

4 Singapore Household Sector

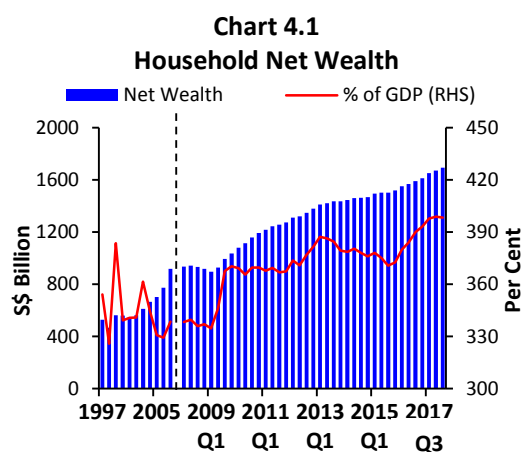
With the economic recovery gaining traction, household balance sheets are strengthening, driven by growth in financial and property assets.

Households should continue to stay financially prudent. While household debt growth remains in line with income growth over the past year, households should take into account their ability to service their debt in the longer term. Potential property investors should be aware that the subdued rental market and further interest rate hikes could weigh on borrowers' debt servicing ability.

Household Balance Sheets are Strengthening

Growth in household net wealth has picked up over the past year

On an aggregate basis, Singapore's household balance sheets remain healthy, with aggregate net wealth at four times of GDP (Chart 4.1). Liquid assets such as cash and deposits exceed total household liabilities, providing households with strong financial buffers.

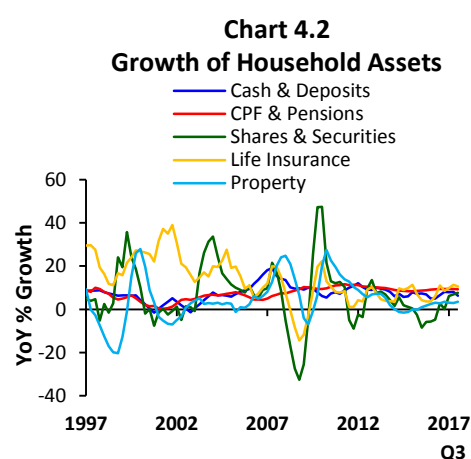


Source: Department of Statistics (DOS)
Note: Household net wealth is the difference between household assets and household debt. Data for 1997 – 2007 is as at Q4.

The growth in household net wealth has accelerated over the past year (from 5.8% YoY in Q3 2016 to 6.6% YoY in Q3 2017) due to increased financial and property assets.

Financial assets grew by 8.1% YoY in Q3 2017, up from 7.5% YoY in Q3 2016. In particular, the value of stocks and shares went up by 7.7% YoY in Q3 2017, from 2.8% YoY in Q3 2016 (Chart 4.2). Residential property assets grew 3.6% YoY in Q3 2017, alongside increased transaction activity in the private residential property market.

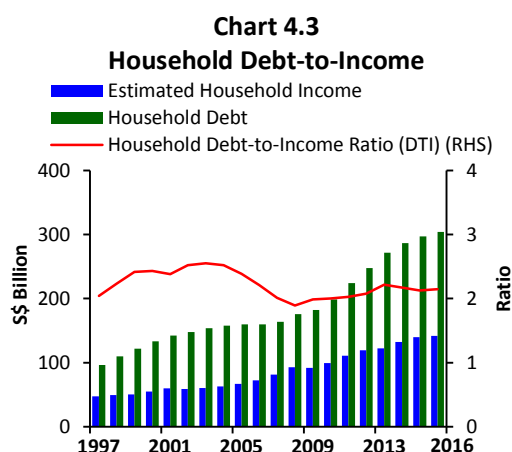
With growth in financial assets outpacing residential property assets in recent years, there has been further diversification of household assets towards financial assets. The share of financial assets edged up to 56% in Q3 2017, from 50% five years ago.



