

# Atradius Country Report

Singapore – December 2009



## Overview

### General information

Government type:	Parliamentary republic
Currency:	Singapore dollar (SGD)
Population:	4.6 million

### Most important sectors (% of GDP, 2008)

Services:	72 %
Industry/mining	28 %
Agriculture:	0 %

### Main import sources (2008, % of total)

Malaysia:	11.9 %
USA:	11.8 %
China:	10.5 %
Japan:	8.1 %
South Korea:	5.6 %

### Main export markets (2008, % of total)

Malaysia:	12.1 %
Indonesia:	10.5 %
Hong Kong:	10.3 %
China:	9.2 %
USA:	7.1 %

### Main sources of foreign exchange

Business services, electronics, petroleum products, chemicals, tourism

## Key indicators

	2006	2007	2008	2009*	2010**
GDP (US-\$ million)	136,566	161,348	184,681	178,542	192,970
Real GDP growth (%)	8.2	7.7	2.0	-4.5	3.8
GDP per capita (US-\$)	30,484	35,935	40,589	38,646	41,233
Inflation p.a. (%)	1.0	2.1	6.6	2.9	1.8
Fiscal balance (% of GDP)	0.6	3.4	0.8	-1.2	-0.2
Total foreign debt (US-\$ million)	24,357	25,593	25,537	20,111	20,245
Foreign debt/GDP (%)	18	16	14	11	10
Foreign debt/XGS (%)	7	6	5	5	4
Short-term debt/inter. reserves (%)	7	6	6	4	5
Debt service ratio (%)	1	1	1	1	1
Current account balance (US-\$ m.)	29,765	39,158	32,119	26,695	24,707
Current account/GDP (%)	22	24	17	15	13
Nom. exchange rate to US-\$ (average)	1.6	1.5	1.4	1.4	1.4
International reserves (US-\$ million)	136,260	162,957	170,056	178,812	188,568
In months of merchandise imports	6.7	7.3	6.3	7.2	6.8

\*estimate \*\* forecast

Source: Economist Intelligence Unit (EIU), International Monetary Fund (IMF)

## Political situation: Stable

**Head of state:** President Sellapan Rama Nathan (since September 1999)

**Head of government:** Prime Minister Lee Hsien Loong (since August 2004)

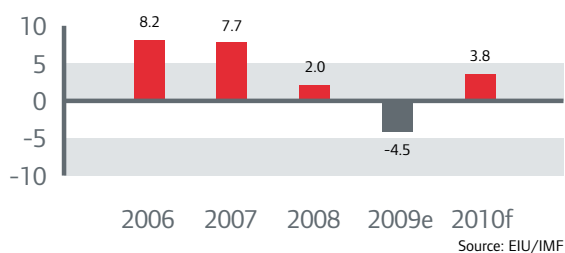
### Internal situation

The People's Action Party (PAP) has been in power since Singapore's independence in 1965, and controls 82 of the 84 parliamentary seats in this term. The PAP is business friendly but, compared to Western standards, personal freedoms are limited. The opposition is weak and fragmented and has very few opportunities to present itself in public.

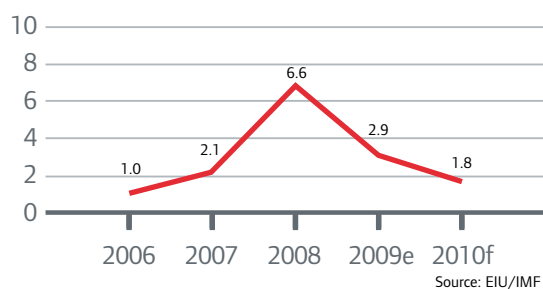
Singapore's population consists of ethnic Chinese (77%), Malays (14%), (Hindu Tamil) Indians (8%) and 1% others. Income distribution is relatively equal, and, in contrast to neighbouring Malaysia, racial tensions are negligible. The biggest potential threat to security is the possibility of terrorist attack by Muslim extremists, either indigenous or from Indonesia or Malaysia.

## Internal economic situation: Recession

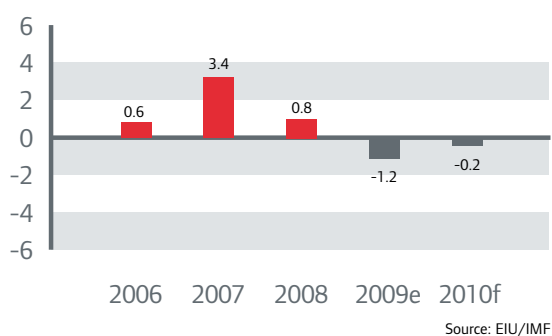
### Real GDP growth (%)



### Inflation p.a. (%)



### Fiscal balance (% of GDP)



## General situation

Singapore's income per capita and level of development meet OECD standards. This city state is the main transport and financial service hub for South East Asia, but its economy is vulnerable because of its high reliance on demand from its trading partners and the focus on certain specific sectors such as electronics and pharmaceuticals.

