

6.7 FINANCE & INSURANCE

OVERVIEW

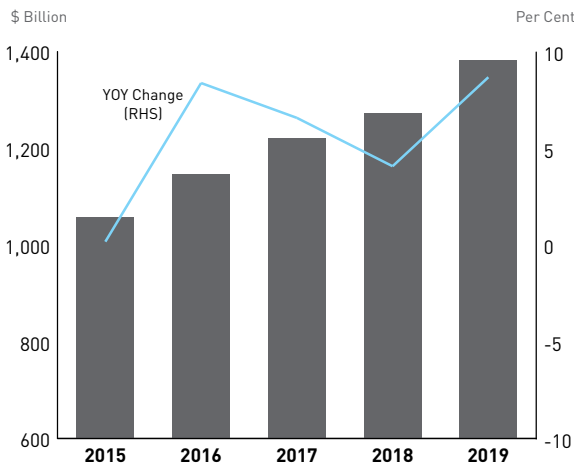
The finance & insurance sector grew by 4.0 per cent year-on-year in the fourth quarter of 2019, extending the 4.1 per cent expansion recorded in the previous quarter.

For the whole of 2019, the sector expanded by 4.1 per cent, a step-down from the 7.2 per cent growth in the preceding year.

COMMERCIAL BANKS

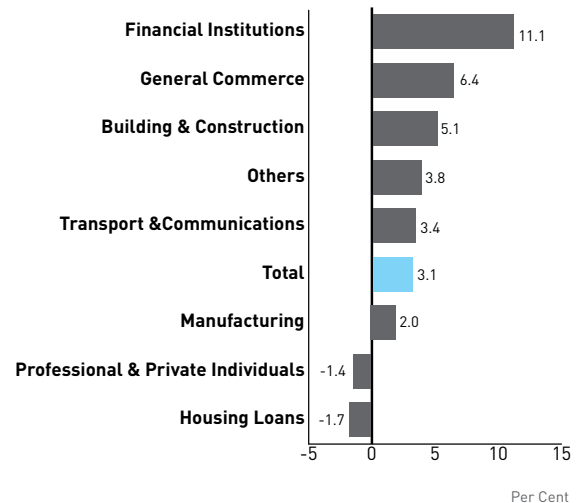
In 2019, total assets/liabilities of commercial banks increased by 8.7 per cent to \$1.4 trillion (Exhibit 6.21). Both domestic non-bank and interbank lending expanded, with credit extended to non-bank customers rising by \$21 billion (3.1 per cent).

Exhibit 6.21: Total Assets and Liabilities of Commercial Banks



Business lending rose by 5.9 per cent in 2019, improving from the 4.1 per cent growth in the preceding year. Loans to professional & private individuals for business purposes fell, but this was offset by stronger growth in loans to non-bank financial institutions, the general commerce sector, and the building & construction sector (Exhibit 6.22). Meanwhile, consumer lending contracted by 1.3 per cent, due to a decline in housing and share financing loans.

Exhibit 6.22: Growth of Bank Loans and Advances to Non-Bank Customers by Industry in 2019

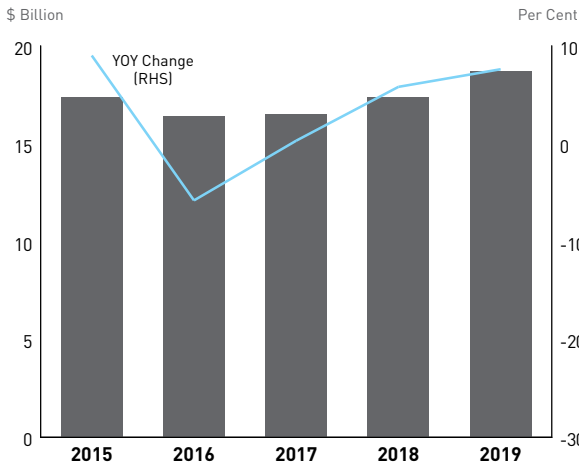


On the liabilities front, the total deposits of non-bank customers grew by 8.9 per cent in 2019, stepping up from the 3.5 per cent rise in 2018. As at end-2019, total non-bank deposits stood at \$684 billion, higher than the \$628 billion the year before, driven by strong demand for fixed deposits.

FINANCE COMPANIES

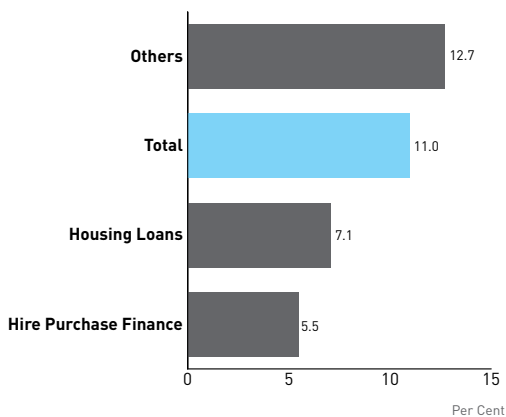
Total assets/liabilities of finance companies increased by 7.6 per cent in 2019, up from the 5.8 per cent expansion in 2018 [Exhibit 6.23].

