Monetary Authority of Singapore

Financial Stability Review

December 2004

CONTENTS

FOREWORD

The financial system plays a critical role in the economy. It acts as an intermediary between savers and borrowers, allocates financial resources efficiently and thereby contributes to economic growth. A sound and stable financial system is therefore fundamental to the well-functioning of the Singapore economy, particularly its ability to mobilise savings for investment and to redistribute risks across the economy.

In this respect, the Monetary Authority of Singapore conducts a regular assessment of Singapore's financial system by identifying potential sources of risks and vulnerabilities, and assessing the ability of the financial system to withstand these potential shocks. The results of the assessment are contained in the *Financial Stability Review* (FSR), which will be published on a semi-annual basis. The FSR aims to contribute to a greater understanding and exchange of views among market participants, analysts and the public on issues affecting Singapore's financial system.

Section I of the FSR provides an assessment of the macro environment that encompasses macroeconomic conditions and financial market developments in the global and the Singapore context. Against this backdrop, Section II analyses the non-financial sector, which includes both the corporate and household sectors whilst Section III focuses on the banking sector given its dominant role in Singapore's financial sector. Finally, Section IV highlights the major developments in financial infrastructure, underpinning a stable and progressive financial system.

The FSR is coordinated by the Macroeconomic Surveillance Department and incorporates contributions from the following departments: Economic Policy Department, Complex Institutions Supervision Department, Banking Supervision Department, Insurance Supervision Department, Securities and Futures Supervision Department, Specialist Risk Supervision Department, Prudential Policy Department, and Reserve and Monetary Management Department.

The next issue of the FSR will be released in June 2005.

Macroeconomic Surveillance Department
Monetary Authority of Singapore
31 December 2004

OVERVIEW

The global economy continued to perform well in the third quarter of 2004, albeit at a slower pace than in the first six months of the year. Economic activity was sustained by a rebound in the US economy in Q3 2004 following a soft patch in Q2 2004, while economic growth moderated in the Euro-zone and remained modest in Japan. Asia's growth was mostly firm compared to a year ago, although the momentum also appeared to have slowed, partly due to softer conditions in the global electronics industry. With regard to the recent tsunami disaster, the initial assessments by economists and industry experts are that the impact on the region's economic growth and the insurance industry would be minimal.

Global financial markets have adjusted smoothly to the transition to a higher interest rate environment, led by the 125 basis points (bps) increase in the US Federal Reserve (Fed) policy rate since June 2004. Monetary policy stance in Asia, however, has been mixed as the growth prospects in the region are clouded by uncertainty over the extent of the expected slowdown in the global economy. Currency markets have been fairly steady up to October although the USD has since weakened, on growing concerns over the widening US current account deficit and a possible slowdown in the economy. Renewed foreign equity inflows to Asia since August have lifted stock prices.

Against this background, Singapore's financial system has remained sound. The domestic banking system, which accounts for over 90% of financial sector assets, remained stable in the third quarter of this year. This was supported by the healthy financial positions of the domestic corporate and household sectors. Domestic firms experienced higher profitability and liquidity, and lower leverage. Firms also appeared to be financially robust by international comparison. Household net wealth was estimated to have grown to SGD640 bn or about four times nominal GDP in Q2 2004, with an increase seen in all components of household assets compared to the end of last year. Household gearing or household liabilities over asset ratio fell marginally over the period, from 20.0% to 19.3%, comparable to that of OECD countries such as the US, Germany, Canada and Netherlands. The recent bottoming out of property prices was a positive development for the household sector with an improvement seen in negative housing equity.

The three local banks turned in another quarter of healthy results in Q3 2004, continuing the strong performance seen since the middle of last year. Their total gross income was 11% higher than a year ago on account of rising interest income. The local banks have maintained healthy Capital Adequacy Ratios (CAR) while their low non-performing loan (NPL) ratios have further declined. Lending to the household sector remained the three banks' largest non-bank credit risk exposure, comprising mainly housing loans with relatively lower default rates and which were well collateralised. The banks' loan provisioning also remained adequate. Despite the strong GDP growth in the first half of the year, there have been no signs of excessive credit growth or reduced lending prudence. In fact, loan growth of the local banks was on a trend decline in H1 2004 before rebounding in July. Indicators of market and liquidity risks also suggest that these risks were well contained within the local banks.

The financial health of the insurance industry, which is the second largest industry in Singapore's financial sector, has strengthened further. The general insurance industry continued to see improving financial position in Q3 2004 amid fewer credit rating downgrades among global re-insurance companies to whom Singapore general insurers are exposed. The domestic life insurance industry saw an improvement in new premiums this year following three consecutive years of decline.

However, challenges to the financial system remain in an environment of weaker economic growth amid rising interest rates. The Singapore economy is expected to experience a slower growth of 3.0-5.0% next year, predicated on a decline in global electronics demand and weaker growth in the external economies. The strong balance sheet positions of domestic financial institutions, and the corporate and household sectors suggest that these three sectors would be resilient to the expected moderation in economic growth. Looking ahead, however, there are several risks to this relatively benign assessment.

First, notwithstanding some cooling-off seen in recent weeks, sustained high oil prices may further dampen economic activity over the next year. Second, a sharp contraction in global electronics demand would severely hit growth in Asia, particularly Northeast Asia and Singapore. Under this scenario, Singapore's exports would be significantly affected as electronics account for over half of the economy's non-oil domestic exports. The direct impact of these two shocks on Singapore's financial system is unlikely to be significant given the low concentration of bank loans to industries that are dependent on oil and electronics. However, the indirect impact arising from a sharper-than-expected slowdown in the global economy induced by sustained high oil prices and a technology downturn could be greater. The results of a stress test exercise suggest that the local banks are well placed to weather shocks due to these two risk factors.

Third, a sharper-than-expected slowdown in the Chinese economy could have an indirect impact on the local banks given their significant presence in the Asian region. The economic indicators to-date suggest that a soft-landing of the Chinese economy is a more likely scenario, following measures taken by the Chinese authorities to curb overheated sectors. Fourth, the widening US current account deficit has raised concerns over the risk of a disorderly adjustment in the USD that could trigger substantial volatility in financial markets worldwide. The probability of an imminent free-fall in the USD remains low at present given the strength of the US economy and its sound financial system, as well as the strong institutional backing enjoyed by the currency.

I MACRO ENVIRONMENT

1.1 Macroeconomic Conditions

The global economic rebound that began in the second half of last year appeared to have peaked in Q2 2004. According to Consensus forecasts, Asia (ex-Japan) is projected to slow to a growth rate of around 6.2% in 2005 from an estimated 7.4% in 2004. There are, however, several risks to the baseline forecast – sustained high oil prices, a sharp contraction in global electronics demand, a sharper than expected slowdown of the Chinese economy and a disorderly adjustment of the USD.

Global Economy

Moderation in economic growth in 2005

Against the backdrop of heightened global uncertainties, the world's major economies slowed in recent months, with the slowdown projected to continue into 2005 to growth rates closer to their long-term potential (Table 1.1). In the US, higher oil prices and weaker-than-expected recovery in the labour market have weighed on consumer spending. Japan also saw a moderation in what has been its most impressive recovery in the post-bubble period, due mainly to a slowdown in exports and private non-residential investment growth. The Euro-zone, where economic growth lagged that of the US and Japan last year, also saw a slight easing in growth as well.

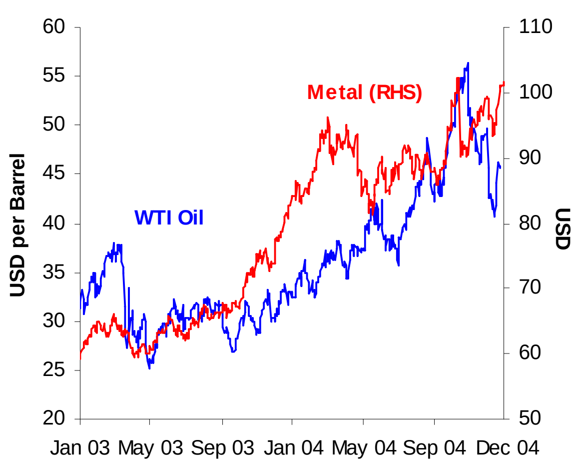
Table 1.1
Real GDP Growth

Percent

	2000	2001	2002	2003	2004f	2005f
Industrialised Countries						
US	3.7	0.8	1.9	3.0	4.4	3.5
Japan	2.4	0.2	-0.3	1.3	3.9	1.5
Euro-zone	3.5	1.6	0.9	0.5	1.8	1.7
Southeast Asia						
Malaysia	8.9	0.3	4.1	5.3	7.1	5.4
Indonesia	4.9	3.8	4.3	4.5	4.9	5.3
Philippines	6.0	1.8	4.3	4.7	5.9	4.7
Thailand	4.8	2.2	5.3	6.9	6.1	5.7
Northeast Asia						
China	8.0	7.5	8.3	9.3	9.3	8.0
Hong Kong	10.2	0.5	1.9	3.2	7.8	4.6
Taiwan	5.9	-2.2	3.6	3.3	5.8	4.2
Korea	8.5	3.8	7.0	3.1	4.8	4.2

Source: CEIC and Consensus forecast December 2004

Chart 1.1
Global Commodity Prices



Source: Bloomberg

Asian exports are expected to slow on the back of weaker global demand. Although many Asian economies have made conscious efforts to develop domestic demand as another engine of growth in recent years, the export slowdown will inevitably offset some of the momentum in domestic spending. The slowdown in economic growth will be compounded by an expected decline in tourism receipts as a result of the recent tsunami disaster in Asia, even though the final impact on growth is expected to be minimal. Both household spending, which has been supported by low interest rates and rising income, and corporate fixed investment spending, which has rebounded from a low base in some economies this year, are likely to moderate in 2005.

Risks from sustained high oil prices, sharp contraction in global electronics demand, hard landing in China and sharp correction of USD

The above assessment does not take into account several downside scenarios.

First, the current high oil prices may be sustained over the next year. Oil prices have risen by more than 20% since the beginning of the year on strong demand, amid possible supply disruptions and speculation (see Box Item A on Speculative Factors and the Oil Price Puzzle). It is not inconceivable for prices to rise markedly again should there be events that exacerbate the current tight capacity problem (Chart 1.1).

Second, global electronics demand could see a sharp downturn. This would severely hit growth in Asia, particularly Northeast Asia and Singapore given the greater dependence of these economies on electronics exports. The risk of a slowdown in electronics demand appears to have intensified in recent months, as the Semiconductor Equipment and Materials International (SEMI)'s semiconductor book-to-bill ratio has fallen below the threshold of 1.0, to 0.94 in September and 0.96 in October, before rising back up to 1.0 in November. Electronics inventories continued to rise in November 2004, by 6.2% y-o-y, which was the sixth consecutive month of y-o-y increase. The World Semiconductor Trade Statistics projected that the growth of the global semiconductor industry would slide to 1.2% in 2005 from 28% this year. A sharp slowdown in the electronics industry would compound the already moderating pace of global economic growth.

Third, the Chinese economy may experience a sharper-than-expected slowdown. Compared to six months ago, the risk of overheating seems to have abated somewhat, as tighter credit policy - loan growth decelerated to 14% y-o-y in

November 2004 from 23% y-o-y a year earlier - and stricter administrative guidelines appear to have succeeded in cooling down demand in some industrial segments such as steel, cement and automobiles. However, investment, production and inventory accumulation continue to grow at rates significantly above historical averages.

Fourth, the risk of a disorderly adjustment of the USD remains. Since October 2004, the USD has come under renewed selling pressure on concerns about the widening current account deficit in the US. There are fears that the deficit will continue to widen due to an escalating fiscal deficit and a very low savings rate in the private sector. In particular, the results of the recent US presidential election have raised concerns over a potential increase in defense spending and an extension in tax cuts. In addition, the sluggish pace of economic growth in Japan and the Euro-zone could limit adjustments in the US current account. Nonetheless, a free-fall in the USD that could trigger disorderly movements in financial markets appears to be a low probability event at present due partly to the strong institutional backing for the USD: its role as a reserve currency, strong credibility enjoyed by the Fed, deep financial markets in the US, and strong demand for USD assets by Asian central banks.

East Asian Financial System

In line with the economic recovery in the East Asian region (Malaysia, Indonesia, Thailand, Philippines, China, Hong Kong, Taiwan and Korea), the balance sheets of the corporate and banking sectors in these economies have, on the whole, strengthened. The corporate sector has continued to deleverage, while household debt, though rising, has remained lower than that of the US and the UK when measured as a percentage of nominal GDP. Concomitantly, banks' asset quality has improved at the same time as their capital strengthened. Notwithstanding this generally healthy development, there are pockets of weaknesses in several of the East Asian economies that require close monitoring. Continued reforms and restructuring would stand them in good stead for the challenges posed by slower economic growth next year.

Financial health of the East Asian corporate sector on the whole improved

Debt-to-equity ratios for listed companies have fallen across most East Asian economies over the past few years. Corporate bond issuance in these economies has also increased after the 1997 Asian Financial Crisis, thus reducing corporate reliance on short-term bank financing. Corporate profitability in about half of the East Asian region has improved in recent years, as seen by rising returns on assets (ROA) (Table 1.2).

Table 1.2
Non-Financial Corporate[1] Ratios (Median)

	1997	1998	1999	2000	2001	2002	2003	2004 latest
Debt to Equity Ratio (%)								
Malaysia	53.8	57.8	39.5	30.7	29.2	27.1	30.5	34.3
Indonesia	157.9	97.7	76.9	26.6	19.3	32.9	43.5	37.0
Philippines	49.6	47.5	49.4	39.4	22.6	18.0	19.0	28.6
Thailand	129.9	93.2	60.8	54.7	44.0	36.5	30.0	39.2
China	47.0	51.7	43.0	42.3	44.9	48.3	55.6	63.5
Hong Kong	39.8	41.6	30.1	20.1	21.3	18.0	21.2	23.4
Taiwan	36.0	41.3	44.4	47.2	45.2	45.1	50.3	38.6
Korea	171.4	107.5	63.8	58.8	56.6	54.9	46.4	34.1
Return on Assets (%)								
Malaysia	6.0	2.8	4.1	3.2	2.9	3.3	3.8	3.9
Indonesia	2.5	1.4	8.7	4.0	5.1	6.1	4.5	4.2
Philippines	4.4	2.9	1.3	2.7	0.7	0.3	1.3	2.9
Thailand	-5.4	6.7	3.9	6.1	6.3	6.7	8.0	7.9
China	5.5	3.9	3.5	6.4	5.0	4.1	4.3	3.6
Hong Kong	6.1	2.7	3.1	4.4	3.0	2.1	3.0	3.7
Taiwan	7.0	4.4	4.9	5.5	3.1	4.7	5.2	7.3
Korea	4.0	4.8	5.9	4.6	4.3	5.2	4.5	4.8

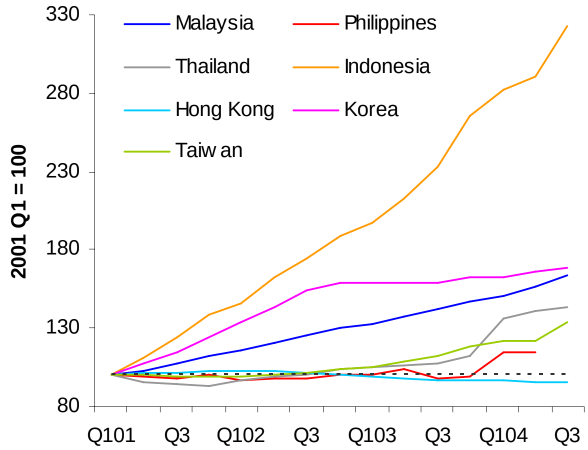
Source: Thomson Financial
[1] Listed firms only

Limited systemic risk from growing household debt

Since 2000, low interest rates and banks' aggressive promotion of household credit have led to a significant rise in the level of household indebtedness in the East Asian region (Chart 1.2). Despite this development, the risk to the financial system appears to be limited as housing loans, which comprise between 50-70% of household debt in most parts of the region, have historically seen low default rates of between 1.0-2.0%. The relatively higher growth rate in Indonesia's household loans mainly reflected a rise from its lower level of bank credit to households as compared to the other economies.

Financial regulators in the East Asian region have tightened lending regulations. For example, the Bank of Thailand recently mandated minimum income requirements and raised minimum monthly payments for credit cards, enforced stricter definitions for NPLs and increased requirements for loan loss provisions. Rules have also been tightened on household credit, including property and car loans, in China and Korea. Regulators have also made efforts to monitor the quality of new loans through better risk assessment systems. In addition, many of the countries have set up, or are in the process of setting up, consumer credit bureaus.

Chart 1.2
Loans to Households



Source: CEIC

Banks' balance sheets generally strengthened although there are risks in some areas

Reflecting the economic recovery and improved corporate balance sheets, NPL ratios in the East Asian economies have continued to fall (Table 1.3). Banks have generally been restructuring and repairing their balance sheets, which have helped to bring down NPL ratios. Banks in several economies have, for example, transferred their NPLs to asset management companies (AMC) such as KAMCO in Korea, IBRA in Indonesia and Danaharta in Malaysia. These AMCs have been relatively successful in resolving the NPLs in their portfolios, with projected recovery rates of over 60%.

Meanwhile, CAR in the Southeast Asian banks rose to between 10% and 20% in September 2004, well above the Basel minimum requirement of 8%, whilst banks' profitability benefited from financial restructuring and cost-cutting exercises. Banks have also diversified their business to include a greater proportion of fee-based income, which has helped to reduce vulnerability to interest rate volatilities. For example, non-interest income accounted for 26% of the gross income of commercial banks in Thailand in Q3 2004, up from 18% four years ago.

Table 1.3
Non-Performing Loans (NPL) and Capital Adequacy Ratios (CAR)[1]

	2000	2001	2002	2003	Mar 04	Jun 04	Sep 04 [2]
NPL (as % of Total Commercial Bank Loans)							
Malaysia	8.3	10.5	9.3	8.3	8.3	7.7	7.4
Indonesia	18.8	12.1	8.1	8.2	7.8	7.6	7.4
Philippines	15.1	17.3	14.9	14.1	13.9	13.8	13.9
Thailand	17.7	10.5	15.7	12.8	12.1	12.4	11.5
China [3]	n.a.	n.a.	21.6	16.9	19.2	15.6	15.7
Hong Kong	5.9	5.2	3.9	3.2	2.9	2.3	2.0
Taiwan	5.3	7.5	6.1	4.3	4.1	3.5	3.3
Korea	6.6	2.9	1.9	2.2	2.5	2.2	2.1
CAR (%)							
Malaysia	12.3	12.8	13.1	14.0	13.9	14.5	14.1
Indonesia	12.7	20.5	23.0	19.3	23.5	20.9	21.0
Philippines	15.6	15.3	16.6	17.3	18.3	n.a.	n.a.
Thailand	12.0	13.9	13.6	14.0	12.7	12.3	13.0
China [3]	n.a.	4.4	4.3	n.a.	n.a.	n.a.	n.a.
Hong Kong	17.9	16.5	15.7	15.3	16.2	15.9	15.9
Taiwan	10.8	10.4	10.6	10.1	n.a.	10.0	n.a.
Korea	10.5	10.8	10.5	10.5	10.8	10.9	n.a.

