

Country Insight Snapshot Singapore

May 2016





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2C

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



Rating Outlook: Deteriorating 

CORE OUTLOOK

- + A strong current account surplus has allowed Singapore to acquire comparatively deep foreign reserves, making it well positioned to handle external shocks.
- + Singapore will remain an excellent base for companies with large regional and trade operations.
- Singapore is at the end of a period of favourable demographics, with the dependency ratio expected to continue to trend higher.
- Slowing regional demand for goods will contribute to slowing economic growth over the short term.

KEY DEVELOPMENT

The government maintains its strong stance against private sector corruption while simultaneously creating new commercial and investment opportunities for domestic businesses.

CREDIT ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

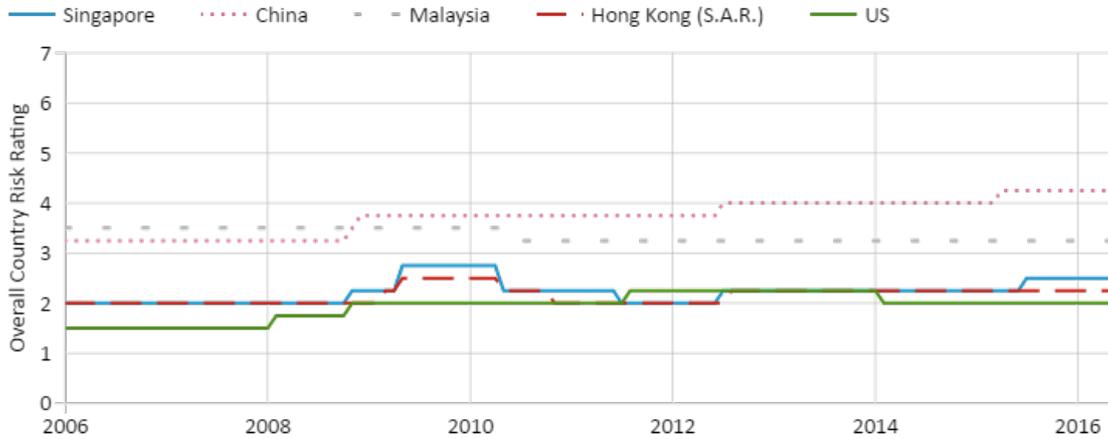


Key Development has had a positive impact on the outlook.



