

Coordinated Portfolio Investment Survey 2008 - Singapore's Portfolio Investment Assets and Liabilities

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Introduction

The Coordinated Portfolio Investment Survey (CPIS) was initiated by the International Monetary Fund (IMF) to address the problem of perceived discrepancies in recorded financial assets and liabilities. Greater financial liberalisation, growing importance of cross-border portfolio investments, financial innovation and changing market behaviour brought about increasing difficulties in the measurement of international financial flows. The CPIS aims to redress this by collecting information on the stock of cross-border equities and debt securities held by the various participating economies, facilitating greater use of bilateral data to help improve statistics on non-resident holdings of portfolio investment.

The IMF conducted the first CPIS in 1997, and has conducted the survey on an annual basis since 2001. Participation in the survey has increased, from 29 economies reporting their stock of portfolio investment assets in 1997 to 75 for the 2008 CPIS.

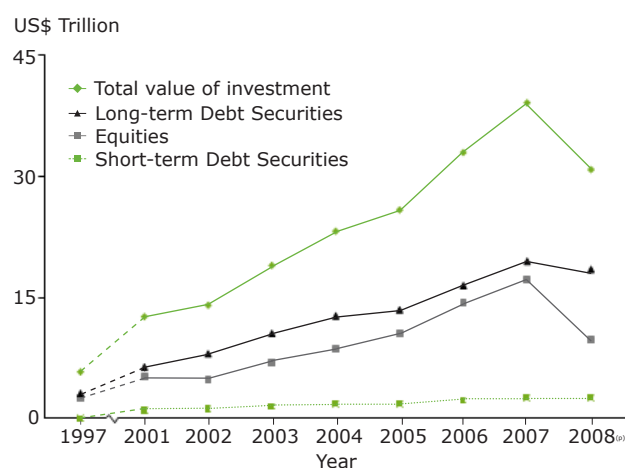
This article draws from the 2008 CPIS results to present an overview of the global stock of

portfolio investment and rankings in 2008, Singapore's portfolio investment assets and liabilities, and a comparison of Singapore's portfolio investment with selected economies.

Global Stock of Portfolio Investment Assets and Liabilities¹

Global cross-border portfolio investment rose by more than six-fold from 1997 to 2007 at a compounded annual growth rate (CAGR) of 21 per cent before declining in 2008 with the onset of the global financial crisis in late 2007 (Chart 1). The stock of portfolio

CHART 1 GLOBAL PORTFOLIO INVESTMENT: REPORTED PORTFOLIO INVESTMENT HOLDINGS



Source: IMF CPIS

¹ The data on global portfolio investment, as well as individual data from all 2008 CPIS participating economies, can be obtained from the IMF CPIS website at <http://www.imf.org/external/np/sta/pi/cpis.htm>. All values in this section are presented in US dollars.

investment assets matched worldwide liabilities at US\$31 trillion, down 21 per cent from a peak of US\$39 trillion at the end of 2007.

The total value of equity investments as at end-2008 fell sharply by 43 per cent from a year earlier, while debt securities decreased at a relatively moderate rate of 4.4 per cent as a modest 1.5 per cent increase in short-term debt was offset by a 5.1 per cent decline in long-term securities. Long-term debt securities continued to form the bulk of global portfolio investment at 60 per cent of the total as at end-2008. This was followed by equities, with short-term debt securities constituting the remaining 8.5 per cent of total investment.

Global Rankings

The top economies in terms of cross-border holdings of portfolio investment equities and debt securities were the United States (US), United Kingdom (UK), France, Japan and Germany (see Table 1). Together they held 45 per cent of global portfolio investment assets as at end-2008. The US held US\$4.3 trillion worth of overseas assets while investors in the UK and France had holdings amounting to US\$2.6 trillion and US\$2.5 trillion respectively. Japan and Germany, the next largest investing economies, also held total portfolio assets of US\$2.4 trillion and US\$2.1 trillion respectively.