Source: CEIC, Asia Development Bank and Official National Sources
[1] Definitions may vary across countries
[2] Indonesia data as at end July 2004
[3] State-owned commercial banks

Box Item A
Speculative Factors and the Oil Price Puzzle

The recent oil price spike had revealed a puzzling feature. While global crude oil supply has thus far been able to meet demand, the sharp rise and increased volatility in crude spot and futures prices suggested that fundamentals alone could not fully explain the recent price spike.

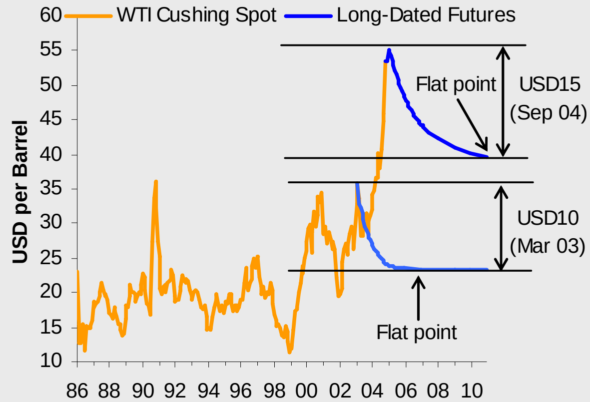
Compared to March 2003, the differential between the spot price and the long-dated equilibrium futures price[1], which measures non-fundamental related risk premium, increased from USD10 to USD15 in September 2004 although the differential had narrowed more recently to around USD6 (Chart A1). The risk premium rose between March 2003 and September 2004 following increased fears of possible future supply shocks, which had been reinforced by the lack of spare refining capacity due to underinvestment in previous years. Notwithstanding the fact that the risk premium had increased over a time when there had been concerns over supply disruptions, some of the price volatility during the period might be related to increased speculative behaviour in the crude oil futures markets.

While oil had traditionally been perceived as a consumption commodity, the convenience yield on oil[2], which measures the benefit enjoyed from the ownership of the physical commodity not similarly enjoyed by the holder of the corresponding futures contract, was estimated to have declined by an annualised rate of 6.8% per annum[3] from January-August 2003 to September 2003-June 2004[4]. This implied that oil had been exhibiting behaviour closer to that of a financial asset, which in general has an almost zero convenience yield, rather than a consumption asset. Therefore, similar to any financial asset, the price of oil is subject to speculation.

Data from the US Commodities Futures Trading Commission (CFTC) showed that net long non-commercial positions in crude oil futures had consistently exceeded net short commercial positions in these contracts between June and November 2004, thus suggesting that speculative factors could have contributed to the rise in oil prices to some extent (Chart A2). The analysis here provides some empirical support for the influence of speculative behaviour in the futures market where changes in non-commercial long positions tended to precede changes in prices of crude futures, with the former explaining about half of the variability in the latter[5].

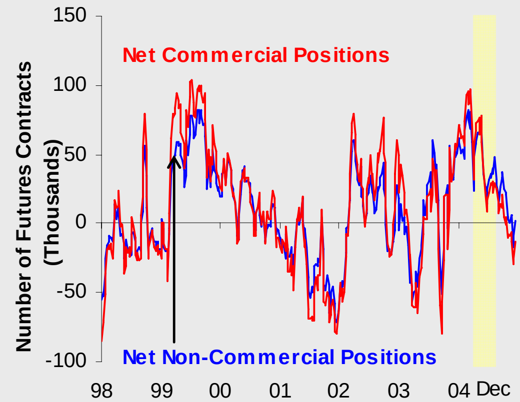
Box Item A (continued)

Chart A1
WTI Cushing Spot and Long-Dated Futures Prices



Source: Bloomberg

Chart A2
Net Long Non-Commercial Positions and Net Short Commercial Positions



Source: Commodity Futures Trading Commission and Bloomberg

From a peak of USD55 per barrel, the price of crude oil has fallen by USD11 to USD44 on 29 December 2004. The decline was due in part to the increase in inventories boosted by strong OPEC production, the repair of the Gulf of Mexico facilities after Hurricane Ivan as well as an unseasonably warm winter in the northeast part of the US, coupled with an increase in the US inventories of distillates. The fall in crude oil prices was also in line with the decline in speculative activities in the oil futures market where, in the week of 6 December 2004, non-commercial traders held a net short position for the first time in over a year, although there has since been a return to a marginal net long non-commercial position.

1/ The long-dated equilibrium futures price was calculated from the flat point on the long-dated futures curve.
2/ The estimation was carried out based on the formulation $S_o = F_o e^{-(r+u-y)T}$ where
F_o is NYMEX 3-month futures price; S_o is WTI spot price; y is convenience yield; r is risk-free rate; u is storage costs; T is time to maturity of futures contract
3/ Discrete per annum compounding.
4/ The Fed rate hikes from June 2004 onwards each caused a structural break in the data on spot and futures prices through changes in the interest rate, hence preventing an estimation of the change in the convenience yield after June 2004.
5/ Based on analysis of weekly data. Changes in non-commercial long positions in NYMEX crude futures Granger caused changes in NYMEX futures prices.

Singapore Economy

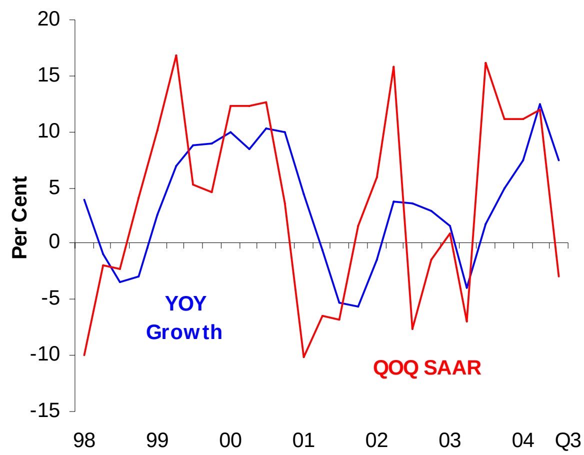
Robust expansion particularly in external-oriented sectors but growth moderation expected going forward

The Singapore economy experienced impressive growth in the first half of 2004 before moderating in Q3 2004. GDP in the third quarter declined by 3.0% on a quarter-on-quarter seasonally adjusted annualised rate basis (QOQ SAAR). On a y-o-y basis, the domestic economy expanded by 7.5%, lower than the 12.5% y-o-y recorded in Q2 2004. The externally-oriented manufacturing and trade-related services clusters were the primary drivers of the economy in recent quarters. The manufacturing sector, for instance, saw double-digit y-o-y growth rates in Q2 and Q3 2004. With the exception of the construction sector, the other sectors of the economy also enjoyed robust expansion (Charts 1.3 and 1.4).

Growth momentum in the financial services sector this year has been healthy. The sector was especially buoyant in the first half of the year, underpinned by strong activity in the fund management, foreign exchange trading and insurance segments. The banking sector, however, has largely underperformed the broader financial services sector thus far in 2004, unlike in the second half of last year when banking accounted for the bulk of the expansion in financial services.

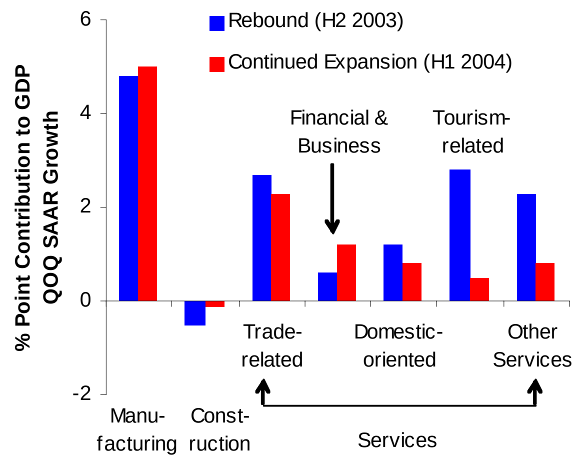
For 2005, GDP growth is forecast to moderate to between 3.0-5.0%, in line with an expected slowdown in global IT demand and weaker growth in the external economies.

Chart 1.3
Real GDP Growth



Source: Department of Statistics

Chart 1.4
Sectoral Contribution to Real GDP Growth

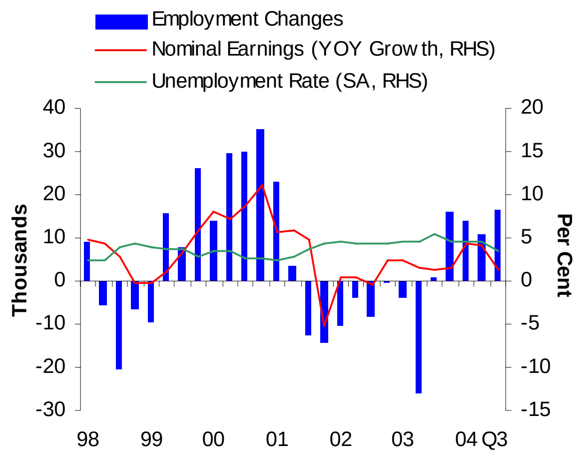


Source: MAS estimates

Labour market conditions improved alongside some inflationary pressures

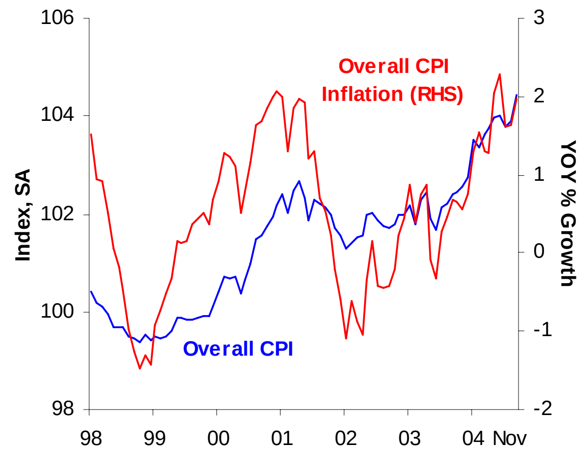
The labour market has strengthened amid the robust economic recovery, with the unemployment rate (seasonally-adjusted) falling to 3.4% in Q3 2004 from 4.5% in the previous three quarters (Chart 1.5). In line with the robust economic growth, an improving labour market and higher commodity prices, some inflationary pressures have emerged with CPI inflation in Q3 2004 averaging 1.7% y-o-y, compared to 1.6% y-o-y in H1 2004 and 0.5% in 2003 (Chart 1.6). CPI inflation is expected to come in at 1.0-2.0% in 2005.

Chart 1.5
Labour Market Indicators



Source: Ministry of Manpower and Central Provident Fund Board

Chart 1.6
CPI Inflation



Source: Department of Statistics

1.2 Financial Market Developments

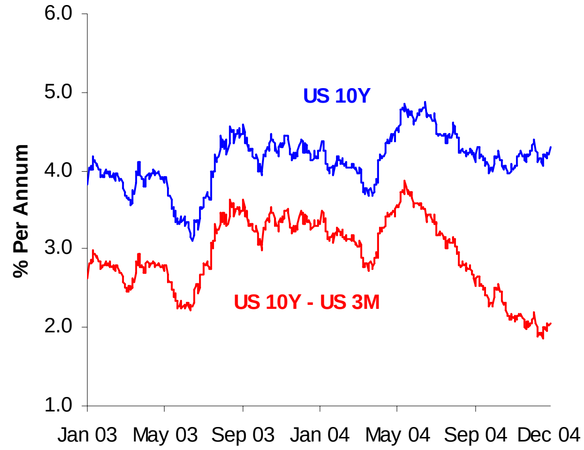
Since April 2004, uncertainties over the sustainability of the US economic growth amid mixed economic news, higher oil prices and monetary tightening have dominated international financial markets. Taking the cue from the Fed's tightening, Asian central banks have also started to "normalise" their policy rates although at a more gradual pace. The absence of significant inflationary pressures has allowed Asian central banks to continue with their generally accommodative monetary policies. In the second half of the year, a renewed surge in foreign portfolio flows into Asia drove the region's currencies and stock markets higher.

Global Financial Markets

Monetary tightening in the US continued at measured pace

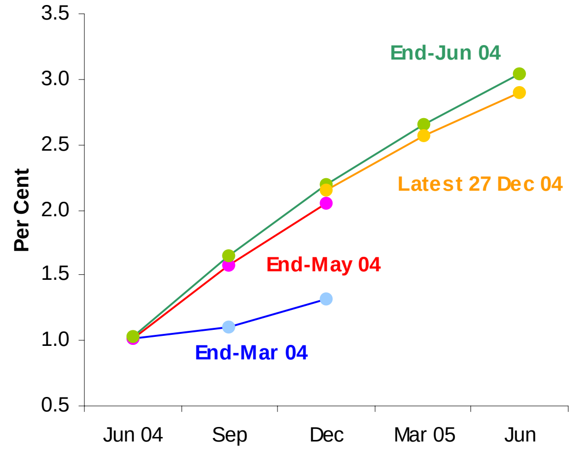
The US Federal Reserve Open Market Committee (FOMC) has raised interest rates five times since June 2004, bringing the Fed Fund Rate to 2.25% currently. Notwithstanding the Fed's tightening, yield on long-term bonds has fallen (Chart 1.7). Benign inflationary expectations and concerns over an expected slowdown in economic growth due to a combination of softer economic news and higher oil prices have led financial markets to expect the pace and degree of monetary tightening in the US to continue at a measured rate (Chart 1.8).

Chart 1.7
US Government Bond Yields



Source: Bloomberg

Chart 1.8
US Fed Fund Futures

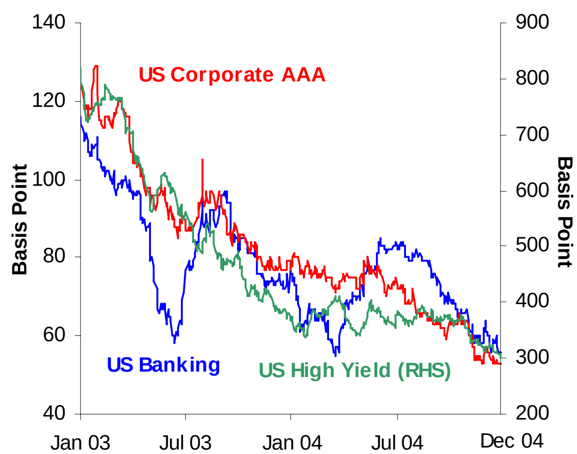


Source: Bloomberg

Global risk aversion has eased and equity markets have recovered on correction in oil prices

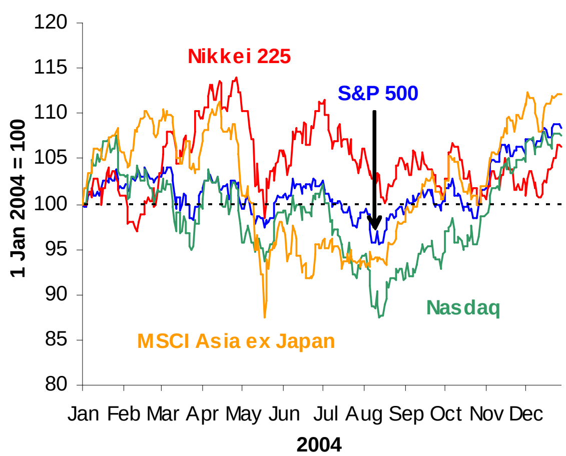
There are indications that the appetite for risk has increased despite the start of the monetary policy tightening cycle. For instance, credit markets appear unaffected by developments in the bond and equity markets as the rate of defaults and the number of credit rating downgrades fell. Spreads on US corporate bonds of AAA rating have eased since June and even those for high yield bonds have remained relatively stable despite the rise in US policy rates (Chart 1.9). In contrast, the more mature equity markets, such as in the US and Japan, have been range-bound despite strong corporate results, although stock prices have rebounded since October on the back of a correction in oil prices (Chart 1.10).

Chart 1.9
US Corporate Bond Spreads



Source: Thomson Financial

Chart 1.10
Global Equity Markets

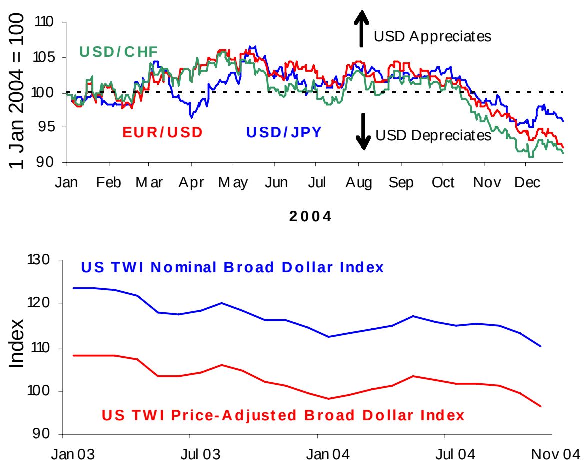


Source: Bloomberg

USD has weakened on continued deterioration in external imbalances and concerns over potential US economic slowdown

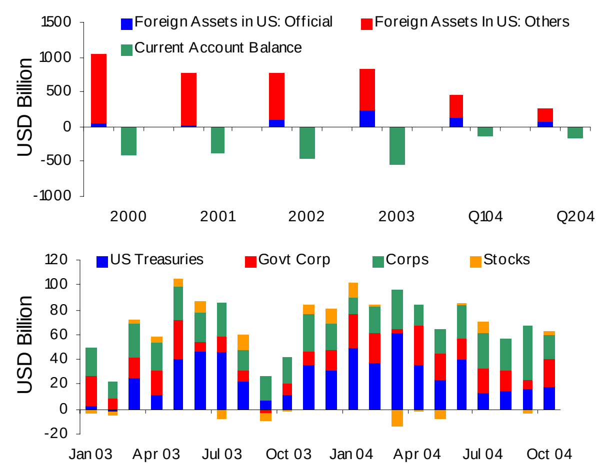
Major currency markets were relatively steady in the period May to mid-October due to strong capital inflows into the US from both the private and official sectors (Charts 1.11 and 1.12). Since then, however, the USD has weakened considerably against other major currencies on increasing concerns over the sustainability of the US current account deficit and a potential slowdown in the US economy amid higher oil prices. Hence, a disorderly adjustment of currencies remains a risk, with potential spillover to other asset markets.

