

Country Insight Snapshot

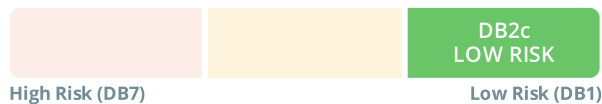
Singapore

September 2023



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: November 2021 (DB2d → DB2c)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

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.

WorldWatch Headline

Fully restored commercial flight operation with Mainland China is expected to boost tourist arrivals; this will buoy recovering tourism receipts over the remainder of the year.

Recent Changes

- The resumption of full-scale tourist flights between Mainland China and Singapore will boost tourist arrivals in the final quarter to give a figure of more than 1.0m arrivals for 2023 and will boost recovering inward tourism receipts.
- The UK and Singapore have signed a new UK-Singapore Strategic Partnership, which is expected to deepen existing economic and security ties, and plan to sign a revised bilateral investment agreement before 2025.
- In September, Singapore and Indonesia advanced plans to develop renewable electricity import projects in Indonesia, as part of plans to diversify the city-state's energy away from reliance upon imported natural gas.
- Tharman Shanmugaratnam has been sworn in as President after winning the elections by a huge margin.

Events to Watch

- The repercussions of a SGD1.8bn (USD1.3bn) money-laundering scandal connected with Mainland Chinese citizens operating in Singapore are likely to result in tighter restrictions on foreign investments in the city-state.
- There is a need to monitor EU-led efforts to widen the scope of the recycling of ships, which may lead to the addition of Singaporean ship recycling facilities to the EU's approved list.
- The Indo-Pacific Economic Framework for Prosperity (IPEF) Supply Chain Agreement in September is likely to expand market share for US exporters in the region by encouraging Asian buyers to diversify supply chains.

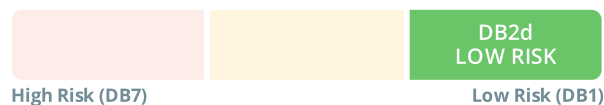
Call to Action

- Note that the resumption of tourist flights between Mainland China and Singapore will boost arrivals in the final quarter of 2023 to give a figure of more than 1.0m arrivals for 2023 as a whole, and will boost recovering inward tourism receipts.
- Note that the introduction of a 2050 net zero target for the maritime industry in July has created opportunities for Singaporean technology firms but will impose higher costs on the city-state's shipowning sector.
- Be aware that the deteriorating commercial relationship between Mainland China and the US is placing increasing pressure on Singapore's traditional foreign policy of triangulation between the superpowers.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: September 2021 (DB2c → DB2d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

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.

Risks and Opportunities

- The 2023 budget envisages a SGD400m budget deficit (equivalent to 0.1% of GDP) to support households and small and medium enterprises (SMEs) through an economic slowdown this year.
- Inflationary pressures in the city-state are easing: headline CPI inflation slipped to 4.1% in July; core inflation slowed to 3.8%.
- The government has announced plans to introduce a 15% minimum corporate tax rate for multinationals from 2025, in line with the proposed introduction of the Base Erosion and Profit Shifting (BEPS) 2.0 global minimum effective tax rate.
- In the budget, the government extended the 100% tax break on investments in automation projects until 1 March 2026.

Trade Terms

Description	Terms
Minimum Terms	OA
Recommended Terms	SD
Usual Terms	0-60 days

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CIA: Cash in Advance. **Source:** Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available
Eksport Kredit Fonden (EKF)	Full cover available, conditions apply
ECGD	Full cover available
Euler Hermes AG	Full cover available

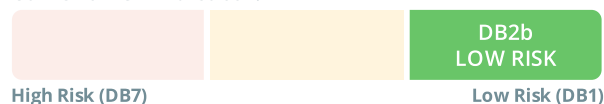
Source: Export Credit Agencies

Call to Action

- Note that banks are well capitalised, but their regional exposure remains significant.
- Note that the Investment Allowance scheme, which offers a tax allowance as a proportion of investments in plant and manufacturing equipment, has been extended until end-2028.
- Study, if Singaporean and considering trade with Russia and Belarus, the extra-territorial scope of the US Department of Commerce's Bureau of Industry and Security (BIS) licensing restrictions and widened definitions of military end-use.
- Be aware that the repercussions of a SGD1.8bn (USD1.3bn) money-laundering scandal connected with Mainland Chinese citizens operating in Singapore is likely to result in tighter restrictions on foreign investments in the city-state.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: July 2023 (DB2a → DB2b)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

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.