TABLE 1 GLOBAL PORTFOLIO INVESTMENT - SELECTED RANKINGS IN 2008 (AS AT YEAR-END)

US\$ Million					
ASSETS			LIABILITIES		
Rank	Economy	2008	Rank	Economy	2008
1	United States	4,267,865	1	United States	6,323,627
2	United Kingdom	2,568,906	2	United Kingdom	2,742,359
3	France	2,529,058	3	Germany	2,700,216
4	Japan	2,376,606	4	France	2,076,934
5	Germany	2,149,155	5	Netherlands	1,517,975
6	Luxembourg	2,120,203	6	Luxembourg	1,502,620
7	Ireland	1,626,805	7	Italy	1,318,516
8	Netherlands	1,139,681	8	Cayman Islands	1,270,917
9	Italy	956,609	9	Spain	1,132,599
10	Switzerland	882,004	10	Japan	1,101,953
	:			:	
13	Hong Kong	552,270	14	Australia	524,388
19	Singapore	307,291	19	China	251,335
21	Australia	258,449	24	India	213,193
28	South Korea	75,113	26	South Korea	204,325
44	Malaysia	16,136	29	Hong Kong	180,274
69	India	886	32	Singapore	86,922
			41	Malaysia	49,891

Source: IMF CPIS

The US and UK were the top two recipients of inward portfolio investment. Foreign investments into the US amounted to US\$6.3 trillion, exceeding combined securities issued to non-residents in both the UK and Germany (the 3rd highest recipient) at US\$5.4 trillion for the year (with each economy contributing about US\$2.7 trillion). France and the Netherlands also attracted significant foreign portfolio investments worth US\$2.1 trillion and US\$1.5 trillion respectively. These five economies collectively accounted for 50 per cent of global portfolio investment liabilities in 2008.

In the 2008 CPIS, Singapore was ranked 19th in terms of size of reported portfolio asset holdings, up from the 21st position attained in 2007. Singapore remained the third largest Asian investor after Japan and Hong Kong (at 4th and 13th in respective global rankings).

Singapore was ranked 32nd in terms of portfolio investment liabilities among the

238 economies covered in the 2008 CPIS. In Asia, total foreign investment into Singapore was 6th behind Japan (10th), China (19th), India (24th), South Korea (26th), and Hong Kong (29th).

Singapore's Portfolio Investment Assets²

Singapore's stock of portfolio investment assets (including investments by Asian Currency Units³) stood at S\$442 billion as at end-2008, down 16 per cent from S\$524 billion in 2007 (Table 2). Consistent with the global downturn, holdings of foreign debt securities and equities by resident portfolio investors declined significantly by 17 per cent and 15 per cent respectively. The highest proportion of assets had consistently been in equities, contributing between 42 per cent and 49 per cent of total investment from 2006 to 2008. Long and short-term debt securities constituted 28 per cent and 23 per cent of portfolio assets at the end of 2008.

TABLE 2 PORTFOLIO INVESTMENT ASSETS, 2006 - 2008 (AS AT YEAR-END)

	2006	2007	2008	2006	2007	2008
	S\$ Million			Per Cent		
Total Portfolio Investment Assets	403,146	524,061	442,253	100.0	100.0	100.0
Equities	169,724	253,935	216,944	42.1	48.5	49.1
Debt Securities	233,423	270,126	225,310	57.9	51.5	50.9
Long-term Debt Securities	126,614	147,444	124,708	31.4	28.1	28.2
Short-term Debt Securities	106,809	122,682	100,602	26.5	23.4	22.7

Figures may not add up to totals due to rounding.
Source: Singapore Department of Statistics (DOS)

- 2 All values in sections on Singapore's portfolio investment assets and liabilities are presented in Singapore dollars.
3 Asian Currency Units or ACUs are offshore financial institutions and treated as non-residents in Singapore's International Investment Position, but have been included as residents for the purpose of CPIS.

Geographical Distribution of Assets

The top ten host economies for Singapore's overseas portfolio investment accounted for 67 per cent of total holdings (Table 3), with the UK, US and South Korea attracting the most investments in 2008. Among the top destination economies, only resident investments in the UK recorded an increase of 7.7 per cent from a year earlier while securities held in the US and South Korea fell by 4.7 per cent and 1.9 per cent respectively. The asset compositions differed between economies. Short-term debt securities constituted most of portfolio assets in the UK (78 per cent), while more than half (55 per cent) of investments in the US was made up of equities. Long-term debt securities accounted for 50 per cent of assets in South Korea.

