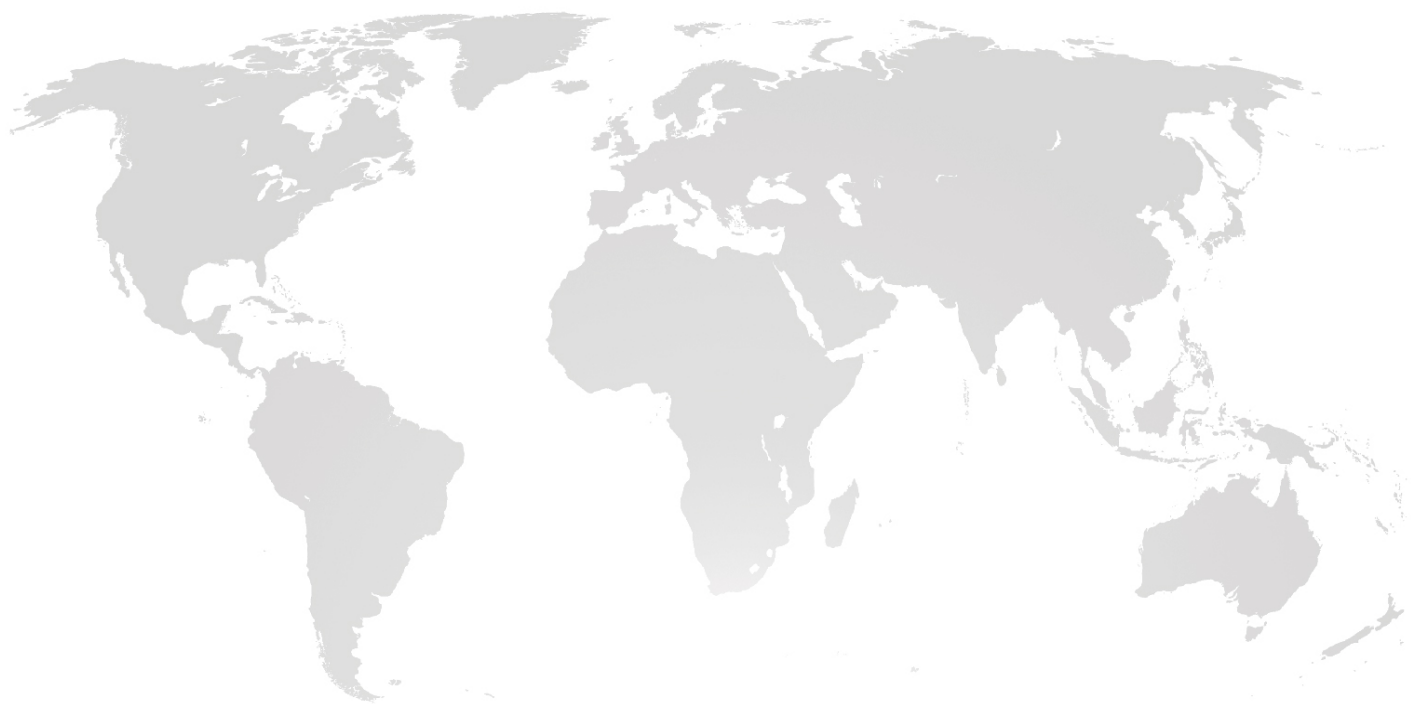




# D&B Country Insight Snapshot: Singapore

*February 2015*



## Overview

**Overall Country Risk Rating : DB2b**



**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:** Stable →

## Core Outlook

+ A fund created by the government in 2010 to support schemes that increase productivity is being made more accessible to small and medium-sized enterprises and is being extended to other sectors.

+ Singapore will remain an excellent base for companies with large regional operations; long-term growth opportunities abound.

- Singapore is currently at the end of a period of favourable demographics, with the dependency ratio expected to reach an all-time low by around 2015.

- Labour conditions may tighten during the forecast period, which will put further upward pressure on inflation.

## Key Development

Lower inflation expectations and weak manufacturing prompt the central bank to adjust policy; estimates for Q4 growth were softer than expected.

### Credit Environment Outlook



Key Development has had a positive impact on the outlook.

### Supply Environment Outlook



Key Development has had a positive impact on the outlook.

### Market Environment Outlook



Key Development has had a positive impact on the outlook.