Risks and Opportunities

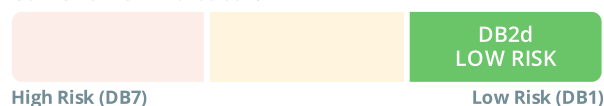
- Malaysia is seeking private investments to revive the stalled USD15bn high-speed rail link between Kuala Lumpur and Singapore, which was formally suspended in 2021.
- The expected completion of a cross-border light rail connection between Johor Bahru in Malaysia and Woodlands in the north of Singapore by 2026 is likely to improve the prospects of reviving the cross-border high-speed rail link.
- In September 2023, Singapore and Indonesia advanced plans to develop renewable electricity import projects in Indonesia, as part of plans to diversify the city-state's energy away from reliance upon imported natural gas.
- The city-state is investing heavily in expanding energy generation and infrastructure, while assessing offshore floating solar power and domestic ammonia and methanol production for maritime fuel projects.
- Singapore is ramping up imports of renewable energy from neighbouring countries, with a target to replace 30% of its energy supply from renewable sources by 2035.

Call to Action

- Note that in May 2023, members of the Association of Southeast Asian Nations (ASEAN) agreed to improve regional payment connectivity and encourage the use of local currencies for cross-border transactions.
- Expect Singapore to explore the possibility of importing renewable electricity supplies on a commercial basis from neighbouring countries in order to avoid imposing decarbonisation costs on domestic industries.
- Note that by 2024, the European Commission is planning to extend its emissions trading system to international shipping voyages calling at EU ports.
- In August, the EU introduced an electronic monitoring system to ensure compliance with the new Carbon Border Adjustment Mechanism: all non-EU imports will be required to record embedded carbon emissions digitally.

MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: May 2022 (DB2c → DB2d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

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.

Risks and Opportunities

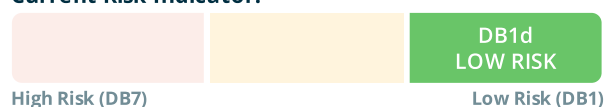
- The resumption of tourist flights between Mainland China and Singapore will boost arrivals in the final quarter of 2023 to give a figure of more than 1.0m arrivals for 2023 as a whole, and will boost recovering inward tourism receipts.
- In April, Singapore increased stamp duty on properties purchased by overseas buyers to 60% in a bid to cool an influx of capital from Mainland China that is contributing to rocketing inflation in residential property prices.
- In April, a record fine of USD300m was imposed on Seagate Technologies, a US-based electronics supplier, for breaching US export controls on supplying hardware to Huawei; this will deter exports to Mainland China.
- Mainland China is likely to accelerate efforts to develop domestic electronics supply chains, to improve resilience to potential future US sanctions; this will reduce Singaporean firms' future opportunities.
- Singapore is expected to record growth of 1.1% in 2023 - a contraction in the manufacturing sector will weigh on the overall economy in H2.

Call to Action

- Be aware that the repercussions of a SGD1.8bn (USD1.3bn) money-laundering scandal connected with Chinese citizens operating in Singapore is likely to result in tighter restrictions on foreign investments in the city-state.
- The introduction of a 2050 net zero decarbonisation target for the maritime industry in July has created opportunities for Singaporean technology firms but will impose higher costs on the city-state's shipowning sector.
- Note that the conclusion of the merger between Sembcorp and Keppel O&M, local shipyards, on 1 March 2023, is expected to lead to some capacity reduction in the local market, but throughput volumes are unlikely to decline.
- Monitor EU-led efforts to widen the scope of the recycling of ships, which may lead to the addition of Singaporean ship recycling facilities to the EU's approved list.
- The Indo-Pacific Economic Framework for Prosperity (IPEF) Supply Chain Agreement in September is likely to expand market share for US exporters in the region by encouraging Asian buyers to diversify supply chains.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: November 2021 (DB2a → DB1d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Lowest degree of uncertainty associated with expected returns, such as export payments, and foreign debt and equity servicing.