TABLE 3 PORTFOLIO INVESTMENT ASSETS BY ECONOMY, END-2008

Economy	Per Cent
UK	16.7
US	14.7
South Korea	6.4
Australia	6.1
Hong Kong	5.4
India	4.7
China	3.6
Malaysia	3.3
France	3.3
Japan	3.2
Others	32.6

Source: DOS

Australia, and major Asian economies such as Hong Kong, India, China and Japan, remained among the top ten investment destinations despite registering declines ranging from 13 to 28 per cent for the year. Investments in Malaysia also more than halved from 2007

as resident holdings in Malaysian short-term debt securities fell sharply. In addition, portfolio assets in major European economies saw reductions in value with investments in France decreasing by 19 per cent at the end of 2008. With the exception of Australia, the majority of portfolio investment assets in the other economies were in equities, particularly for Japan, Hong Kong and China, where it accounted for 78 to 87 per cent of total holdings.

Comparisons of Assets with Selected Economies

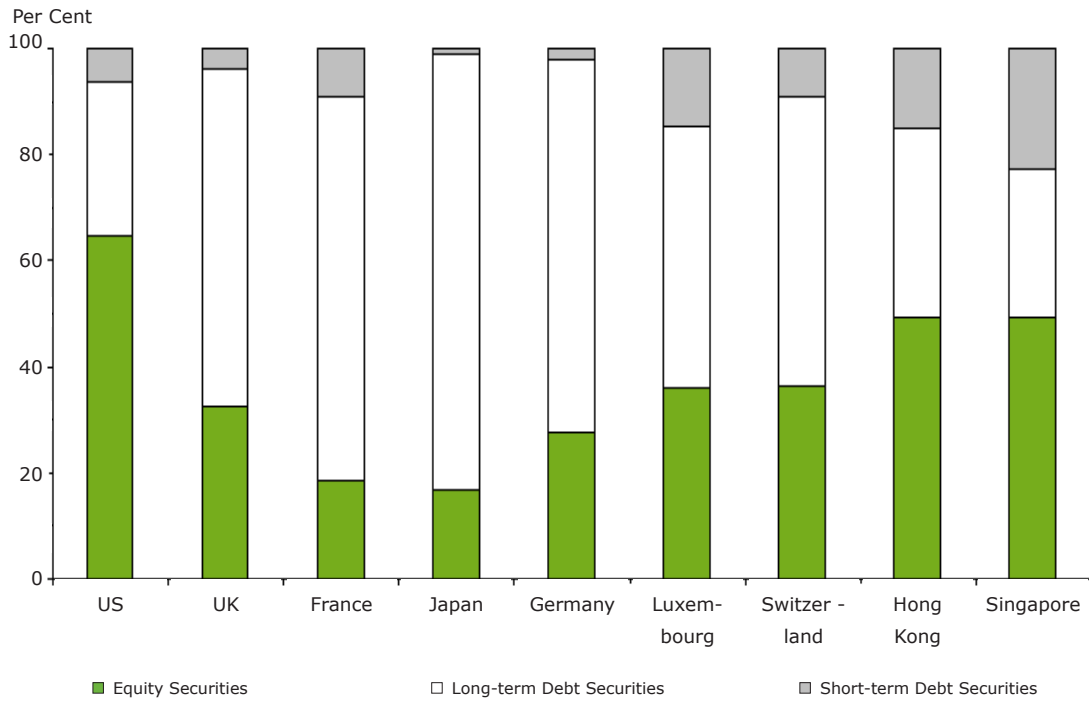
The structure of Singapore's cross-border holdings of securities was similar to the composition of Hong Kong's assets in 2008 (Chart 2), as both economies had 49 per cent of overseas investments in equities followed by long and short-term debt securities. The US had a comparable investment profile, with equities accounting for the bulk of total assets at 64 per cent. In contrast, other global financial centers such as the UK, Luxembourg and Switzerland mainly invested in long-term debt securities (49 per cent to 64 per cent of total holdings) followed by equities (at about one third for each economy). Major global investor economies including Japan, France and Germany predominantly held fixed income instruments, with more than 70 per cent of portfolio assets in debt securities.

