

Overview of Singapore Government Borrowings

Introduction

1 Some observers have pointed out that the Singapore Government has a high level of debt vis-à-vis Singapore's GDP. Some wonder why this is so, given that the Government runs a balanced budget. This note explains why the Government borrows, notwithstanding its healthy financial position.

Understanding Singapore's Fiscal Approach

2 Fiscal policy in Singapore has two fundamental features: a strong long-term orientation and a governance framework that requires a balanced budget.

3 We have always planned our public finances for the long term. In the past, this meant strengthening our social security systems and investing in our city infrastructure ahead of time. Today, we continue to plan far ahead to prepare for challenges such as ageing and climate change.

4 **A hallmark of Singapore's fiscal governance is that the Government has to operate on a balanced budget policy.** It can only spend from the fiscal reserves accumulated in its term unless the President approves a draw on the Past Reserves. This framework has in turn allowed the Government to invest its reserves for long term returns. Part of these returns supplement government revenues, and forms one of the largest contributors to government revenues.¹

5 The Government likewise adopts a disciplined and prudent approach towards borrowing. Borrowings are not revenues, and have to be repaid. Hence, the Government does not borrow for recurrent spending needs, so as not to overly burden our future generations who will have to service the debt incurred by current and previous generations. Instead, the Government issues debt instruments to meet specific long-term objectives.

¹ This is known as the Net Investment Returns Contribution.

Purpose of the Singapore Government's Borrowings

6 The Government issues debt instruments for two key purposes:

a. Facilitate Debt Market Development and Other Non-Spending Purposes

Such borrowings are issued under the Government Securities (Debt Market and Investment) Act ("GSA") for specific purposes such as to provide a benchmark risk-free yield curve and to meet the investment needs of the Central Provident Fund.

This also includes the Reserves Management Government Securities ("RMGS"), which facilitate the transfer of Official Foreign Reserves ("OFR") above what MAS requires, from MAS to the Government for longer-term management by GIC.²

The proceeds from such borrowings are invested as part of our reserves, and cannot be spent.

² RMGS was introduced in 2022 to facilitate the continued transfer of MAS' OFR. The transfer of OFR from MAS to the Government is a longstanding practice to optimise returns by having GIC invest these assets in a portfolio with a higher-risk profile to deliver good long-term returns. For more information, please refer to:

<https://www.mas.gov.sg/news/speeches/2022/mas-amendment-bill---second-reading-speech-by-mr-lawrence-wong-minister-for-finance-and-deputy-chairman-of-mas-on-behalf-of-mr-tharman-shanmugaratnam-senior-minister-and-minister-in-charge-of-mas-on-11-january-2022>

b. Finance Nationally Significant Infrastructure (i.e., can be spent and capitalised)

Borrowings to finance spending on major, long-term infrastructure are issued under the Significant Infrastructure Government Loan Act (“SINGA”).³

The SINGA allows such spending to be capitalised and therefore spread over the generations that will benefit from the infrastructure. This is needed as the Government expects an upcoming hump in development expenditure as Singapore makes bold investments in major, long-term infrastructure to enhance the connectivity, liveability, and sustainability of our home and contribute to the long-term growth of our country.

Such borrowings must be raised within the safeguards that include a gross borrowing limit and an annual effective interest cost limit, and the proceeds can only be spent on qualifying nationally significant infrastructure projects.⁴

7 Table 1 sets out the different types of borrowings and their legislative limits, and Table 2 provides the current outstanding amount.

³ Borrowings under the SINGA was introduced in 2021 to finance spending on major, long-term infrastructure. For more information, please refer to:

<https://www.mof.gov.sg/news-publications/speeches/second-reading-speech-by-deputy-prime-minister-and-minister-for-finance-mr-heng-swee-keat-on-the-significant-infrastructure-government-loan-bill-2021-on-10-may-2021-at-parliament>

⁴ To qualify, nationally significant infrastructure projects must cost at least \$4 billion, must be important to Singapore’s national interests and benefit the general public, must have long useful lives of at least 50 years, and must be owned by the Government.

