FINANCE & INSURANCE

OVERVIEW

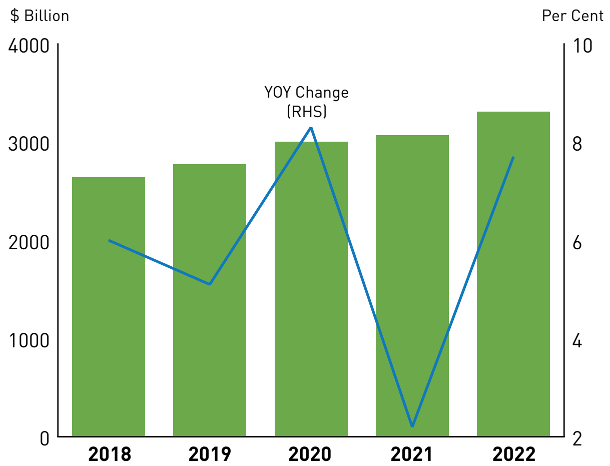
The finance & insurance sector contracted by 0.3 per cent year-on-year in the fourth quarter of 2022, a reversal from the 0.5 per cent expansion in the previous quarter.

For the whole of 2022, the sector expanded by 1.4 per cent, moderating from the 8.3 per cent growth in the preceding year.

COMMERCIAL BANKS

In 2022, total assets/liabilities of commercial banks increased by 7.7 per cent to $3.3 trillion (Exhibit 6.19).

Exhibit 6.19: Total Assets/Liabilities of Commercial Banks



On the assets side, domestic interbank lending rose by $3.4 billion (2.0 per cent). However, domestic credit extended to non-bank customers fell by $34.8 billion (-2.6 per cent), with total loans and advances to residents contracting by 0.3 per cent.

Exhibit 6.20: Growth of Commercial Bank Loans and Advances to Residents by Industry in 2022

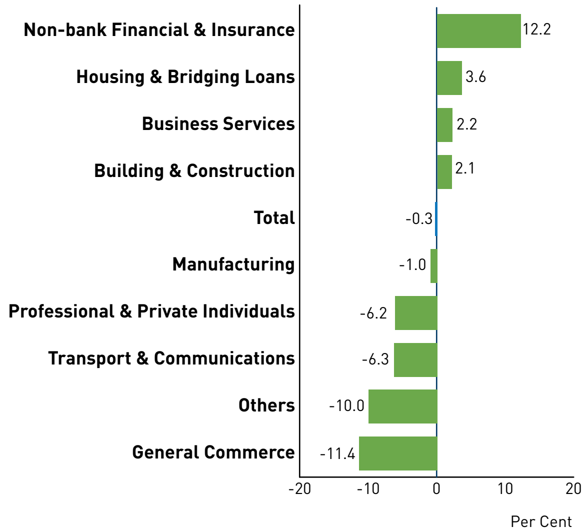
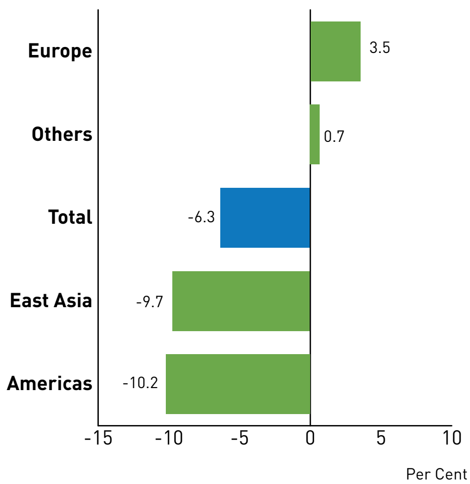


Exhibit 6.21: Growth of Commercial Bank Loans and Advances to Non-Residents by Region in 2022



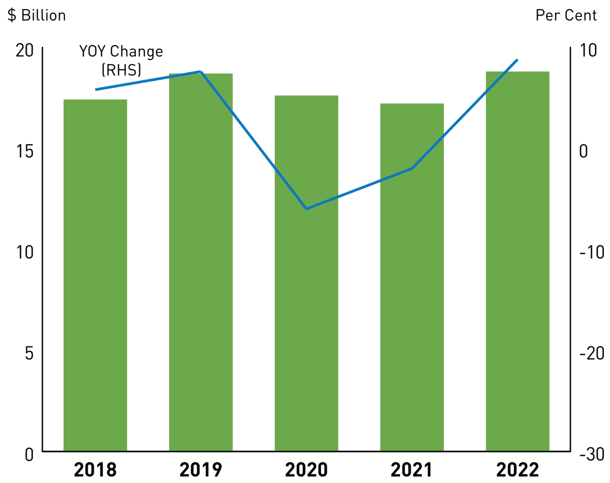
Business lending shrank by 0.8 per cent, weighed down mainly by a decline in loans to the general commerce and transport & communications sectors, although this was partially offset by resilient demand for loans from the non-bank financial & insurance and business services sectors (Exhibit 6.20). In comparison, consumer lending expanded by 0.6 per cent. Growth in this segment was mainly attributed to a pickup in housing & bridging loans, even as car loans and share financing weakened. Meanwhile, loans to non-residents contracted by 6.3 per cent, with East Asia and the Americas contributing the most to the decline (Exhibit 6.21).