Chart 1.11
Selected Major Currencies against G3 Currencies



Source: Bloomberg and US Federal Reserve Board

Chart 1.12
US Capital Flows and Net Foreign Purchases of USD Assets

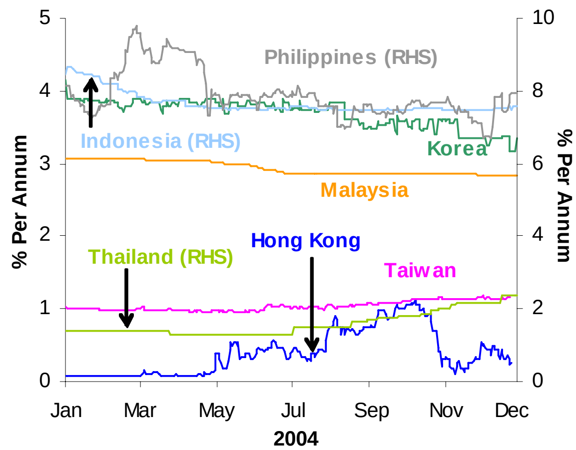


Source: US Bureau of Economic Analysis and US Treasury

Asian monetary policies continued to be accommodative despite monetary tightening in the US

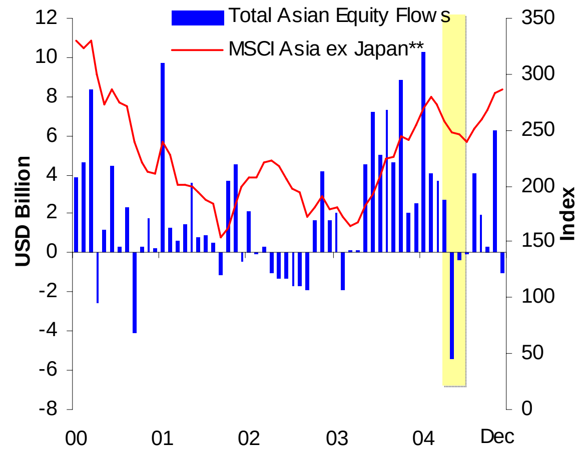
Despite the monetary tightening in the US and a rise in inflationary pressures, Asian monetary policies have yet to see significant tightening due to concerns over the sustainability of the region's growth (Chart 1.13). Continued high oil prices, however, could necessitate a more significant monetary tightening in the medium term. Thus far, the central banks of China, Thailand, Taiwan and Singapore have tightened their monetary policies, while other Asian central banks have maintained accommodative policies. The Bank of Korea, on the other hand, eased its monetary policy and reduced the overnight call rate twice - once in August and once in November - to an all-time low of 3.25%, in response to anaemic consumer spending weighed down by high household indebtedness.

Chart 1.13
Short-Term Interest Rates in Asia



Source: Bloomberg and CEIC

Chart 1.14
Net Foreign Purchase of Asian* Equities



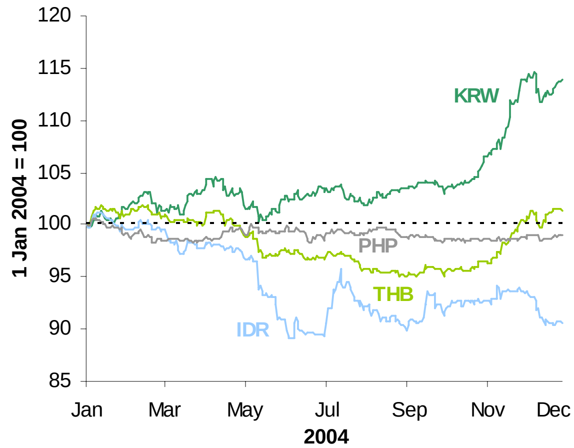
** Taiwan, Korea, Thailand and Indonesia*
*** December figure is up to 27 December 2004*
Source: Bloomberg

Renewed capital inflows led to strengthened Asian currencies and equities but the increases were capped by high oil prices

In May-July 2004, foreign portfolio outflows due to expectations of rising US interest rates, concerns over a possible hard landing of the Chinese economy, the impact of higher oil prices as well as the peaking of the current technology cycle contributed to a general decline in Asian equity markets (Chart 1.14). Since August, however, renewed foreign equity inflows to Asia[1], encouraged by smooth political transitions in several countries in the region, the belief that the Fed tightening would continue to be 'measured', the re-election of President Bush and the subsequent slide in oil prices have all boosted currencies and equity prices (Charts 1.15 and 1.16). The recent tsunami catastrophe triggered by the earthquake in Indonesia has mainly affected airline stocks, on the back of concerns that tourism in Southeast Asia would decline, although the broader market has been less impacted as it was still too early to accurately assess the economic losses due to the disaster.

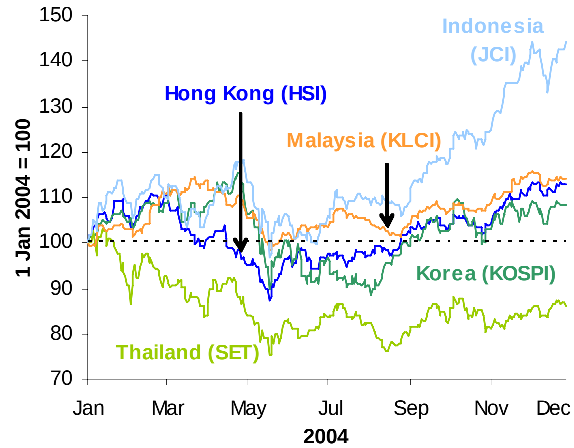
[1] The Asian region has since seen a return of portfolio inflows into Thailand, Taiwan, Korea and Indonesia with net portfolio inflows totalling USD5.1 mn in mid-November, from a net outflow of USD5.4 mn in May.

Chart 1.15
Asian Currencies vis-a-vis USD



Source: Bloomberg

Chart 1.16
Asian Equity Markets



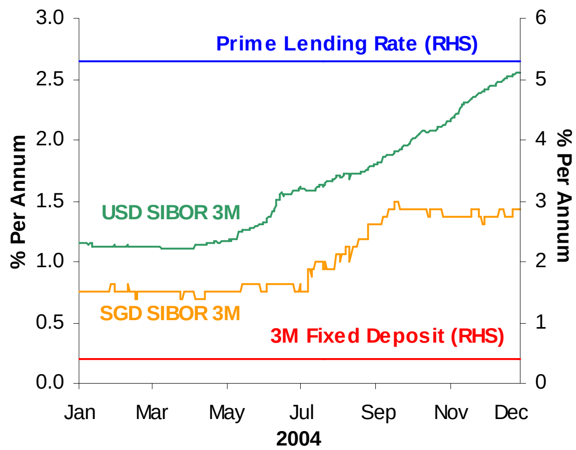
Source: Bloomberg

Singapore Financial Market

Domestic interest rates rose in tandem with rate tightening in the US

Since Q2 2004, both domestic and foreign currency interbank interest rates have trended upwards in tandem with the monetary tightening in the US. However, benign inflationary expectations and concerns over an expected economic slowdown have contributed to a flattening of the SGD rates in recent months. This has led to a significant widening in the spreads between the SGD and USD rates, from about 40 basis points (bps) in May to over 100 bps currently (Chart 1.17). Retail interest rates, on the other hand, have been largely unchanged, with banks' 3-month fixed deposit rates and prime lending rates remaining at 0.4% and 4.75% respectively. Housing loan rates have remained low, reflecting the highly competitive mortgage loan market in Singapore (Table 1.4).

Chart 1.17
Interest Rates in Singapore



Source: MAS

Table 1.4
Local Banks' Mortgage Loan Rates

	First Year	Second Year	Third Year	Fourth Year onwards
HDB Housing Loan Rates				
POSB	1.20	2.60	2.55	2.55
UOB	1.20	2.60	2.60	2.60
OCBC	1.20	2.60	2.60	2.60
Private Housing Loan Rates				
DBS	1.30	2.50	2.75	3.00
UOB	1.30	2.50	2.75	3.00
OCBC	1.30	2.50	2.75	3.00

Source: Local Banks

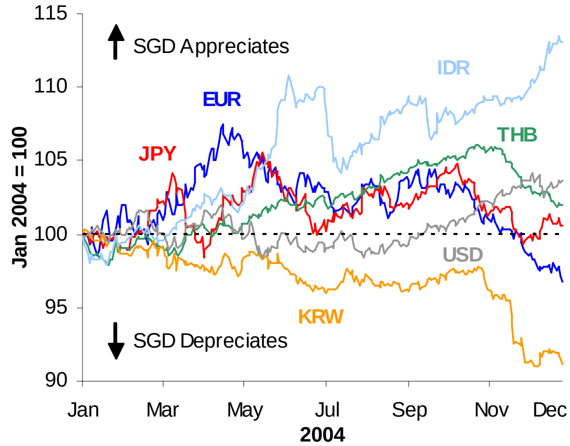
SGD strengthened against the USD but was mixed against other Asian currencies

During the period May-December, the SGD strengthened against the USD, reflecting the weakening of the USD against major currencies due to concerns over the sustainability of the US current account deficit (Chart 1.18). On the Asian front, the SGD was relatively stable against most currencies with the exception of the KRW, which strengthened sharply vis-à-vis SGD during the October-November period.

Singapore equities weighed down by concerns over growth prospects but have rebounded since October

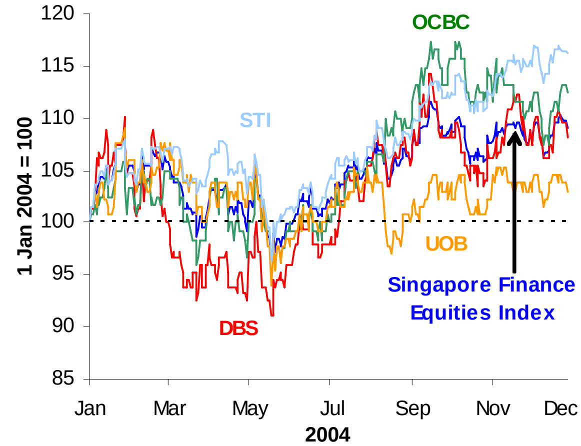
A strong economic recovery and investors' renewed optimism drove the Singapore stock market to reach a three-year high in December 2004 (Chart 1.19). Banks' share prices and Singapore's key Straits Times Index (STI), which declined briefly in mid-October on the back of a cautious economic outlook, have since rebounded following the release of strong third quarter earnings by the local banks.

Chart 1.18
SGD vis-à-vis Selected Currencies



Source: MAS

Chart 1.19
Equity Prices in Singapore



Source: Bloomberg

II NON-FINANCIAL SECTOR

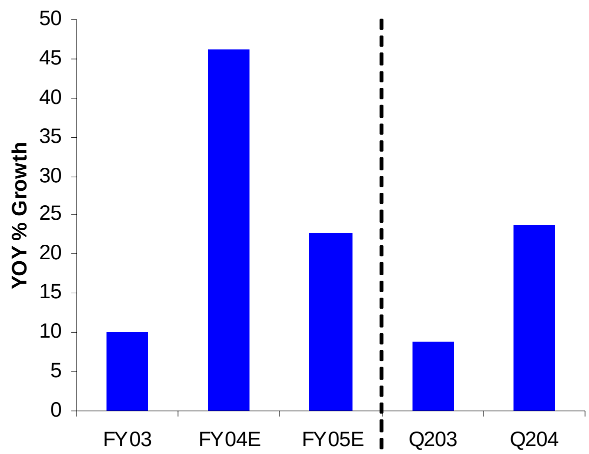
2.1 Non-Financial Corporate Sector

The domestic corporate sector, which accounts for an estimated two-fifth of non-bank credit exposures of banks in Singapore, remained in good financial health in Q2 2004. On the whole, firms' profitability and liquidity rose while leverage fell in the midst of the economic recovery. The expected slowdown in economic growth next year would have some impact on corporate performance going forward although the latest indicators suggest that this is unlikely to be of any systemic concerns.

Corporate sector profits improved in Q2 2004, with only property firms showing lower returns

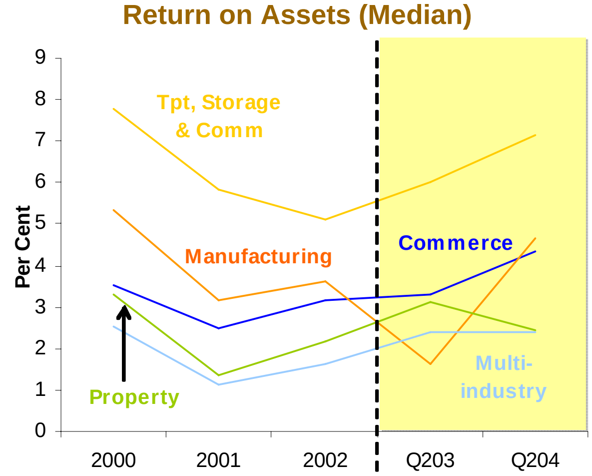
The earnings growth of the domestic corporate sector[2] in Q2 2004 was more than double that of a year ago, with earnings growth for fiscal year 2004 (FY 04) as a whole projected to reach a high of 45% (Chart 2.1). This optimism is supported by a recent survey, which also found that firms generally expected an improvement in performance compared to last year[3]. Concomitantly, firms' return on assets (ROA) in Q2 2004 was higher than that in Q2 2003, with only the property segment posting lower returns (Chart 2.2). The property segment was dragged down by construction firms, while real estate developers' performance found support from rental income and, for the larger firms, overseas receipts.

Chart 2.1
Earnings Growth (Median)



Source: Thomson Financial

Chart 2.2
Return on Assets (Median)



Source: Thomson Financial

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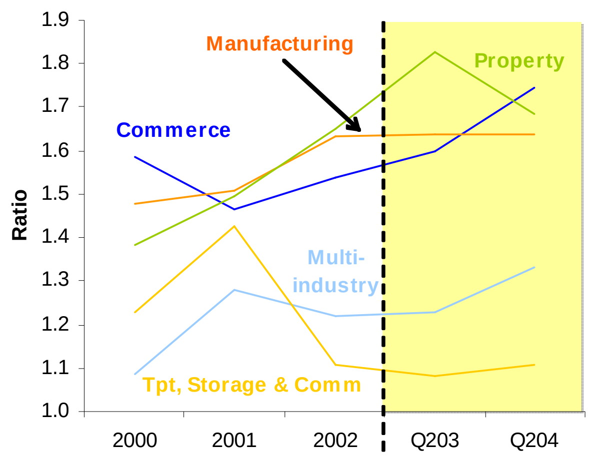
[2] Analysis includes only listed firms where quarterly reporting began last year.
[3] September 2004 Quarterly Business Expectations Survey, administered by the Economic Development Board and the Department of Statistics.

Liquidity has generally improved while debt level has on the whole declined

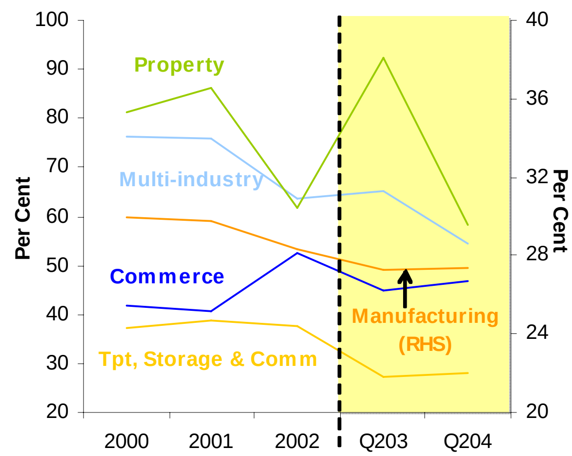
The liquidity position of the corporate sector remained adequate in Q2 2004, as indicated by current ratios of above 1.0 across all industries (Chart 2.3). A current ratio of above 1.0 shows that a firm has more current assets than current liabilities. Compared to the same period last year, the property segment saw a marginal deterioration in its liquidity position in Q2 2004. The property and multi-industry segments continued to be the most leveraged in Q2 2004, with 60 cents of debt for every dollar of equity, although the leverage ratios of the two segments have fallen significantly compared to last year (Chart 2.4). This bodes well for the financial health of these two segments going forward.

Chart 2.3
Current Ratio (Median)



Source: Thomson Financial

Chart 2.4
Leverage Ratio (Debt / Equity) (Median)



Source: Thomson Financial

The lower gearing and higher earnings have resulted in a noticeable decline in the proportion of domestic firms with interest cover of less than 1.0 in Q2 2004 (Table 2.1). An interest cover of less than 1.0 indicates that a firm's earnings are insufficient to cover its interest expense. The improvement in the corporate sector was also reflected in a reduction in the number of firms liquidated, with 197 firms wound up in January-October this year, compared with 206 and 223 in January-October of 2003 and 2002 respectively (Chart 2.5).

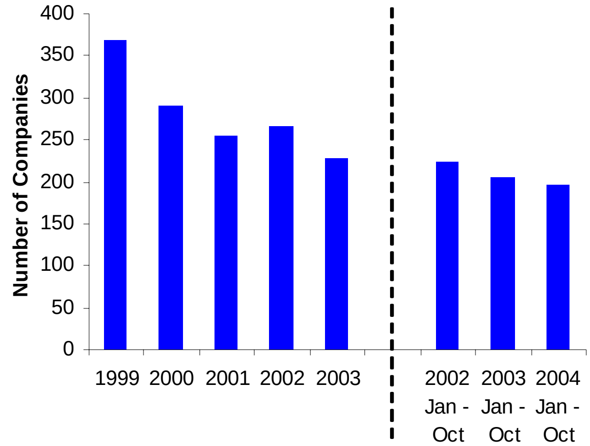
Table 2.1
Firms with Interest Cover Below 1.0

Percent

	2001	2002	Q203	Q204
Commerce	21.5	14.1	16.4	7.4
Construction	42.1	37.8	50.0	43.2
Hotels & Restaurant	12.5	6.3	14.3	7.1
Manufacturing	23.0	19.4	16.7	11.2
Multi-Industry	35.3	29.4	25.0	13.3
Property	36.4	16.0	15.8	10.0
Transport, Storage & Communications	5.0	4.0	0.0	0.0

Source: Thomson Financial

Chart 2.5
Number of Firms Wound-Up



Source: Ministry of Law

Singapore corporate sector remains healthy by international comparison

The current financial health of the domestic corporate sector appears to be robust going by international comparison. A cross-country comparison shows that the Singapore corporate sector generally has lower gearing than most of its Asian peers, and American and British firms (Table 2.2) (see Box Item B on Comparative Performance of Singapore Firms). In terms of liquidity, the local firms are comparable to that of other Asian firms but marginally higher than that of American and British counterparts.

Table 2.2
Corporate Sector Indicators as at Q2 2004 (Median)

	Leverage Ratio (%)	Debt Ratio (%)	Current Ratio
Singapore	28.6	17.1	1.6
Malaysia	32.7	21.7	1.8
Thailand	45.4	27.1	1.4
Hong Kong	17.7	12.6	1.7
Korea	29.4	18.4	1.5
US[1]	60.6	22.7	1.5
UK[2]	42.0	21.1	1.3

Source: Thomson Financial
[1] Firms included in S&P500 only
[2] Firms included in FTSE All-Share only

Expected growth moderation not likely to cause significant deterioration in corporate sector's financial position

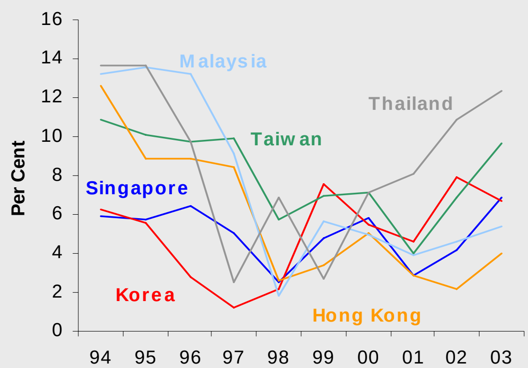
For the year ahead, the global economy is expected to see a moderation in growth due to elevated oil prices and a downturn in the technology industry. The two domestic industries that would be directly affected by these factors, namely the manufacturing, and transportation, storage & communications (TSC) industries, are likely to be able to withstand these negative shocks without significant deterioration in their financial positions. The manufacturing industry has one of the highest liquidity ratios and lowest leverage ratios within the corporate sector. The TSC industry has a very low leverage ratio and has adequate interest cover, although it has a smaller liquidity buffer compared to the other industries. The rest of the industries, which would be indirectly affected through a general slowdown, are also expected to be able to maintain fairly healthy balance sheets, with the probable exception of the construction firms.