KEY INDICATORS

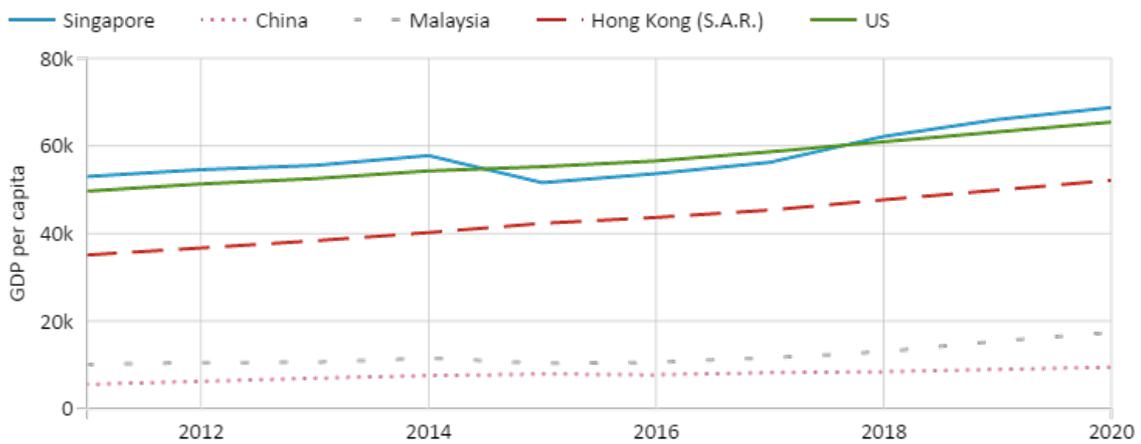
Rating History and Comparison



Source : Dun & Bradstreet

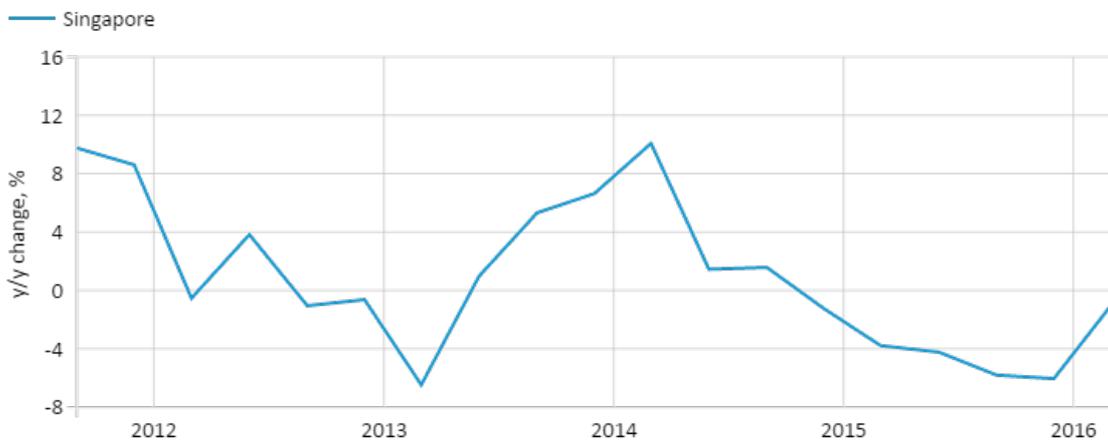
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	17.6	16.7	19.9	20.9	20.4	20.0	19.9	19.7
Export Growth, %	0.0	0.1	5.0	2.0	5.0	5.2	4.0	3.8
Govt balance, % GDP	5.6	3.3	1.1	1.8	2.0	2.2	2.4	2.4
Inflation, annual avge %	2.4	1.0	-0.5	-0.4	0.8	2.0	2.6	2.7
Real GDP Growth, %	4.7	3.3	2.0	1.7	2.2	2.8	2.7	2.6

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Since the Monetary Authority of Singapore's (MAS) adjustment of the policy band last month the Singapore dollar unexpectedly strengthened on a broad basis against most currencies, including the US and Australian dollars. Given the current deflationary environment (CPI declined 1.1% y/y in April) and current monetary policy, we believe that the Singapore dollar will depreciate from its current level against key trading partners - providing a benefit to exporters - with the exception being primary trading partner China, as the PBOC weakened its currency fixing to the lowest level since March 2011 in May. Although spiking on a monthly basis, exports remain in clear descent as regional demand for both domestic exports and re-exports of goods remain soft. In addition, the weaker currency and gradual recovery of global oil prices should aid in creating imported inflation, bringing the overall inflation number closer to the MAS's target.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: SD

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

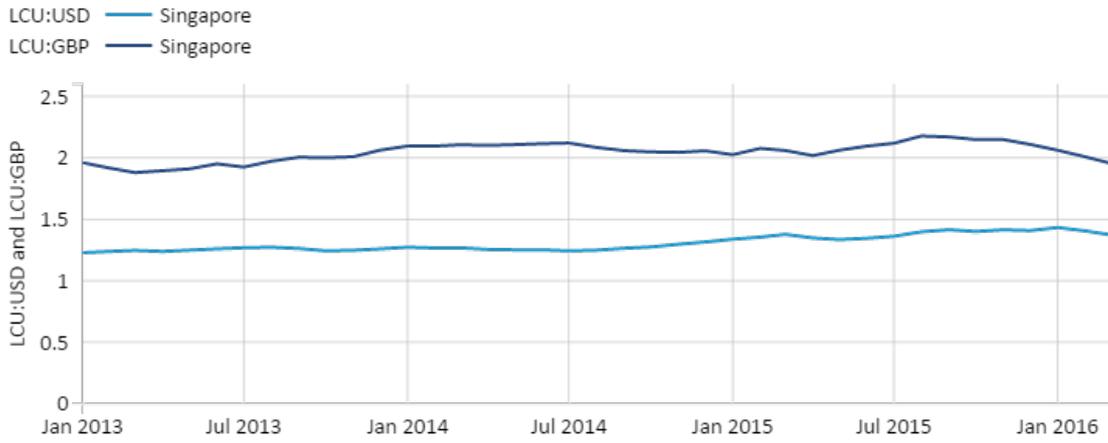
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



