# Singapore's Portfolio Investment: Holdings of Foreign Equity and Debt Securities

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## Introduction

Portfolio investment refers to cross-border investments by an investor into an enterprise that is resident of another economy with a lesser degree of influence than that of a direct investment relationship[1]. Portfolio investment takes the form of investments in either equity and investment fund shares or debt securities. It is often associated with, but not limited to, trading of securities via organised or other financial markets.

Singapore's stock of portfolio investment assets are compiled, analysed and published by the Singapore Department of Statistics (DOS) as part of Singapore's international investment position (IIP). Data on cross-border holdings of equity and debt securities further broken down by investment destination are accessible from DOS's SingStat Table Builder and are provided to the International Monetary Fund (IMF) as part of Singapore's participation in the Coordinated Portfolio Investment Survey (CPIS)[2].

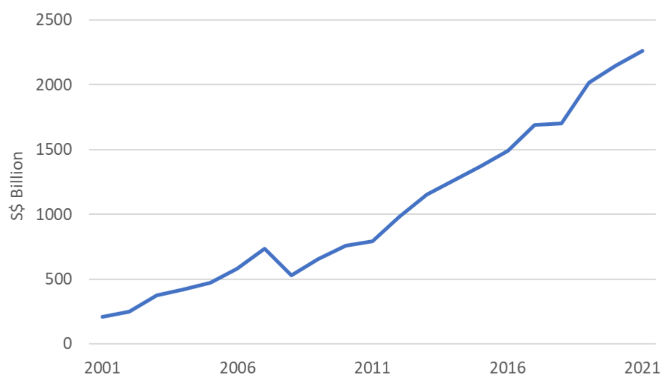
This article presents an overview of Singapore's portfolio investment assets, the key trends as well as the composition by financial instrument and by destination economy. The article also serves as a useful analytical reference for comparison of Singapore's portfolio asset holdings with those of selected economies.

## Singapore's Stock of Portfolio Investment Assets

Singapore's stock of portfolio investment assets stood at $2,262 billion as of end 2021, nearly eleven times larger compared to $208 billion in 2001 with a compound annual growth rate (CAGR) of 12.7 per cent over the period (Chart 1). Portfolio investment assets registered annual growth in nearly every year throughout this twenty-year period, driven mainly by increased resident holdings of foreign equity and investment fund shares and/ or fixed income instruments in the form of long-term and short-term debt securities, with the exception of 2008 during the Global Financial Crisis.

**Chart 1**

SINGAPORE'S PORTFOLIO INVESTMENT ASSETS




The changes to the stock of portfolio investment assets (i.e., changes in stock for year t is given by stock in year t less stock in year t-1) can be attributed to transactions from the financial account of the balance of payments (BOP) as well as revaluation changes and other changes in volume[3] (Chart 2).

From 2002 to 2021, changes to stock arising from revaluation changes and other changes in volume generally exceeded changes resulting from transactions. It was also observed that both transactions as well as revaluation changes and other changes in volume tended to follow similar trends.

1 Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise (defined as owning 10 per cent or more of the ordinary shares or voting power in the enterprise) that is resident in another economy. As well as the equity that gives rise to control or influence, direct investment also includes investment associated with that relationship, including investment in indirectly influenced or controlled enterprises, investment in fellow enterprises, debt, and reverse investment [Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6), para 6.8].

2 The CPIS is a voluntary data collection exercise conducted under the auspices of the IMF that collects an economy's data on its holdings of portfolio investment securities (data are separately requested for equity and investment fund shares, long-term debt instruments, and short-term debt instruments). Singapore has participated in the IMF CPIS since its inception in 1997.

3 Revaluation changes refer to the changes in the value of stock arising from price or exchange rate changes. Other changes in volume refer to changes to the value of stock excluding transactions and revaluation changes, and include cancellation and write-offs, reclassification, and changes in financial assets arising from changes in economic residency.

**Chart 2**
CHANGES TO STOCK OF PORTFOLIO INVESTMENT ASSETS


The only exception was in 2018, when Singapore portfolio investors continued to acquire additional foreign equity securities despite the significant negative revaluation changes for equities issued overseas.