Box Item B
Comparative Long-Run Performance of Singapore Firms

Profitability of Singapore firms, as measured by both the return on asset (ROA) and return on equity (ROE), averaged 3.0% and 4.0% p.a. respectively over the last decade[1]. Over the past ten years, listed firms in Singapore have strengthened their ROE relative to Asian peers (Chart B1). For instance, ROE achieved by Malaysian and Hong Kong counterparts before 1998 were notably higher than the local firms although the situation has since reversed. The fluctuations in Singapore's ROE have been relatively moderate, especially compared to that of Thailand, which experienced a sharp rebound following the 1997 Asian Financial Crisis.

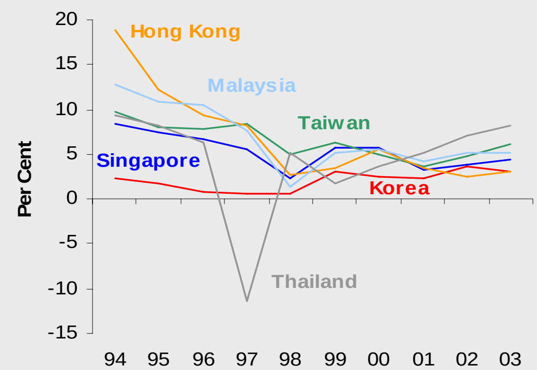
A decomposition of ROE into its constituent ratios, namely profit margin (net income over net sales), asset turnover (net sales over total assets), and leverage (total assets over equity), shows that the profit margin of Singapore firms is generally similar to those of other Asian economies especially in recent years (Chart B2). Singapore firms' leverage ratio has been relatively stable and similar to that of Malaysian firms (Chart B3). Korean and Thai firms were the most leveraged in the sample, but they have been steadily de-leveraging since 1997.

Chart B1
Return on Equity (Median)



Source: Thomson Financial

Chart B2
Profit Margin (Median)

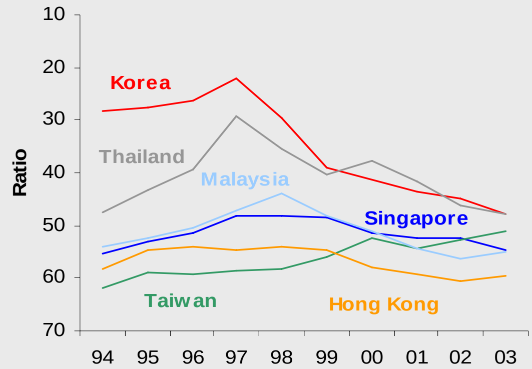


Source: Thomson Financial

What distinguishes the performance of the Singapore corporate sector vis-à-vis other Asian counterparts is in terms of its asset turnover, which has risen steadily since 1999 (Chart B4). The high turnover has been the main driver of Singapore firms' improved ROE in the last couple of years and could explain Singapore's higher ROE vis-à-vis that of Malaysia and Hong Kong, although the profit margin and leverage ratio also played a part in the case vis-à-vis Hong Kong. In contrast, Thailand's high ROE could be attributed to all three factors i.e. higher profit margin, greater use of leverage and, albeit to a lesser extent, higher asset turnover.

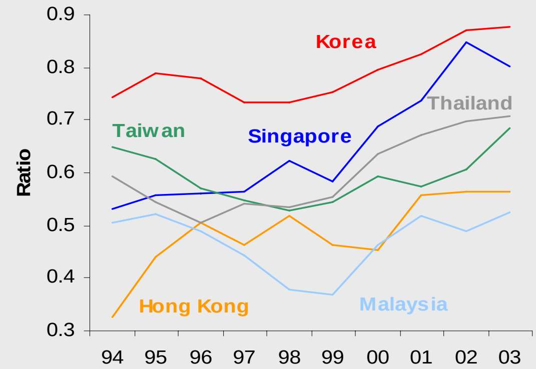
Box Item B (continued)

Chart B3
Leverage Ratio (Median)



Source: Thomson Financial

Chart B4
Asset Turnover (Median)



Source: Thomson Financial

1/ Data for public-listed firms in Singapore from the Thomson Financial database.

2.2 Household Sector[4]

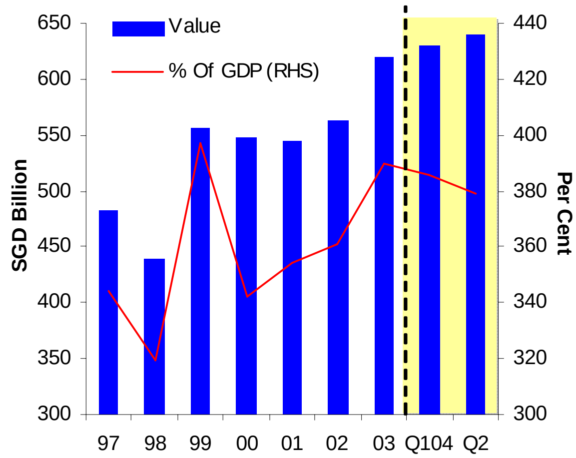
The financial health of resident households, to whom the financial sector has significant exposure, further strengthened as Singapore's economic outlook brightened during the first half of 2004. Household net wealth, defined as household assets less household liabilities, is estimated to have grown to a high of SGD640 bn or about four times nominal GDP over the period (Chart 2.6). The sector is expected to benefit from the recent bottoming out of the property market and favourable labour market conditions. Households' strong debt repayment ability should cushion them against rising interest rates.

Household balance sheet continued to strengthen

Compared to the end of last year, total household assets were estimated to have grown by 4.0% to around SGD800 bn while total liabilities were projected to be largely unchanged at around SGD150 bn in Q2 2004. As a result, households' financial gearing would have fallen marginally to 19.3% in Q2 2004 from 20.0% at end 2003 (Chart 2.7). This level of gearing is comparable to that of OECD countries such as the US, Germany, Canada and Netherlands.

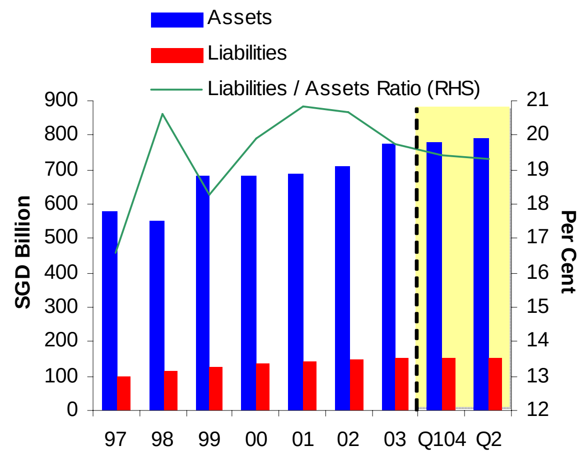
[4] Data in this section are mostly MAS' estimates using data from other ministries and statutory boards.

Chart 2.6
Household Net Wealth



Source: MAS estimates

Chart 2.7
Household Assets and Liabilities



Source: MAS estimates

Growth of household assets continued to outpace liabilities

The value of residential properties, which account for the bulk of household assets, grew at a steady pace of 3.6% between the end of 2003 and Q2 2004, largely driven by increases in the resale prices of private residential terrace and semi-detached properties. Household savings with the Central Provident Fund (CPF) Board rose by 3.8% while cash and deposit holdings were estimated to have increased by 5.3%. Investment assets such as insurance, managed funds and direct equity holdings, which are smaller components of household assets, were projected to have risen by around 4.5% over the period.

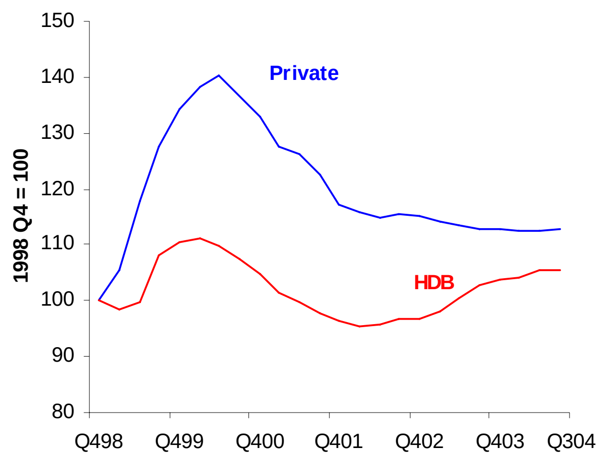
Between the end of 2003 and Q2 2004, household liabilities were estimated to have remained relatively unchanged. Total mortgage loans, which make up about three-quarter of household liabilities, were fairly constant. However, mortgage loans extended by the Housing Development Board (HDB), which oversees public housing in Singapore, continued to fall, contrary to loans extended by financial institutions. In January last year, mortgage loans for public housing, which had hitherto been entirely provided by the HDB, was liberalised, with the result that some households re-financed their HDB mortgage loans with financial institutions that offered competitive loan packages[5]. Other forms of household loans, including credit cards and car loans, experienced a marginal increase of 1.2% over the period.

[5] For details, see HDB press release on 26 December 2002 titled “Market-rate housing loan for purchase of HDB flats will be provided by banks / financial institutions from 1 Jan 2003”, which is available on the HDB website at www.hdb.gov.sg.

Bottoming property prices has led to improved negative housing equity situation

The recent bottoming out of private residential property prices and a further pickup in HDB property prices is a positive development for the household sector (Chart 2.8). A recent MAS survey shows that the negative housing equity situation for mortgage loans held by households for private properties continued to improve across banks[6], a result which is also attributable to some households shifting from loans that give the CPF Board priority claims over the corresponding mortgaged property to loans that give financial institutions the priority claims (Table 2.3)[7]. The delinquency rate of these loans that are in negative equity fell from 5.1% in March 2004 to 4.9% in September 2004. Negative housing equity is less prevalent for HDB properties.

Chart 2.8
Residential Property Prices



Source: Housing Development Board and Urban Redevelopment Authority

Impact of oil price- and tech-related economic slowdown not expected to have significant effect on banks' credit risk

Looking ahead, the pace of economic slowdown is dependent on developments in oil prices and the global technology cycle. The direct impact of high oil prices on households is not expected to be large as oil-related items account for only 5.0% of the consumer basket currently. However, the indirect impact as a result of an oil

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[6] The MAS surveyed six banks that represent 98% of the housing loan market on their negative equity position as at end-September 2004. Negative housing equity refers to a situation where the value of a property is below the amount of loan taken to finance the purchase of the property.
[7] In Singapore, households may use savings deposited with the CPF Board for purchasing properties. Previously, the CPF Board had priority claims over properties mortgaged for bank-originated housing loans. Since 2002, the rules have been changed such that financial institutions have the priority claims. With the change, computation of negative housing equity involves a comparison of the property value against the outstanding loan, instead of against the sum of the outstanding loan and amount of CPF savings used for the purchase of the property.

price-induced and tech-related slowdown in the global economy, which would reduce both exports and domestic activity, would affect employment and wages. The consequent weakening of household earnings could affect their debt servicing ability. Nonetheless, this is not expected to have a material impact on banks' credit risk as about three-fifth of loans to the household sector are mortgage loans, which have historically exhibited low default rates and are well collateralised.

Table 2.3
Survey Results on Negative Housing Equity

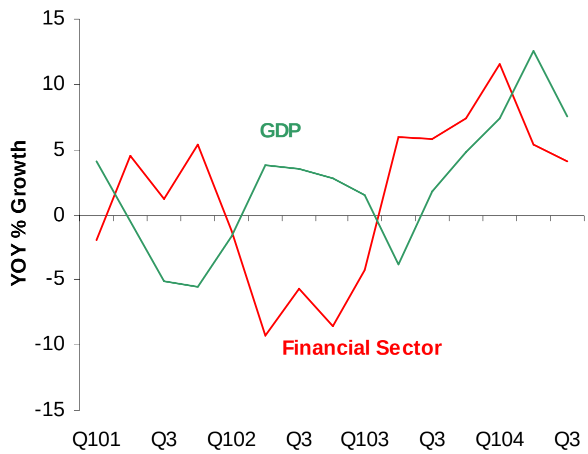
	Sep 2003	Mar 2004	Sep 2004
***Including CPF first charge*[1]**			
Residential Housing Loans in negative equity			
- Percentage of total number of accounts	13.7	12.3	9.9
- Percentage of total outstanding value of Residential Housing Loans	14.1	12.3	9.9
Of the Residential Housing Loans in negative equity			
- Percentage of accounts in delinquency (>90 days overdue)	2.9	3.1	3.0
- Percentage of outstanding value in delinquency (>90 days overdue)	5.0	5.1	4.9
- Percentage of outstanding value that is unsecured	28.0	27.7	25.4
***Excluding CPF first charge*[2]**			
Residential Housing Loans in negative equity			
- Percentage of total number of accounts	2.5	2.3	1.8
- Percentage of total outstanding value of Residential Housing Loans	4.1	3.7	3.2

[1] Including CPF first charge, negative housing equity occurs when the property value is insufficient to meet the amount due to the CPF (if CPF has first charge) and the outstanding loan to the bank.
[2] Excluding CPF first charge, negative housing equity occurs when the property value is insufficient to meet the outstanding loan to the bank.

III FINANCIAL INSTITUTIONS

Following several quarters of increases, growth in the value added of the financial sector slowed from 12% y-o-y in Q1 to 5.3% in Q2 and 4.1% in Q3 2004. As a result, the contribution of financial sector to overall GDP growth moderated from 1.1 to 0.4 percentage points between Q1 and Q3 this year (Chart 3.1). The near-term growth of the sector is likely to settle at more modest rates, as seen currently. Notwithstanding the expected moderation in economic growth, the risk exposures of both the banking and insurance sectors are unlikely to be of major concern in the near future. The significant losses from speculative oil derivative trading announced by China Aviation Oil (Singapore) Corporation Limited on 30 November did not pose any systemic concerns for the market or to financial institutions operating in Singapore.

Chart 3.1
Real Financial Services Value Added and GDP Growth



Source: Department of Statistics

3.1 Banking Sector

For the first three quarters of the year, banks in Singapore, which account for over 90% of financial sector assets, remained financially stable and resilient. Banks' credit risk exposure is unlikely to be a major concern in the near-term despite the expected moderation in economic activity, given their adequate levels of provisioning, collateral and capital. Market and liquidity risks also appear well contained. Furthermore, a stress test exercise suggests that the three local banks have the capacity to weather two key risks on the horizon, namely sustained high oil prices and a global technology slowdown. Based on preliminary assessments, the recent catastrophe triggered by an earthquake in Indonesia is expected to have only minimal impact on the banks.

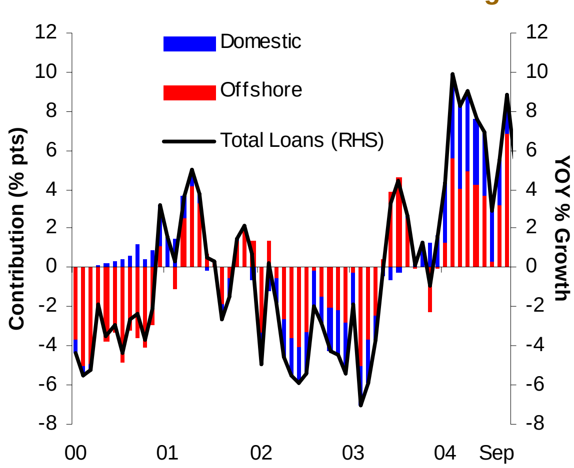
Growth in loan demand moderated, led by slower domestic lending

Growth in demand for commercial bank loans was on a trend decline in the first seven months of 2004 before rebounding in August. Nonetheless, loan growth in September was lower than the 10% y-o-y growth seen at the start of the year (Chart 3.2). With loan growth moderating and deposit growth averaging around 5.0% y-o-y since the middle of last year, the loan-to-deposit ratio of banks has remained fairly steady at 0.80.

The growth of domestic loans was trending downwards since the start of the year. The key driver of domestic loan demand remains the non-bank sector, principally households (Chart 3.3). In particular, mortgage loans held by households contributed around 5.0 percentage points to the average 6.0% y-o-y increase in domestic non-bank loans since January this year. On the other hand, corporate lending remained lackluster with contribution to growth of domestic non-bank loans of only 0.6 percentage points.

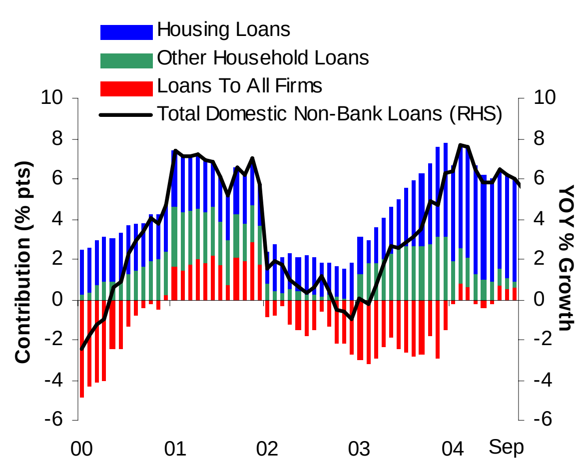
In the offshore Asian Dollar Market (ADM), overall lending showed modest expansion in the early part of the year before moderating in the second quarter. Growth in ADM loans saw a rebound in Q3 2004, led by a surge in interbank transactions. In contrast, the growth of non-bank lending in the ADM market has declined gradually, from around 6.0% y-o-y in March 2004 to 2.3% in September 2004.