Exhibit 6.23: Total Assets and Liabilities of Finance Companies



Non-bank lending grew by 11 per cent in 2019, a significant pickup from the 3.2 per cent growth recorded the year before, primarily driven by higher credit extended to the building & construction segment [Exhibit 6.24].

Exhibit 6.24: Growth of Loans and Advances of Finance Companies in 2019



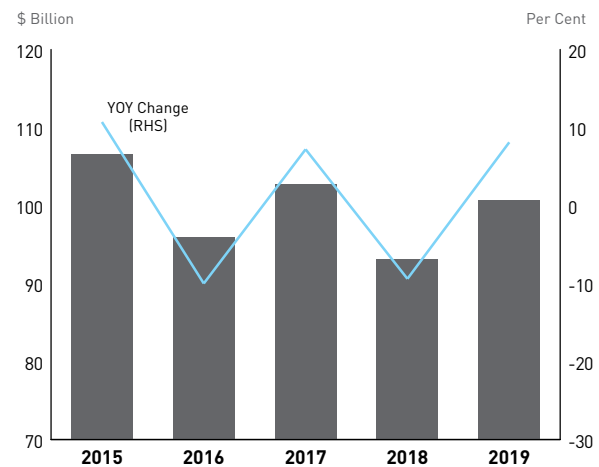
On the liabilities front, deposits of non-bank customers rose by 8.2 per cent in 2019, faster than the 6.4 per cent growth in 2018.

MERCHANT BANKS

Total asset/liabilities of merchant banks expanded by 8.1 per cent to \$101 billion as at end-2019, from the \$93 billion recorded in the previous year [Exhibit 6.25]. The increase stemmed from the offshore segment, which registered strong growth in interbank lending.

By contrast, the domestic operations of merchant banks contracted by 7.0 per cent, reversing the 8.1 per cent growth posted in 2018.

Exhibit 6.25: Total Assets and Liabilities of Merchant Banks



ASIAN DOLLAR MARKET

Total assets/liabilities of the Asian Dollar Market rose by 3.5 per cent in 2019, moderating from the 3.9 per cent growth in the previous year [Exhibit 6.26]. Growth in non-bank loan volumes picked up to 6.2 per cent, from the 5.0 per cent increase in the previous year, owing to an improvement in credit extended to East Asia. Meanwhile, interbank loans contracted by 3.8 per cent, reversing the 1.6 per cent expansion in 2018.

On the liabilities front, non-bank deposits rose by 8.2 per cent, driven by an increase in foreign currency deposits by both residents and non-residents. Conversely, interbank deposits shrank by 5.6 per cent, reversing the 2.3 per cent growth registered in the previous year.

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

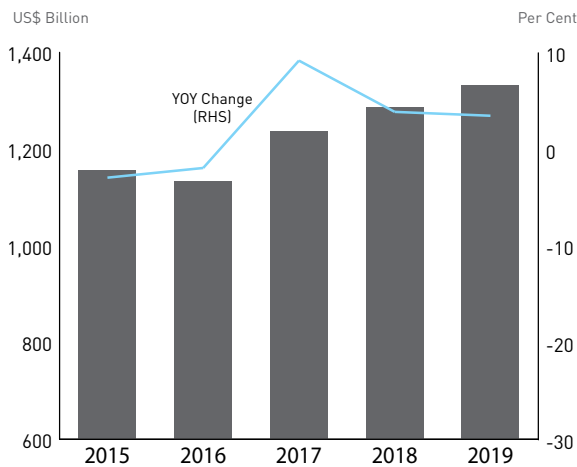
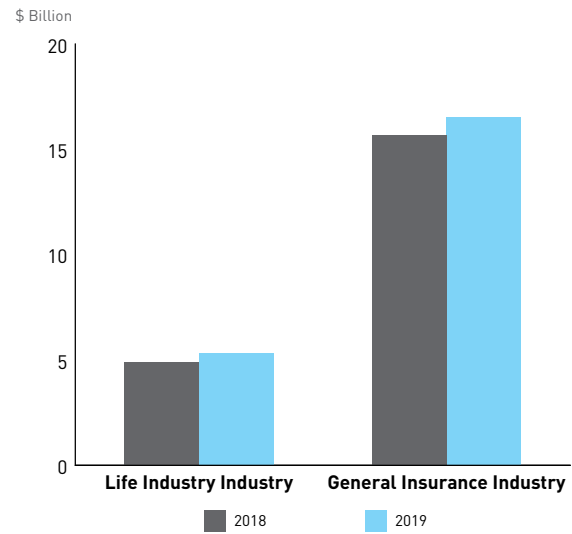


Exhibit 6.27: Premiums in the Insurance Industry



INSURANCE INDUSTRY

Total weighted new business premiums in the direct life insurance industry grew by 7.8 per cent to \$5.3 billion in 2019. Single premium business decreased by 10 per cent to \$14 billion and regular premium business grew by 16 per cent to \$3.9 billion in 2019. Overall, the net income of the direct life insurance industry increased to \$2.8 billion, from \$588 million in 2018, largely due to higher investment income.