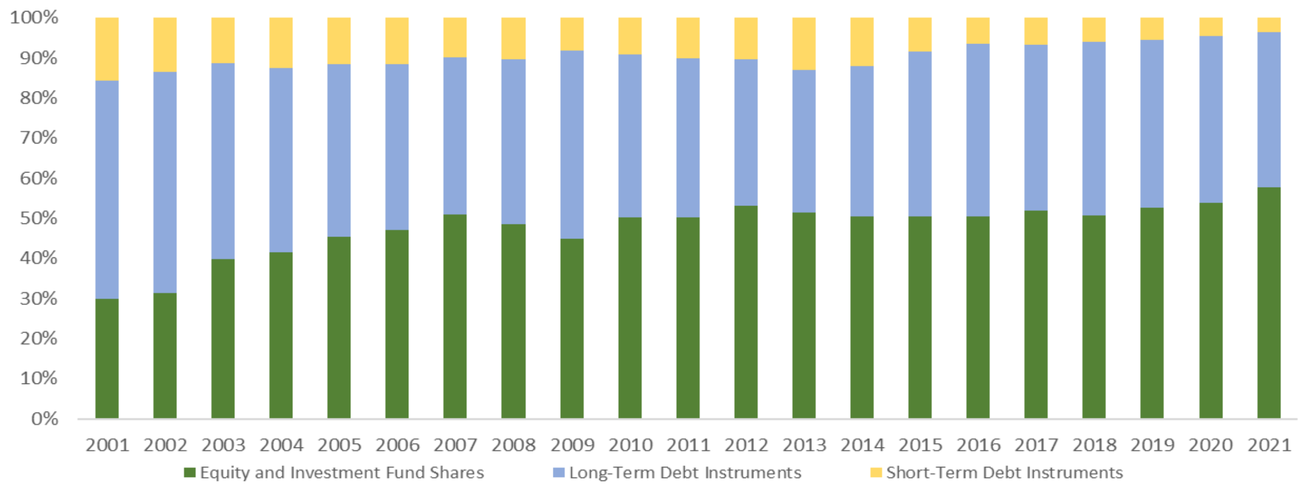
The negative revaluation changes in 2018 was largely attributed to Singapore's significant holdings of equity investments in the United States (US), Singapore's largest portfolio investment destination. Equity prices in 2018 was the worst for the US equity market since 2008 and this coincided with the trade war between the US and Mainland China as well as fears that the US Federal Reserve would tighten monetary policy during that period. Nonetheless, Singapore investors were confident in the US economy and continued to acquire additional US equity securities over the year. This contributed significantly to the positive flows in portfolio investment assets for the year.

## Composition of Singapore's Portfolio Investment Assets

### By Financial Instrument

Foreign equity investments[4] constituted about 30 per cent of Singapore's portfolio investment assets in 2001 and increased over the next six years to reach 51 per cent of the total in 2007 (Chart 3). The share of equity investments fell to 45 per cent

**Chart 3**
COMPOSITION OF PORTFOLIO INVESTMENT ASSETS BY INSTRUMENTS




4 Equity consists of all instruments and records that acknowledge claims on the residual value of a corporation or quasi-corporation, after the claims of all creditors have been met (e.g., shares). Debt securities are negotiable instruments that require the payment of principal and/ or interest at some point(s) in the future. Debt securities with maturity of less than one year are known as short-term debt securities (e.g., US treasury bills). Debt securities with maturity of one year or more, or with no stated maturity are known as long-term debt securities (e.g. US treasury bonds).

during 2008-2009 before picking up from 2010, stabilising between 50 to 58 per cent from 2010 to 2021. In addition, long-term debt securities as a proportion of portfolio asset holdings registered the sharpest decline from 2001 to 2007, from 55 per cent to 39 per cent as it gave way to equity investments.

From 2008 to 2021, the share of long-term debt securities fluctuated between 36 per cent to 47 per cent with its peak in 2009. Meanwhile, the share of short-term debt securities declined steadily from 16 per cent in 2001 to 4 per cent in 2021 despite a temporary recovery in 2013 and 2014.