Singapore's Portfolio Investment Liabilities: 2008 CPIS Derived Creditors' Data⁴

The stock of Singapore's portfolio investment liabilities halved from S\$246 billion as at

⁴ Singapore's Portfolio Investment Liabilities have been derived from 2008 CPIS submissions from other economies to the IMF and were not compiled by DOS. All the data presented in this section were obtained from the IMF CPIS website at: <http://www.imf.org/external/np/sta/pi/cpis.htm>.

CHART 2 COMPOSITION OF PORTFOLIO ASSETS OF SELECTED ECONOMIES, END-2008



Source: IMF CPIS

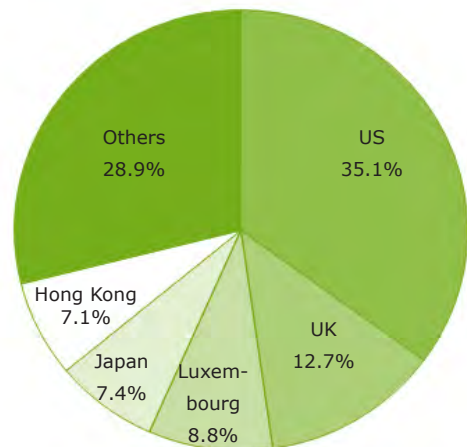
end-2007 to S\$125 billion for the year. This was due to a general decline in acquisitions of domestically-issued securities by non-residents, led by equities which decreased significantly by 53 per cent followed by short and long-term debt securities at 42 per cent and 32 per cent respectively. Foreign portfolio investment remained concentrated in equities, which accounted for 69 per cent of total liabilities. Long-term debt securities constituted 28 per cent of portfolio liabilities, while the remaining 2.6 per cent were in short-term debt securities.

Geographical Distribution of Liabilities

The US, UK, Luxembourg, Japan and Hong Kong were the main sources of inward

portfolio investment, collectively accounting for 71 per cent of Singapore’s portfolio liabilities at the end of 2008 (Chart 3). Investments from all five economies fell

CHART 3 MAIN SOURCES OF INWARD PORTFOLIO INVESTMENT, END-2008



Source: IMF CPIS

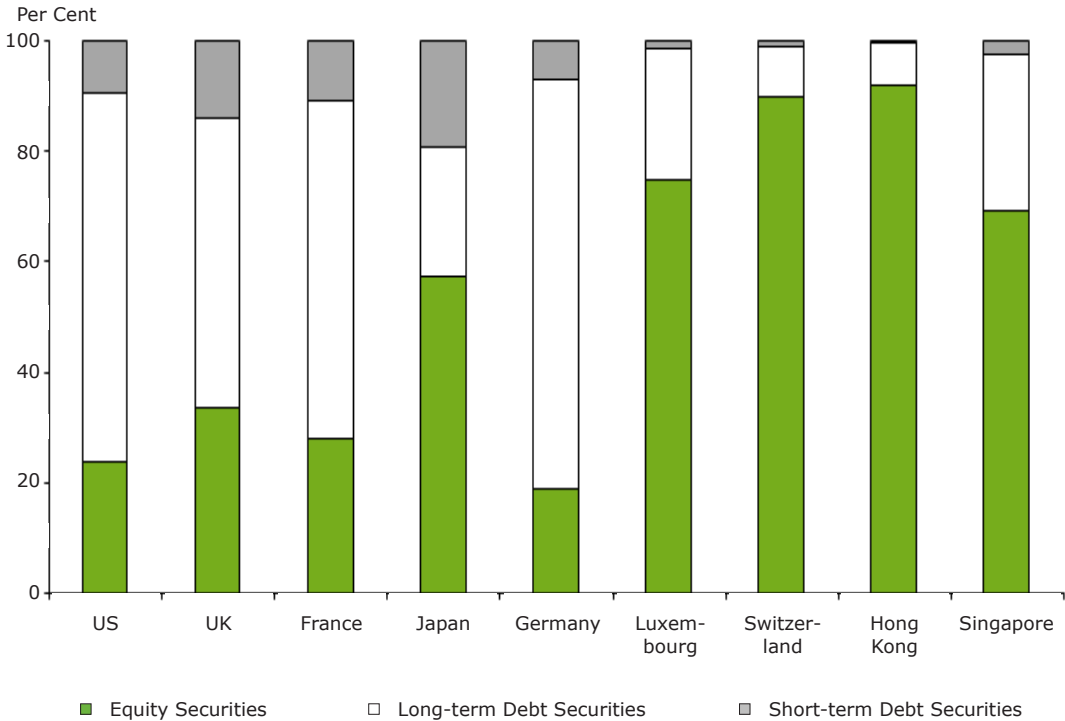
significantly from 2007, with the halving of liabilities to the US, UK and Luxembourg, and investors from Japan and Hong Kong experiencing respective year-on-year declines of 43 per cent and 30 per cent. Equities formed the majority of investments from the US, UK, Luxembourg and Japan, with the first three economies investing more than 70 per cent of total investment in domestic equities. Long-term debt securities and equities each accounted for about 40 per cent of investments from Hong Kong.