On the liabilities front, the total deposits of non-bank customers grew by 7.3 per cent in 2022. As of end-2022, total non-bank deposits amounted to $1.7 trillion, higher than the $1.6 trillion in the year before, mainly driven by a 70.7 per cent increase in fixed deposits.

FINANCE COMPANIES

Total assets/liabilities of finance companies grew by 8.8 per cent in 2022 to $18.8 billion, a reversal from the 2.0 per cent contraction in 2021 (Exhibit 6.22).

Exhibit 6.22: Total Assets/Liabilities of Finance Companies



Non-bank lending expanded by 8.5 per cent in 2022, in contrast to the 1.1 per cent decline in the previous year, as housing loans and hire purchase finance recorded firm growth (Exhibit 6.23). Meanwhile, deposits of non-bank customers also rose by 10.8 per cent in 2022, turning around from the 2.7 per cent contraction in 2021.

Exhibit 6.23: Growth of Loans and Advances of Finance Companies in 2022

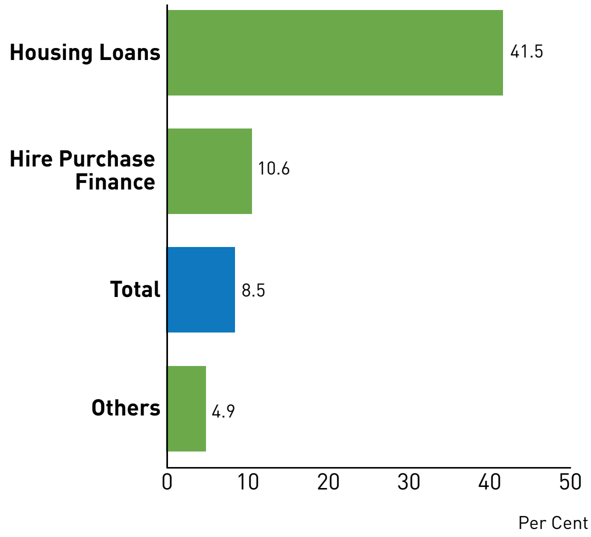
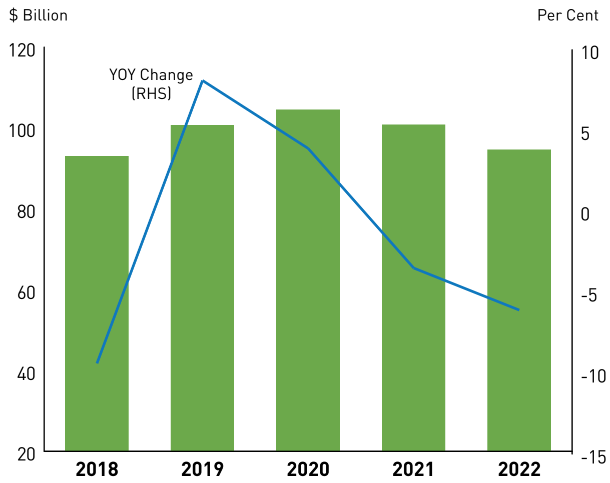


Exhibit 6.24: Total Assets/Liabilities of Merchant Banks



MERCHANT BANKS

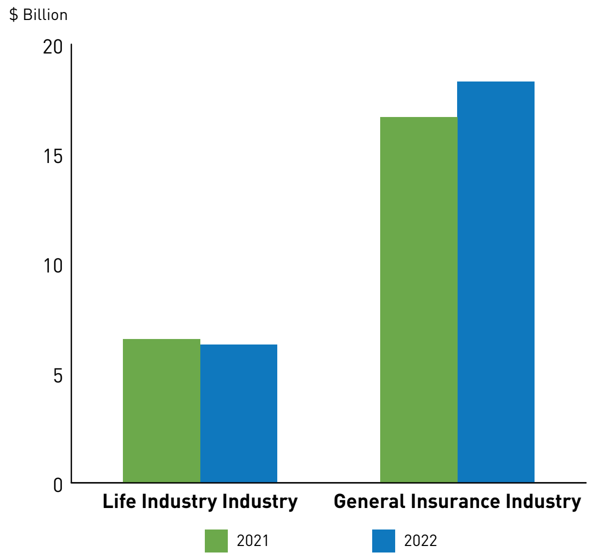
Total assets/liabilities of merchant banks shrank by 6.1 per cent to $94.7 billion in 2022, extending the 3.5 per cent decline in the previous year (Exhibit 6.24). The contraction stemmed from a decline in loans & advances to non-bank customers and interbank lending.

