

FINANCIAL STABILITY REVIEW

December 2021

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



GLOBAL FINANCIAL AND ECONOMIC ENVIRONMENT

The global financial system has been resilient thus far, but medium-term vulnerabilities are building up



Accommodative financial conditions have induced higher corporate indebtedness.



Elevated levels of sovereign debt, increasingly held by banks, raise concerns over fiscal sustainability, and banking stability.



Stretched asset valuations against fundamentals heighten susceptibility of markets to a sharp and disorderly correction.

ANALYSIS OF SINGAPORE'S SECTORS



Corporates



Corporate vulnerabilities have eased with the earnings recovery

Firms' profitability and debt servicing ability have improved. However, sectoral disparities in performance persist, with projected growth outcomes likely to remain uneven. Firms should strengthen buffers amid the broader economic recovery, to insure against future shocks.

Households



Household leverage risk has remained high relative to pre-COVID levels

While short-term debt has fallen, overall household indebtedness have increased with larger housing loans amid a resilient property market. Households should exercise restraint in taking on large new loan commitments, and build buffers against further financial stresses.

Financial



Financial institutions have been resilient throughout the crisis

Banks and insurers have strong capital positions, while investment funds have been able to meet increased redemptions. Financial institutions should continue to exercise prudence and maintain vigilance against potential downside risks to the macroeconomic outlook.

SPECIAL FEATURES



Special Feature 1

Integrated Macro Policy Framework: An Assessment of the Ongoing Research



Special Feature 2

Climate Transition Risk Exposure of Singapore's Banking and Insurance Sectors



Special Feature 3

Enhancing Corporate Surveillance with Probability of Default Model



Special Feature 4

An Empirical Analysis of the Determinants of Domestic Interest Rates and Net Interest Margin

MAS

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