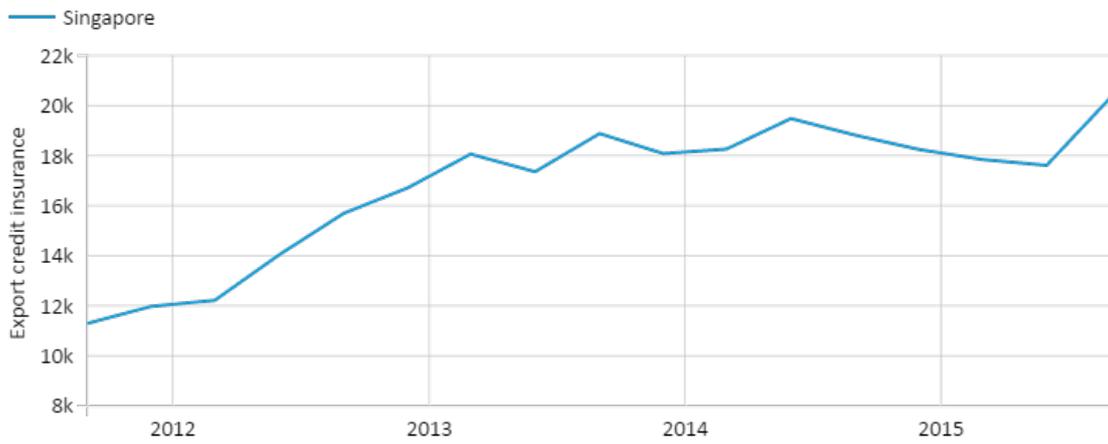
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Singapore dollar

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Business Regulatory Environment

Government intervenes over corruption

For the first time since 1984 a merchant bank has had its charter to operate revoked in Singapore. A breach of anti-money laundering requirements, poor management of banking oversight, and gross misconduct of staff has prompted the MAS to revoke BSI Bank's licence and levy fines of SGD13.3m. Singapore has a long-standing reputation as an almost corruption-free business environment, and remains vigilant against unscrupulous business practices. To better combat and investigate illegal wrongdoings Singapore set up a one-stop corruption-reporting centre in 2016, consisting of several outlets for the population to make complaints in a discreet and accessible manner. While this case began as an embezzlement investigation of Malaysian state fund 1MDB, BSI has been under investigation on three separate occasions over the prior four years, all stemming from lapses in compliance controls. This continued vigilance toward corrupt and illegal practices should help Singapore maintain its ranking as a business-friendly city-state but also send a message of 'no-nonsense' when it comes to business practices. Singapore is ranked consistently high in Transparency International's *Corruption Perception Index* (currently 8th out of 167 countries) and will likely maintain or improve its ranking.

Market Potential

Expanded market access for businesses

Improvements to the relationship with Australia are likely due to newly-agreed guidelines and initiatives in the Comprehensive Strategic Partnership (CSP) signed last year. While Singapore historically has a positive trade balance with Australia the new initiative should boost exports, improve the commercial environment and facilitate business transactions between the two nations. Direct and indirect opportunities will exist for Singapore businesses and professionals, especially those in the law, engineering, military and accounting service fields. While many of the initiatives will include non-financial measures such as improved labour mobility and longer lengths of stay for business people/contractors, Singapore businesses will receive a higher threshold for acquisitions of Australian assets set by Australia's Foreign Investment Review Board (FIRB, which approves foreign takeovers and investments). The FIRB had blocked large foreign takeovers as recently as April but this initiative should allow increased investment opportunities for Singapore's firms. Also, dedicated annual funding of SGD25m will be allocated by the Singapore government and matched by the Australian government and non-government sources for collaborative science and technology projects. Other sectors to benefit include education, defence, law enforcement, tourism and the arts. While Australia accounts for an average 4% of Singapore's monthly merchandise exports and 1% of imports, we expect an increase in both share and value. More integration will create new opportunities but be balanced by higher risks (via increased mutual reliance for trade and services).