## By Destination Economy

The top destination economies of Singapore's portfolio investment as at end-2021 were the US, Mainland China, Japan, India and the Republic of Korea (Table 1).

**Table 1**

**PORTFOLIO INVESTMENT ASSETS BY TOP 10 DESTINATION ECONOMIES AS OF END-2021**

| Economy | Equity and Investment Fund Shares | Debt Securities | Total Portfolio Investment Assets | Share of Portfolio Investment Assets |
|---|---|---|---|---|
| | (S$ Billion) | | | (Per Cent) |
| United States | 337 | 357 | 694 | 30.7 |
| Mainland China | 160 | 98 | 258 | 11.4 |
| Japan | 63 | 90 | 154 | 6.8 |
| India | 79 | 24 | 103 | 4.6 |
| Korea, Republic of | 41 | 62 | 103 | 4.5 |
| Cayman Islands | 61 | 17 | 78 | 3.5 |
| United Kingdom | 35 | 32 | 67 | 3.0 |
| Hong Kong | 42 | 20 | 62 | 2.7 |
| Australia | 34 | 24 | 58 | 2.6 |
| Luxembourg | 42 | 5 | 47 | 2.1 |
| All Economies | 1,308 | 954 | 2,262 | 100.0 |

The US was the largest recipient economy with portfolio investment assets of $694 billion, of which equity and investment fund shares amounted to $337 billion while debt securities stood at $357 billion. The investments in the US constituted 31 per cent of Singapore's overall portfolio asset holdings. This was followed by Mainland China, with portfolio investment assets of $258 billion or 11 per cent of Singapore's total portfolio assets.

In contrast to the US, portfolio investments in Mainland China largely comprised equity and investment fund shares which reached $160 billion while debt securities amounted to $98 billion. The third to fifth largest host economies for Singapore's overseas portfolio investment were Japan, India and the Republic of Korea which received investments of $154 billion, and $103 billion each respectively.

Altogether the top ten destination economies constituted about 72 per cent of the stock of Singapore's portfolio investment assets, of which the top two economies each made up more than 10 per cent of total holdings. The geographical distribution of Singapore's portfolio investment abroad showed that Singapore investors had been investing in a diverse group of economies over the years.

## Singapore's Portfolio Investment in the United States

The US has been Singapore's top portfolio investment destination since 2001. Most of Singapore's portfolio investment in the US consisted of equity and investment fund shares in earlier years, while debt securities formed the bulk of portfolio investments from 2014 onwards.

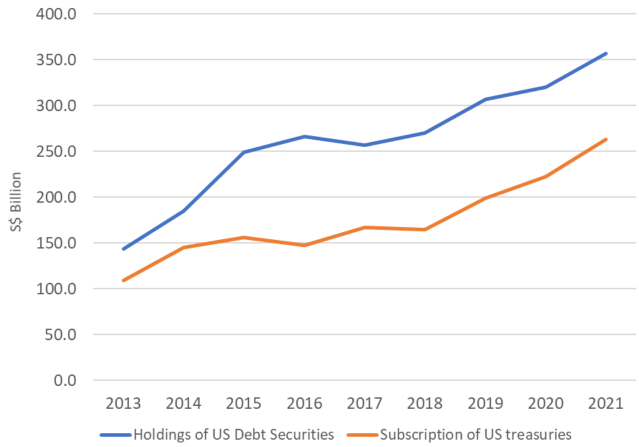
Chart 4 compares Singapore's holdings of debt instruments issued in the US with Singapore's subscription of US treasury bonds and bills[5] (US treasuries) from 2013 to 2021. DOS's series on Singapore resident investments in US debt securities have generally been in line with the data on Singapore's subscription of US treasury bonds and bills published by the US Department of the Treasury. The widening gap between the two series from

5 The data on Singapore's subscription of US treasury bonds and bills are obtained from the US Department of Treasury at this link.

2015 onwards indicated that Singapore investors increased their holdings of US corporate bonds and bills during the period.

