Chapter 6.9

FINANCE & INSURANCE

OVERVIEW

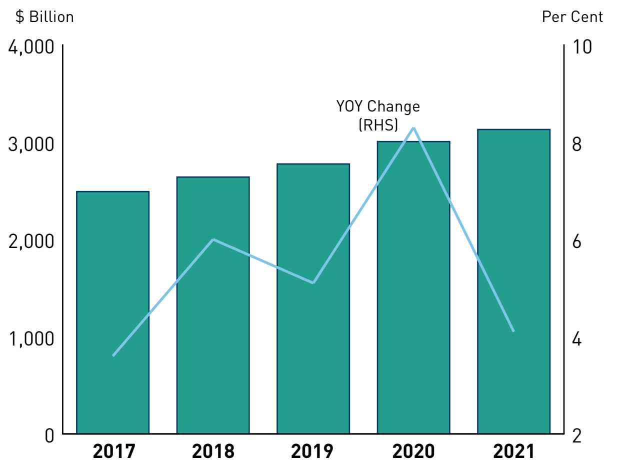
The finance & insurance sector grew by 5.6 per cent year-on-year in the fourth quarter of 2021, moderating from the 8.5 per cent expansion in the previous quarter.

For the whole of 2021, the sector expanded by 7.4 per cent, faster than the 6.9 per cent growth achieved in the preceding year.

COMMERCIAL BANKS

In 2021, total assets/liabilities of commercial banks increased by 4.1 per cent to $3.1 trillion (Exhibit 6.19).

Exhibit 6.19: Total Assets and Liabilities of Commercial Banks



The expansion in the total assets/liabilities of commercial banks was driven by robust lending to both residents and non-residents in the non-bank segments. The former was largely supported by housing & bridging and building & construction loans (Exhibit 6.20), while the latter was buttressed by loans for financial & insurance and manufacturing activities (Exhibit 6.21).

Exhibit 6.20: Loans and Advances to Residents by Industry in 2021

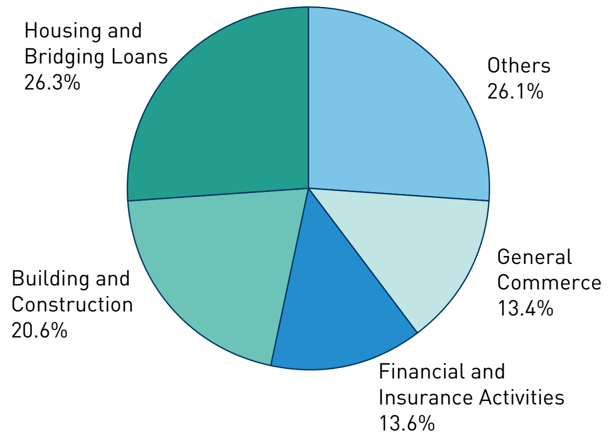
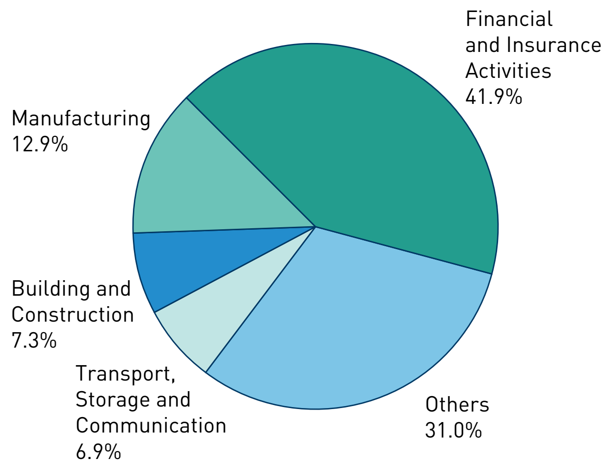


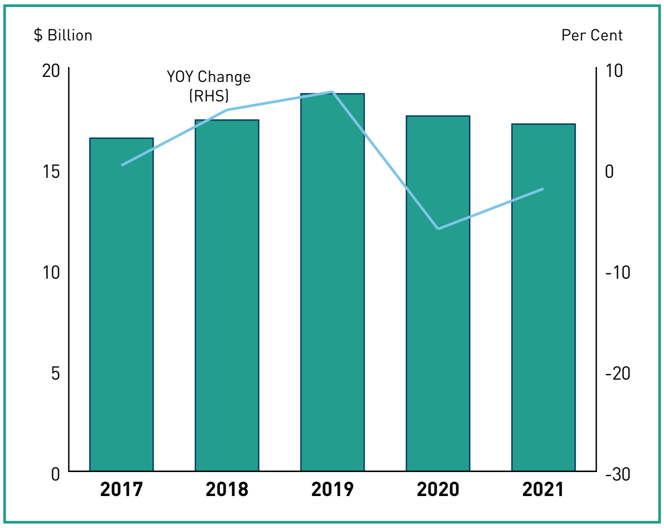
Exhibit 6.21: Loans and Advances to Non-Residents by Industry in 2021



