

# BEST'S COUNTRY RISK REPORT

## Singapore CRT-1

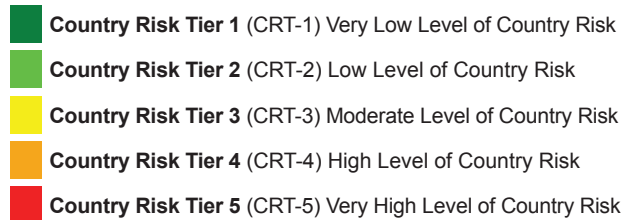
August 22, 2018

**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 a low level of economic risk and very low levels of political and financial system risk. The country is highly integrated globally, which makes the economy vulnerable to fluctuations in global prices and demand shocks. Last year, the economy grew 3.6%, and inflation turned positive after two years of deflation. GDP growth is expected to moderate towards 2.6% over the medium term. Although growth could be further 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.



## Regional Summary: Southeast Asia

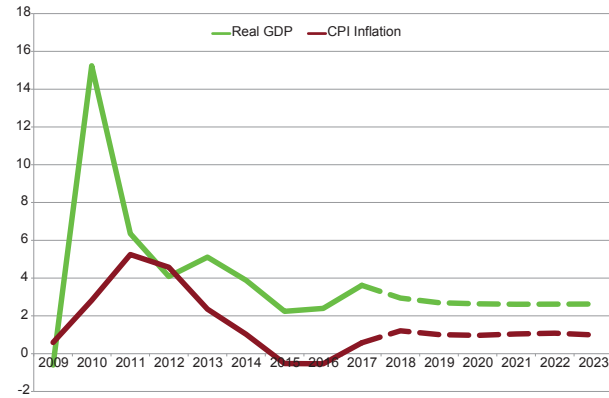
- Southeast Asia largely consists of the countries located north of Australia, west of New Guinea, east of India, and south of China.
- The region is particularly vulnerable to trade protectionist policies, given its reliance on exports to fuel economic growth. To diminish some of the vulnerability to external conditions, most of the region's countries are trying to implement structural changes which encourage economic diversification and capital market development. Improving infrastructure and shrinking bureaucracy would also bolster the prospects for sustainable economic growth.
- Additional headwinds for the region include political turmoil/uncertainty, poverty due to growing income inequality, endemic corruption, bureaucracy, susceptibility to natural disasters, and the volatility of capital flows and exchange rates owing to ongoing monetary policy normalization in developed countries.
- Growth in the region has been supported by improving global conditions as well as growing domestic demand and increased levels of government spending, particularly on infrastructure.

Vital Statistics 2017		
Nominal GDP	USD bn	323.90
Population	mil	5.6
GDP Per Capita	USD	57,713
Real GDP Growth	%	3.6
Inflation Rate	%	0.6
United Nations Estimates		
Literacy Rate	%	97.0
Urbanization	%	100.0
Dependency Ratio	%	37.3
Life Expectancy	Years	85.2
Median Age	Years	34.6
Insurance Statistics		
Insurance Regulator	Monetary Authority of Singapore	
Premiums Written (Life)	USD mil	21,522
Premiums Written (Non-Life)	USD mil	7,309
Premiums Growth (2016 - 2017)	%	15.7
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, Swiss Re, Axco and A.M. Best



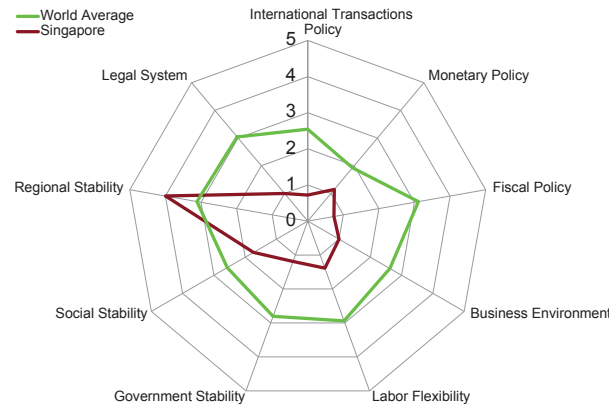
### Economic Growth (%)



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

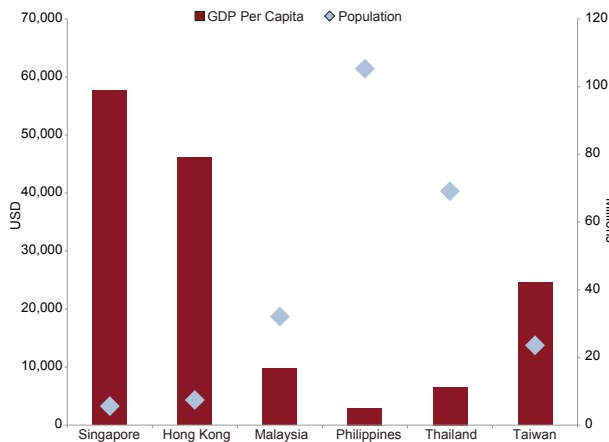
### Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

### GDP Per Capita and Population



Source: IMF and A.M. Best

### Economic Risk: Low

- Singapore's economy is open, highly developed, and affluent. Its per-capita GDP ranks seventh in the world. Unemployment remains below 3%. High-quality infrastructure supports economic expansion.
- The economy depends heavily on exports. The export base is relatively diversified, and the growing financial services sector further diminishes the reliance on trade. However, the country can still be vulnerable to periodic international fluctuations.
- Economic development is limited by geographic constraints, as land is scarce.
- The regulatory environment is extremely business-friendly: The World Bank currently ranks Singapore as the second-easiest country in the world to do business in.
- Singapore's ageing population will pressure fiscal budgeting. Reliance on foreign labor is also a concern, but the government has been attempting to lessen that dependence.

### Political Risk: Very Low

- The government of Singapore is highly stable and popular. Although politics are dominated by one party, such concentration of power has brought about benefits, including policy continuity and predictability.
- Recent PAP policies have focused on immigration issues, the lack of affordable housing, as well as the enhancement of social services. These policies have been met with widespread public support.
- The legal system is mostly independent and is attractive to foreign investments owing to its impartiality. The judiciary has a high capacity, and laws are straightforward and business-friendly. Corruption levels are very low, with the country ranking sixth in the Corruption Perceptions Index.
- Demonstrations are typically peaceful and well-organized. The government responds to workers' grievances promptly.

### Financial System Risk: Very Low

- The Monetary Authority of Singapore (MAS) is Singapore's central bank, administering the Insurance Act and rigorously supervising the financial sector.
- Strong liquidity and solvency positions, significant foreign reserves, and the country's status as a strong next external creditor all contribute to an adequate buffer against any external shocks.
- The banking system is healthy, with high levels of capital, excellent asset quality, and a low number of non-performing loans.
- Inflation turned positive in 2017, after two years of negative rates. The current-account surplus remains strong.
- The IMF has recommended strengthened supervision in the household and corporate sector owing to elevated leverage.