Comparisons of Liabilities with Selected Economies

Among selected economies, foreign portfolio liabilities in Singapore had broad

structural similarities to securities issued to non-residents in Japan, Luxembourg, Switzerland and Hong Kong, with equities accounting for the bulk of investments followed by long and short-term debt securities (Chart 4). Singapore and Luxembourg were the most similar, as both had about 70 per cent of cross-border liabilities in equities as at end-2008 and between 20 to 30 per cent in long-term debt securities. For the rest of the economies (the US, UK, France and Germany), fixed income instruments in the form of long-term debt securities accounted for the majority of liabilities, followed by equities and short-term debt securities.

CHART 4 COMPOSITION OF PORTFOLIO LIABILITIES OF SELECTED ECONOMIES, END-2008



Source: IMF CPIS

Conclusion

Singapore's stock of total portfolio investment assets and liabilities declined significantly at the end of 2008, in line with global portfolio investment. The UK and US, the world's largest investing countries and concurrently the top recipients of cross-border investments, were also the main destinations for Singapore's portfolio investment abroad as well as the top foreign investors in domestic securities for the year.

The composition of Singapore's portfolio investment assets was generally in line with the structure of liabilities to foreign investors, with equities accounting for the bulk of investments followed by long and short-term debt securities. Among major financial centers, Singapore's asset structure was largely similar to Hong Kong's cross-border holdings of securities while the composition of inward portfolio investment was closest to that of Luxembourg in 2008.

2009 in Brief

Singapore's population

... reached 4.99 million in June 2009.

Singapore's economy

... contracted by 2.0 per cent.

Mean years of schooling

... was 10.3 years for male resident non-students aged 25 years and over and 9.2 years for female resident non-students aged 25 years and over.

Home ownership rate

... was 88.8 per cent.

Per capital gross national income

... increased to S\$51,860.

Gross national saving

... was S\$120.2 billion.

Official foreign reserves

... increased to S\$264.0 billion.

Labour force participation rate

... reached 76.3 per cent among males and 55.2 per cent among females.

Resident unemployment rate (seasonally adjusted)

... was 4.6 per cent.

Inflation rate

... was 0.6 per cent.

Value added for the manufacturing sector

... amounted to S\$44.0 billion.

Investment commitments in manufacturing and services

... reached S\$11.8 billion.

Total trade

... reached S\$747.4 billion.

Visitor arrivals

... was 9,681 thousand.

Sea cargo handled

... reached 472 million freight tonnes.

Air cargo handled

... was 1,637 thousand tonnes.

Mobile phone subscribers

... reached 1,374 per 1,000 population.

Residential broadband subscribers

... increased to 332 per 1,000 population.

Crime rate

... declined to 661 per 100,000 population.