**Chart 4**

**SINGAPORE'S HOLDINGS OF US DEBT SECURITIES VIS-À-VIS SUBSCRIPTION OF US TREASURIES**




## International Comparison of Portfolio Investment Assets

Based on IMF's latest published CPIS results, Singapore was ranked 15th in terms of the size of overall portfolio investment assets as at end 2021. The economies that were ranked above Singapore included all Group of Seven (G7) economies i.e., the US, Japan, the United Kingdom (UK), Germany, France, Italy as well as Canada, the Cayman Islands, Hong Kong, Ireland, Luxembourg, the Netherlands, Norway and Switzerland.

Chart 5 compares the composition of Singapore's portfolio investment assets at the end of 2021 with those of selected CPIS participating economies[6]. Singapore's allocation of portfolio investment assets between equity and investment fund shares and debt securities was similar to international financial hubs like Luxembourg, the Netherlands and the UK but differed from others such as Ireland and Hong Kong. Some of the largest economies, which have also been amongst the largest global investors, had different asset structures from Singapore.

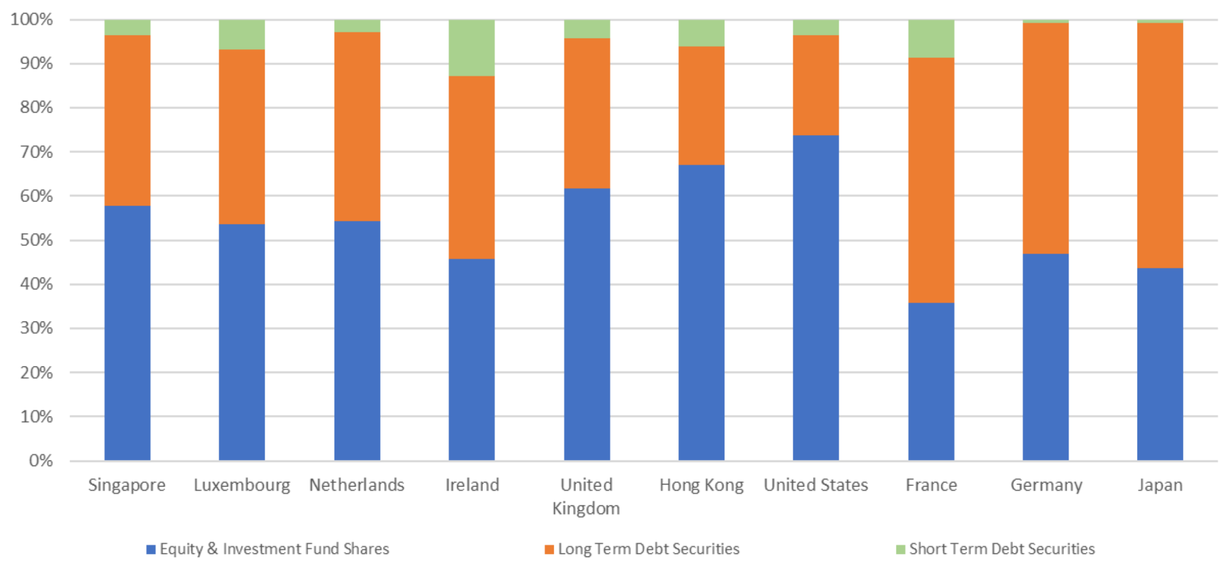
They ranged from economies with large equity and investment fund shares such as the US to those with majority fixed income assets such as Germany, Japan and France.

## Conclusion

Singapore has developed into a key financial centre, as evident in the sustained increase in portfolio investment assets across the world. As the Singapore economy developed, the instrument composition of our portfolio investment assets changed from one that was heavily skewed towards debt securities in the early 2000s to a more balanced distribution across equity and debt securities by the early 2020s. Singapore has also diversified its portfolio investment abroad, with asset holdings present in a large number of countries, including the world's two biggest economies viz. the US and Mainland China.

**Chart 5**

**COMPOSITION OF PORTFOLIO ASSETS OF SELECTED ECONOMIES AS OF END 2021**




6 Data from other countries as of 12 October 2022 were obtained from the IMF CPIS website.