6.9 FINANCE & INSURANCE

OVERVIEW

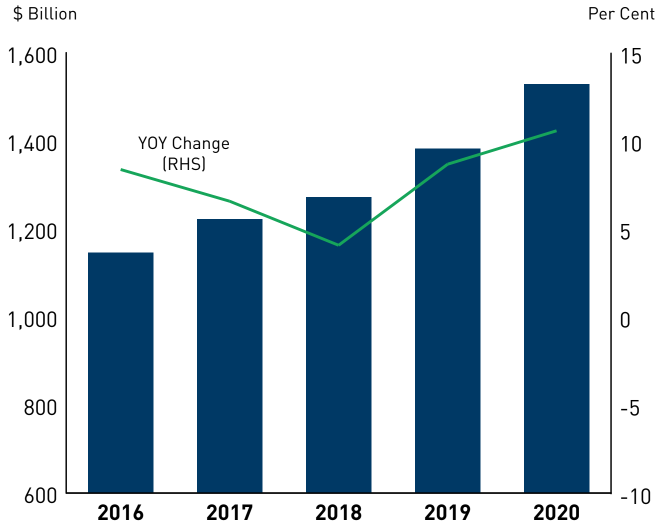
The finance & insurance sector grew by 4.9 per cent year-on-year in the fourth quarter of 2020, an improvement from the 4.2 per cent expansion in the previous quarter.

For the whole of 2020, the sector expanded by 5.0 per cent, moderating from the 7.8 per cent growth in the preceding year.

COMMERCIAL BANKS

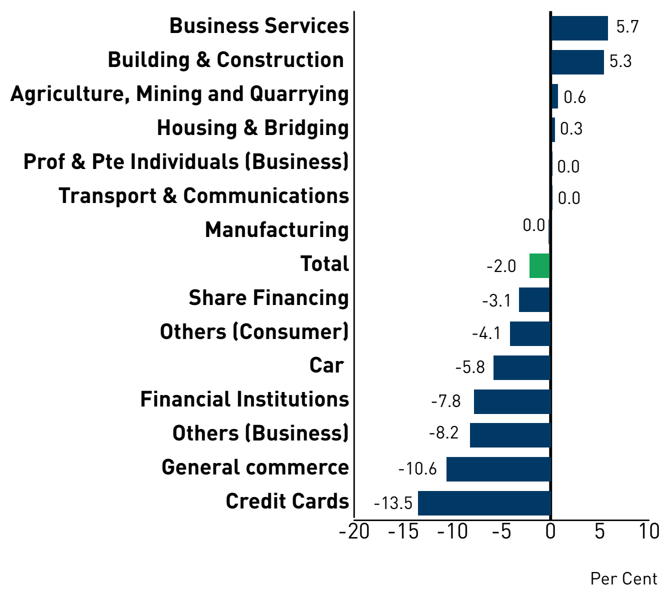
In 2020, total assets and liabilities of commercial banks increased by 11 per cent to $1.5 trillion (Exhibit 6.20). Domestic interbank lending rose by $112 billion (33 per cent), while domestic credit extended to non-bank customers fell by $14 billion (-2.0 per cent).

Exhibit 6.20: Total Assets and Liabilities of Commercial Banks



On the assets side, business lending contracted by 2.4 per cent in 2020, reversing the 5.9 per cent expansion in the preceding year. The decline was due to a sharp fall in lending to the general commerce sector and non-bank financial institutions, which was partially offset by resilient demand for loans in the building & construction sector. Meanwhile, consumer lending fell by 1.2 per cent, broadly similar to last year, due to the decline in credit cards and other loans (Exhibit 6.21).

Exhibit 6.21: Growth of Bank Loans and Advances to Non-Bank Customers by Industry in 2020

