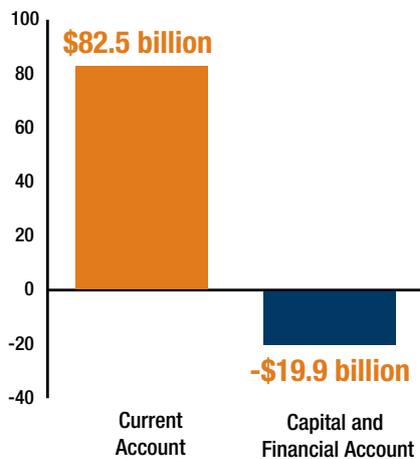


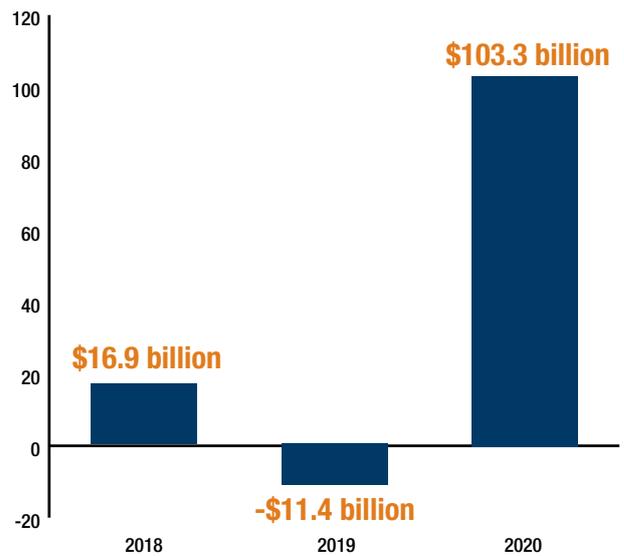
CHAPTER 5

BALANCE OF PAYMENTS

Singapore's balance of payments surplus came in at **\$103.3 billion** at the end of 2020



BALANCE OF PAYMENTS TREND



COMPONENTS OF CURRENT ACCOUNT

Goods balance



\$129.2 billion

Services balance



\$20.5 billion

Primary income balance



-\$57.3 billion

Secondary income balance



-\$9.9 billion

COMPONENTS OF CAPITAL & FINANCIAL ACCOUNT

Direct investment



-\$76.0 billion

Portfolio investment



\$71.0 billion

Financial derivatives



\$19.1 billion

Other investment



-\$34.0 billion

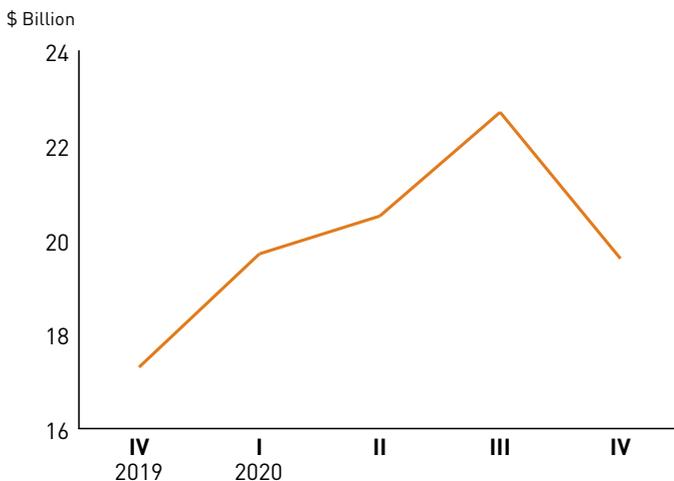
OVERVIEW

Singapore's overall balance of payments rose to \$37 billion in the fourth quarter of 2020, from \$14 billion in the third quarter. For the year as a whole, the overall balance of payments registered a surplus of \$103 billion, reversing the deficit of \$11 billion in 2019. This was mainly due to net inflows into the capital and financial account, which was a reversal from the net outflows in 2019. As a result, Singapore's official foreign reserves rose to \$479 billion at the end of 2020.

CURRENT ACCOUNT

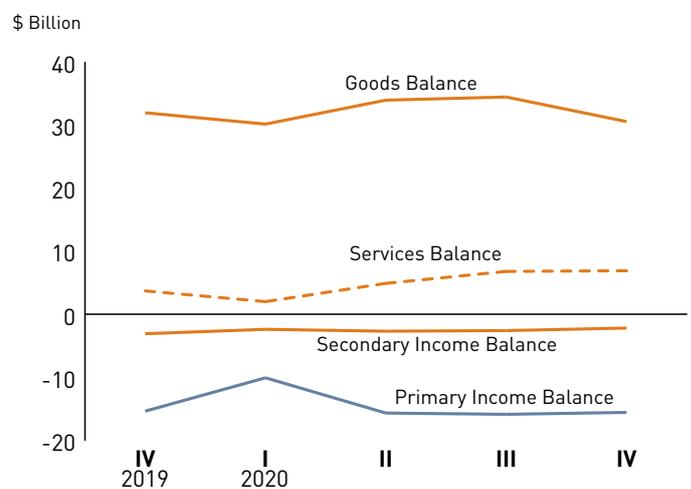
The current account surplus narrowed to \$20 billion in the fourth quarter, from \$23 billion in the third quarter (Exhibit 5.1). For 2020 as a whole, the surplus rose by \$9.6 billion to \$82 billion (18 per cent of GDP). This increase was driven by a larger surplus in the services balance and smaller deficits in both the primary and secondary income balances, which more than offset a decline in the goods surplus.

