

**SINGAPORE'S
RESERVES:
*YOUR QUESTIONS
ANSWERED***



Introduction

“

We are all thankful that our forefathers did not take the easy way out. Instead, they were disciplined, they considered our needs, and chose to keep faith with future generations, meaning us today, so we benefit from the reserves that they built up painstakingly.”

Then-Deputy Prime Minister Lawrence Wong
at the Budget 2022 Round Up Debate, 2 Mar 2022

Our founding fathers built our reserves from scratch. We have no natural resources. Over time, the nation continued to save money, spent carefully, and created a safety net for the future.

We continue to enjoy the fruits of their labour and foresight.



How did our reserves grow?



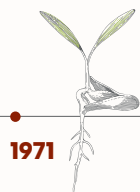
1965

Upon independence, Singapore took back ownership of all land.



1967

Singapore established its own currency, fully backed by its reserves of foreign assets and gold.



1971

The Monetary Authority of Singapore (MAS) was established to manage Singapore's official foreign reserves¹ (OFR) and oversee monetary functions associated with banking and finance.



1974

Temasek was set up to hold and manage assets previously owned by the Government on a commercial basis, so that the Government could focus on policymaking and regulation.



1981

Singapore's economy performed well, attracting a lot of money from other countries, while the public sector recorded regular surpluses. Singapore's official foreign reserves grew much more than what was needed for MAS to manage the Singapore dollar.



1991

The Reserves Protection Framework and the Elected Presidency were established. The Government published two White Papers in 1988 and 1990 to propose that the President be entrusted with custodial powers to safeguard these financial reserves and oversee key public service appointments.

2001/2008

Introduction of the Net Investment Income Framework and Net Investment Returns Framework which ensure that investment returns are tapped for spending in a disciplined and prudent way.



2008 to 2009

During the Global Financial Crisis, then-President S. R. Nathan gave his approval for a \$150 billion guarantee on all bank deposits in Singapore to be backed by Past Reserves, to stabilise Singapore's financial system. \$4 billion was drawn from Past Reserves to protect jobs and support companies.

2020 to 2022

During the COVID-19 pandemic, \$40 billion was drawn from Past Reserves to protect lives and livelihoods.

¹ OFR comprises Singapore's foreign currency assets held by MAS, which may be accumulated in the course of MAS' foreign exchange intervention operations conducted to implement Singapore's exchange-rate centred monetary policy.

What are reserves?

Like individuals, countries need money to spend on things, and must also set aside some funds in case of emergencies.

Singapore's reserves are exactly that – we can think of them as a large national savings account managed by the Government. It helps the country stay stable and strong during emergencies, like economic crises or natural disasters. They are crucial for our long-term financial stability.

Reserves are the net assets (i.e., total assets minus liabilities²) of the Government and key entities³ defined in the Constitution. These savings that we have accumulated over the years comprise:

- Physical assets such as State land and buildings; and
- Financial assets such as cash, securities and bonds.



Did You Know?

At the end of each term of government, any accumulated fiscal surpluses will be protected as **Past Reserves**, and cannot be made available for spending unless approved by the President.

² Liabilities refer to the financial obligations the Government is responsible for. Singapore Government liabilities include Singapore Government Securities (SGS), and Special Singapore Government Securities (SSGS).

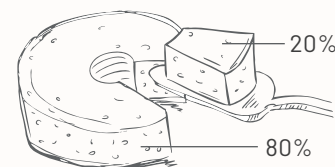
³ Key entities refer to JTC, CPF Board, MAS, HDB, GIC, and Temasek.

Why are our reserves important for Singaporeans?

1 Returns are used for public spending

The reserves support Singapore's spending needs through its contribution to the annual Budget. This is known as the Net Investment Returns Contribution (NIRC)⁴.

The NIRC accounts for about 20% of the annual Budget. This means about 20 cents of every dollar the Government spends annually comes from our reserves.



Our reserves are also used to fund certain land-related projects like:

- Land reclamation;
- Creation of underground spaces like the Jurong Rock Cavern; and
- Land acquisition such as under the Selective En-bloc Redevelopment Scheme (SERS).



“

Supposing we did not have NIRC... Then what would we do? You have a choice: You can double corporate income tax, you can more than double personal tax, or you can roughly double GST... That is what the NIRC has enabled us to do.”

Then-Prime Minister Lee Hsien Loong
at the Debate on the Motion on Public Finances
(7 Feb 2024)

The NIRC helps to fund public programmes that benefit both current and future generations including:

- Support packages to help with cost of living expenses, healthcare and education subsidies, and investments to upgrade our transport infrastructure.

Watch this to find out more about using Past Reserves to fund projects like land reclamation!