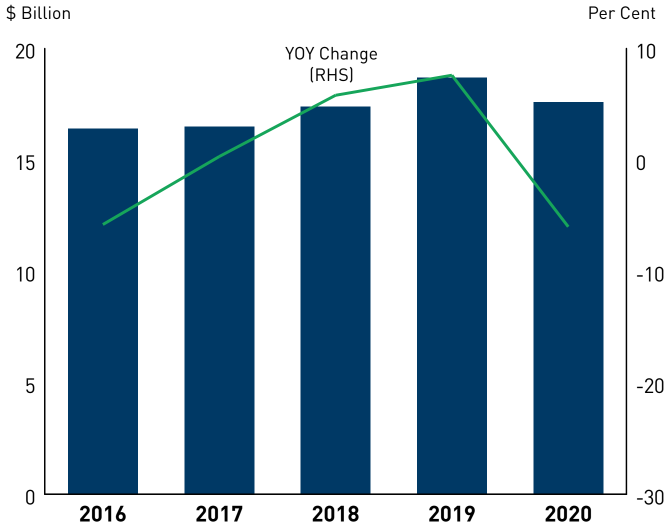


On the liabilities front, total deposits of non-bank customers grew rapidly by 12 per cent in 2020, higher than the 8.9 per cent increase in the previous year. As at end-2020, total non-bank deposits amounted to $764 billion, compared to $684 billion in the year before, driven by strong growth in demand and savings deposits.

FINANCE COMPANIES

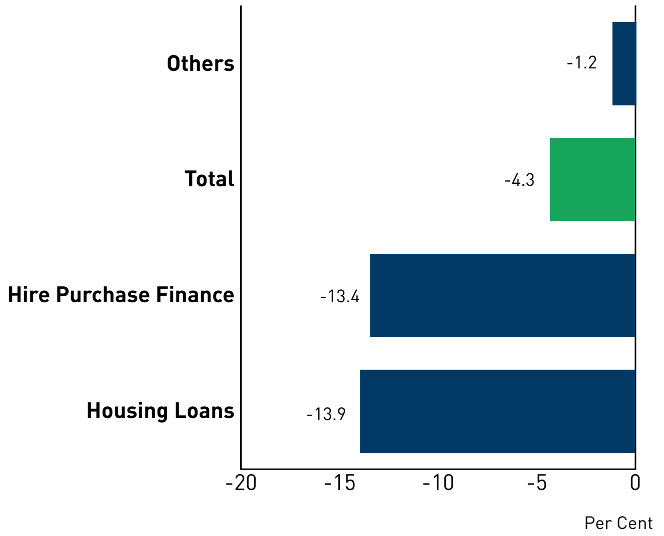
Total assets/liabilities of finance companies contracted by 6.0 per cent in 2020 to $18 billion, in contrast to the 7.6 per cent expansion in 2019 (Exhibit 6.22).

Exhibit 6.22: Total Assets and Liabilities of Finance Companies



Non-bank lending fell by 4.3 per cent in 2020, a reversal from the 11 per cent expansion recorded the year before, with contractions in both the hire purchase finance and housing loan segments (Exhibit 6.23). Meanwhile, the deposits of non-bank customers fell by 8.1 per cent in 2020, a reversal of the 8.2 per cent growth in 2019.

Exhibit 6.23: Growth of Loans and Advances of Finance Companies in 2020

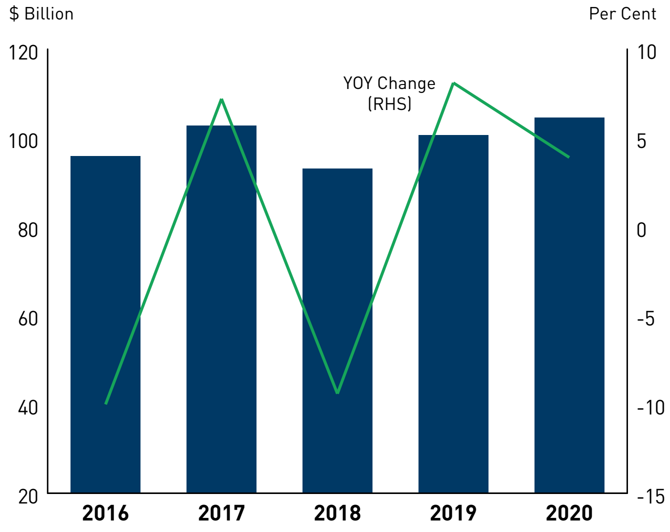


MERCHANT BANKS

Total assets/liabilities of merchant banks rose by 3.9 per cent to $105 billion in 2020, moderating from the 8.1 per cent growth in the previous year (Exhibit 6.24). The pickup stemmed from the offshore segment, which registered strong growth in interbank lending.

Meanwhile, the domestic operations of merchant banks expanded by 0.3 per cent, a turnaround from the 7.0 per cent contraction posted in 2019.