In the general insurance industry, gross premiums edged up by 5.6 per cent to \$17 billion in 2019, with offshore and domestic businesses accounting for \$12 billion and \$4.3 billion respectively. The general insurance industry recorded an operating profit of \$373 million in 2019, a 155 per cent increase from 2018. This was attributable to improved underwriting performance as compared to 2018.

CENTRAL PROVIDENT FUND

Total CPF balances increased by 8.7 per cent to \$425 billion in 2019.

Members' contributions for the year amounted to \$40 billion, while total withdrawals reached \$21 billion, similar to the level recorded in 2018.

Total net withdrawals for housing (HDB flats and private properties) grew by 4.8 per cent to reach \$230 billion as at 31 December 2019.

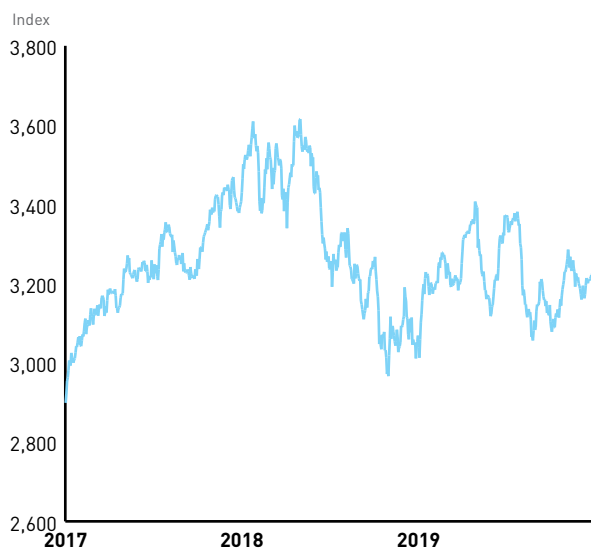
As at 31 December 2019, more than 176,000 CPF members have been included in the national annuity scheme – CPF Lifelong Income for the Elderly (CPF LIFE), which provides lifelong payouts in retirement. The CPF LIFE fund stood at \$11 billion.

STOCK MARKET

The benchmark Straits Times Index (STI) rose by 5.0 per cent in 2019, supported by accommodative monetary policies of global central banks in the face of slow global growth and elevated uncertainties, which were due in part to the US-China trade tensions.

Movements in the STI in 2019 were largely driven by changes in sentiments linked to developments in US and China relations. Sentiments eventually found a firmer footing towards the end of the year, as signs emerged that both countries would reach a deal that would signal a halt to a further escalation of tensions. Over the course of the year, global central banks like the Federal Reserve and the European Central Bank also demonstrated increased willingness to support growth by adjusting policy settings further.

Exhibit 6.28: Straits Times Index



SECURITIES MARKET

Compared to 2018, the total turnover value of the securities market decreased by 11 per cent to \$265 billion, and total turnover volume decreased by 32 per cent to 296 billion shares, in 2019. This translated to an 11 per cent fall in the average daily traded value to \$1.1 billion, and a 32 per cent decline in average daily traded volume to 1.2 billion shares.

At the end of 2019, the total number of listed companies in Singapore was 723, with a combined market capitalisation of \$938 billion, a 0.1 per cent increase from 2018. 507 of the companies were listed on SGX's Mainboard, while the other 216 companies were listed on SGX's Catalist.

DERIVATIVES MARKET

In 2019, SGX's derivatives market activity increased by 10 per cent to 240 million contracts. Compared to 2018, total futures trading volume increased by 10 per cent to 224 million, while options on futures trading volume grew by 13 per cent to 16 million contracts. The most actively-traded contracts were the FTSE China A50 Index Futures, the Nikkei 225 Stock Index and the MSCI Taiwan Index Futures, which formed 59 per cent of the total volume traded on SGX's derivatives trading platform.

FOREIGN EXCHANGE MARKET

In 2019, the British Pound and Japanese Yen strengthened by 3.9 per cent and 1.0 per cent against the US Dollar respectively, while the Euro fell by 2.2 per cent. The Pound outperformed as the UK and EU successfully negotiated an agreement for UK's exit from the EU, resulting in a reduction in Brexit uncertainty. The Yen rose slightly as the Bank of Japan kept its monetary policy relatively unchanged throughout the year. The US Dollar was weighed down by the Federal Reserve's decision to cut interest rates three times over the course of the year, while easing trade tensions between US and China towards the end of 2019 also reduced safe haven demand for the US Dollar. Lacklustre growth and inflation data in the Eurozone contributed to the underperformance of the Euro.