### Political Environment Outlook

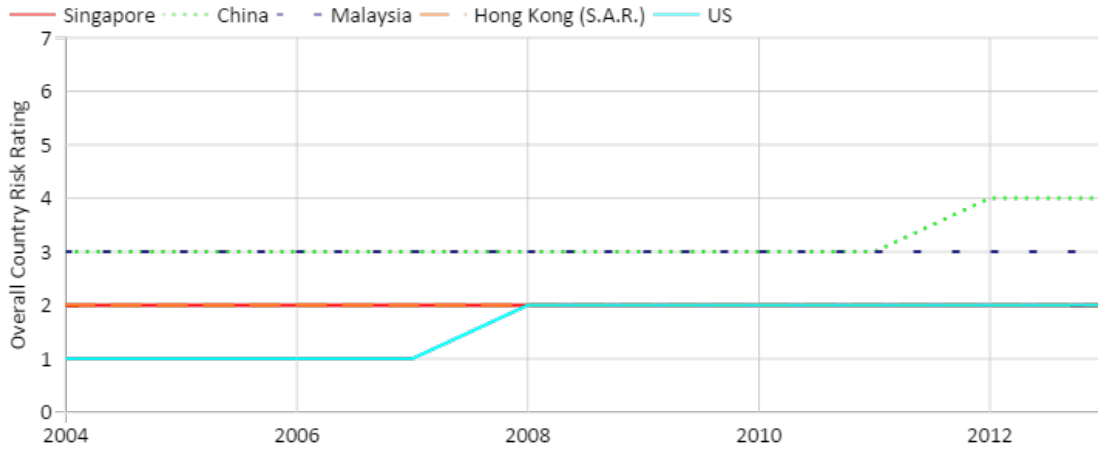


Key Development has had a neutral impact on the outlook.



## Key Indicators

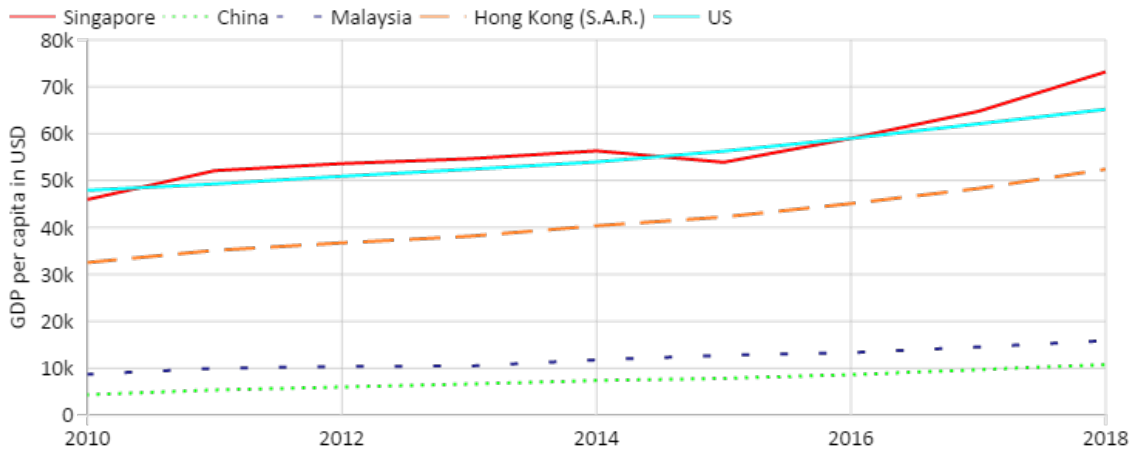
### Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : D&B

### Chart of the Month



Source : National Statistical Offices / Haver Analytics

## Economic Indicators

Indicator	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
C/A balance % GDP	23.4	17.4	18.4	16.7	18.0	17.7	18.6	19.5
Export Growth, %	16.6	0.6	0.6	3.3	-1.0	3.8	11.1	8.2
Govt balance, % GDP	9.3	8.7	6.9	4.0	3.4	5.1	4.9	3.9
Inflation, annual avge %	5.2	4.6	2.4	2.5	2.5	2.5	3.0	4.0
Real GDP Growth, %	6.0	1.9	4.0	3.0	3.3	3.3	5.8	1.9

Source : Haver Analytics/D&B

## Trade and Commercial Environment

Our minimum and recommended terms are OA and SD respectively when dealing with Singapore counterparties. Singapore remains an important financial hub and one of the most open economies in Asia; as such, any transfer risks remain low. In addition, a continuously large current account surplus may create an environment for currency appreciation but the Monetary Authority has taken steps to keep the Singapore dollar competitive. Despite recent uncertainty about the commercial environment and a surprise monetary policy move, Singapore remains strongly ahead of its peers, ranking second in the Heritage Foundation's 2014 *Index of Economic Freedom*. The ease of starting a business is straightforward, taking an average of just three days and three procedures.

