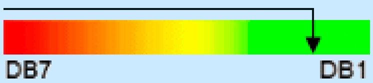
D&B Country RiskLine Report

SINGAPORE

Region : Asia Pacific
Edition : July 2012

D&B Country Risk Indicator

DB2b



This "DB" Rating Indicates:

Low risk

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

Trend

Deteriorating

The country's overall risk profile is deteriorating owing to adverse political, commercial, economic and/or external developments

The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	5.3m
Surface area (sq km):	699
Mobile phones (per 1000 people):	1,333
Timezone:	GMT +08:00
Official languages:	Malay; English; Mandarin Chinese; Tamil
Head of state:	President Tony TAN Keng Yam
GDP (USD):	266.0bn
GDP per capita (USD):	50,467
Life expectancy (years):	81
Literacy (% of adult pop.):	92.5

Country 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, Singapore is 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 diverse: 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. More recently, the economy has begun to focus on business services, private banking for high net worth individuals and pharmaceutical services.

Trade & Commercial Environment

Trade Terms

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.

Transfer Situation

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.

Trade & Commercial Environment

D&B believes that payment risks are now rising alongside the slowdown in the economy. In particular, the shipping sector is being squeezed, while manufacturing firms are also seeing their orders books slashed. At the same time, there are also indications that domestic demand is faltering, which will increase the range of firms that present potential payment risks. Nonetheless, D&B is maintaining OA as its minimum terms and SD as its recommended terms, with usual terms for new business dealings unchanged at 30-60 days. Elsewhere, Singapore has been given an exception to recently imposed US financial sanctions for those buying Iranian oil because the city-state has significantly cut its level of purchases.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	-1.0	14.8	4.9	1.8	3.9
Inflation, annual ave, %	0.6	2.8	5.0	3.9	3.6
Govt balance, % GDP	-0.8	5.2	0.7	0.2	0.5
Export growth, %	-20.3	30.5	13.5	7.0	9.3
C/A balance, % GDP	16.2	24.4	19.8	12.0	15.5

Export growth figures include oil exports and re-exports; government balance follows IMF definition.

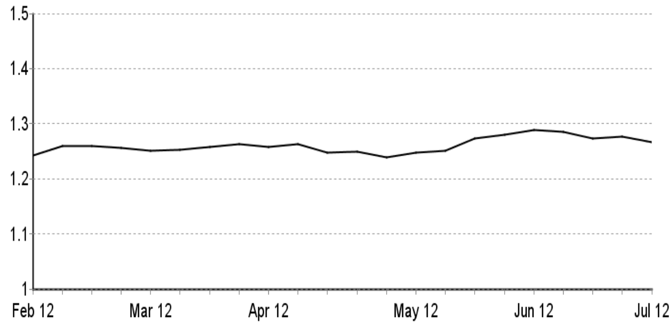
Currency Information

Exchange Rates (London, 02 Jul 12)	
EUR	1.6077
GBP	1.9869
JPY*	1.5877
USD	1.2668

*(x 100)

Local Currency

(Singapore dollar [SGD]: USD)

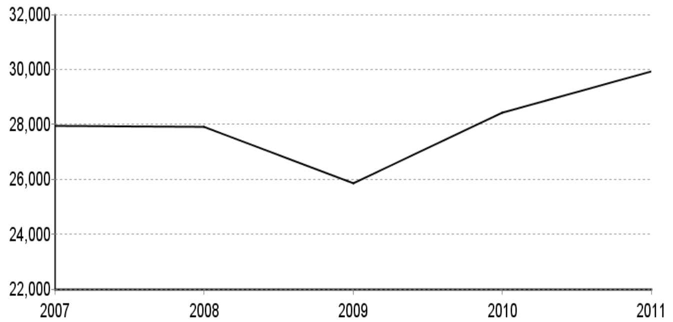


Local Currency (Singapore dollar [SGD]: USD)	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12
Week 1	1.243	1.251	1.257	1.247	1.288	1.267
Week 2	1.260	1.253	1.262	1.250	1.286	
Week 3	1.259	1.258	1.248	1.274	1.272	
Week 4	1.256	1.263	1.248	1.280	1.277	
Week 5			1.238			

