

Subpar growth

General Information



GDP	USD307.872bn (World ranking 36, World Bank 2014)
Population	5.47mn (World ranking 113, World Bank 2014)
Form of state	Parliamentary Republic
Head of government	Lee Hsien Loong
Next elections	2017, legislative



Strengths

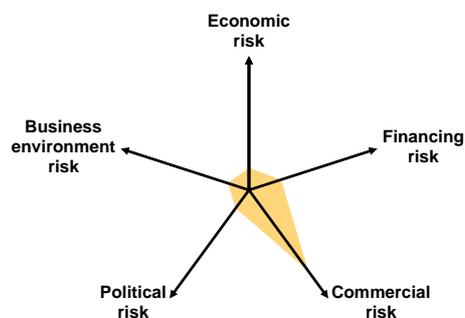
- Stable political system and effective policymaking
- High income country that serves as a regional and global hub for trade and financial services
- Track record of sound and flexible economic policies
- Strong external position with a long history of current account surpluses, ample foreign exchange reserves, and low public external debt
- Very strong business environment and banking sector

Weaknesses

- Very high export dependency
- Economic growth volatility associated with lower global trade and volatile financing conditions
- Shortage of high skilled professionals
- Very high old age dependency ratio (number of elderly people as a share of those of working age)

Country Rating

AA2



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
China	13%	12%
Malaysia	12%	11%
China, Hong Kong SAR	11%	10%
Indonesia	9%	8%
United States	6%	6%

By product (% of total)

Exports	Rank	Imports
Electrical machinery	26%	29%
Petroleum, petroleum products and related materials	17%	21%
Office and data processing machines	5%	4%
Miscellaneous manufactured articles	4%	3%
Organic chemicals	4%	3%

Sources: ITC, Chelem

Economic Overview

2016 will be another year of sluggish growth

The city state economy slowed markedly in 2015. Increased private and public consumption could not offset the decline in exports and investment. Looking at sectors, weaknesses stemmed from the contraction of the manufacturing sector (-5.3%). Insolvencies increased by +17% in 2015.

Going forward, EH expects GDP growth to remain at a low level (+2%), insolvencies to grow further (+15%). The highly open economy will continue to suffer from external headwinds. Exports growth will remain sluggish due to moderate external demand and competitiveness erosion. New orders are poor with low growth in emerging markets and mild growth acceleration in advanced economies. Tightened foreign employment regulation results in higher labour costs acting as a drag on the country's competitiveness and companies' profitability. Thus, private investment is set to be weak.

Households and government expenditures will probably be the main growth engines in the near term. A more pro-growth budget will lead to higher fiscal spending. Increasing purchasing power and a still-solid labour market will provide some space for further consumer spending. However, strong improvement is unlikely provided the high level of households' debt.

Macro-policies will be more supportive for growth

The Monetary Authority of Singapore loosened its policy in 2015 to combat deflationary pressures and lower growth momentum. In the short run, a more accommodating policy is likely as deflationary pressures continue to prevail and demand growth slows. On the fiscal front, the country has built significant buffers over the past years and maintained a prudent fiscal policy. The 2015 budget was more expansionary in an effort to increase productivity, improve inclusiveness and provide further support to the ageing population. In 2016, the accommodative stance will stay the course to keep growth in positive territory.

External liquidity risk to be contained

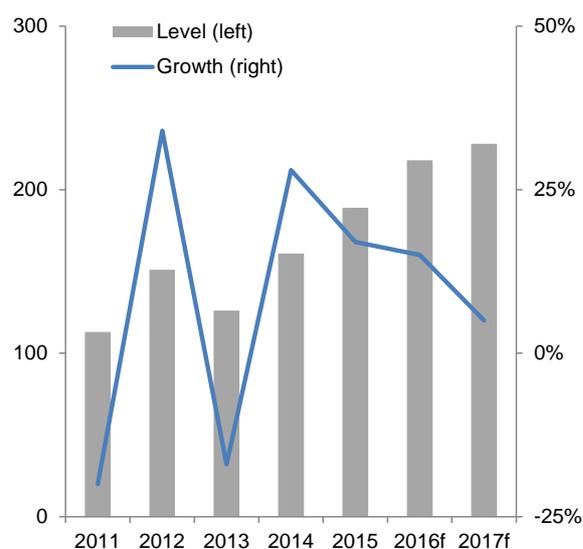
Singapore's external position is very strong. Current account balance is at a high level (22% of GDP in 2015) with a large trade balance surplus (28% GDP in 2015). FX reserves are ample, covering 10 months of merchandise imports. Large external debt is associated with Singapore's position as a financial hub and should not pose a significant risk in the short run. As a matter of fact, the government does not service an external debt and the country has a large net creditor position. Negative spill overs from volatile financial flows have so far been contained thanks to a solid banking system and strong regulatory and supervisory frameworks.

Key economic forecasts

	2014	2015f	2016f	2017f
GDP growth (% change)	3.3	2.0	2.0	2.4
Inflation (% , average)	1.0	-0.5	0.2	3.0
Fiscal balance (% of GDP)	3.3	1.1	0.5	0.5
Public debt (% of GDP)*	98.6	98.7	95.7	92.7
Current account (% of GDP)	19.2	22.4	21.0	20.0
External debt (% of GDP)	434.0	444.7	447.0	445.0

Sources: IHS, IMF, Euler Hermes

Insolvencies



Sources: IHS, Euler Hermes

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