FINANCE COMPANIES

The total assets/liabilities of finance companies contracted by 2.0 per cent in 2021 to $17.2 billion, a smaller decline compared to the 6.0 per cent contraction in 2020 (Exhibit 6.22).

Exhibit 6.22: Total Assets and Liabilities of Finance Companies



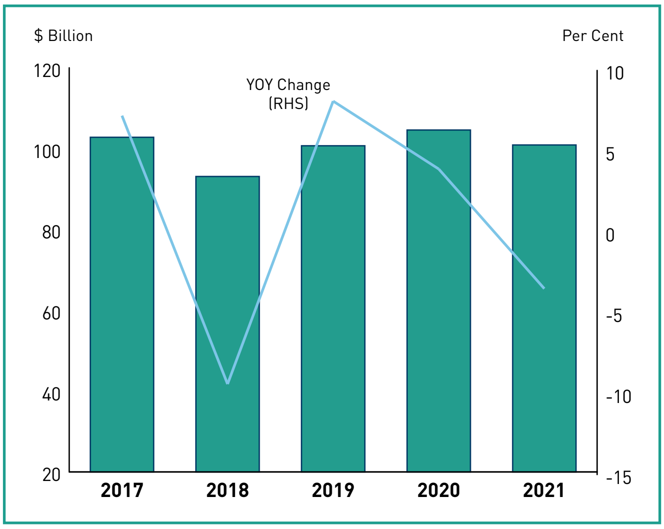
Non-bank lending fell by 1.1 per cent in 2021, following the 4.3 per cent contraction recorded in 2020, as the hire purchase and housing segments remained sluggish (Exhibit 6.23). Meanwhile, deposits of non-bank customers fell by 2.7 per cent in 2021, extending the 8.1 per cent decline in the preceding year.

Exhibit 6.23: Growth of Loans and Advances of Finance Companies in 2021

MERCHANT BANKS

The total assets/liabilities of merchant banks fell by 3.5 per cent to $101 billion in 2021, a reversal from the 3.9 per cent growth in the previous year (Exhibit 6.24). The contraction stemmed from a decline in interbank lending, which was partially offset by steady growth in loans and advances to non-bank customers.

Exhibit 6.24: Total Assets and Liabilities of Merchant Banks

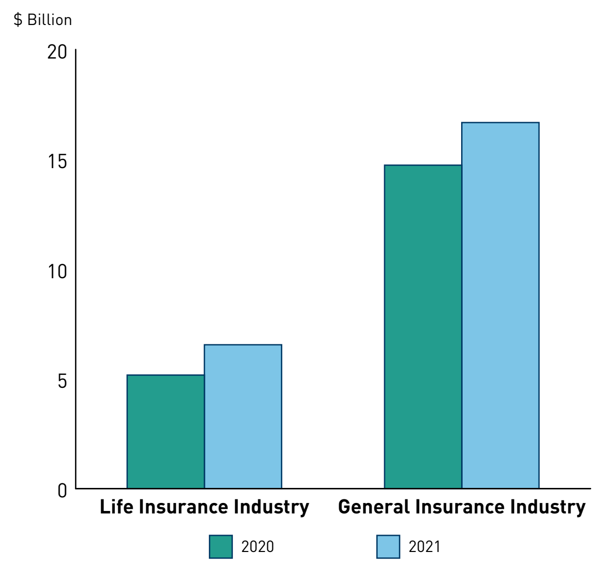


INSURANCE INDUSTRY

Total weighted new business premiums in the direct life insurance industry increased by 26.7 per cent to $6.5 billion in 2021 (Exhibit 6.25)[11]. Single premium business expanded by 39.8 per cent to $26.0 billion and regular premium business increased by 19.3 per cent to $3.9 billion. However, the net income of the direct life insurance industry decreased by 23.5 per cent to $1.6 billion in 2021, dragged down by lower investment income.