Exhibit 6.24: Total Assets and Liabilities of Merchant Banks



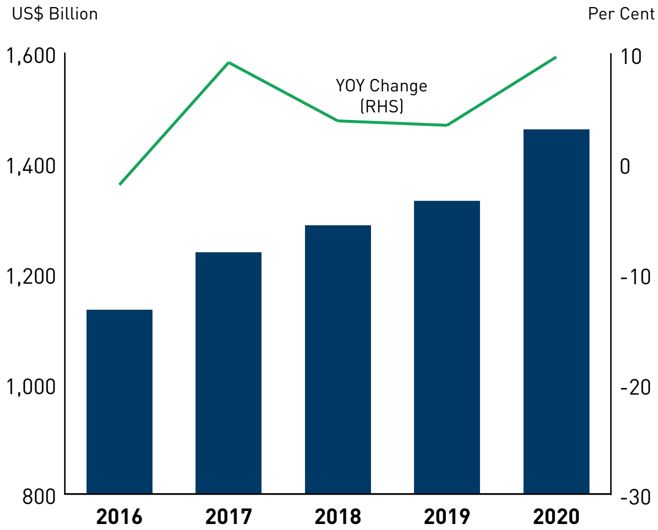
ASIAN DOLLAR MARKET

Total assets/liabilities of the Asian Dollar Market recorded an expansion of 9.7 per cent in 2020, accelerating from the 3.5 per cent growth in the previous year (Exhibit 6.25).

On the assets side, interbank loans grew by 11 per cent, reversing the 3.8 per cent contraction in 2019. Meanwhile, growth in non-bank loan volumes was only 1.7 per cent in 2020, compared to 6.2 per cent the year before. While credit demand from East Asia continued to support loans growth last year, it had moderated from that seen in 2019.

On the liabilities front, non-bank deposits rose by 10 per cent, driven by an increase in foreign currency deposits by non-residents. Meanwhile, interbank deposits expanded by 3.0 per cent, reversing the 5.6 per cent contraction registered in the previous year.

Exhibit 6.25: Total Assets and Liabilities of the Asian Dollar Market

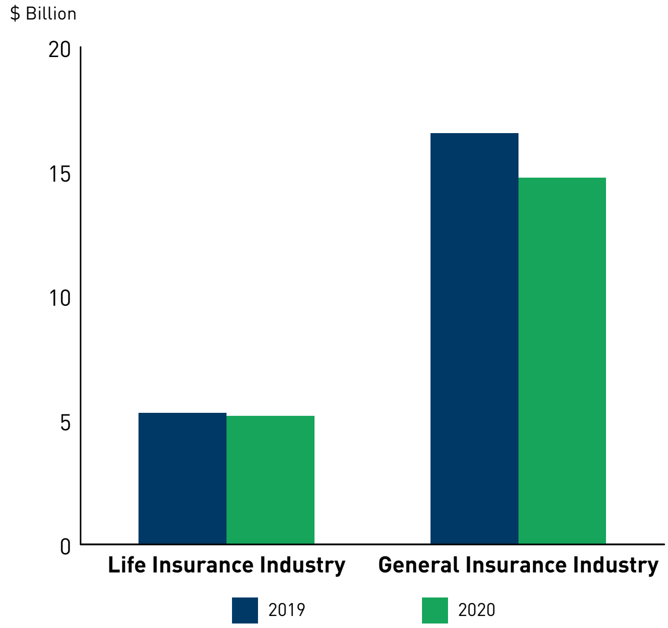


INSURANCE INDUSTRY

Total weighted new business premiums in the direct life insurance industry declined by 2.1 per cent to $5.2 billion in 2020 (Exhibit 6.26). Single premium business increased by 37 per cent to $18.6 billion, while regular premium business declined by 16 per cent to $3.3 billion in 2020. Overall, the net income of the direct life insurance industry decreased by 16 per cent to $2.4 billion in 2020, largely due to lower investment income.

In the general insurance industry, gross premiums declined by 11 per cent to $14.7 billion in 2020, with offshore and domestic businesses accounting for $12 billion and $4.3 billion respectively. The general insurance industry recorded an operating profit of $1 billion in 2020, largely due to improved underwriting performance.

Exhibit 6.26: Premiums in the Insurance Industry



CENTRAL PROVIDENT FUND

Total CPF balances grew by 8.7 per cent to $462 billion in 2020.

Members' contributions for the year amounted to $41 billion, while total withdrawals reached $21 billion, similar to that recorded in 2019.