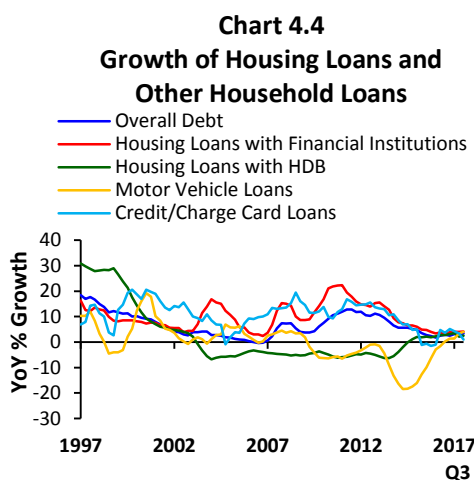
Source: DOS

Household debt has risen, driven by property loan growth

While the household debt-to-income ratio has stabilised at 2.2 times since 2013, household debt grew 3.3% YoY in Q3 2017 alongside an improved economic outlook and consumer confidence (Chart 4.3).²⁰² The main growth contributor was housing loans from FIs, which increased by 4.1% YoY in Q3 2017 (Chart 4.4).



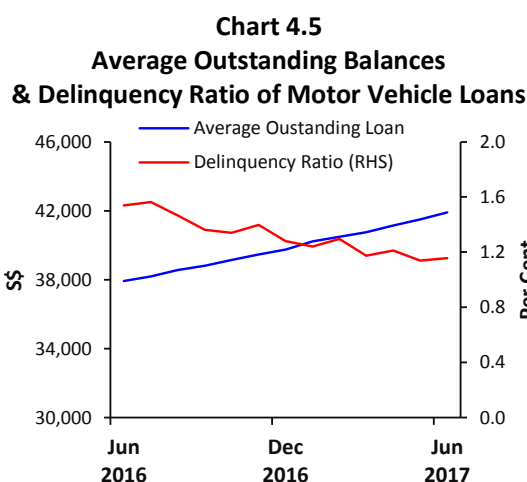
Source: MAS estimates, DOS



Source: DOS

²⁰² Consumer confidence in Singapore edged up in H1 2017, with the MasterCard Index of Consumer Confidence rising to 45.4 for H1 2017 from 30.0 for H2 2016, after a steady decline over the past two years. Consumer confidence improved across all components, primarily driven by the stock market and the more positive economic outlook.

Motor vehicle loans grew by 4.0% YoY in Q3 2017, compared to 0.3% YoY in Q3 2016. Data from CBS shows that the average outstanding motor vehicle loan increased by 10% over the year to S\$41,900 in June 2017. Nonetheless, overall delinquencies remained low at 1.2% as at June 2017 (Chart 4.5).



Source: CBS

Note: Delinquent loans refer to accounts with payments more than 30 days past due.

Unsecured credit situation has improved, with fewer borrowers accumulating excessive debt

Growth in outstanding loans from credit/charge cards has moderated from 3.7% in Q3 2016 to 1.1% in Q3 2017.

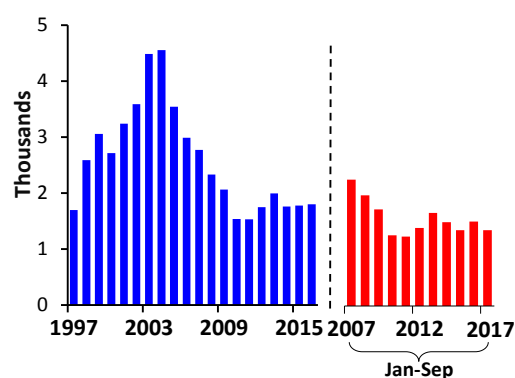
The unsecured credit situation has improved significantly following the introduction of tighter rules by MAS since 2013. The number of borrowers with high unsecured debt exceeding the industry-wide borrowing limit (of 18 times their monthly incomes) has almost

halved since 2015 (See Box O “Credit Cards and Other Unsecured Credit Facilities: Building Household Resilience for the Future”).

The number of individual bankruptcy orders remains below the long-run average (Chart 4.6). The first nine months of 2017 saw 1,253 cases, down from 1,395 cases in the same period last year.

factor in how that may affect demand-supply conditions, vacancy rates and rentals in the medium term (See Box P “Update on the Private Residential Property Market”).

Chart 4.6
Individual Bankruptcies



Source: Ministry of Law, IPTO

Households Should Continue to Exercise Financial Prudence

Households should continue to be prudent in managing their finances

While the overall employment outlook is expected to improve in 2018, wages are not expected to increase rapidly given that the existing slack in the labour market will take time to be absorbed.

Against this backdrop and with higher interest rates expected in the period ahead, households should remain prudent in managing their finances.

In particular, households considering property purchases should pay heed to the large upcoming supply of private housing units and