In the general insurance industry, gross premiums increased by 13.2 per cent to $16.7 billion in 2021, with offshore and domestic businesses accounting for $12.0 billion and $4.7 billion respectively. The general insurance industry recorded an operating profit of $1.2 billion in 2021, largely due to improved underwriting activity.

Exhibit 6.25: Premiums in the Insurance Industry

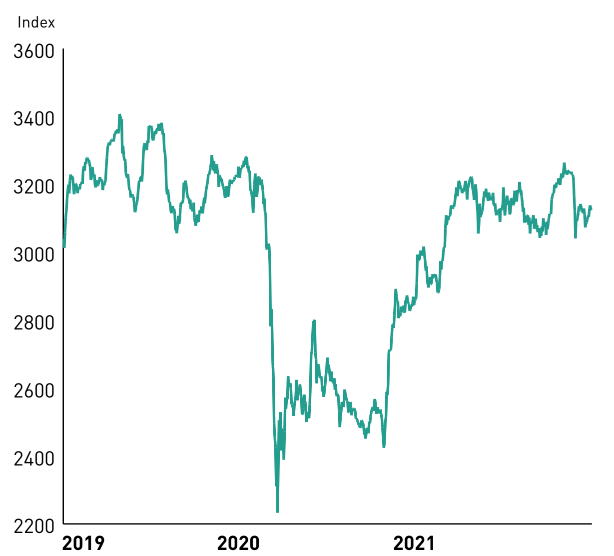


STOCK MARKET

The benchmark Straits Times Index (STI) rose by 9.8 per cent in 2021, a rebound from the 11.8 per cent decline in 2020 (Exhibit 6.26). The market rallied in the first half of the year, underpinned by positive sentiments for banks, semiconductors, energy and trade-oriented industries on the back of firm external demand, while domestic consumer-facing industries also saw some recovery as COVID-19 restrictions were progressively eased.

In the second half of the year, the growth momentum moderated as the emergence of the Delta and Omicron variants, and their attendant restrictions, dampened activity in the domestic consumer-facing sectors. Nonetheless, market sentiment was generally buoyant in 2021, aided by swift vaccine rollouts and accommodative policy settings by major central banks globally.

Exhibit 6.26: Straits Times Index



11 *The premiums for the direct life insurance industry refer to total weighted new business premiums, while that for the general insurance industry refer to gross premiums.*

SECURITIES MARKET

In 2021, the total turnover value of the securities market decreased by 8.2 per cent to $329 billion, while the total turnover volume increased by 8.2 per cent to 478 billion shares, compared with 2020. These translated to an 8.5 per cent decline in the average daily traded value to $1.3 billion, while the average daily traded volume increased by 7.8 per cent to 1.9 billion shares.

At the end of 2021, the total number of listed companies in Singapore was 673, with a combined market capitalisation of $897 billion, a 4.0 per cent increase from 2020. In 2021, there were 456 companies listed on SGX's Mainboard while the remaining 217 companies were listed on SGX's Catalist.

DERIVATIVES MARKET

In 2021, SGX's derivatives market activity decreased by 6.2 per cent to 232 million contracts. Compared to 2020, total futures trading volume fell by 5.2 per cent to 223 million, while options on futures trading volume decreased by 25.2 per cent to 9.3 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 59.0 per cent of the total volume traded on SGX's derivatives trading platform.

FOREIGN EXCHANGE MARKET

In 2021, the Euro, Japanese Yen and British Pound weakened against the US Dollar, by 6.9 per cent, 11.4 per cent and 1.0 per cent, respectively. The US Dollar initially strengthened year-on-year in the first quarter of 2021 as investors expected a robust rebound in growth compared to a year ago given the progress in vaccine deployment, as well as the prospects of further fiscal stimulus in the US. However, the Federal Reserve (the "Fed") Chairman Powell's dovish speeches and reiteration of "transitory inflation" tempered expectations of policy rate increases and blunted the rise in the US Dollar in the second quarter of 2021. Nevertheless, with inflation rates surprising on the upside, alongside a hawkish pivot in the Fed's rhetoric at its June 2021 meeting where the Federal Open Market Committee (FOMC) participants pencilled in more policy rate hikes than expected, the US Dollar resumed its upward trek in the second half of 2021. Relative to the Euro and the Japanese Yen, the Pound was also supported towards the end of 2021 by an increase in the Bank of England's policy rate as inflation rose to its highest level in 30 years.