Chart 3.2
Domestic and Offshore Lending



Source: MAS

Chart 3.3
Domestic Non-Bank Loans

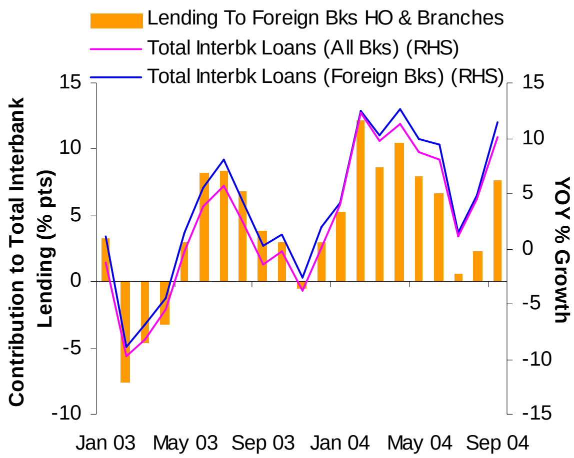


Source: MAS

Interbank lending moderated in Q2 2004 but picked up in Q3 2004

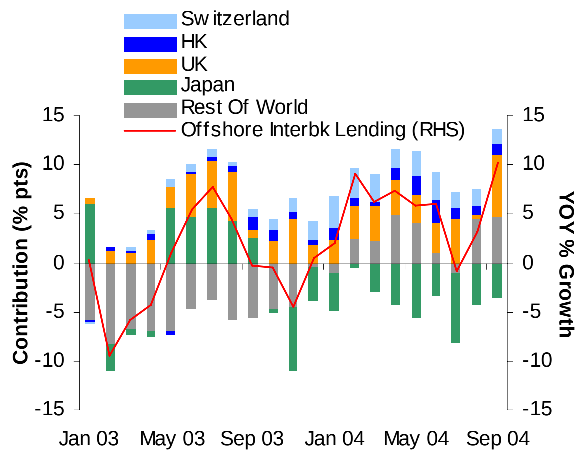
After having risen sharply in the first three months of the year, interbank lending, which accounts for about two-third of total bank loans, experienced a moderation in growth in Q2 2004 before rebounding in Q3 2004. The growth of overall interbank lending was largely accounted for by the interbank activity of foreign banks operating in Singapore, particularly lending to their own Head Offices and branches overseas (Chart 3.4). For the first nine months of the year, Singapore's interbank loans to Japan continued to fall, although the decline was partially offset by continued growth in interbank loans to Hong Kong, Switzerland and the UK (Chart 3.5). Interbank loans to the UK in particular has been an important driver of loan growth in 2004, as banks in Singapore continued to channel funds to London for re-lending to borrowers elsewhere[8], reflecting London's position as an international banking centre. Singapore's top five offshore interbank markets remained Japan, Hong Kong, Switzerland, UK and the US.

Chart 3.4
Interbank Lending



Source: MAS

Chart 3.5
Interbank Loans by Country



Source: MAS

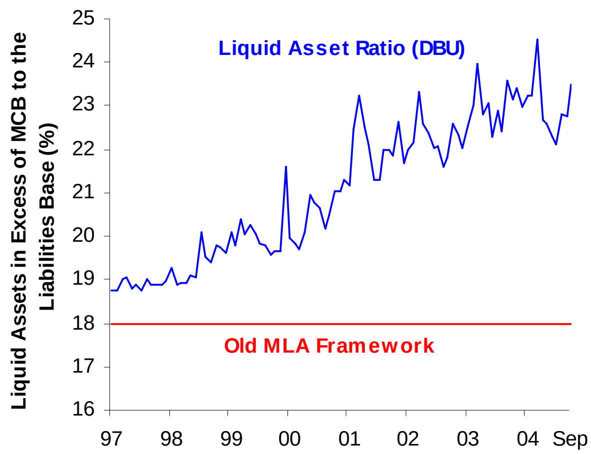
Banking system's liquid assets continued on an uptrend

The banking system's liquid asset ratio, defined as liquid assets in excess of required Minimum Cash Balance (MCB) to Domestic Banking Unit (DBU) liabilities base[9], saw several months of declines between March 2004 and July 2004 but

[8] See BIS Quarterly Review, September 2004 issue.
[9] Banks in Singapore book banking transactions in either their Domestic Banking Units (DBUs) or Asian Currency Units (ACUs), where the latter are segregated accounting units set up to encourage non-SGD offshore business through concessionary tax rates. Banks are required to record their transactions in SGD in the DBU, while transactions in foreign currency may be booked

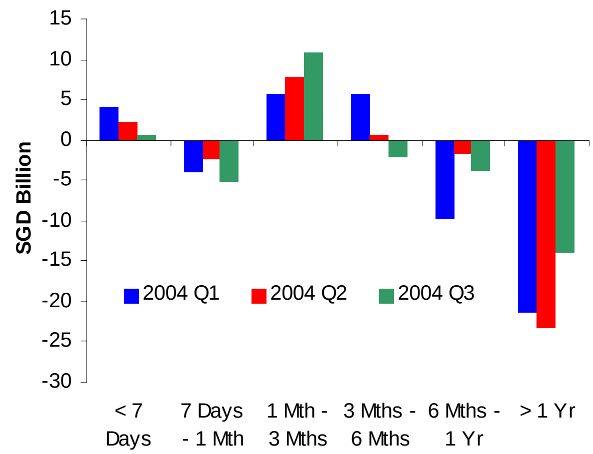
remained well above the flat 18% required of banks which do not qualify for the new Minimum Liquid Assets (MLA) framework introduced in 2001. Under the new MLA framework, the liquidity requirement varies from bank to bank, in line with the MAS' risk-focused supervision. The liquid asset ratio rebounded in August, continuing an upward trend seen since mid-1998 (Chart 3.6).

Chart 3.6
Banks' Liquid Asset Ratio (DBU)



Source: MAS

Chart 3.7
Banks' SGD Net Cashflow by Maturity



Source: MAS

Banks' projected SGD cash inflows approximately matched by outflows

The profile of the banking system's projected net cash flows in SGD of up to one-year maturity was relatively unchanged from Q1 to Q3 2004, with projected cash outflows approximately matched by projected cash inflows (Chart 3.7). Banks tend to have projected net cash outflows for maturities of longer than one year, although the longer maturities imply there would be ample time to roll over existing funds or source for new funds. Thus, on the whole, liquidity risk does not appear to be an imminent issue for the banking system.

Market risk has risen moderately

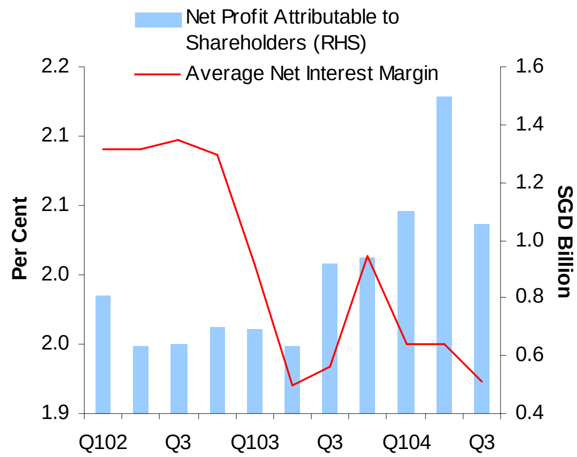
Banks' market risk exposure, as measured by their trading Value-at-Risk (VaR), rose marginally in the third quarter compared to Q1 2004. Profits from banks' treasury operations, however, remained relatively stable over the period, with quarterly fluctuations in profits amounting to only a small fraction of banks' financial resources.

in either the ACU or the DBU. Under MAS Notice 613, all banks in Singapore are required to maintain an MCB of 3.0% of DBU liabilities base with the MAS.

Local banks turned in another strong performance in Q3 2004

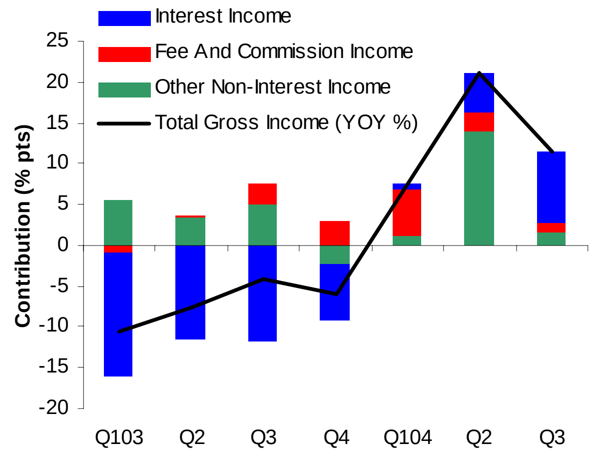
Notwithstanding the one-off gain from asset sales in Q2 2004, the three local banks' financial results remained healthy in the third quarter, continuing the strong performance seen since the middle of last year (Chart 3.8).

Chart 3.8
Local Banks' Total Profit and Average Net Interest Margin



Source: Local Banks

Chart 3.9
Local Banks' Gross Income

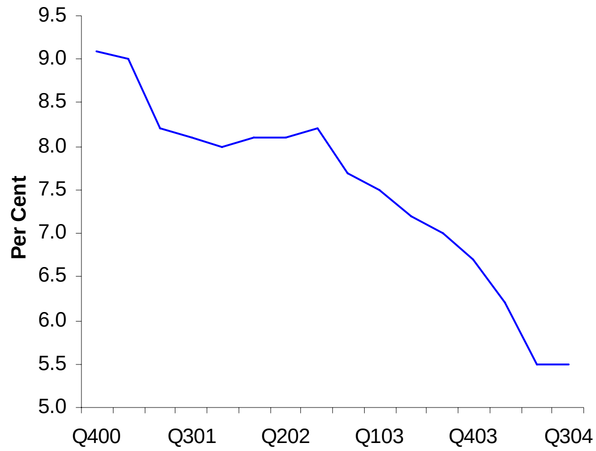


Source: Local Banks

Total gross income in Q3 2004 was 4.8% lower than that in Q2 2004 but 11% higher than that a year ago due mainly to rising interest income (Chart 3.9). This was in contrast to Q4 2003 and Q1 2004 when the key driver of income growth was fee and commission income. Notwithstanding the lower contribution of fee and commission income to total income growth in recent periods, the share of fee and commission income in total income rose gradually, from around 18% in Q1 2002 to 21% currently. The rising share of overall non-interest revenue reflected greater focus on fee- and commission-based business, especially wealth management-related products and services, and also the relatively favourable financial market conditions.

The local banks' NPL ratios continued to fall, from 6.2% in the first quarter to 5.5% in the second and third quarters (Chart 3.10). Loan provisioning remained adequate with the three local banks' aggregated ratio of cumulative provisions to NPLs at over 70%. In addition, more than half of the SGD11 bn of NPLs outstanding was backed by collateral.

Chart 3.10
Local Banks' Average NPL Ratio



Source: Local Banks

Better performance from Malaysian operations compared to operations in Hong Kong

Over the years, the local banks have expanded their operations overseas given the competitive domestic market and also as part of their risk diversification. Currently, overseas operations account for about a third of the local banks' overall operations. Compared to the same period last year, income from the local banks' overseas operations for the first nine months of 2004 grew by 11%, lower than the 18% rise in their Singapore operations. Banking subsidiaries in Malaysia performed better than those in Hong Kong, which could be a reflection of the relatively stronger economic environment in Malaysia.

Banks are well-placed to manage potential shocks from high oil prices and technology slowdown

On the whole, the local banks appear well placed to weather shocks arising from higher oil prices and a sharp slowdown in the global technology industry, amid marginally higher interest rates. The largest non-bank credit risk exposure remained to the household sector, comprising mainly housing loans with relatively lower default rates and which are adequately collateralised. The local banks' exposure to the more oil-dependent and technology-related industries such as manufacturing and transport amounted to only a total of around 8.0% of total outstanding loans. Therefore, the direct impact on these banks of higher oil prices and a sharp slowdown in the technology industry appears to be limited.

However, the indirect impact of the oil price and technology shocks could be larger. With the slowdown in the global electronics industry, demand for Singapore's electronics exports could fall sharply, transmitting to a slowdown in domestic demand and adversely affecting corporate and household income. Nevertheless, stress test results suggest that the local banks would be resilient to these shocks (see Box item C on Stress Test of Local Banking Groups).

Box Item C
Stress Test of Local Banking Groups

A stress test exercise was conducted on the three local banks based on a scenario of oil prices averaging USD60 for the duration of the stress test period of June 2004 – June 2005 and the global technology industry experiencing a significant slowdown. Under the scenario, many countries would experience significantly lower GDP growth, which would transmit to lower domestic growth, higher unemployment rates and lower asset prices (Table C1). This is expected to raise the incidence of counterparty default. The economic slowdown and weak consumer sentiment would also lead to weaker stock markets while interest rates would rise slightly due to some monetary tightening to curb inflationary pressures arising from high oil prices (Table C2).

Table C1: Credit Risk Stress Test Assumptions

Variables	Stress Test Scenario		Actual			
	2004	2005	2003	Q1 04	Q2 04	Q3 04
GDP (% year-on-year)						
Singapore	7.8	1.5	1.1	7.5	12.5	7.5
Other Southeast Asian countries	5.6	2.6	6.2	6.9	6.2	n.a.
Northeast Asian countries	6.0	2.7	4.7	7.2	8.7	6.8
Developed countries	2.9	0.1	2.2	3.7	3.8	3.0
Singapore's Sectoral Breakdown (% year-on-year)						
Manufacturing	13.0	2.0	2.8	10.9	20.7	11.5
Construction	-3.0	-0.5	-10.7	1.0	-5.9	-10.9
Financial & Business	4.4	0.5	0.5	6.0	4.3	3.1
Commerce	7.9	1.6	3.8	12.4	21.1	14.5
Transportation & Communication	7.9	1.6	-2.0	3.8	18.9	8.9
Property Prices (% year-on-year)						
Singapore	-3.0	-5.0	-1.8	-1.5	-0.8	-4.9
Unemployment Rate (% of labour force)						
Singapore	4.7	5.5	4.7	3.8	5.3	3.1

Table C2: Market Risk Stress Test Assumptions

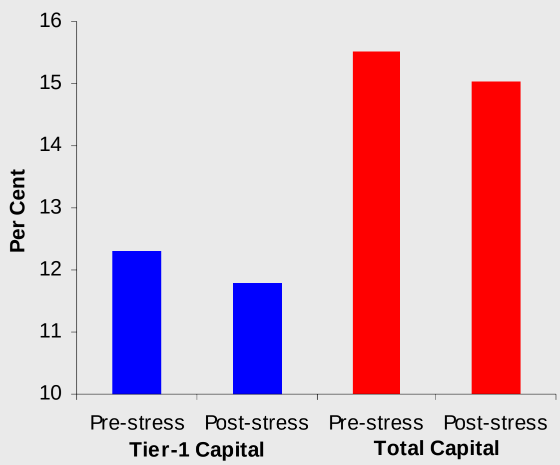
Variables	Stress Test Scenario
Equity Prices (% change)	
Singapore, Japan, Korea, Taiwan & Thailand	-20
Others	-15
Interest Rates for All Countries (bps change)	
Short & medium term (up to 1 year)	100
Long term (10 years and above)	80

Box Item C (continued)

The stress test results from the banks show that NPLs for the three local banks in aggregate would rise by more than 50% over June 2004-June 2005. However, provisioning is only expected to increase modestly as the majority of new NPLs were assumed to be Substandard loans, which require lower provisioning. This could reflect the nature of the shock and the fact that the credit quality of the local banks' exposures has improved since the 1997 Asian Financial Crisis. As a result, the average of the three banks' total CAR would only decline marginally from 15.5% pre-stress to 15.0% post-stress (Chart C1). The MAS' own estimate, which assumes NPL coverage would be preserved at current rates, shows that the average total CAR would decline to 13.8%.

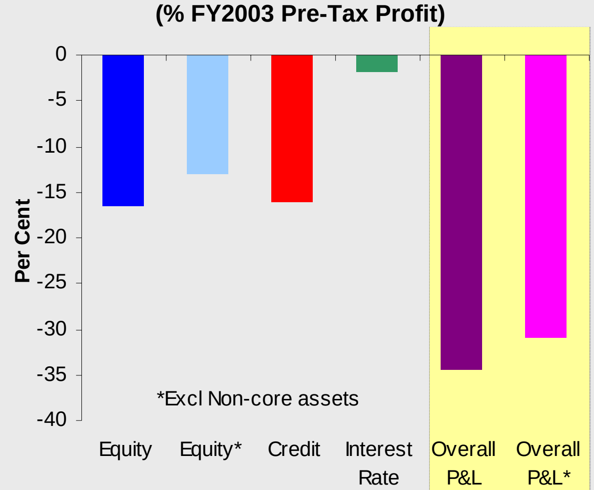
On the market risk exposure, the losses for all three banks would come mainly from the SGD equity portfolio on the banking book although these equities are usually held for the long term. On the whole, the expected net losses from both credit and market risks of the local banks could be absorbed by their respective pre-tax profit for FY 2003 (Chart C2).

Chart C1
Local Banks' Capital Adequacy Ratio



Source: Local Banks

Chart C2
Stress Test Losses by Category of Risk
(% FY2003 Pre-Tax Profit)



**Non-core assets are assets pertaining to activities unrelated to the local banking groups' core business of banking and finance.*

Source: Local Banks

3.2 Insurance Sector

The insurance industry is the second largest industry within Singapore's financial system, accounting for around 5.5% of financial sector assets. The health of the domestic insurance industry, on the whole, strengthened further in Q3 2004. Incurred loss ratios, defined as claims incurred relative to premiums earned, in the general insurance industry remained stable while the industry continued to see an improving financial position. The life insurance industry has seen an improvement in new premiums following three years of consecutive declines. Preliminary assessments show that the recent tsunami catastrophe triggered by an earthquake in Indonesia is not likely to have a significant impact on the Singapore insurance industry, as general insurers' net exposure in the underwriting of offshore business is relatively small. There could be some claims under travel insurance but the losses could not be determined currently as many Singapore holiday-makers believed to be in the affected regions are still uncontactable.

Global Reinsurance

While the Singapore reinsurance industry does not pose any direct threat to Singapore's financial stability, it is important to consider the health of the global reinsurance industry, as general insurers transfer around two-fifth of their risks to reinsurance companies. Life insurers, on the other hand, are less impacted by adverse developments in the reinsurance industry since they retain almost all of their insurance risks.

Number of rating downgrades continued to fall but no upgrades seen

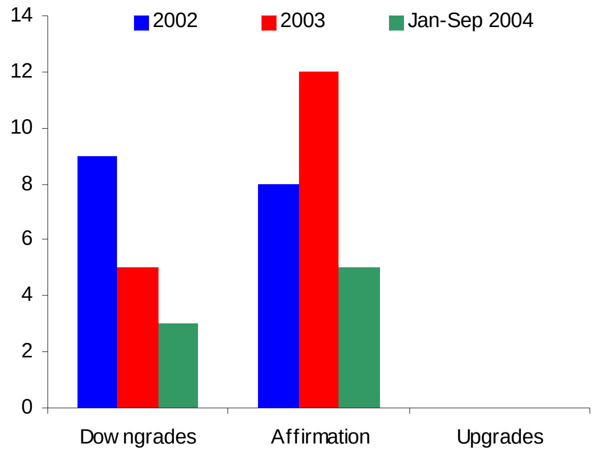
The number of credit rating downgrades in the global reinsurance industry continued to fall through 2004 although there were no upgrades, reflecting the ongoing stress faced by the industry arising from structural changes and the need to strengthen prior year reserves (Chart 3.11). Cedents or buyers of reinsurance protection continued to be sensitive to the credit standing of reinsurance companies, as reflected in many reinsurance contracts which allowed termination of reinsurance arrangements should the reinsurer's rating fall below A-.