<https://pp.gov.sg/nirveservedocland>

⁴ The NIRC comprises up to 50% of the expected long-term real returns on the net assets invested by GIC, MAS, and Temasek, and up to 50% of the investment income from the remaining assets.

Why are our reserves important for Singaporeans?

2 Serves as a financial anchor

Our reserves enable us to defend the value of the Singapore Dollar from major fluctuations.

- This is how we protect the purchasing power of Singaporean households and businesses, maintain investor confidence in Singapore's financial system, and secure macroeconomic stability.



3 Provides support in times of crisis

The reserves ensure Singapore can respond promptly during crises without compromising essential services and incurring debt. For example:

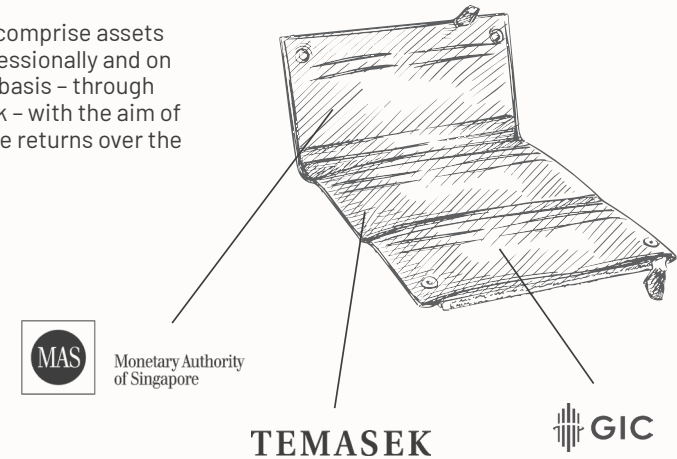
- During the Global Financial Crisis, we drew on Past Reserves to subsidise employees' wage bills and improve companies' access to credit.
- In our fight against Covid-19, the reserves helped Singapore to be the first country in Asia to secure the Pfizer-BioNTech vaccine, which saved lives and safeguarded hospital beds for critically ill patients.



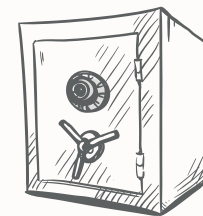
How does Singapore manage its reserves?

Who manages our reserves?

Singapore's reserves comprise assets that are invested professionally and on a strictly commercial basis – through GIC, MAS and Temasek – with the aim of generating sustainable returns over the long term.



What is the size of our reserves?



Singapore keeps the full size of its reserves a secret. However, information on the financial assets managed by MAS and Temasek is publicly available. As of 31 March 2024, the OFR managed by MAS was S\$498 billion and the size of Temasek's net portfolio was S\$389 billion.

Though it is known that GIC manages well over US\$100 billion, the full amount is not disclosed to the public, as our reserves form a key part of our strategic defence against threats that undermine the interests of Singapore and Singaporeans.

The reserves are like Singapore's war chest. If everybody knows exactly how much is available, it is no different from telling the world what you have in your arsenal. It is not wise to let the enemy know what you have.

“

We must protect the Past Reserves. It is our precious resource, our strategic advantage. It is a great source of comfort and reassurance that if we run into a jam, or find ourselves in a tight spot – which is bound to happen every so many years and not so many years – we will have one extra card to play. We will not be destitute.”

Then-Prime Minister Lee Hsien Loong
at the Debate on the Motion on Public Finances
(7 Feb 2024)

Still curious about how Singapore's reserves protect the country? Watch Channel News Asia's documentary, Singapore Reserves Revealed.



<https://go.gov.sg/sgreservesrevealed>

Can we use more of the reserves today?

Any decision to use more of our reserves today cannot be taken lightly, as it means less savings for the future.

We are faced with a smaller workforce that has to support a larger, ageing population in the years to come. Our spending needs will only grow and become more complex from here on, and these need to be funded.

Returns on our investments are not guaranteed, particularly as we navigate more uncertainties, from heightened geopolitical tensions to unpredictable climate events. Our fiscal situation has also become tighter with rising spending needs, and land sales proceeds fluctuate according to economic and market cycles. Even at the current pace of accumulation, reserves growth will at best keep pace with economic growth.

We cannot predict what the future holds, what crises we will run into and how much more we will need. Keeping up our pace of saving will give us a safer buffer to meet future, growing needs.



Visit the MOF website to read more on Singapore's Reserves!



<https://go.gov.sg/mof>

“Let’s uphold the values of our forefathers, and do what is right by past, present, and future generations of Singaporeans. Let’s maintain a strong fiscal foundation so that Singapore can continue to prosper and thrive for many more years in this troubled world.”

Then-Deputy Prime Minister Lawrence Wong,
at the Budget 2023 Round Up Debate,
28 Mar 2023

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