

FINANCIAL STABILITY REVIEW

November 2022

The Financial Stability Review presents the Monetary Authority of Singapore's assessment of the resilience of Singapore's financial system, against the backdrop of global risks and domestic vulnerabilities

THE GLOBAL MACROFINANCIAL ENVIRONMENT

Near-term financial stability risks have intensified with tighter financial conditions, elevated input costs and slowing growth



Key funding markets face heightened risks of dysfunction with cascading liquidity strains on non-bank financial institutions.



Deterioration in financial positions of corporates and households could weaken banks' asset quality.



Emerging markets are vulnerable to sharp pullbacks in external debt financing and more volatile capital flows.

ANALYSIS OF SINGAPORE'S SECTORS

Firms, households and financial institutions need to be prepared for a more challenging macrofinancial environment

Corporates



Corporates generally have buffers to cushion shocks

- Under stress tests, firms generally have adequate buffers to mitigate the impact of shocks to revenue, business cost and interest rates.
- Firms with higher leverage or less cash reserves should aim to strengthen liquidity positions and manage their debt maturity.

Households



Most households are adequately placed to cope with income and interest rate shocks

- Most households appear to be resilient to income and interest rate shocks, and the proportion of non-performing mortgage loans is likely to remain low.
- Some households are found to be more vulnerable to adverse shocks and need to be cautious about taking on additional debt in the current environment.

Financial



Financial institutions would be able to manage their risks even under adverse conditions

- Banks and insurers have strong capital and liquidity buffers, even under adverse scenarios of the Industry-Wide Stress Test (IWST).
- Fund managers have been able to meet redemptions.
- Financial institutions should review their capacity to cope with possible disruption of liquidity in key funding markets.

SPECIAL FEATURES



Special Feature 1

Assessing the Impact of Climate Change on Financial Stability



Special Feature 2

Financial Stability Implications of the Global Crypto-asset Ecosystem



Special Feature 3

Financial Stability Implications of Digital Banks