Concerns over lower premium rates, repercussions of industry probe in the US and rising natural catastrophes

Share prices of the two largest global reinsurers, namely Swiss Re and Munich Re, have generally underperformed the broader Swiss Exchange and German DAX indices respectively, on the back of concerns over lower premium rates, repercussions of the ongoing probe of the insurance industry in the US, and natural catastrophes in the US, Japan and Southeast Asia (Chart 3.12). However, the reinsurance industry continues to benefit from the firm premium pricing in the past three years. While premium rates have passed their peak, the absence of high investment returns such as those seen in past decades and the record amount of claims experienced this year[10] should keep reinsurers focused on underwriting activity and put a floor on premium rates.

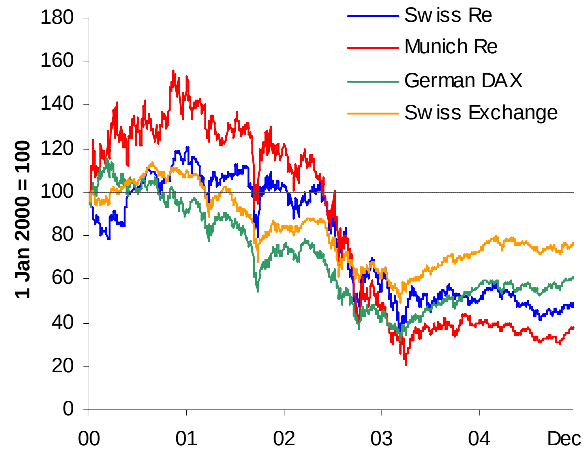
[10] Claims this year reached an estimated USD42 bn, not including the estimated claims of less than USD5 bn arising from the recent tsunami triggered by an earthquake in Indonesia. This compares with the previous record in 1992 of USD38 bn.

Chart 3.11
Fitch Rating Movements for Reinsurance



Source: Fitch Ratings

Chart 3.12
Swiss Re & Munich Re Equity Prices



Source: Bloomberg

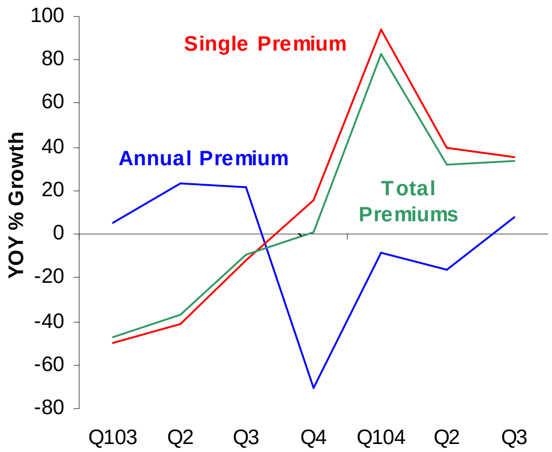
Singapore Life Insurance

Q3 2004 premiums continued to grow strongly

Premiums of the Singapore life insurance industry grew by over 30% y-o-y in the second and third quarters of 2004 albeit lower than the growth of around 80% y-o-y in Q1 2004. The moderation from Q1 2004 reflected continued low investment returns due to low interest rates and flat equity markets, and a less sanguine economic outlook (Chart 3.13). While premium growth for single premium policies declined gradually over the past few quarters, premium growth for annual premium policies turned positive in Q3 2004 on the back of improved labour market conditions. Following three years of continuous declines, there has been an improvement in new business premiums this year, with total premiums for the first nine months of 2004 (9M04) about 50% higher than that for the same period last year (Chart 3.14).

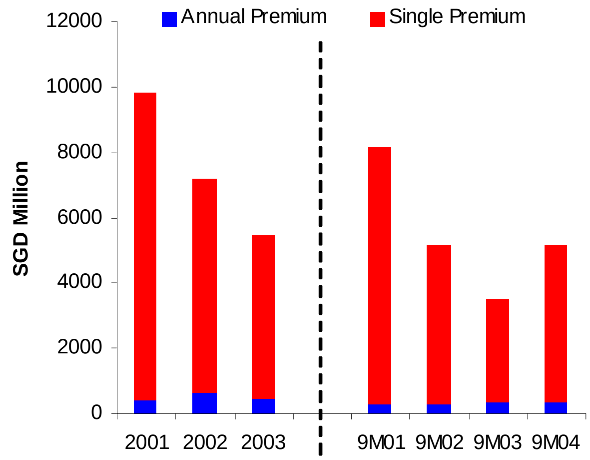
Going forward, the performance of the life insurance industry would be affected by any fall in consumer income arising from an oil price- and technology-induced economic slowdown, and hence a slower take-up rate of insurance. However, the uptrend in global interest rates is likely to have a net positive impact on life insurance companies, especially under the risk-based capital (RBC) framework, as the stress of meeting guaranteed liabilities would be reduced and the returns from insurance products would become attractive vis-à-vis that of other forms of investment. Life insurers' assets would continue to be subject to volatility in equity markets due to the insurers' significant holdings of equity, although these insurers have adequate resources to absorb potential losses.

Chart 3.13
Premiums Growth



Source: MAS

Chart 3.14
Total New Business Premiums



Source: MAS

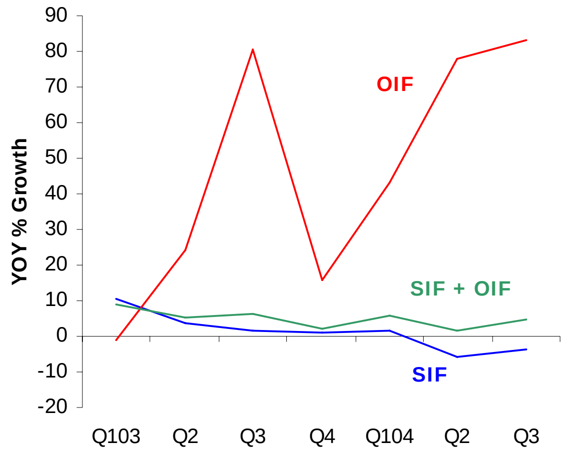
Singapore General Insurance

Gross premiums grew and operating profitability improved

The growth of gross premiums written by general direct insurers remained relatively flat over the first three quarters of this year. Gross premiums grew 5.0% y-o-y in Q3 2004 mainly due to strong growth in the Offshore Insurance Fund (OIF). The gross premiums of the Singapore Insurance Fund (SIF) declined for the second consecutive quarter (Chart 3.15).

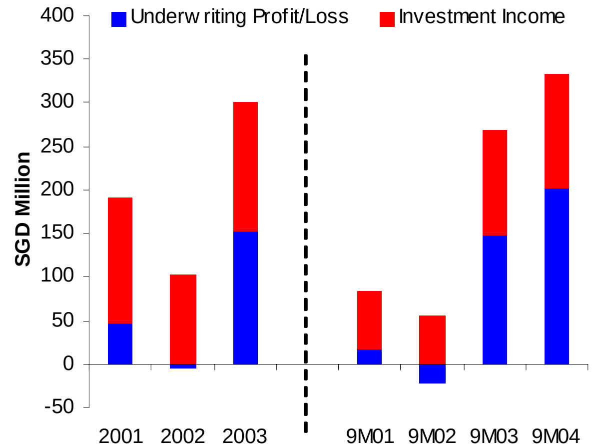
The operating profit of general direct insurers in the first nine months of this year (9M04) was about 24% higher than that in the same period last year. This was due to an increase in underwriting income, of SGD55 mn, while investment income only rose by SGD9.8 mn between the two periods. This is a positive development for the industry as stable underwriting profit reduces reliance on investment income, which is subject to volatility in the financial markets (Chart 3.16).

Chart 3.15
Gross Premiums



Source: MAS

Chart 3.16
Profitability of the SIF and OIF

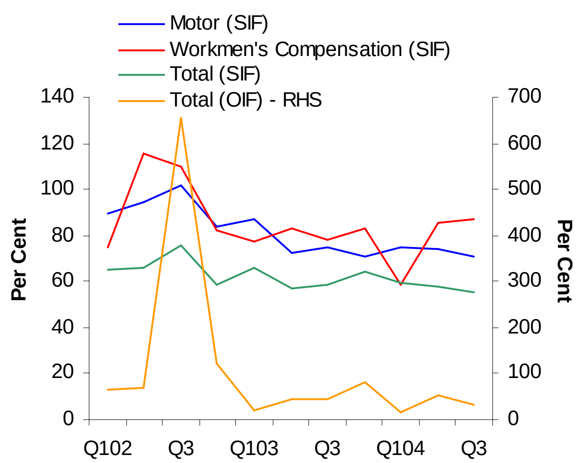


Source: MAS

Incurred loss ratio stable and industry remains well buffered

The incurred loss ratio for the general direct insurers was relatively stable over the first nine months of the year (Chart 3.17). The ratio for motor insurance, the largest segment within the general insurance industry, has been trending downwards for the past two years and is now around 70%. The incurred loss ratio for workmen's compensation insurance, one of the insurance lines with the highest rates of claims, rose sharply in the Q2 2004 mainly due to construction mishaps.

Chart 3.17
Incurred Loss Ratios



Source: MAS

Going forward, the general insurance industry would face the risks of softening premium rates and lower demand for insurance brought on by a slowdown in global economic growth. The industry, however, remains well buffered with a healthy and improving financial position.

IV FINANCIAL INFRASTRUCTURE

4.1 Payment Systems

Payment systems form a critical part of the financial system by facilitating the transfer of funds. However, design or operational problems in payment systems could prevent or delay timely completion of financial transactions and thereby undermine financial stability. As such, central banks carry out oversight of payment systems to ensure the safety and efficiency of these systems. Safe and efficient payment systems also benefit consumers through cost-effective and convenient payment services, thus maintaining public confidence.

Singapore's payment systems can be represented by a three-level pyramid

Singapore's payment systems can be represented by a three-level pyramid, as illustrated in Chart 4.1. The lowest level of the pyramid comprises payment systems or instruments for small-value, high-volume payments. These include multi-purpose stored value facilities, Automated Teller Machines (ATMs), Electronic Funds Transfer at Point of Sale (EFTPOS) terminals, credit cards and channels for telephone, mobile and internet payments. The middle level of the payments pyramid consists of the interbank GIRO (IBG) and cheque-clearing systems. The IBG system allows customers of a participating bank to transfer funds through direct debits and credits to the customers of other participating banks. Both SGD- and USD-denominated cheques are cleared through the Cheque Truncation System (CTS), which is the world's first nation-wide end-to-end cheque truncation system, implemented to enhance the operational efficiencies of banks.[11]

Singapore's large-value payment system, the MAS Electronic Payment System (MEPS), occupies the top level of the pyramid. Launched in July 1998, MEPS is a real-time gross settlement (RTGS) system designed for large-value interbank funds transfers and settlement of scripless Singapore Government Securities (SGS) transactions. MEPS is also used for the settlement of foreign exchange transactions[12] as well as the multilateral net settlement of cheque and IBG transactions.

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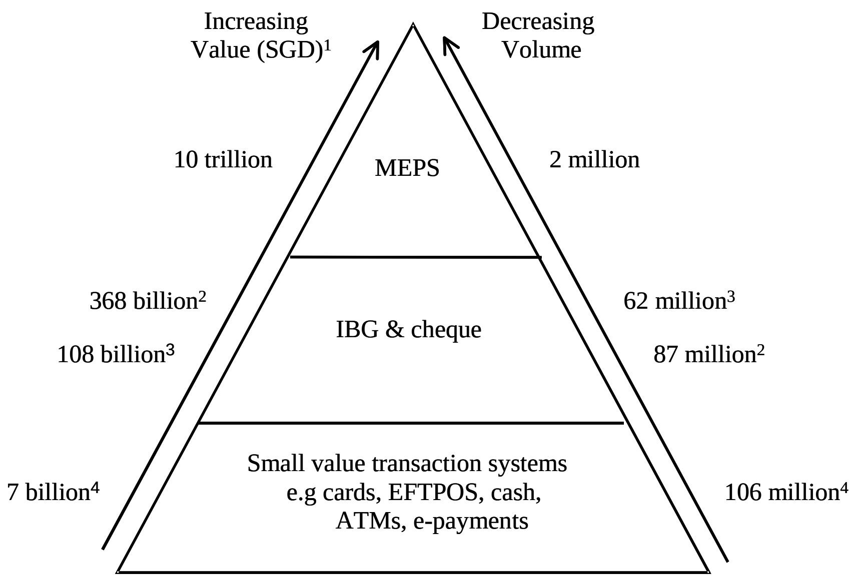
[11] CTS leverages on advanced imaging and internet technologies to capture cheque images at the point of deposit and to transmit the images over a secured communication network.
[12] MEPS is linked to the Continuous Linked Settlement (CLS) system for the settlement of FX transactions.

Chart 4.1
Payment Systems in Singapore



[1] Transaction values for 2003
[2] SGD cheque
[3] IBG
[4] NETS EFTPOS
Source: MAS

Payment Systems (Oversight) Act to replace current ad-hoc arrangements and to provide clearer oversight framework

Over the last two years, there have been significant developments in Singapore's payments landscape, both to increase the efficiency of payment systems through leveraging technology and streamlining processes, as well as to enhance their safety. For example, the MAS is currently drafting a Payment Systems (Oversight) Act, to provide a uniform basis for overseeing payment systems and stored value facilities in Singapore. This would replace the current oversight framework, which is a combination of legislation in the Banking Act and informal arrangements with the industry. The proposed Act would empower the MAS to gather information from operators and participants as well as settlement institutions of any payment system, to better understand the role they play in the overall financial infrastructure. In addition, the MAS would be able to regulate, via designation, payment systems that are considered important for the stability of Singapore's financial system. The legislation on payment systems oversight is expected to come into effect around mid-2005.

Upcoming MEPS+ system would help address new challenges while retaining security and reliability of MEPS

The MAS is also enhancing MEPS through the introduction of a new generation RTGS called MEPS+ (MEPS Plus). Since the launch of MEPS in 1998, there have been advancements in RTGS technology, which have further increased the safety and efficiency of large-value payment systems. This has resulted in the introduction of second-generation RTGS systems by many countries to address new commercial and regulatory challenges such as time-critical payments, increased straight-through processing (STP), improved risk management and smoother payments flows. While MEPS has served current needs well, the MAS would be implementing MEPS+ to meet new challenges and demands.

MEPS+ would have new features found in most second-generation RTGS systems while retaining the security, reliability and robustness of MEPS. MEPS+ would use SWIFT message formats and network to enable participants to streamline their back office operations, increase STP and reduce costs. Parameterised queue management and automated gridlock resolution in the new system would help to increase overall efficiency of payments flow and allow for better risk management. The system would also have automated collateralised intraday liquidity facilities for participants, which would lead to improved liquidity. MEPS+ is expected to be ready in the second half of next year.

4.2 Securities Clearing & Settlement Systems

Securities clearing and settlement systems underpin trading activities in the financial markets by providing facilities through which financial obligations are discharged. Weaknesses in or failures of securities clearing and settlement systems may undermine the fulfilment of these financial obligations and cause systemic problems in the financial markets.

Equities and SGD-denominated private bonds in Singapore are cleared and settled through systems operated by Central Depository Pte Ltd (CDP). Futures contracts are cleared and settled through Singapore Exchange Derivatives Clearing Ltd (SGX-DC). Both CDP and SGX-DC are wholly-owned subsidiaries of Singapore Exchange Ltd (SGX).

Clearing Fund is to provide coverage in the event of clearing member default

All equity trades matched on SGX's trading platform are novated to CDP, which means CDP acts as a central counterparty to guarantee the performance of these contracts. The trades are settled on a T+3 settlement cycle, with securities settled on a gross basis while cash on a net basis. A separate gross delivery versus payment system is used for the settlement of over-the-counter transactions of private bonds. CDP has established a Clearing Fund to provide coverage in the event of a default by any clearing member.

Gross margining and marking-to-market are some risk management measures for derivatives settlement

SGX-DC practises gross margining where the "long" positions of one customer are not used to offset the "short" positions of another customer in computing the margin requirement of a clearing member[13]. Only relatively liquid assets such as selected currencies, government securities and Singapore stocks, and letters of credit issued by banks are acceptable collateral to meet clearing members' margin requirements. Trading positions are marked-to-market thrice – twice intra-day and once at close of business - and clearing members are to ensure they have sufficient funds and/or credit facilities to meet settlement variation and margin calls. As in the settlement of equities and private bonds, there are resources available that SGX-DC can mobilise in order to meet liabilities, should any clearing member become insolvent.

[13] SGX-DC adopts the Standard Portfolio Analysis of Risk (SPAN®) methodology developed by the Chicago Mercantile Exchange for the computation of margin requirement.