Container Throughput, Port of Singapore

Container Throughput, Port of Singapore

('000, 20-foot equivalent units)



Data Table				
2007	**2008**	**2009**	**2010**	**2011**
27935.5	27918.2	25866.5	28431.1	29937.6

Risk Factor

There have been mixed signals in terms of domestic demand, which has been a source of strength since the 2009 recession. In April retail sales fell 0.9% month on month (m/m), and were up just 2.2% year on year (y/y). In real (inflation-adjusted) terms this meant y/y growth of just 1.5%, a huge drop from the equivalent 7.1% figure recorded in March. Partly explaining this trend is the ongoing crisis in the euro zone (where yet another 'breakthrough' was made at the end of June), as well as growing signs of a slowdown in the regional economic engine, China. However, it should also be remembered that domestic factors are playing a key role. For example, latest data show that in 2011 private sector wages increased 6.1% y/y, but in real terms were up only 0.1%, and basic wages, excluding bonuses, were actually down 0.8%. Given the more negative outlook for corporate profitability in H2 2012 and 2013 relative to 2010-11, greater restraint on nominal wage increases is likely to be seen ahead. However, inflationary pressures are proving stubbornly persistent; in May the local CPI was still up 5.0% y/y, albeit down from 5.4% in April. As such, we expect domestic demand to soften. However, the property market is still resilient for now: in Q2 prices rose 0.4% quarter on quarter (q/q) to a record high.

Meanwhile, the production side of the economy is also a mixed picture. The May *Purchasing Managers' Index* (PMI) registered 50.4, back above the 50 expansion/contraction level after a sub-50 reading in April, but not by much, although the separate electronics survey was somewhat higher at 50.8; moreover, industrial production recorded a healthy 6.6% y/y gain in May, but this growth was based almost entirely in the biomedical sector – without that, the rate of growth was a meagre 2.0% in nominal terms, and likely negative in real terms.

The same mix of strength and weakness is also true for the external front. The trade data for May showed that key Non-Oil Domestic Exports (NODX) rose 3.2% y/y, higher than in April, but on a three-month moving average basis they were essentially unchanged over their 2011 level; there was a 3.9% y/y increase in shipments of key electronics goods, with other manufactured goods sales up just 2.8%. While this is not a repeat of the dramatic slump seen in 2008-09 it is still hardly encouraging. Indeed, geographically, exports to the US continue to decline (down 11% y/y), and the same is true for Japan (-5.7%). More importantly in D&B's view, shipments to China were down 0.8% y/y too – although concerns here were mitigated by a 23% y/y jump in sales to Hong Kong. Nonetheless, the outlook for trade is negative overall for H2 2012, alongside what we expect to be a steady deterioration in the global macroeconomic and commercial environment.

Glossary & Definitions

DEFINITIONS

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Usual Terms:

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Local Delays:

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

F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:
Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:
The balance of government expenditure and receipts.

Real GDP growth, %:
GDP adjusted for inflation.

Inflation, %:
The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

D&B Country Risk Services
For information relating to D&B's Country Risk Services.

UK
Telephone: 01628 492700
Fax: 01628 492929
Email: CountryRisk@dnb.com

USA Inquiry
Telephone: 1-800 234-3867 option 1, 1 and then 2
Email: CountryRiskServices@dnb.com

Rest of World
Telephone: +44 1628 492700
Email: CountryRisk@dnb.com

D&B Customer Services
For all other information or queries relating to D&B products and services.

UK
Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)
Email: CustomerHelp@dnb.com

USA
Telephone: 1-800 234-3867 option 1, 1 and then 2
Email: CustomerService@dnb.com

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You can contact your local D&B Customer Services departments by clicking here.

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