

FINANCIAL STABILITY REVIEW

November 2023

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

GLOBAL MACROFINANCIAL ENVIRONMENT

Global financial system faces increased risks from potentially higher-for-longer interest rates interacting with growing vulnerabilities



Banks would confront increased credit risk if highly leveraged corporates and households face debt servicing stresses



Potential market dysfunction if assets reprice sharply, creating liquidity distress for leveraged FIs with asset-liability mismatches



Risk of capital flight from EMEs amid narrowing or reversal of interest rate differentials and weaker external demand

ANALYSIS OF SINGAPORE'S SECTORS

The corporate, household and financial sectors remained resilient but should keep vigilant in the midst of macroeconomic uncertainty

Corporates



Corporates have buffers to cushion rising interest costs and shocks

- Corporate deleveraging and interest rate hedging have dampened rising interest costs.
- Adequate liquidity buffers and stable maturity profiles of firms have mitigated refinancing risk.
- Under stress tests, most firms have sufficient financial buffers to manage the combined impact of earnings and interest rate shocks.

Households



Households have weathered the rising rates well and can cope with refinancing at higher rates

- Income growth and financial buffers have cushioned rising debt servicing costs of households, keeping non-performing loan rates low.
- Stress tests show that most households refinancing into higher mortgage rates in 2024 would be able to service their mortgages.
- Household debt has decreased over the past year, but borrowers should continue to exercise caution.

Financial



Key financial institutions are in a strong position to face potential downside risks

- Banks and insurers have sound capital and liquidity positions, even under adverse scenarios of the Industry-Wide Stress Test.
- Most fund managers are able to withstand redemption shocks.
- Financial institutions should closely monitor potential liquidity risk and strengthen their liquidity profiles where needed.

SPECIAL FEATURES



Special Feature 1

Impact of Climate Transition Risk on the Financial System



Special Feature 2

Vulnerabilities of Non-Bank Financial Institutions in Singapore



Special Feature 3

COVID-19 Credit Easing Measures on Bank Lending to SMEs