Statistical Appendices

MACRO ENVIRONMENT

NON-FINANCIAL SECTOR

FINANCIAL INSTITUTIONS

MACRO ENVIRONMENT

Table A.1: Real GDP Growth

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Year-on-Year % Change										
Total	-1.9	2.2	1.1	1.7	-3.9	1.7	4.9	7.5	12.5	7.5
Manufacturing	-11.6	7.8	2.8	6.2	-6.3	3.3	8.9	10.9	20.7	11.5
Financial Services	2.3	-6.3	3.7	-4.3	6.0	5.8	7.5	11.6	5.3	4.1
Business Services	2.4	1.2	-1.8	-1.0	-3.3	-1.7	-1.1	2.0	3.5	2.2
Construction	-2.6	-10.8	-10.7	-14.9	-10.2	-9.6	-8.1	1.0	-5.9	-10.9
Commerce	-2.8	1.8	3.8	3.7	-4.0	5.9	9.4	12.4	21.1	14.5
Transport & Communications	3.9	4.9	-2.0	1.1	-10.5	-1.7	3.4	3.8	18.9	8.9

Source: Department of Statistics

Table A.2: Consumer and Property Price Indices

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Consumer Price Index (Year-on-Year % Change)										
All Items	1.0	-0.4	0.5	0.7	0.1	0.5	0.7	1.4	1.9	1.7
Property Price Index (Year-on-Year % Change)										
HDB	-8.8	-2.6	5.3	2.8	4.8	6.2	7.4	6.0	5.1	2.7
Private Residential	-10.0	-6.5	-1.8	-1.6	-1.4	-2.3	-2.0	-1.5	-0.8	0.0
Private Commercial	-4.8	-14.5	-9.7	-10.6	-10.4	-9.7	-8.0	-7.2	-4.7	-2.4
Private Industrial	NA	NA	-9.4	-9.0	-8.7	-10.7	-9.2	-6.6	-4.1	-1.0

Source: Department of Statistics

Table A.3: Labour Market

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Changes in Employment (Thousand)										
All Sector	-0.1	-22.9	-12.9	-4.1	-26.0	0.9	16.2	13.7	10.9	16.6
Unemployment Rate & Average Nominal Earnings										
Unemployment Rate (%, Seasonally Adjusted)	3.3	4.4	4.7	4.5	4.6	5.5	4.5	4.5	4.5	3.4
Nominal Earnings (Year-on-Year % Change)	2.3	0.8	1.7	2.4	1.5	1.3	1.6	4.4	4.1	1.4

Source: Department of Statistics and Ministry of Manpower

Table A.4: Monetary

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Money Supply (Year-on-Year % Change)										
Narrow Money M1	8.5	-0.7	8.1	1.7	5.2	11.8	8.1	12.3	12.0	10.2
Broad Money M2	5.9	-0.3	8.1	0.5	2.9	4.8	8.1	9.9	10.7	8.4
Broad Money M3	4.0	-0.8	5.9	-0.1	1.7	3.6	5.9	7.9	9.3	7.3
Reserve Money	8.5	-0.3	3.4	0.4	4.8	4.1	3.4	2.5	3.0	6.6
Interest Rate (% Per Annum)										
3-month Interbank Rate	1.25	0.81	0.75	0.75	0.63	0.81	0.75	0.75	0.81	1.44
3-month SIBOR (USD)	1.88	1.38	1.15	1.28	1.13	1.17	1.15	1.11	1.61	2.02
Savings Rate	0.77	0.44	0.24	0.31	0.24	0.24	0..24	0.23	0.23	0.23
12-month Fixed Deposit Rate	1.53	1.32	0.71	1.15	0.72	0.70	0.70	0.70	0.70	0.72
Prime Lending Rate	5.30	5.35	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30

Source: MAS

Table A.5: Balance of Payments

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
SGD Million										
Current Account Balance	28,854	33,794	49,106	12,462	11,218	13,532	11,894	10,912	12,214	14,430
Capital Account	-289	-287	-292	-73	-64	-78	-76	-77	-73	-81
Financial Account	-25,572	-24,118	-43,746	-7,407	-15,100	-4,650	-16,589	-3,019	-9,657	-16,347
Direct Investment	-3,628	3,636	10,231	1,552	2,407	1,142	5,131	8,411	6,698	-6,147
Portfolio Investment	-17,829	-19,932	-18,994	-5,717	-4,704	-4,618	-3,955	-5,820	-6,478	-5,341
Other Investment	-4,115	-7,822	-34,983	-3,241	-12,803	-1,174	-17,765	-5,610	-9,877	-4,859
Banks	-2,873	1,313	-26	-1,830	-1,383	6,624	-3,437	3,909	-7,383	-1,410
Others	-1,242	-9,135	-34,957	-1,412	-1,1420	-7,797	-14,328	-9,518	-2,495	-3,449
Error & Omissions	-4,595	-7,103	6,706	-4,126	6,861	-3,728	7,699	2,803	-2,179	2,817
Overall Balance	-1,602	2,287	11,775	857	2,914	5,076	2,928	10,619	304	819
Official Foreign Reserves (End of Period)	139,942	142,721	163,190	147,570	152,592	157,388	163,190	172,153	175,204	172,855

Source: Department of Statistics and MAS

Table A.6: External Economies: Real GDP Growth

				2003				2004		
	2001	2002	2003	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Year-on-Year % Change										
Industrial Countries										
US	0.8	1.9	3.0	1.9	2.3	3.5	4.4	5.0	4.8	4.0
Euro-zone	1.6	0.9	0.5	0.7	0.1	0.4	0.8	1.4	2.1	1.8
Japan	0.2	-0.3	1.3	1.7	0.9	1.0	1.6	4.3	3.0	2.6
Northeast Asia										
China	7.5	8.3	9.3	9.9	7.9	9.6	9.9	9.8	9.6	9.1
Hong Kong	0.5	1.9	3.2	4.4	-0.6	4.0	4.9	7.0	12.1	7.2
Taiwan	-2.2	3.9	3.3	3.2	-0.1	4.2	5.9	6.7	7.9	5.3
Korea	3.8	7.0	3.1	3.7	2.2	2.4	3.9	5.3	5.5	4.6
Southeast Asia										
Malaysia	0.3	4.1	5.3	4.6	4.6	5.3	6.6	7.8	8.2	6.8
Indonesia	3.8	4.3	4.5	5.5	4.8	3.7	4.1	5.1	4.5	5.0
Philippines	1.8	4.3	4.7	4.8	4.2	4.8	5.0	6.5	6.6	6.3
Thailand	2.2	5.3	6.9	6.6	6.3	6.8	7.7	6.7	6.4	6.0

Source: CEIC

Table A.7: External Economies: Consumer Price Index

				2003				2004		
	2001	2002	2003	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Year-on-Year % Change										
Industrial Countries										
US	2.8	1.6	2.3	2.9	2.1	2.2	1.9	1.8	2.9	2.7
Euro-zone	2.4	2.3	2.1	2.3	2.0	2.0	2.1	1.7	2.3	2.3
Japan	-0.7	-0.9	-0.3	-0.2	-0.2	-0.2	-0.3	-0.1	-0.3	-0.1
Northeast Asia										
China	0.7	-0.8	1.2	0.5	0.7	0.8	2.7	2.8	4.4	5.3
Hong Kong	-1.6	-3.0	-2.6	-2.0	-2.5	-3.6	-2.3	-1.8	-0.9	0.8
Taiwan	0.0	-0.2	-0.3	-0.2	-0.1	-0.6	-0.2	0.5	1.2	2.9
Korea	4.1	2.8	3.5	4.1	3.3	3.2	3.5	3.2	3.4	4.3
Southeast Asia										
Malaysia	1.4	1.8	1.1	1.3	0.9	1.0	1.2	0.9	1.2	1.5
Indonesia	11.5	11.9	6.8	7.8	7.3	6.4	5.7	4.8	6.4	6.7
Philippines	6.1	2.9	3.0	2.8	3.0	3.1	3.1	3.5	4.5	6.4
Thailand	1.7	0.6	1.8	2.0	1.8	1.9	1.6	1.9	2.6	3.3

Source: CEIC

Table A.8: External Economies: Balance of Payments

				2003				2004		
	2001	2002	2003	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Foreign Reserves (USD bn)										
Industrial Countries										
US	68.7	79.0	85.9	80.0	81.7	84.4	85.9	85.2	82.7	82.6
Euro-zone	346.1	383.8	386.9	369.5	372.4	387.6	386.9	376.8	366.1	369.8
Japan	396.2	462.4	664.6	489.1	538.3	596.6	664.6	817.4	809.5	822.0
Northeast Asia										
China	218.7	295.2	412.2	324.9	355.4	393.0	412.2	448.5	479.2	523.1
Hong Kong	111.2	111.9	118.4	113.6	114.4	112.1	118.4	123.8	120.8	118.4
Taiwan	122.2	161.7	206.6	168.6	176.7	190.6	206.6	226.5	230.1	233.0
Korea	102.8	121.4	155.4	123.8	131.7	141.5	155.4	163.6	167.0	174.4
Southeast Asia										
Malaysia	30.5	34.3	44.6	34.6	36.8	40.4	44.6	51.1	53.6	56.6
Indonesia	28.0	32.0	36.3	32.6	34.1	34.0	36.3	37.4	34.8	36.3
Philippines	15.6	16.2	16.9	16.0	15.8	16.2	16.9	16.3	16.2	15.9
Thailand	33.0	38.9	42.1	37.6	39.3	40.3	42.1	43.0	43.3	44.8
Current Account Balance (% of GDP)										
Industrial Countries										
US	-3.8	-4.5	-4.8	-5.1	-4.9	-4.7	-4.5	-5.1	-5.6	-5.6
Euro-zone	-0.2	0.8	0.3	0.1	-0.4	0.6	0.8	0.7	0.5	0.3
Japan	2.1	2.8	3.2	3.0	3.0	3.7	3.0	4.1	3.6	3.9
Northeast Asia										
China	1.5	2.7	3.1	1.8		4.3		1.1		n.a.
Hong Kong	6.1	7.9	10.7	10.5	5.7	13.7	12.2	5.2	2.4	n.a.
Taiwan	6.6	9.0	9.9	10.7	9.8	9.1	10.1	7.4	7.2	6.7
Korea	1.7	1.0	2.0	-1.1	1.8	2.4	4.3	4.0	4.3	4.2
Southeast Asia										
Malaysia	8.3	8.4	12.9	15.2	13.7	12.8	10.3	14.5	11.8	n.a.
Indonesia	4.1	3.8	3.0	2.0	3.7	3.6	2.6	-1.0	1.3	n.a.
Philippines	1.9	5.7	4.2	1.2	2.9	5.5	6.7	3.7	3.7	6.6
Thailand	5.4	5.5	5.6	7.1	3.7	5.1	6.3	5.2	1.6	3.7
Financial Account (% of GDP)										
Industrial Countries										
US	4.9	4.2	5.5	5.2	3.9	4.5	6.2	4.7	4.9	5.2
Euro-zone	-0.9	-0.8	-0.7	-0.3	-0.3	-0.8	-1.1	-1.2	-0.5	0.0
Japan	-1.2	-1.6	1.6	-1.0	2.9	2.0	2.5	9.5	-3.0	-3.1
Northeast Asia										
China	2.9	2.5	3.6	7.3		1.0		9.4		n.a.
Hong Kong	-4.1	-12.3	-11.1	-8.8	-8.9	-19.5	-7.2	0.6	-12.6	n.a.
Taiwan	-0.1	3.0	2.5	-1.0	-3.9	6.5	7.7	19.8	-1.1	-7.9
Korea	-0.5	1.4	2.5	1.2	2.1	2.6	3.8	2.5	-1.8	-0.8
Southeast Asia										
Malaysia	-4.4	-3.3	-3.1	-8.8	-1.9	0.3	-2.2	8.3	0.6	n.a.
Indonesia	-4.6	-0.6	-0.4	-1.6	-0.3	-1.0	1.3	2.1	-1.3	n.a.
Philippines	-1.5	-2.2	-6.7	-2.0	-12.3	-6.2	-6.2	-4.4	2.1	-5.8
Thailand	-4.0	-3.3	-5.6	-12.1	-1.0	-4.1	-5.2	-3.9	1.4	-0.6

Source: CEIC and IFS, IMF

Table A.9: Central Bank Policy Rates

Countries	Rates	% p.a.	Basis Point Change From							
		27 Dec	2003				2004			
		2004	1 Jan	1 Apr	1 Jul	1 Oct	1 Jan	1 Apr	1 Jul	1 Oct
Industrial Countries										
US	Fed Fund Target Rate	2.25	100	100	125	125	125	125	100	50
Euro-zone	ECB Repo Rate	2.00	-75	-50	0	0	0	0	0	0
Japan	Uncollateralized O/N Call Rate (Average)	0.001	0.1	0	0.1	0	0	0	0	0
Northeast Asia										
China	1-Year Working Capital	5.58	27	27	27	27	27	27	27	27
Hong Kong	Discount Window Base	3.75	100	100	125	125	125	125	125	50
Taiwan	Rediscount Rate	1.63	0	0	25	25	25	25	25	0
Korea	O/N Call Target Rate	3.25	-100	-100	-75	-50	-50	-50	-50	-25
Southeast Asia										
Malaysia	O/N Policy Rate	2.70	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0
Indonesia	1-Mth SBI	7.43	-526	-363	-167	-105	-43	10	7	2
Philippines	O/N Reverse Repo	6.75	-25	-25	-25	0	0	0	0	0
Thailand	Repo Rate: 14 Day	2.00	-25	-25	-75	-75	-75	-75	-75	-50

Source: Bloomberg and CEIC

Table A.10: Exchange Rates vis-à-vis USD

Countries	Currencies	Rate	% Change From							
		27 Dec	2003				2004			
		2004	1 Jan	1 Apr	1 Jul	1 Oct	1 Jan	1 Apr	1 Jul	1 Oct
Industrial Countries										
Euro-zone	EUR	1.36	30	25	18	16	9	10	12	10
Japan	JPY	103.07	-13	-13	-14	-7	-4	-0.6	-5	-7
Northeast Asia										
Taiwan	TWD	32.18	8	8	7	5	6	2	5	5
Korea	KRW	1047	13	20	14	10	14	9	10	10
Southeast Asia										
Indonesia	IDR	9290	-4	-4	-11	-10	-9	-8	0	-2
Philippines	PHP	56.08	-5	-5	-5	-2	-1	0	0	0
Thailand	THB	39.05	10	10	7	2	1	0	4	6
Singapore	SGD	1.64	6	8	7	5	4	2	5	3

Source: Bloomberg

Table A.11: Global Equity Indices

Countries		Index 27 Dec 2004	% Change From							
			2003				2004			
			1 Jan	1 Apr	1 Jul	1 Oct	1 Jan	1 Apr	1 Jul	1 Oct
Industrial Countries										
US	Nasdaq	2154	61.3	59.8	31.3	17.6	7.5	6.9	6.9	10.9
	Dow Jones	10776	29.2	33.5	19.2	13.8	3.1	3.9	4.3	5.7
Germany	DAX	4235	46.4	72.9	34.6	27.2	6.8	7.9	5.0	6.0
Japan	Nikkei 225	11362	32.4	42.3	22.5	9.7	6.4	-2.7	-4.5	3.4
Northeast Asia										
China	A-Shares	1344	-5.3	-15.6	-13.5	-6.2	-14.3	-27.1	-11.2	-8.3
Hong Kong	HSI	14195	52.3	65.1	48.2	26.4	12.9	12.0	15.5	8.2
	H-Shares	4775	139.9	117.9	75.1	48.2	-4.9	0.7	11.3	2.7
Taiwan	TWI	5986	34.4	38.0	19.3	7.2	1.6	-8.2	2.6	0.7
Korea	KOSPI	877	39.7	62.8	30.0	24.5	8.2	-0.7	12.7	3.7
Southeast Asia										
Malaysia	KLCI	907	40.3	44.6	30.8	22.9	14.2	2.2	9.5	6.2
Indonesia	JCI	998	134.7	150.6	97.3	64.6	44.2	35.2	36.7	19.3
Philippines	PSE	1807	77.5	74.1	48.0	40.3	25.3	26.1	13.4	1.1
Thailand	SET Index	664	86.2	83.3	43.7	16.5	-14.0	-1.2	2.7	0.4
Singapore	STI	2051	52.9	59.9	40.8	25.8	16.2	9.6	11.2	3.5

Source: Bloomberg

Table A.12: Global Government Bond Yields

Countries		% p.a. 27 Dec 2004	Basis Point Change From							
			2003				2004			
			1 Jan	1 Apr	1 Jul	1 Oct	1 Jan	1 Apr	1 Jul	1 Oct
Industrial Countries										
US	10-Yr Treasuries	4.30	48	49	75	36	5	42	-27	11
Germany	10-Yr Bunds	3.62	-59	-42	-18	-38	-67	-34	-70	-40
Japan	10-Yr JGB	1.41	50	70	54	-2	4	3	-46	-8
Northeast Asia										
Hong Kong	10-Yr Govt Bond	3.60	-79	-74	.34	-64	-78	-13	-99	-21
Taiwan	10-Yr Govt Bond	2.34	8	58	89	-17	-28	7	-60	-32
Korea	10-Yr Govt Bond	3.83	-177	-119	-75	-73	-173	-144	-114	-18
Southeast Asia										
Malaysia	10-Yr Govt Bond	4.77	95	125	127	55	6	-14	-37	-31
Indonesia	8-Yr Govt Bond	10.50	n.a.	-175	-107	-112	-264	-102	-126	-67
Philippines	5-Yr Govt Bond	12.47	122	32	226	221	195	72	66	59
Thailand	10-Yr Govt Bond	4.70	124	120	220	123	-18	70	-42	10
Singapore	10-Yr SGS	2.66	11	56	40	-80	-109	-42	-97	-64

Source: Bloomberg

Table A.13: JP Morgan Asia Credit Index (Sovereign)

Countries		% p.a.	Basis Point Change From							
		27 Dec	2003				2004			
		2004	1 Jan	1 Apr	1 Jul	1 Oct	1 Jan	1 Apr	1 Jul	1 Oct
Northeast Asia										
China	JACI	4.53	89	68	120	98	16	62	-32	-9
Hong Kong	JACI	4.91	-18	-24	43	20	-31	12	-83	-14
Korea	JACI	4.24	50	-17	78	53	30	63	-57	-2
Southeast Asia										
Malaysia	JACI	4.70	-63	-57	31	5	-7	31	-66	-9
Indonesia	JACI	6.19	18	69	59	56	-35	-80	-199	-82
Philippines	JACI	8.35	-12	-15	123	89	51	41	-4	47
Thailand	JACI	5.02	-138	-97	-2	13	-16	28	-73	-17
Singapore	JACI	4.69	-29	-18	60	31	19	61	-40	2

Source: Bloomberg

Table A.14: JP Morgan EMBIG Sovereign Spreads

Countries		Basis Point As At								
		27 Dec	2003				2004			
		2004	1 Jan	1 Apr	1 Jul	1 Oct	1 Jan	1 Apr	1 Jul	1 Oct
Latin America										
Overall	EMBIG	403	981	792	658	634	518	521	599	487
Argentina	EMBIG	4601	6342	6062	4569	5363	5485	4753	5079	5178
Brazil	EMBIG	372	1460	1004	777	698	459	539	642	461
Asia										
Overall	EMBIG	265	292	302	229	215	210	229	290	282
China	EMBIG	59	84	70	53	44	58	65	70	76
Malaysia	EMBIG	78	212	200	144	124	100	113	129	104
Philippines	EMBIG	448	522	528	432	410	415	466	449	448
Thailand	EMBIG	49	128	121	96	55	67	68	94	61

Source: JP Morgan website
Note: EMBIG refers to Emerging Market Bond Index Global

NON-FINANCIAL SECTOR

Table B.1: Corporate Sector: Return on Assets

	FY2001	FY2002	FY2003	Q2 03	Q4 03	Q2 04
Percent						
Commerce	2.5	3.1	4.2	3.3	3.7	4.3
Construction	-4.2	0.9	0.0	1.0	0.3	-1.0
Hotels & Restaurants	1.6	1.3	1.9	0.8	1.9	3.0
Manufacturing	3.2	3.6	5.4	1.6	4.9	4.6
Multi-Industry	1.2	1.6	2.8	NA	2.4	2.4
Property	1.4	2.2	2.5	3.1	2.8	2.4
Transport, Storage & Communications	5.8	5.1	6.0	6.0	6.0	7.2

Source: Thomson Financial

Table B.2: Corporate Sector: Current Ratio

	FY2001	FY2002	FY2003	Q2 03	Q4 03	Q2 04
Ratio						
Commerce	1.5	1.5	1.7	1.6	1.8	1.7
Construction	1.3	1.1	1.2	1.2	1.2	1.2
Hotels & Restaurants	1.2	1.6	1.7	1.6	1.7	1.5
Manufacturing	1.5	1.6	1.6	1.6	1.6	1.6
Multi-Industry	1.3	1.2	1.5	1.2	1.5	1.3
Property	1.5	1.6	1.6	1.8	1.6	1.7
Transport, Storage & Communications	1.4	1.1	1.1	1.1	1.2	1.1

Source: Thomson Financial
Note: Current ratio is defined as current assets over current liabilities

