

BEST'S COUNTRY RISK REPORT

Singapore CRT-1

August 22, 2017

Region: Southeast Asia

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political and Financial System Risk.
- Singapore has relatively low levels of economic and political risk and a very low level of financial system risk. Its globally integrated, so its export-heavy economy makes it vulnerable to fluctuations in the global economy. Last year, the economy grew at 2% and experienced deflation. The International Monetary Fund (IMF) forecasts expect real gross domestic product (GDP) growth to remain subdued between 2% and 3% and inflation to reach 2% over the medium term. Growth could be jeopardized by more protectionist trade policies worldwide.
- A.M. Best categorizes the majority of countries in Southeast Asia as CRT-3, CRT-4, or CRT-5. Singapore is the only CRT-1 country in the region.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Southeast Asia

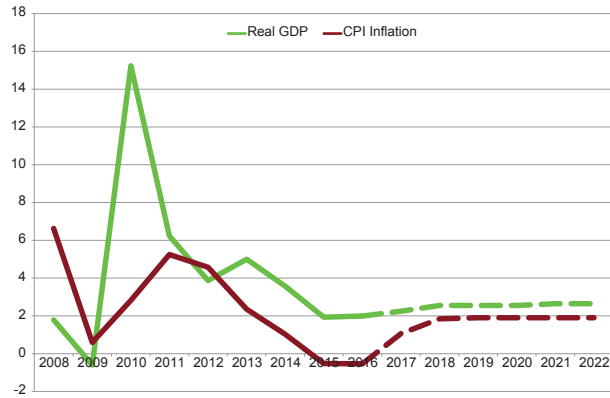
- Southeast Asia largely consists of the countries located north of Australia, west of New Guinea, east of India and south of China.
- To boost economic growth, most of the region's countries are trying to implement structural changes to encourage inclusive and sustainable development. Priority areas for reforms include foreign direct investment growth; economic diversification; capital market development; improved competitiveness of small to medium-sized enterprises; build-up of additional infrastructure; and improvements to educational systems.
- Downside risks for the region include volatile capital inflows; tightening of global financial conditions; a potential economic slowdown in China; political uncertainty; the growing likelihood of terror attacks; persistently low commodity prices; exchange rate volatility; and the potential for trade protectionism in major trading partners.
- The U.S. withdrew from the Trans-Pacific Partnership agreement (TPP) signed by 12 countries in early 2017. The TPP agreement is intended to promote lower trade barriers and establish an impartial dispute settlement mechanism.

Vital Statistics 2016		
Nominal GDP	USD bn	296.97
Population	mil	5.6
GDP Per Capita	USD	52,961
Real GDP Growth	%	2.0
Inflation Rate	%	-0.5
United Nations Estimates		
Literacy Rate	%	99.9
Urbanization	%	100.0
Dependency Ratio	%	37.4
Life Expectancy	Years	83.2
Median Age	Years	40.0
Insurance Statistics		
Insurance Regulator	Monetary Authority of Singapore	
Premiums Written (Life)	USD mil	17,557
Premiums Written (Non-Life)	USD mil	3,472
Premiums Growth (2015 - 2016)	%	7.6
Regional Comparison		
		Country Risk Tier
Singapore		CRT-1
Hong Kong		CRT-2
Malaysia		CRT-3
Philippines		CRT-4
Thailand		CRT-3
Taiwan		CRT-2

Source: IMF, UN (2015 figures), Swiss Re, Axco and A.M. Best



Economic Growth (%)



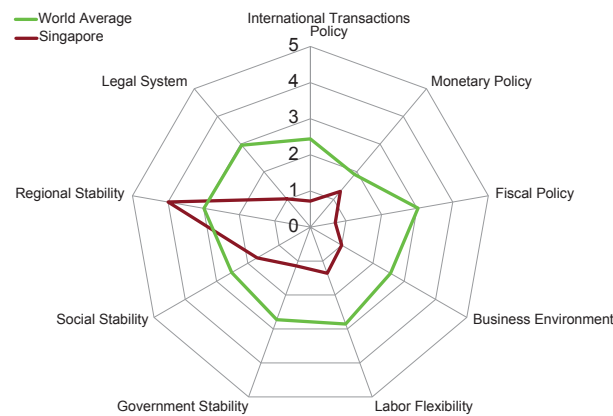
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: Low

- Singapore's low levels of corruption, open markets, stable government, and effective legal system make it a very attractive location for business.
- Historically heavily dependent on exports, Singapore, in efforts to diversify its economy, has sought to make itself a hub for financial and technology services. Exports still are an important growth driver and subject Singapore to the risks of low global demand and low commodity prices.
- Singapore's ageing population will put pressure on fiscal budgeting as the government puts additional funding towards welfare and healthcare programs.
- Growth is being supported from a cyclical upswing near-term, however the government is implementing new long-term growth model focusing on a "labor-lean" economy of digital technologies and automation.

Political Risk Summary

Score 1 (best) to 5 (worst)

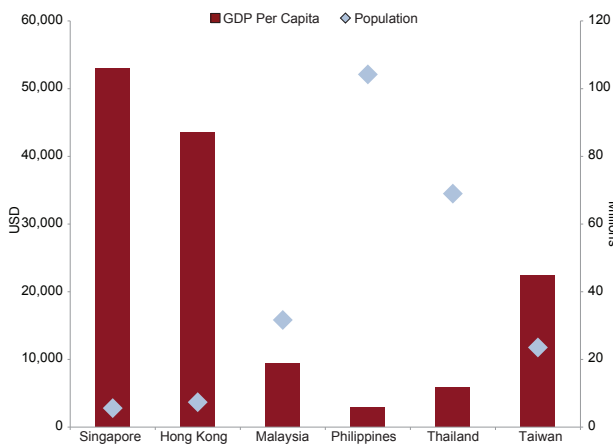


Source: A.M. Best

Political Risk: Low

- Singapore's government is highly stable and efficient. Since 1965, it has been dominated by one political party, the People's Action Party (PAP), which has provided government continuity and policy predictability.
- Recent PAP policies have focused on addressing immigration issues and the lack of affordable housing, as well as enhancing social services. These policies have been met with widespread public support.
- The upcoming presidential election in August is unlikely to cause any political instability. In 2016, the government established that every fifth presidential election cycle the president must be a representative of one of Singapore's minority groups.
- Civil unrest risks are low. In the past, there have been migrant worker protests, but the government quickly addressed their complaints and diffused the situation. Any future protests are expected to remain peaceful.
- Following the U.S. withdrawal from the TPP, the government has attempted to forge trade relations with the Eurasian Economic Union.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Very Low

- The Monetary Authority of Singapore (MAS) is the central bank of Singapore. It administers the Insurance Act and practices rigorous supervision of the financial sector.
- High levels of foreign reserves and assets provide an adequate buffer to any external shocks. Faster than expected global tightening of monetary policy, however, could increase the debt service burden for both households and corporations and bears watching.
- The banking system is healthy, with high levels of liquidity and capital, excellent asset quality, and low numbers of non-performing loans.
- The country has experienced two years of negative inflation. The central bank currently forecasts an inflation rate of 1% in 2017.