Total net withdrawals for housing (HDB flats and private properties) rose by 3.9 per cent to reach $239 billion as at 31 December 2020.

As at 31 December 2020, more than 178,000 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 $12 billion.

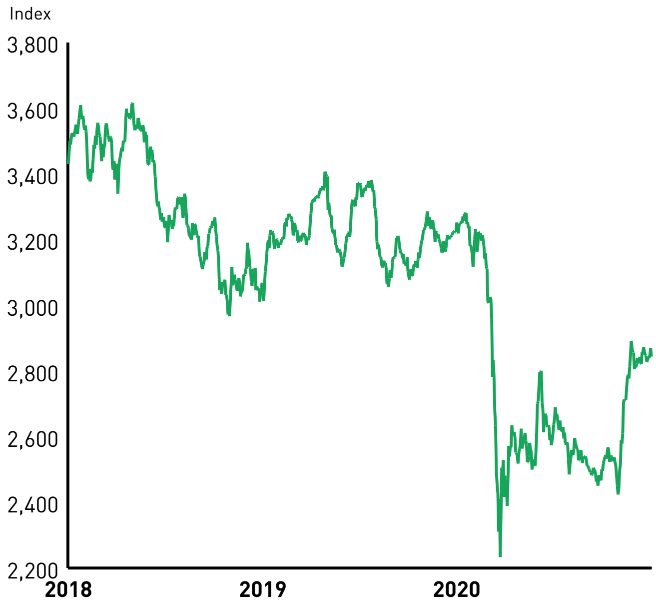
STOCK MARKET

The benchmark Straits Times Index (STI) plunged in the first quarter of 2020, reaching its nadir on 23 March, 31 per cent below where it began in 2020 (Exhibit 6.27). The market rout was precipitated by the rising tide of national lockdowns in response to the COVID-19 outbreak, as well as the concomitant decline in oil prices after a price war erupted among the world's biggest producers.

However, the stock market sell-off in March was quickly followed by a market rally fueled by aggressive stimulus packages rolled out by central banks and governments. For the full year of 2020, the STI declined by 12 per cent, recovering more than half of the loss recorded in the first quarter.

Volatility in capital markets remained elevated throughout the year. The recurring waves of COVID-19 infections which triggered the re-opening and re-closing of economies, and further government stimulus, drove market turnover volumes higher on a year-ago basis.

Exhibit 6.27: Straits Times Index



SECURITIES MARKET

In 2020, the total turnover value of the securities market increased by 35 per cent to $358 billion, and total turnover volume increased by 49 per cent to 442 billion shares, compared with 2019. This translated to a 34 per cent increase in the average daily traded value to $1.4 billion, while the average daily traded volume increased by 48 per cent to 1.7 billion shares.

At the end of 2020, the total number of listed companies in Singapore was 696, with a combined market capitalisation of $862 billion, which was 8.1 per cent lower than 2019's level. In 2020, there were 479 companies listed on SGX's Mainboard while the other 217 companies were listed on SGX's Catalist.

DERIVATIVES MARKET

In 2020, SGX's derivatives market activity increased by 3 per cent to 247 million contracts. Compared to 2019, total futures trading volume increased by 5 per cent to 235 million, while options on futures trading volume decreased by 22 per cent to 12 million contracts. The most actively-traded contracts were the FTSE, China A50 Index Futures, the Nikkei 225 Stock Index and the CNX Nifty Futures, which formed 59 per cent of the total volume traded on SGX's derivatives trading platform.

FOREIGN EXCHANGE MARKET

In 2020, the Euro, Japanese Yen and British Pound strengthened against the US Dollar, by 8.9 per cent, 5.2 per cent and 3.1 per cent respectively. The US Dollar initially strengthened to a three-year high in the first quarter of 2020, driven by safe haven demand amidst the COVID-19 outbreak. Subsequently, the US Dollar weakened as the provision of an unprecedented level of monetary and fiscal support by governments and central banks globally provided a boost to risk sentiment and expectations of a global recovery. The Fed had room to cut rates more than the other G4 central banks, and the relatively larger magnitude of Fed rate cuts also drove the weakness in the US Dollar. Towards the end of the year, positive news on COVID-19 vaccines led to further improvements in risk sentiment alongside another bout of US Dollar weakness. The Pound was also supported towards year-end by the successful negotiation of an agreement for the UK's exit from the EU.