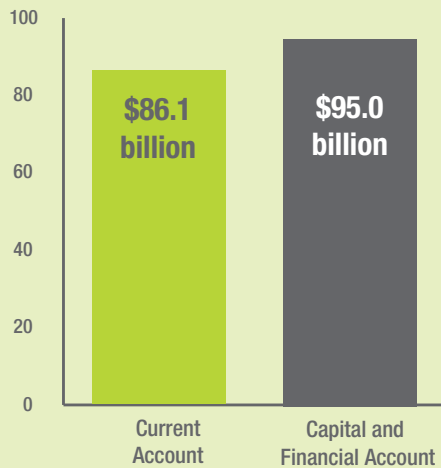
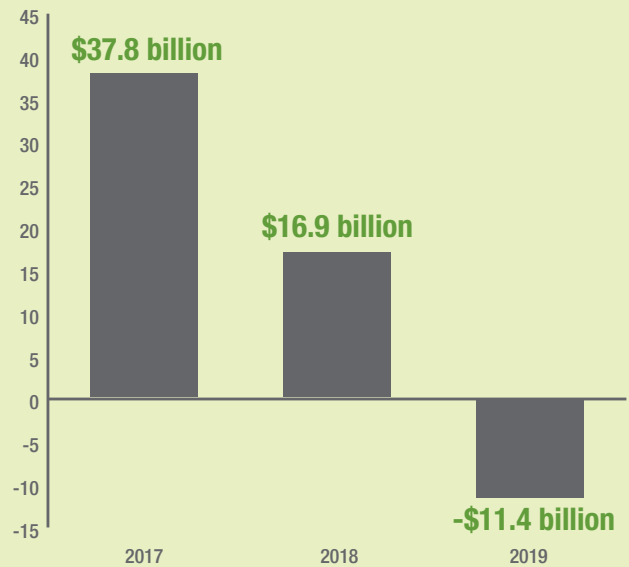


CHAPTER 5 BALANCE OF PAYMENTS

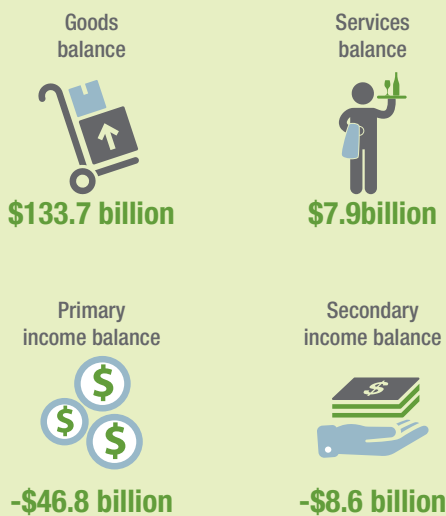
Singapore's balance of payments deficit came in at **\$11.4 billion** at the end of 2019



BALANCE OF PAYMENTS TREND



COMPONENTS OF CURRENT ACCOUNT



COMPONENTS OF CAPITAL & FINANCIAL ACCOUNT



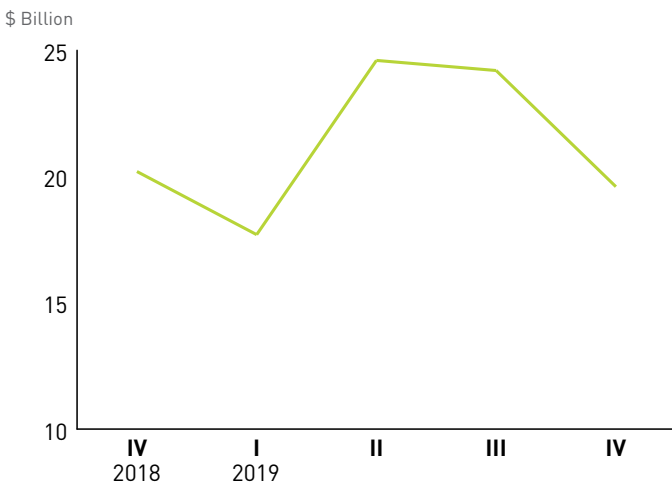
OVERVIEW

Singapore’s overall balance of payments narrowed to \$3.5 billion in the fourth quarter of 2019, from \$4.1 billion in the third quarter. For 2019 as a whole, the overall balance of payments registered a deficit of \$11 billion, reversing the surplus of \$17 billion in 2018. This was mainly due to larger net outflows from the capital and financial account. Singapore’s official foreign reserves fell to \$376 billion at the end of 2019, equivalent to nine months of merchandise imports.

CURRENT ACCOUNT

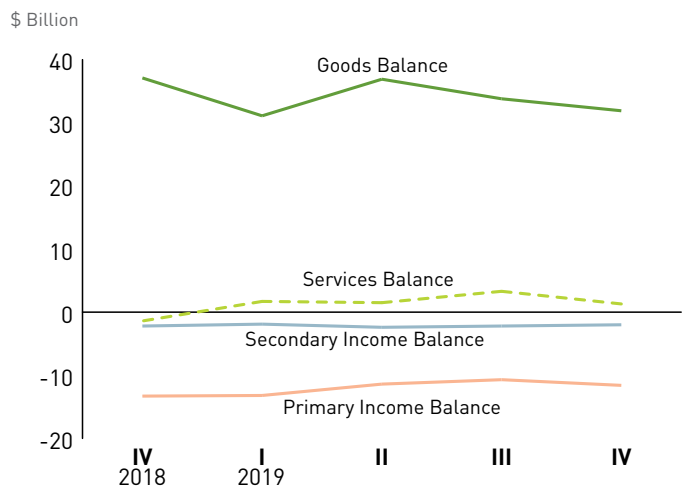
The current account surplus narrowed to \$20 billion in the fourth quarter, from \$24 billion in the third quarter (Exhibit 5.1). For 2019 as a whole, the surplus came in at \$86 billion (17 per cent of GDP), comparable to 2018’s level. Despite a larger surplus in the services balance and a smaller deficit in the primary income balance, the full-year current account surplus remained broadly unchanged from that in 2018 as these changes were offset by a smaller surplus in the goods balance and a larger deficit in the secondary income balance.

