. The expansion was supported by increased 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 rose by 4.0 per cent in 2018, a step down from the 9.2 per cent increase registered in the previous year (Exhibit 6.26). Growth in non-bank loan volumes slowed to 5.0 per cent, following the 20 per cent increase in the previous year, owing to a fall in credit extended to East Asia and the Americas. Meanwhile, interbank loans grew by 1.6 per cent, decelerating from the 5.0 per cent increase in 2017.

On the liabilities front, non-bank deposits rose marginally by 0.8 per cent, as the fall in foreign currency deposits by non-residents was more than offset by the increase in resident deposits. Concomitantly, interbank deposits grew by 2.3 per cent, slowing from the 7.6 per cent growth in the previous year.

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

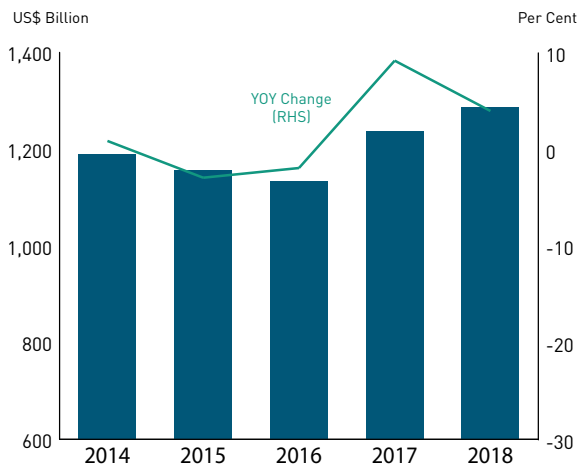
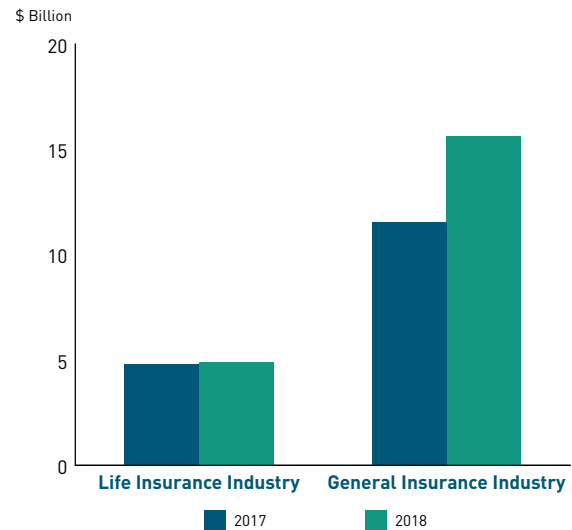


Exhibit 6.27: Premiums in the Insurance Industry



## INSURANCE INDUSTRY

Total weighted new business premiums<sup>1</sup> in the direct life insurance industry rose by 2.9 per cent to \$4.9 billion in 2018. Single premium business decreased by 1.4 per cent to \$15 billion, while regular premium business grew by 4.9 per cent to \$3.4 billion in 2018. Overall, the net income of the direct life insurance industry decreased to \$588 million from \$2.4 billion in 2017, largely due to lower investment income.

In the general insurance industry, gross premiums<sup>2</sup> increased by 36 per cent to \$16 billion in 2018, with offshore and domestic businesses accounting for \$12 billion and \$4.1 billion respectively. Despite the increase in gross premiums, the general insurance industry recorded an operating loss of \$676 million in 2018, representing a 150 per cent fall from 2017. This was due to the poor underwriting performance, which could in turn be attributed to significant reinsurance claims arising from natural catastrophes in Japan.

## CENTRAL PROVIDENT FUND

Total CPF balances increased by 8.8 per cent to \$391 billion in 2018.

Members' contributions for the year amounted to \$38 billion while total withdrawals reached \$21 billion. This resulted in a net contribution of \$17 billion, similar to the level recorded in 2017.

Total net withdrawals under the Public Housing Scheme and Private Property Scheme grew by 4.7 per cent to reach \$219 billion as at 31 December 2018.

As at 31 December 2018, about 175,000 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 \$11 billion.

<sup>1</sup> This includes premiums from both individual and group life insurance businesses.

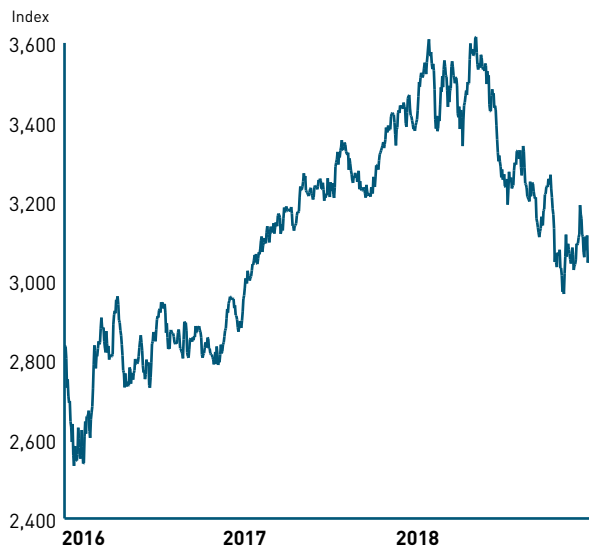
<sup>2</sup> Gross premium figures for the general insurance industry include gross premiums for the direct general insurance industry as well as the general reinsurance industry.

## STOCK MARKET

The benchmark Straits Times Index (STI) declined by 9.8 per cent in 2018, driven by slower growth from the maturing global economic cycle and reinforced by heightened uncertainties over geopolitical events such as the US-China trade tensions and Brexit.

Moreover, movements in the STI in 2018 were characterised by increased volatility throughout the year. For example, the Index closed above 3,600 points - the highest reached in a decade - twice in the first half of 2018, before beginning its descent in the second half to 3,069 points at the end of 2018.

Exhibit 6.28: Straits Times Index



## SECURITIES MARKET

In 2018, the total turnover value of the securities market increased by 2.0 per cent to \$299 billion while the total turnover volume decreased by 20 per cent to 437 billion shares, as compared to 2017. This translated to a 1.5 per cent increase in the average daily traded value to \$1.2 billion, and a 20 per cent decline in the average daily traded volume to 1.7 billion shares.

At the end of 2018, the total number of listed companies in Singapore was 741, with a combined market capitalisation of \$937 billion, a 11 per cent decrease from 2017. In 2018, there were 527 companies listed on SGX's Mainboard while the other 214 companies were listed on SGX's Catalist.

## DERIVATIVES MARKET

In 2018, SGX's derivatives market activity increased by 22 per cent to 217 million contracts. Compared to 2017, total futures trading volume rose by 22 per cent to 203 million, while options on futures trading volume grew by 22 per cent to 14 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 61 per cent of the total volume traded on SGX's derivatives trading platform.

## FOREIGN EXCHANGE MARKET

In 2018, the Euro and British Pound fell by 4.5 per cent and 5.6 per cent against the US Dollar respectively, while the Japanese Yen was up 2.7 per cent. The appreciation of the US Dollar against the Euro and British Pound was a reflection of the outperformance in US' growth in 2018, boosted by tax cuts and fiscal stimulus, even as the Fed gradually hiked interest rates throughout the year. By contrast, the Euro depreciated amidst slower growth in the Euro-area and concerns about Italy as the European Central Bank (ECB) kept its monetary policy unchanged. The British Pound was also weighed down by ongoing Brexit-related uncertainty. The Japanese Yen strengthened towards year-end on safe-haven flows as concerns about global growth caused risk aversion to rise.