INSURANCE INDUSTRY

Total weighted new business premiums in the direct life insurance industry fell by 4.1 per cent to $6.3 billion in 2022 (Exhibit 6.25). Single premium business declined by 9.4 per cent to $23.5 billion, while regular premium business decreased by 0.6 per cent to $3.9 billion. Overall, the net income of the direct life insurance industry contracted significantly from $1.6 billion in 2021 to -$1.5 billion in 2022, largely due to a fall in investment income.

In the general insurance industry, gross premiums increased by 9.7 per cent to $18.3 billion in 2022, with offshore and domestic businesses accounting for $12.9 billion and $5.4 billion respectively. The general insurance industry recorded an operating profit of $0.5 billion in 2022, down from the $1.2 billion in the previous year, largely due to poorer investment income.

Exhibit 6.25: Premiums in the Insurance Industry

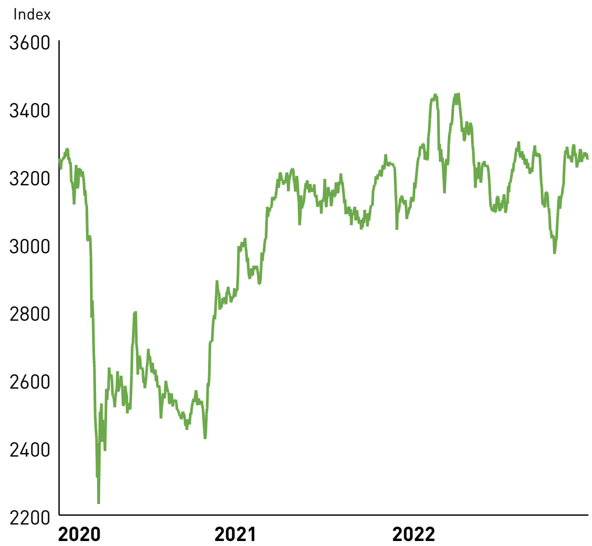


STOCK MARKET

The benchmark Straits Times Index (STI) built on its recovery from end-2021 into early 2022, alongside the pickup in economic activity. However, the onset of the Russia-Ukraine war in late February dented its growth momentum. Thereafter, the attendant rise in global inflation prompted central banks to tighten financial conditions aggressively, which led to the repricing of financial assets. The ensuing market volatility led to a fall in risk sentiment and the STI reached a nadir in late October.

The STI saw an uptick in the last two months of the year as global inflation started to show signs of peaking. Overall, the STI grew by 4.1 per cent in 2022 (Exhibit 6.26), supported by equities in the banking and travel-related sectors. The former benefitted from the higher interest rate environment, while the latter was buoyed by the ongoing recovery in tourism flows.

Exhibit 6.26: Straits Times Index



SECURITIES MARKET

In 2022, the total turnover value of the securities market shrank by 6.2 per cent to $308 billion, and total turnover volume fell by 26.0 per cent to 354 billion shares, compared with 2021. This translated to a 5.0 per cent fall in the average daily traded value to $1.2 billion, and a 25.1 per cent contraction in the average daily traded volume to 1.4 billion shares.

At the end of 2022, the total number of listed companies in Singapore was 651, with a combined market capitalisation of $830 billion, which was 7.5 per cent lower compared to 2021. Of these listed companies, 439 were listed on SGX's Mainboard, while the other 212 were listed on SGX's Catalist.

DERIVATIVES MARKET

In 2022, SGX's derivatives market activity grew by 12.2 per cent to 260 million contracts. Compared to 2021, total futures trading volume increased by 12.3 per cent to 250 million, while options on futures trading volume rose by 9.4 per cent to 10.2 million contracts. The most actively-traded contracts in 2022 were the FTSE China A50 Index Futures, the SGX Nifty 50 Index Futures and the FTSE Taiwan Index Futures, which formed 57.9 per cent of the total volume traded on SGX's derivatives trading platform.

FOREIGN EXCHANGE MARKET

In 2022, the US dollar strengthened against the Euro, Japanese Yen and British Pound by 5.2 per cent, 12.1 per cent and 10.4 per cent respectively, as the Federal Reserve embarked on the fastest pace of rate hikes since the Volcker era to curb inflationary pressures. The US dollar rally unfolded in two phases: after rallying in the first three quarters of 2022, the US dollar reversed part of its gains in the last quarter of 2022 as declines in US headline inflation prompted the Federal Reserve to slow its pace of rate hikes. Relative to the Euro and British Pound, the Japanese Yen weakened on the Bank of Japan's decision to keep its policy rate unchanged at negative levels, even as the European Central Bank and Bank of England joined the Federal Reserve in raising policy rates.