## Trade Terms and Transfer Situation

### Minimum Terms: OA

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

### Recommended Terms: SD

*D&B'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

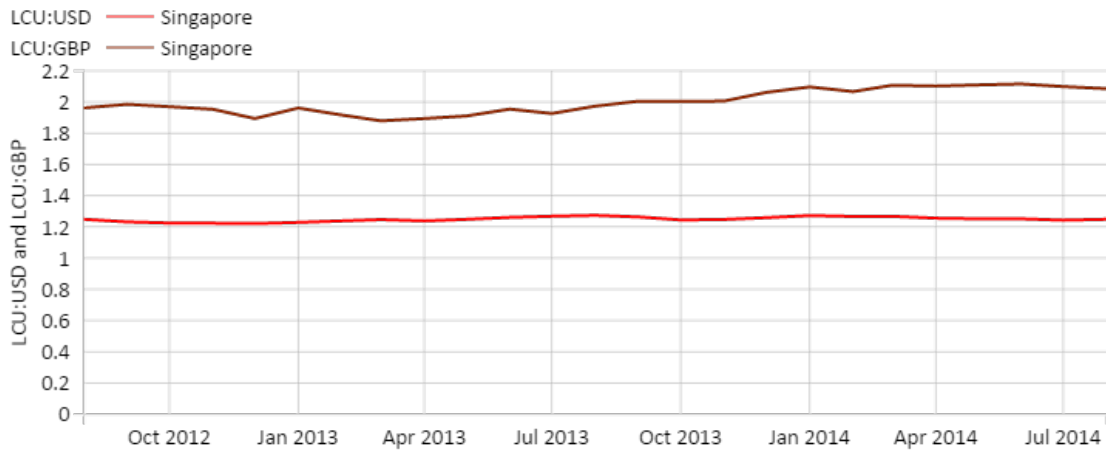
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



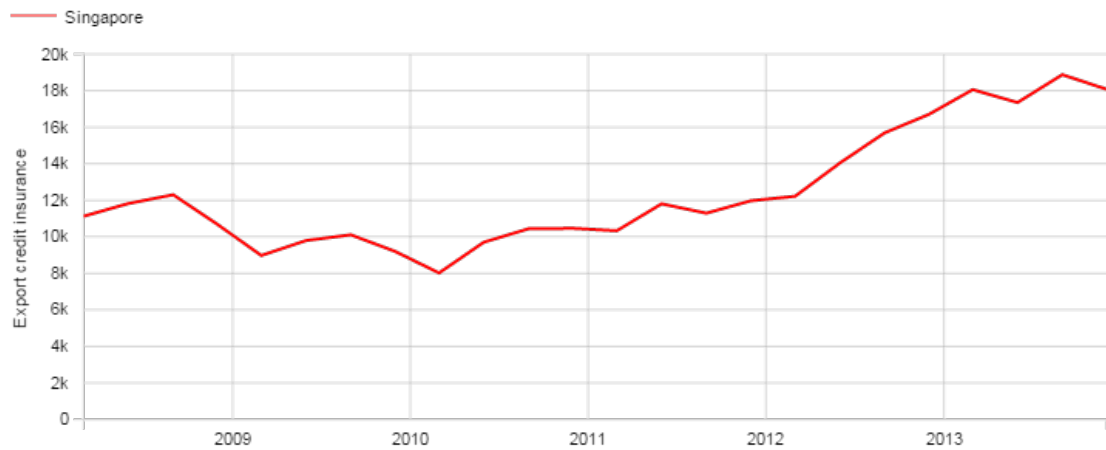
## Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

*LCU = Local Currency Unit*

## Credit Conditions



Source : Haver

*Insured export credit exposures, USDm*

## Risks and Opportunities

### Short-Term Economic Outlook

*Lower inflation expectations prompt the central bank to adjust policy*

In a surprise, unscheduled policy meeting, the Monetary Authority of Singapore (MAS) lowered the trajectory of the nominal effective exchange rate to a lower slope of appreciation. (The MAS normally recalibrates policy at fixed dates in April and October, hinting that conditions are now changing more rapidly than it expected). Softer inflation expectations, including an alarming tilt into outright falls in the CPI in Q4 2014, must have prompted the MAS to shift its tone to a more accommodative policy. Falling global oil prices have reduced imported inflation, putting the 2015 inflation target at risk. Although D&B expects oil to rebound later in 2015, D&B is reducing Singapore's 2015 and 2016 inflation target to 2.1% (-40 basis points, bp) and 2.3% (-10 bp) respectively. Despite the decline in oil, positive factors remain (such as a tight labour market that should help to maintain higher wage pressure and inflation expectations) although we note this is also a concern for business profits as labour immigration is being restricted.