Table 1: Types of Singapore Government Borrowings

| Purpose | (a) Issued for non-spending purposes (GSA) | | | | (b) Issued for long-term infrastructure spending purposes (SINGA) | |
|-----------------------------|---|----------------------------|---|--|--|---|
| Holder | Publicly Held | | | Non-Publicly Held | | Publicly Held |
| Debt Instrument | Singapore Government Securities ("SGS") (Market Development) | Treasury Bills ("T-Bills") | Singapore Savings Bonds ("SSB") | Special Singapore Government Securities ("SSGS") | Reserves Management Government Securities ("RMGS") | SGS (Infrastructure) and Green SGS (Infrastructure) |
| Description | <ul style="list-style-type: none"> Marketable Develop Singapore's debt market Provide a robust yield curve for the pricing of private debt securities Foster growth of an active secondary market to enable efficient risk management Encourage participation in Singapore bond market Raise cash to meet temporary cashflow mismatches (known as Cash Management Treasury Bills) | | <ul style="list-style-type: none"> Non-marketable Provide a long-term savings option that offers safe returns to individual investors | <ul style="list-style-type: none"> Non-marketable Primarily issued to CPFB Meet investment needs of the CPF Ensure safe and fair returns on CPF monies | <ul style="list-style-type: none"> Non-marketable Only issued to MAS Facilitate existing practice of transferring Official Foreign Reserves ("OFR") above what MAS requires, to the Government for longer-term investment | <ul style="list-style-type: none"> Marketable Finance spending on nationally significant infrastructure only Spread the costs of nationally significant infrastructure across multiple generation of users |
| Legislative Issuance Limits | \$1,065 billion (net) ⁵ | | | | • \$580 billion (net) ⁵ | • \$90 billion (gross) ⁵ |

⁵ A net limit means that only outstanding borrowings at any point will count towards the utilisation of the limit. A gross limit refers to the gross sum of all securities issued, regardless of whether they have been redeemed.

Table 2: Outstanding Amount of Singapore Government Debt

| Type of Debt Instruments Issued by the Government | Outstanding Amount as at 31 December 2022 (\$ billion) |
|--|--|
| (a) Issued for non-spending purposes (GSA) | |
| Publicly Held | 236.1 |
| SGS (Market Development) | 154.2 |
| T-Bills | 72.6 |
| SSB | 9.3 |
| Non-Publicly Held | 836.8 |
| SSGS/Advance Deposits (ADs) | 599.1 |
| RMGS | 237.7 |
| Sub-Total | 1,072.9 |
| (b) Issued for long-term infrastructure spending purposes (SINGA) | |
| Publicly Held | 6.9 |
| SGS (Infrastructure) | 4.5 |
| Green SGS (Infrastructure) | 2.4 |
| Sub-Total | 6.9 |
| Total Government Debt | 1,079.8 |

Note: For more details, please refer to: <https://tablebuilder.singstat.gov.sg/table/TS/M130181>

Singapore Has Net Assets, Not Net Debt

8 A common metric of a country's debt position is its gross debt-to-GDP ratio, which measures a country's public debt compared to its economic output. While Singapore's gross debt-to-GDP ratio of 168% as at December 2022 (based on 2022 GDP at current price) may appear large on its own, it does not reflect Singapore's financial position.

9 The gross debt-to-GDP ratio does not consider Singapore's sizeable asset position. **In fact, our financial assets are well in excess of our debts.** This explains why Singapore receives the top credit rating of triple-A from the three leading international credit-rating agencies (S&P, Moody's, and Fitch).

10 The excess of our assets over debts comprises our reserves, which are invested for long-term financial returns. This net asset position is in fact reflected in the significant net investment returns generated on our reserves. Part of the investment returns is made available for spending on the Government's budget via the Net Investment Returns Contribution, which amounted to \$20.4 billion in Financial Year 2021.

11 In addition, the majority of Government borrowing takes place under the GSA, which is for non-spending purposes. Strong legislative safeguards ensure that:

- a. Under the GSA, proceeds from the borrowings raised under the Act are accounted for in the Government Securities Fund (“GSF”). Monies in the GSF are invested as part of our reserves and cannot be used to fund Government expenditure.
- b. In addition to the above, there are safeguards in the MAS Act to circumscribe the issuance of RMGS to the sole purpose of facilitating transfer of MAS’ OFR.

12 Only a small proportion of Government borrowings is for spending purposes under SINGA. A more meaningful measure of our debt sustainability would hence be to look at the debt-to-GDP ratio of SINGA debt, which stands at 1.1% as at December 2022 (based on 2022 GDP at current price). As mentioned earlier, under the SINGA, the Government borrows to finance and capitalise nationally significant infrastructure, and there are strict safeguards under the SINGA to ensure prudence in borrowing.

In Sum

13 The Singapore Government has a strong balance sheet with no net debt. Singapore has assets that are well in excess of our debts. These net assets are our reserves, which are invested and yield financial returns. This net asset position remains unchanged with SINGA, which was introduced to finance nationally significant infrastructure spending. Borrowings for non-spending purposes under the GSA, which are invested and not available for spending, will continue to make up the majority of the Singapore Government's borrowings.

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