

JCR Affirmed AAA Ratings on Singapore

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Rationale

The ratings primarily reflect Singapore's strong industrial competitiveness, robust external position, and sound and highly secure fiscal situation, all underpinned by the government's skillful policy management.

The outlook of the ratings is stable. Singapore has kept its solid external and fiscal positions basically intact despite the recent global financial crises. The highly open economy may not be always free of external influences, but JCR holds that given its records of resilience, the country will retain the factors that support its highest credit rating.

(1) Singapore – an open economy resilient to external shocks

Singapore, being a highly open economy, is susceptible to external shocks, with the total value of exports and imports accounting for as much as 300% of GDP in 2010. The economy contracted in 1998 when the Asian crisis took a heavy toll, in 2001 when the world economy underwent a simultaneous slowdown and in 2009 when it was hit hard by the global financial crisis that originated in the United States. Singapore has, however, added its resilience to external shocks by enhancing its industrial competitiveness and strengthening its external and fiscal positions under the strong political leadership and the government's skillful policy management. It recovered to post a robust 14.5% growth in 2010 on increased exports to other Asian countries and recovery of tourism revenue. It managed to register a 4.8% growth in 2011 on a steady expansion of personal consumption and investment although the manufacturing sector centering on electronics and the financial service sector slowed down amid the increasingly uncertain prospects of the world economy since the middle of last year.

(2) Robust external position based on strong industrial competitiveness

Singapore's investment environment is one of the best in the world. Its manufacturing industries, particularly electronics and biomedicine, and services industry centering on logistics, finance, business-related services are highly competitive. This has enabled it to keep an annual current account surplus for more than 20 years. The country's net external assets reached US\$528.8 billion (224% of GDP) at the end of 2010. Its foreign exchange reserves totaled US\$237.7 billion (preliminary) at the end of 2011, equivalent to 7.0 months of its goods and services imports in 2010. Its net external creditor position supported by sustained current account surplus is expected to remain intact in the medium term.

(3) Sound and highly stable fiscal position

By the Constitution, the government is practically obliged to "balance the budget during its tenure of office". Through its steady fiscal management based on strict discipline, the government has kept budget surpluses almost all the time and these have been accumulated as huge fiscal reserves (whose total value has not been disclosed as a national secret). Although the government keeps the balance of bonds matching the country's annual GDP for the purpose of developing the local capital market, it accumulates the entire proceeds from such bonds in the securities fund. As such, the public sector holds huge net assets. Despite a rapid progress in the aging population expected over the coming years, Singapore's fiscal sustainability is unlikely to be jeopardized, given its social security system geared to stave off over-protection and encourage self-help as well as its markedly solid fiscal structure.

Yoshihiko Tamura, Chief Analyst
Sakura Yamamoto, Analyst

Rating

Issuer: Singapore

<Affirmation>

Issues	Rating	Outlook
FC (Foreign Currency Long-Term Senior Debts)	AAA	Stable
LC (Local Currency Long-Term Senior Debts)	AAA	Stable

Outline of the method for the determination of Credit Ratings is posted as "Rating Methodology (Sovereign & Supranationals)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

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