Exhibit 5.1: Current Account Balance



In terms of the sub-components of the current account, the surplus in the goods balance dropped by \$1.9 billion from the preceding quarter to \$32 billion in the fourth quarter, as goods imports rose by more than exports (Exhibit 5.2). For the full year, the goods balance registered a smaller surplus of \$134 billion, compared to the \$140 billion in 2018, as the fall in goods exports outpaced the decline in goods imports.

Exhibit 5.2: Components of Current Account Balance



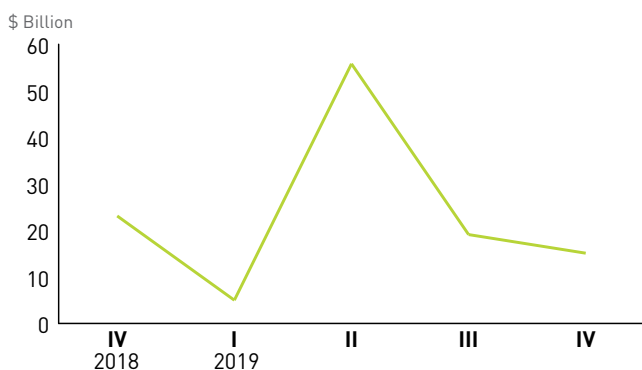
The surplus in the services balance narrowed to \$1.3 billion in the fourth quarter, from \$3.3 billion in the preceding quarter. However, for the full year, the surplus in the services balance widened to \$7.9 billion, from \$2.8 billion in 2018. Although net payments for travel and transport services rose, they were more than offset by lower net payments for other business services and charges for the use of intellectual property, as well as higher net receipts for maintenance & repair services.

For the primary income balance, the deficit widened by \$0.9 billion from the previous quarter to \$12 billion in the fourth quarter. However, for the year as a whole, the deficit narrowed to \$47 billion, from \$48 billion in 2018, as primary income receipts rose faster than payments.

CAPITAL AND FINANCIAL ACCOUNT

Net outflows from the capital and financial account¹ fell to \$15 billion in the fourth quarter, from \$19 billion in the previous quarter (Exhibit 5.3). For the year as a whole, net outflows rose to \$95 billion (19 per cent of GDP), from \$66 billion in 2018. The rise in net outflows was due to higher net outflows of portfolio investment, which outweighed an increase in the net inflows of direct investment and a decline in the net outflows of financial derivatives and “other investment”.

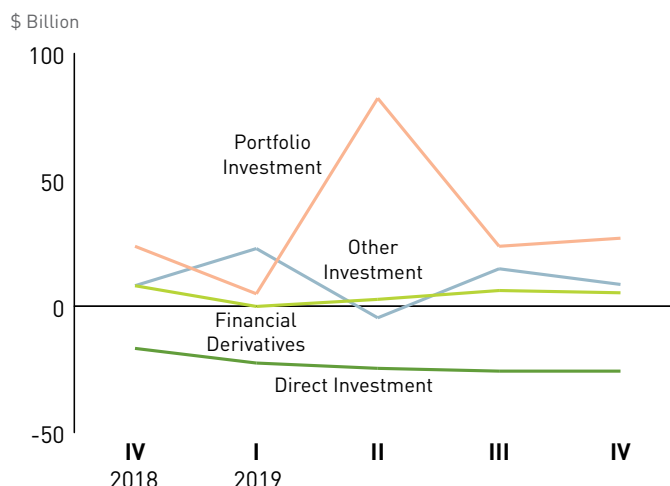
Exhibit 5.3: Capital and Financial Account Balance



In terms of the sub-components of the capital and financial account, net outflows of portfolio investment rose by \$3.2 billion in the fourth quarter to \$27 billion (Exhibit 5.4). For the full year, net outflows of portfolio investment amounted to \$138 billion, significantly larger than the \$48 billion in 2018. This was mainly due to resident deposit-taking corporations reversing from net sales to net purchases of overseas securities for the year.

Direct investment recorded net inflows amounting to \$26 billion in the fourth quarter, comparable to the previous quarter. For 2019 as a whole, net inflows of direct investment amounted to \$98 billion, higher than the \$83 billion registered in 2018. This occurred as the increase in foreign direct investment into Singapore exceeded that of residents’ direct investment abroad.

Exhibit 5.4: Components of Financial Account (Net)



Net outflows from the “other investment” account fell to \$8.6 billion in the fourth quarter, from \$15 billion in the preceding quarter. For the full year, net outflows amounted to \$42 billion, lower than the \$75 billion recorded in 2018. This was due to a shift by the non-bank private sector from a net outflow to a net inflow position, as well as smaller net outflows from deposit-taking corporations.

Financial derivatives recorded lower net outflows of \$5.3 billion in the fourth quarter, as compared to \$6.2 billion in the third quarter. Likewise, for the full year, net outflows of financial derivatives fell to \$14 billion, from the \$26 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”.