

FINANCIAL STABILITY REVIEW

December 2020

The annual Financial Stability Review presents the Monetary Authority of Singapore's analysis of global and domestic risks and vulnerabilities, which forms the basis of our assessment of the resilience of Singapore's financial system.

GLOBAL FINANCIAL AND ECONOMIC ENVIRONMENT

COVID-19 has raised risks to global financial stability



Corporate leverage has risen from already elevated levels, increasing credit risk.



Sovereign debt sustainability concerns have come to the fore, against widening fiscal deficits.



Market sentiment remains fragile. Emerging market economies are susceptible to a resurgence of capital outflows.

ANALYSIS OF SINGAPORE'S SECTORS

Corporates



Balance sheets resilient amid elevated but stable debt levels

Firms' liquidity positions have improved despite higher short-term debt. While most firms would withstand short-term pressures, risks remain for smaller firms and sectors most impacted by COVID-19.

Households



Debt servicing burden manageable under stress

Leverage risk has edged up but outstanding unsecured debt has fallen. Overall, debt servicing burden remains manageable. Households facing cashflow difficulties should seek support offered by the financial industry.

Financial



Sector coped with market volatility and profitability pressures

Strong capital and liquidity in banks support credit flow. Banks should maintain prudent credit underwriting standards amid constraints on profitability. The non-bank sector has weathered market volatility, but risks of further adverse global market conditions remain. Continued vigilance is called for.

SPECIAL FEATURES



Special Feature 1

Implications of USD Dominance on Capital Flows and Financial Stability in EMEs



Special Feature 2

Transitioning to a New Interest Rate Benchmark Landscape in Singapore



Special Feature 3

Climate Change and Financial Stability



Special Feature 4

S-REITs' Performance During the COVID-19 Pandemic