Risks and Opportunities

- The 2023 budget in Singapore extended cash transfers to the low-paid segments of the economy via one-off transfers and welfare payments.
- The increase in social transfers is likely to lead to calls for increased healthcare expenditure.
- The UK and Singapore have signed a new UK-Singapore Strategic Partnership, which is expected to deepen existing economic and security ties, and plan to sign a revised bilateral investment agreement before 2025.
- Opposition parties are expected to become credible challengers to Singapore's ruling People's Action Party (PAP) after the 2025 election; this has shifted policy debates inside parliament, rather than within the PAP, which is likely to encourage discussions around housing, social transfers and localisation requirements.
- Be aware that the deteriorating relationship between Mainland China and the US is placing increasing pressure on Singapore's traditional foreign policy of triangulation between the superpowers.

Call to Action

- Closely monitor the possibility that US sanctions on Mainland Chinese companies could be extended to cover systemically important industries, such as shipbuilding, if tension over Taiwan Region escalates.
- Prepare for internal dissent within the PAP, as well as among business leaders, if Singapore seeks to introduce sanctions on trade and investments with Mainland China.
- Pay particular attention to the moves of Singaporean regulators regarding restrictions on dealing with Russia-owned/controlled entities.
- Expect Singapore's large commodities complex to scrutinise Russian exports to ASEAN counterparties, amid concern that illicit sanctions-busting is raising the risk of enforcement action against suppliers.
- Note that healthcare spending currently accounts for around 18% of public expenditure and is expected to come under upward pressure as Singapore's population ages.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Historical Data/Forecasts

Metric	2018	2019	2020	2021	2022	2023f	2024f	2025f	2026f	2027f
Real GDP growth (%)	3.6	1.3	-3.9	8.9	3.6	1	2.1	2.9	3	2.6
Nominal GDP in USDbn	377	377	348	424	467	499	521	542	569	596
Nominal GDP in local currency	508.3bn	514.1bn	480.7bn	569.4bn	643.5bn	679.2bn	708.4bn	742.4bn	779.7bn	816.2bn
GDP per Capita in USD	64,815	64,236	58,951	71,334	78,114	83,036	86,053	88,994	92,918	96,725
Population (year-end, m)	5.8	5.9	5.9	5.9	6	6	6.1	6.1	6.1	6.2
Exchange rate (yr ave, USD-LCU)	1.3	1.4	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Current Account in USDbn	59.1	60.9	57.3	76.3	90.3	90	92.3	96.5	99.7	101.2
Current Account (% of GDP)	15.7	16.2	16.4	18	19.3	18	17.7	17.8	17.5	17
FX reserves (year-end, USDbn)	287.5	279.2	362.1	416.1	287.7	323.7	342.2	361.5	381.4	401.6
Import Cover (months)	6.2	6.1	8.3	7.9	4.9	5.1	5.1	5.1	5.1	5.1
Inflation (annual ave, %)	0.4	0.6	-0.2	2.3	6.1	4.5	2.2	1.9	2	2.1
Govt Balance (% GDP)	3.7	3.8	-6.8	1.2	0.4	3.1	2.1	-1.5	-0.5	2.5

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Singapore	Mainland China	Malaysia	Hong Kong (S.A.R.)	US
Income per Capita (USD)	83,036	12,709	12,932	51,176	79,322
Country Population (m)	6	1,425.7	34.3	7.5	340
Internet users (% of population)	92	70.1	89.6	92.4	90.9

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
Potential FX/Bank Delays	0-1 week
Potential Local Delays	0-1 week

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	Singapore	Asia Pacific	OECD Average
Restrictions on non-Residents' Accounts	0	0.18	0.06
Restrictions on Payments for Imports	0	1.18	0.06
Restrictions on Payments for Invisible and other Current Transfers	0	1.55	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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