In addition to slowing inflation, the advance estimate of Q4 real GDP was softer than expected (1.6%), resulting in an initial estimate of 2.8% annualised growth for 2014, a shade below D&B's forecast of 3.0% annualised growth. Weak manufacturing activity pulled down the Q4 GDP number as a combination of lower worldwide demand for goods and the continued structural transition of the manufacturing industry continued: exports of machinery and equipment to the US fell almost 6% in 2014, for example.

### FX Risk

*Falling commodity prices raise foreign currency risks.*

We expect falling oil prices and an easing of the exchange rate appreciation band (effectively monetary policy easing) to weaken the Singapore dollar against the US dollar in 2015. Sliding oil prices will continue to put immediate pressure on the dollar, through a variety of channels such as emerging market growth, bringing it back from highs reached near the end of 2014. Mineral fuels accounted for between 20-25% of the value of all exports in 2014, given Singapore's oil trading hub status, and will continue to influence the overall balance of payments. We expect the currency to weaken further in the next few months unless oil prices recover unexpectedly. In addition, a further strengthening of the US dollar and a planned Q3 rise in the US key benchmark rate provide additional FX risks, potentially leading to a deeper adjustment in the Singapore dollar.

### Long-Term Economic Potential

*Singapore poised for rebound in H2 2015.*

Despite the alternating growth and the tilt into slight deflation, Singapore is poised to have a rebound in exports and consumer price growth during H2 2015. A sharp drop in the price of oil has caused excess crude oil supply to be pumped into storage tanks while prices remain depressed, albeit due to rise for future delivery. As excess supply runs its course into late 2015 and prices level we expect re-exports of oil to pick up, aiding GDP growth, given refining is still a major part of Singapore's industrial mix. Meanwhile, housing and accommodation prices have been depressed in 2014 due to the successful implementation of macro-prudential measures. A repeal of these measures may be passed to support consumer prices; if so, D&B also expects a bump in construction activity.

## 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)	5.5
GDP (USD billions)	318.5
GDP per capita (USD)	57,727
Life expectancy (years)	82
Literacy (% of adult pop.)	92.5
Surface area (sq km)	699

Source : UN / Haver Analytics / D&B

### Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	15.24	6.06	2.5	3.85	3
Nominal GDP in USDbn	236.42	274.06	286.91	297.94	318.48
Nominal GDP in local currency (bn)	322	345	359	373	401
GDP per Capita in USD	46,567	52,786	54,103	55,052	57,727
Population (year-end, m)	5.08	5.19	5.3	5.41	5.52
Exchange rate (yr avge, USD-LCU)	1.36	1.26	1.25	1.25	1.26
Current Account in USDbn	56.24	62.72	50.14	54.53	58.87
Current Account (% of GDP)	23.79	22.88	17.48	18.3	18.49
FX reserves (year-end, USDbn)	225.5	237.53	259.1	272.85	284.63
Import Cover (months)	6.62	5.98	6.28	6.56	6.2
Inflation (annual avge, %)	2.8	5.2	4.6	2.4	2.5
Govt Balance (% GDP)	6.6	8.5	7.9	5.7	2.3

Source : D&B

## Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	3.2	3.4	4	3.2	2.8
Nominal GDP in USDbn	312.8	336.2	374.4	415.3	442.7
Nominal GDP in local currency (bn)	406.64	447.12	486.74	519.17	553.42
GDP per Capita in USD	55,669	58,804	64,432	70,384	73,999
Population (year-end, m)	5.6	5.7	5.8	5.9	6
Exchange rate (yr avge, USD-LCU)	1.3	1.3	1.3	1.3	1.3
Current Account in USDbn	62.2	58.6	69.5	76.8	80.3
Current Account (% of GDP)	19.89	17.44	18.57	18.49	18.13
FX reserves (year-end, USDbn)	297.1	308.8	322.7	338.1	354.1
Import Cover (months)	6.24	6.24	5.95	5.59	5.46
Inflation (annual avge, %)	2.4	2.4	2.8	3.3	3.5
Govt Balance (% GDP)	2.2	4	3.9	2.7	2.4

Source : D&amp;B

## Comparative Market Indicators

Indicator	Singapore	China	Malaysia	Hong Kong (S.A.R.)	US
Income per Capita (USD)	55,669	7,830	11,564	41,896	56,151
Country Population (m)	5.6	1,401.6	30.8	7.3	325.1
Internet users (% of population)	73	45.8	67	74.2	84.2
Real GDP Growth (% p.a., 2014 - 2023)	4 - 5.5	5.5 - 7	3.5 - 4.5	1.8 - 3.3	1.5 - 3

Source : D&amp;B



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