COUNTRY PROFILE AND STATISTICS

Overview

Singapore island lies off the southern tip of the Malay Peninsula. The climate is hot, humid and rainy. Despite an extensive system of rain-fed reservoirs and recycled water, Singapore remains highly dependent upon water piped from Malaysia. Politically, the state is extremely stable and enjoys some of the lowest crime rates in the world.

Since separating from Malaysia in 1965, Singapore's development indicators and income per capita have grown far faster than those of its neighbours. Its population is ethnically and linguistically defined: it has four official languages. Despite its tiny size and small population, Singapore maintains the best-equipped armed forces in the region and a national conscript army.

Singapore has adopted an open commercial environment since independence, benefiting from its strategic position as an entrepôt on major Asian and trans-Pacific trade routes. Since the 2000s, the economy has begun to focus on education, business services, private banking for high net worth individuals, and pharmaceutical manufacturing.

Key Facts

Key Fact	Detail
Head of state	President Tony TAN Keng Yam
Capital	Singapore
Timezone	GMT +08-00
Official languages	Malay, English, Mandarin Chinese, Tamil
Population (millions)	5.6
GDP (USD billions)	289.2
GDP per capita (USD)	51,613
Life expectancy (years)	83
Literacy (% of adult pop.)	96.5
Surface area (sq km)	699

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	6.2	3.7	4.7	3.3	2.0
Nominal GDP in USDbn	275	289	300	318	289
Nominal GDP in local currency (bn)	346	361	376	403	398
GDP per Capita in USD	53,020	54,580	55,558	57,794	51,613
Population (year-end, m)	5.2	5.3	5.4	5.5	5.6
Exchange rate (yr avge, USD-LCU)	1.26	1.25	1.25	1.27	1.37
Current Account in USDbn	62.5	51.8	53.0	53.2	57.5
Current Account (% of GDP)	22.7	17.9	17.6	16.7	19.9
FX reserves (year-end, USDbn)	237.5	259.1	272.9	256.6	247.5
Import Cover (months)	6.0	6.3	6.4	5.4	5.6
Inflation (annual avge, %)	5.2	4.6	2.4	1.0	-0.5
Govt Balance (% GDP)	8.5	7.8	5.6	3.3	1.1

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	1.7	2.2	2.8	2.7	2.6
Nominal GDP in USDbn	306	325	365	392	413
Nominal GDP in local currency (bn)	410	426	452	479	504
GDP per Capita in USD	53,677	56,259	62,180	66,031	68,764
Population (year-end, m)	5.7	5.8	5.9	5.9	6.0
Exchange rate (yr avge, USD-LCU)	1.34	1.31	1.24	1.22	1.22
Current Account in USDbn	63.9	66.4	73.0	77.9	81.4
Current Account (% of GDP)	20.9	20.4	20.0	19.9	19.7
FX reserves (year-end, USDbn)	246.3	254.2	268.8	284.4	300.7
Import Cover (months)	5.4	5.2	4.9	4.9	4.9
Inflation (annual avge, %)	-0.4	0.8	2.0	2.6	2.7
Govt Balance (% GDP)	1.8	2.0	2.2	2.4	2.4

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Singapore	China	Malaysia	Hong Kong (S.A.R.)	US
Income per Capita (USD)	51,613	7,902	10,346	42,323	55,262
Country Population (m)	5.6	1,376	30.3	7.3	321.8
Internet users (% of population)	82	49.3	67.5	74.6	87.4
Real GDP Growth (% p.a., 2016 - 2025)	3.2 - 5.7	3.5 - 6.5	3.5 - 4.5	1.8 - 3.2	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



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