Table B.3: Corporate Sector: Total Debt/Equity

	FY2001	FY2002	FY2003	Q2 03	Q4 03	Q2 04
Percent						
Commerce	40.8	52.7	40.2	44.8	38.9	46.8
Construction	68.8	48.6	43.7	48.3	43.7	43.8
Hotels & Restaurants	14.2	21.3	25.5	36.4	25.5	25.5
Manufacturing	29.8	28.4	28.1	27.3	27.7	27.4
Multi-Industry	75.8	63.7	48.4	65.1	55.1	54.6
Property	86.4	61.9	56.5	92.4	65.7	58.3
Transport, Storage & Communications	38.6	37.7	38.8	43.5	38.7	53.5

Source: Thomson Financial

Table B.4: Corporate Sector: Interest Cover Ratio

	FY2001	FY2002	FY2003	Q2 03	Q4 03	Q2 04
Ratio						
Commerce	3.6	6.0	7.8	6.4	6.8	9.2
Construction	1.5	3.4	0.6	1.5	2.5	2.4
Hotels and Restaurants	5.0	5.8	9.6	8.5	9.2	8.7
Manufacturing	9.2	11.8	15.0	13.6	15.2	16.7
Multi-Industry	3.0	4.9	5.0	7.9	6.0	10.6
Property	2.3	3.4	5.9	2.7	3.1	5.9
Transport, Storage & Communications	9.1	14.4	13.9	12.7	12.7	17.7

Source: Thomson Financial
Note: Interest cover ratio is defined as earnings before interest, tax, depreciation and amortisation, divided by interest expense

Table B.5: Household Sector

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
Percent (unless otherwise stated)									
Household Assets (SGD bn)	676.2	697.9	762.1	NA	NA	NA	762.1	782.3	793.4
Household Residential Property Assets as % of Total Assets	51.3	50.1	47.7	NA	NA	NA	47.7	47.2	47.5
Household Liabilities (SGD bn)	143.1	146.3	152.8	NA	NA	NA	152.8	152.1	153.0
Household Liabilities to Assets Ratio	21.2	21.0	20.0	NA	NA	NA	20.0	19.4	19.3
Household Liabilities as % of GDP	93.3	93.9	96.0	NA	NA	NA	96.0	93.0	90.7
URA Residential Property Price Index	117.2	115.1	112.8	114.1	113.4	112.9	112.8	112.4	112.5

Source: MAS estimates, Ministry of National Development, Urban Redevelopment Authority and Department of Statistics

FINANCIAL INSTITUTIONS

Table C.1: All Commercial Banks, Unconsolidated Singapore Operations: Interbank Activity

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Percent (unless otherwise stated)										
Interbank Loans (SGD bn)	591	556	557	544	546	529	557	598	590	582
Interbank Loans (% of Total Loans)	67	67	67	66	66	65	66	67	66	66
Loans to Offshore Banks (% of Interbank Loans)	86	89	90	90	90	89	90	87	88	89
Interbank Loans by Regions (% of Offshore Interbank Loans)										
East Asia	46	45	48	49	49	51	46	45	47	45
Europe	36	39	38	39	38	37	39	41	41	41
Americas	11	8	9	8	6	6	9	8	6	7
Others	7	8	5	4	7	6	6	6	5	6
Loans to HO & Branch (% of Offshore Interbank Loans)	71	71	75	74	76	77	79	79	79	77
Interbank Borrowing to Retail Deposit (Ratio)	1.5	1.5	1.4	1.4	1.4	1.4	1.3	1.4	1.4	1.4

Source: MAS

Table C.2: All Commercial Banks, Unconsolidated Singapore Operations: Non-Bank Activity (% Share of Total Assets)

				2003				2004		
	2001	2002	2003	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Domestic Banking (DBU)										
Total Non-Bank Loans & Advances:	43.6	45.7	47.3	44.4	45.5	46.4	47.3	44.7	44.8	45.4
Singapore	42.4	44.1	45.7	42.8	44.0	44.7	45.7	43.2	43.1	43.4
Manufacturing	3.2	3.1	2.9	2.8	2.6	3.0	2.6	2.6	2.6	2.6
Building & Construction	7.1	6.8	6.6	6.6	6.7	6.6	6.6	6.1	6.0	5.9
Housing	11.2	12.6	14.4	12.5	13.0	13.7	14.4	14.0	14.3	14.9
Commerce	4.7	4.8	4.6	4.5	4.7	4.7	4.6	4.6	4.8	4.9
Trans, Storage & Comm	1.6	1.3	1.1	1.2	1.2	1.1	1.1	1.0	1.1	1.1
PPI	7.4	7.8	8.5	8.2	8.5	8.8	9.0	8.3	8.3	8.2
Non-Bank FI's	5.8	6.5	6.4	6.0	6.0	6.1	6.0	5.7	5.4	5.4
Total Non-Bank Deposits	48.8	51.0	53.6	50.8	51.2	51.3	53.6	52.1	52.3	51.5
Deposits from Residents	45.7	48.0	50.6	47.8	48.2	48.4	50.6	49.3	49.4	48.6
Net Foreign Assets	-1.5	-2.3	-3.3	-1.7	-2.0	-3.9	-3.3	-4.4	-2.5	-1.9
Liquid Assets	10.7	11.8	12.5	12.6	12.0	12.5	12.5	12.4	11.6	12.0
Offshore Banking (ACU)										
Total Non-Bank Loans & Advances:	17.0	16.1	16.4	16.6	16.8	17.3	16.4	16.1	16.6	16.3
in Singapore	4.9	4.7	4.5	4.8	4.7	4.7	4.5	4.3	4.5	4.5
due from ASEAN	3.9	3.5	3.1	3.5	3.4	3.3	3.1	2.9	2.9	2.8
due from China	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.3
due from Hong Kong	1.3	1.1	1.4	1.1	1.3	1.6	1.4	1.5	1.5	1.3
due from Japan	0.7	0.6	0.3	0.5	0.4	0.4	0.3	0.3	0.3	0.3
due from Asia	2.8	2.3	2.6	2.4	2.5	2.8	2.6	2.6	2.6	2.4
due from US	0.3	0.4	0.5	0.4	0.6	0.6	0.5	0.5	0.5	0.4
due from UK	0.2	0.3	0.3	0.3	0.4	0.3	0.3	0.5	0.4	0.3
Total Non-Bank Deposits	26.3	26.1	26.9	26.9	26.5	26.2	26.9	25.5	25.4	25.7
Deposits from Residents	7.6	7.4	7.9	7.5	7.6	7.2	7.9	7.4	7.1	7.4
Net Foreign Assets	4.7	4.0	5.7	4.1	4.9	3.4	4.9	3.2	3.4	3.9

Source: MAS

Table C.3: All Commercial Banks, Unconsolidated Singapore Operations: Non-Bank Activity (Year-on-Year % Change)

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Domestic Banking (DBU)										
Total Non-Bank Loans & Advances:	5.8	-1.0	6.3	0.7	2.5	3.5	6.3	7.6	5.8	6.0
in Singapore	5.2	-1.8	6.3	-0.1	2.0	3.1	6.3	7.7	5.2	5.0
Manufacturing	3.0	-9.6	-2.1	-13.8	-8.4	-4.3	-2.1	0.4	-2.3	-4.1
Building & Construction	3.6	-10.2	0.7	-9.2	-7.9	-5.8	0.7	-0.5	-2.7	-3.7
Housing	8.2	6.9	16.9	6.6	9.2	13.4	16.9	19.6	17.8	17.4
Commerce	-6.7	-4.6	-0.2	-2.6	-2.8	-4.3	-0.2	8.3	10.3	14.0
Trans, Storage & Comm	49.1	-25.9	-9.2	-1.3	0.8	-2.4	-9.2	-8.7	-0.3	2.4
PPI	12.2	0.0	18.2	10.9	15.1	15.4	18.2	8.1	4.8	1.3
Non-Bank FI's	3.4	6.3	-5.6	1.8	-1.0	-3.9	-5.6	2.0	-3.8	-3.2
Total Non-Bank Deposits	6.6	-1.3	7.8	-0.2	3.0	4.2	7.8	9.5	9.7	8.6
Deposits from Residents	6.3	-0.8	8.3	0.3	3.3	4.7	8.3	10.0	10.2	8.8
Net Foreign Assets	11.3	-5.5	2.7	-2.7	0.5	0.1	2.7	6.7	7.4	8.3
Liquid Assets	13.9	3.8	9.5	6.3	6.9	12.0	9.5	5.3	4.0	3.5
Offshore Banking (ACU)										
Total Non-Bank Loans & Advances:	-5.2	-7.9	5.1	-3.4	3.7	6.4	5.1	5.6	5.4	2.3
in Singapore	-8.2	-5.6	-1.9	-0.6	1.1	-1.0	-1.9	-1.4	2.4	5.6
due from ASEAN	-11.9	-13.2	-8.9	-11.2	-9.9	-10.4	-8.9	-9.2	-6.6	-6.4
due from China	11.9	-13.0	24.7	-7.5	15.2	26.5	24.7	32.5	18.6	6.6
due from Hong Kong	-7.0	-22.3	38.0	-5.7	18.3	49.8	38.0	47.0	19.6	-12.4
due from Japan	-66.0	-24.1	-37.9	-27.5	-43.1	-40.6	-37.9	-37.7	-11.7	-9.9
due from Asia	-35.2	-19.7	13.0	-9.6	1.6	17.8	13.0	15.1	13.8	-6.8
due from US	15.5	8.9	50.8	30.9	74.4	75.7	50.8	29.0	2.0	-34.8
due from UK	115.6	45.4	-8.1	38.5	55.1	42.5	-8.1	47.2	-4.7	18.1
Total Non-Bank Deposits	5.0	-3.4	6.5	2.8	6.9	2.3	6.5	2.9	2.3	6.9
Deposits from Residents	11.4	-4.3	9.8	-1.0	10.8	2.0	9.8	7.7	0.0	12.9
Total Assets	3.3	-2.7	3.3	-2.4	6.0	3.3	3.3	8.7	6.8	8.7

Source: MAS

Table C.4: Local Banks' Results

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Selected Performance Variables (SGD Million)										
Interest Income	12,259	10,889	9,316	2,355	2,308	2,292	2,361	2,379	2,466	2,576
Interest Expense	7,182	4,565	3,436	888	881	842	825	858	902	1,010
Net Interest Income	5,078	6,324	5,880	1,468	1,427	1,450	1,536	1,522	1,564	1,566
Net Interest Margin (%, Simple Average)	2.01	2.09	2.01	2.01	1.92	1.93	2.01	1.95	1.95	1.92
Total Non-Interest income	2,900	3,093	3,668	864	876	1,006	922	1,086	1,391	1,096
Total Income	7,978	9,418	9,550	2,332	2,303	2,456	2,459	2,608	2,955	2,662
Total Operating Expenses	3,609	4,052	4,116	1,016	953	1,048	1,098	977	1,108	1,167
Operating Profit before provisions	4,369	5,367	5,434	1,317	1,350	1,408	1,360	1,631	1,847	1,495
Net Profit Attributable to Shareholders	2,709	2,780	3,182	693	634	918	937	1,101	1,497	1,057
ROA, including Goodwill (%, Simple Average)	1.0	0.8	1.1	0.8	0.8	1.1	1.1	1.2	1.2	1.2
ROE, including Goodwill (%, Simple Average)	9.7	7.6	10.1	7.5	7.1	10.1	10.1	11.2	11.5	10.5
NPL Ratios (By Sector and Type, Percent)										
Agriculture, Mining, Quarrying	7.6	8.9	6.4	9.2	7.3	6.4	6.4	5.7	7.9	7.4
Transport, Storage & Communication	4.3	4.0	4.0	3.8	4.7	4.5	4.0	3.3	2.7	2.0
Building & Construction	10.1	8.2	8.5	8.2	8.0	8.6	8.5	8.2	7.8	8.1
Manufacturing	16.1	16.8	13.7	15.9	14.9	13.7	13.7	12.8	11.6	11.4
Financial Institutions, Investment, Holding Companies	10.9	9.2	7.0	8.8	8.1	7.9	7.0	6.1	5.6	5.3
General Commerce	14.9	13.4	11.7	14.2	13.1	11.9	11.7	8.7	7.4	7.7
Professionals & Individuals	7.3	8.1	7.2	8.3	7.2	7.0	7.2	6.8	6.5	6.5
Housing Loans	2.5	2.3	2.3	2.2	2.4	2.3	2.3	2.1	1.8	1.9
Others	9.4	8.8	7.2	8.0	8.0	8.8	7.2	9.7	6.2	5.4
Total NPLs	8.0	7.7	6.7	7.5	7.2	7.0	6.7	6.2	5.5	5.5
Total Cumulative Provisions to Total NPLs	60.1	61.2	64.9	61.8	62.9	64.4	64.9	67.8	71.5	72.8
Capital Structure (Percent)										
Total CAR	18.2	16.9	16.0	16.7	15.4	16.9	16.0	16.7	15.5	16.3

Source: Local Banks

Table C.5: Selected Insurance Companies: Equity Prices

	As At 27 Dec 2004	% Change From							
		2003				2004			
		1 Jan	1 Apr	1 Jul	1 Oct	1 Jan	1 Apr	1 Jul	1 Oct
GE	12.90	51.8	41.0	26.5	24.0	20.6	5.7	8.4	9.3
UOI	3.56	22.8	24.5	19.5	10.6	9.9	0.6	-0.6	4.1
Sing Re	0.26	19.4	14.5	-1.9	-1.9	0.0	-3.8	0.0	0.0

Source: Bloomberg

Table C.6: Life Direct Insurers: Total New Business Gross Premiums

	2001	2002	2003	2003				2004		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Year-on-Year % Change										
Policies	48.9	55.2	-55.3	-26.8	-7.7	11.7	-81.0	17.2	8.8	5.5
Annual Premiums	-35.5	50.9	-27.2	7.5	4.2	19.8	-70.8	-5.2	-12.2	14.7
Single Premiums	168.5	-33.6	-22.4	-50.2	-41.3	-11.7	16.0	94.0	39.4	35.8
Sum Insured	16.2	-12.5	-7.1	-21.8	-6.0	0.4	4.4	8.3	-2.4	41.1

Source: MAS

Table C.7: Life Direct Insurers: Assets Distribution of Singapore Insurance Fund (Non-Linked Assets)

	2001	2002	2003	2003				2004		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
SGD Million (% of Total Admitted Assets)										
Equity Shares	8,397.6 (20.8)	8,586.7 (18.8)	11,373.2 (21.7)	9,859.8 (20.9)	9,048.9 (18.3)	10,714.8 (21.2)	10,955.4 (21.0)	11,119.1 (20.7)	11,000.1 (19.9)	11,224.1 (19.5)
Govt Securities & Public Authority Securities	6,556.1 (16.3)	8,446.8 (18.5)	10,904.6 (20.8)	9,055.9 (19.2)	9,707.5 (19.6)	10,400.1 (20.6)	10,368.6 (19.8)	11,106.9 (20.6)	11,878.2 (21.5)	12,377.5 (21.5)
Other Securities	13,572.1 (33.6)	16,644.7 (36.4)	18,453.5 (35.2)	16,346.6 (34.6)	18,031.8 (36.5)	18,256.4 (36.2)	19,207.2 (36.8)	19,700.7 (36.6)	20,816.7 (37.6)	22,175.5 (38.5)
Cash & Deposits	4,331.0 (10.7)	4,290.9 (9.4)	4,193.6 (8.0)	4,366.8 (9.2)	4,857.9 (9.8)	3,325.5 (6.6)	4,190.0 (8.0)	4,641.3 (8.6)	4,467.2 (8.1)	4,564.2 (7.9)
Loans	4,937.7 (12.2)	4,449.6 (9.7)	4,024.0 (7.7)	4,294.6 (9.1)	4,136.2 (8.4)	4,090.4 (8.1)	4,017.7 (7.7)	3,923.2 (7.3)	3,874.3 (7.0)	3,783.3 (6.6)
Land & Buildings	1,867.1 (4.6)	2,354.2 (5.2)	2,344.3 (4.5)	2,365.4 (5.0)	2,365.2 (4.8)	2,369.2 (4.7)	2,343.5 (4.5)	2,349.7 (4.4)	2,198.5 (4.0)	2,211.3 (3.8)
Other Assets	732.8 (1.8)	907.9 (2.0)	1,104.3 (2.1)	9,20.8 (2.0)	1,303.7 (2.6)	1,316.3 (2.6)	1,179.2 (2.3)	972.3 (1.8)	1,075.4 (1.9)	1236.6 (2.1)
Total Assets	40,394.4 (100.0)	45,680.7 (100.0)	52,397.6 (100.0)	47,209.9 (100.0)	49,451.1 (100.0)	50,472.7 (100.0)	52,261.7 (100.0)	53,813.1 (100.0)	55,310.2 (100.0)	57,572.5 (100.0)

Source: MAS

Table C.8: General Direct Insurers: Gross Premiums

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
	SGD Million									
Total Operations	1,954.1	2,487.6	2,669.2	738.2	606.4	582.9	639.5	782.9	616.9	610.2
SIF	1,800.5	2,230.9	2,344.2	657.9	552.5	525.6	578.4	668.1	521.0	505.5
OIF	153.6	256.7	325.0	80.3	53.9	57.3	61.1	114.8	95.9	104.8

Source: MAS

Table C.9: General Direct Insurers: Composition of Net Premiums of Singapore Insurance Fund

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
	SGD Million									
Marine & Aviation										
- Cargo	73.3	84.0	94.1	24.3	20.7	22.8	23.2	27.2	25.7	29.6
- Hull & Liability	30.5	39.8	42.5	11.9	6.9	10.6	14.4	14.1	5.4	13.3
Fire	91.9	101.8	100.5	27.3	25.9	19.5	20.6	29.5	25.4	24.7
Motor	465.9	571.0	646.0	165.3	158.7	158.7	152.5	175.0	162.8	148.2
Workmen's Compensation	97.4	117.6	133.0	42.4	31.3	28.7	24.4	47.5	32.3	28.2
Miscellaneous	419.7	485.6	530.3	151.1	129.1	123.6	114.1	151.6	94.3	111.9
Total	1,178.5	1,399.8	1,546.4	422.2	372.7	363.8	349.2	444.8	346.0	355.7

Source: MAS

Table C.10: General Direct Insurers: Incurred Loss Ratio of Singapore Insurance Fund

	2001	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
	Percent									
Marine & Aviation										
- Cargo	20.8	18.6	23.9	17.4	23.2	28.5	31.3	15.2	28.5	16.4
- Hull & Liability	87.8	45.5	95.0	55.3	91.3	111.1	76.6	50.4	44.6	67.6
Fire	22.9	21.3	30.5	109.5	18.9	19.4	41.5	183.3	23.5	13.4
Motor	89.8	91.2	80.5	87.5	72.3	75.2	70.7	74.8	74.2	70.6
Workmens' Compensation	84.8	100.7	83.0	77.0	83.0	78.2	83.2	58.4	85.1	87.0
Miscellaneous	47.1	48.7	42.9	44.6	43.6	44.4	61.2	46.1	42.5	47.9
Total	64.5	66.2	61.5	66.0	57.0	58.4	64.3	59.7	57.9	55.6

Source: MAS