Exhibit 5.1: Current Account Balance



In terms of the sub-components of the current account, the goods balance saw its surplus decline by \$3.9 billion from the third quarter to \$31 billion in the fourth quarter, as imports rose by more than exports (Exhibit 5.2). For the 2020 as a whole, the goods balance registered a smaller surplus of \$129 billion, compared to the \$132 billion in 2019, as the exports of goods fell by more than imports.

Exhibit 5.2: Components of Current Account Balance



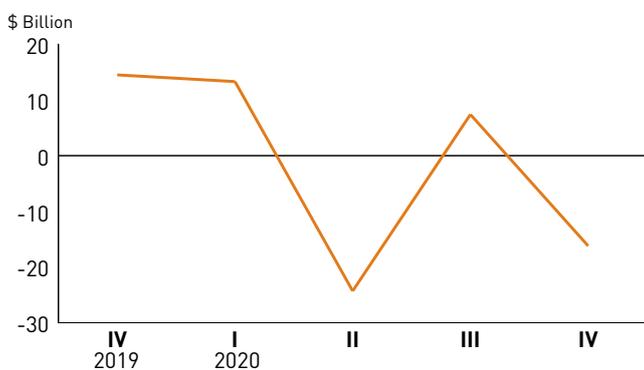
The surplus in the services balance came in at \$6.9 billion in the fourth quarter, broadly unchanged from the preceding quarter. However, for the whole of 2020, the surplus in the services balance widened to \$21 billion, from \$12 billion in 2019. This was driven mainly by lower net payments for travel services and a shift from net payments to net receipts for transport services.

For the primary income balance, the deficit narrowed slightly by \$0.3 billion from the previous quarter to \$16 billion in the fourth quarter. For the year as a whole, the deficit declined to \$57 billion, from \$61 billion in 2019, as primary income payments fell by more than receipts.

CAPITAL AND FINANCIAL ACCOUNT

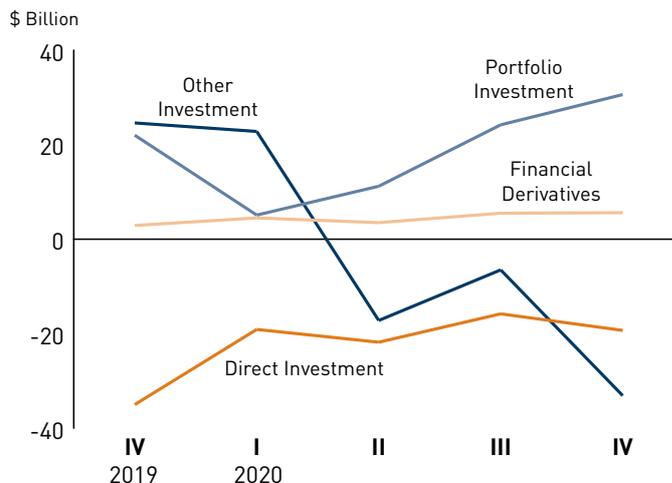
The capital and financial account¹ registered a net inflow of \$16 billion in the fourth quarter, in contrast to the net outflow of \$7.4 billion in the preceding quarter (Exhibit 5.3). For 2020 as a whole, net inflows came in at \$20 billion (4.2 per cent of GDP), a reversal from the net outflows of \$84 billion in 2019. The reversal primarily reflected lower net outflows of portfolio investment and a shift in “other investment” from a net outflow to a net inflow position. These factors outweighed a decline in the net inflows of direct investment and an increase in the net outflows of financial derivatives.

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 \$6.4 billion in the fourth quarter to \$31 billion (Exhibit 5.4). For the full year, net outflows of portfolio investment amounted to \$71 billion, less than half the \$145 billion of net outflows recorded in 2019. This was partly due to a shift from a net outflow position in resident deposit-taking corporations in 2019 to a net inflow position in 2020, as resident banks switched to selling overseas securities from net purchases in the previous year.

Exhibit 5.4: Components of Financial Account (Net)



Net inflows of “other investment” increased to \$33 billion in the fourth quarter, from \$6.5 billion in the preceding quarter. For the full year, net inflows were \$34 billion, a turnaround from the net outflows of \$21 billion in 2019. This was partly attributable to an increase in net inflows to the domestic non-bank private sector, as liabilities to non-residents grew and assets abroad fell.

Direct investment saw net inflows amounting to \$19 billion in the fourth quarter, higher than the \$16 billion in previous quarter. For 2020 as a whole, net inflows of direct investment fell by \$19 billion to \$76 billion, as the decline in foreign direct investment into Singapore exceeded the fall in residents’ direct investment abroad.

Net outflows of financial derivatives came in at \$5.6 billion in the fourth quarter, largely unchanged from the previous quarter. For the full year of 2020, net outflows of financial derivatives rose to \$19 billion, from \$13 billion in 2019.

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”.