As a result of the global crisis, Singapore slipped into its worst recession since independence, due to a dramatic decline in transshipment, tourism and the export of electronics. Both domestic exports and re-exports declined steeply, leading to a sharp contraction of GDP in the first two quarters of 2009 (-9.5% and -3.3% respectively).

In Q3 of 2009, GDP grew again by 0.6% year-on-year. As in the second quarter, manufacturing was the main contributor to growth. Industrial production was driven primarily by a surge in the biomedical sector and, to a lesser extent, by electronics inventory restocking. Construction output increased in double-digit figures between January and September 2009, driven by government investment projects designed to boost the economy. However, other sectors, such as service industries and the wholesale and retail sector, continued to decline in the third quarter (2.2% and 8.8% respectively). Unemployment has increased marginally, from 2.5% in December 2008 to 3.4% in September 2009. The consumer price index continued to decline in the third quarter.

Singapore's banking sector is healthy and is adequately supervised. However, some exposure to US subprime mortgages cannot be ruled out. The government has recently liberalised the sector further, allowing more foreign banks to open branches.

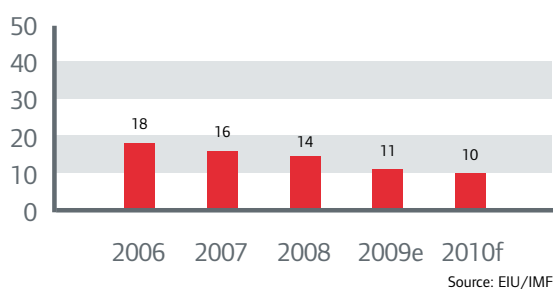
For the whole of 2009, a GDP contraction of between 3.3% (IMF) and 4.5% (EIU) is expected.

## Economic policy

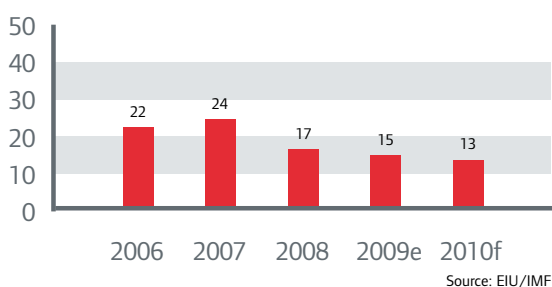
The government is estimated to have reserves of over US-\$ 350 billion, and its policy response to the crisis has been forceful. It has shown its willingness to use public funds to bolster the economy and assist the private sector through a US-\$ 13.7 billion resilience package contained in the 2009 budget, together with a range of measures aimed at stabilising the financial sector and an easing of monetary policy. The 2009 fiscal deficit will be modest: 1.2% of GDP. Singapore's fiscal discipline is excellent, and over the long term the budget is balanced.

## External economic situation: External demand declines

### Foreign debt/GDP (%)



### Current account/GDP (%)



## Competitive position

With increasing competition from other Asian countries, Singapore has to look for new high value-added sectors and diversify away from the (relatively low-skilled) electronics sector.

## Balance of payments

Trade balance: Structurally very large surpluses  
Current account: Structurally very large surpluses (15 % of GDP in 2009)  
Capital account: Structurally negative, due to large foreign investment by the Singapore Government Investment Corporation and the state-owned investment company Temasek Holdings

## Exchange rate

A gradual appreciation in relation to the US-\$ is expected, while the exchange rates against the currencies of other trading partners will remain stable.

## Prospects: Slow recovery from recession

### Economic situation

A slow recovery seems to have started, but Singapore's economy remains heavily dependent on developments in the global economy, as foreign demand accounts for about 75 % of annual economic growth. As long as the global recovery remains shaky and there is no decisive and sustainable rebound in demand, Singapore will remain susceptible to downside risks. For the time being, government consumption will be the main driver of growth. In October, the administration announced its plans to effectively maintain its stimulus spending in the 2010 budget after launching a US-\$ 13.7 billion stimulus package in 2009. GDP growth forecasts for 2010 vary between 3.8 % (EIU) and 4.1 % (IMF).