CareEdge Global assigns Long Term Foreign Currency Rating of AAA (Unsolicited) to Republic of Singapore

Credit Profile

Singapore's credit profile is underpinned by its strong external and fiscal positions, as well as its economic structure resulting from a high GDP per capita and a diversified nature of the economy. The city-state has a well-established track record in maintaining monetary and financial stability and has robust institutions. However, these strengths are partly offset by Singapore's vulnerability to external shocks and structural challenges such as an ageing population.

Strengths

- Well-diversified and competitive economy with high GDP per capita
- Strong fiscal position
- Robust external position with one of the highest net international investment positions in the world
- Strong institutions and political stability

Weaknesses

- Vulnerability to external shocks
- Ageing population

Key Monitorables

- Economic growth in key trading partners such as China and US
- Outcome of general elections (expected by November 2025) to understand policy continuity
- Government efforts to mitigate economic and fiscal impact of ageing population

Key Rating Drivers

Economic Structure & Resilience

Singapore has one of the highest GDP per capita in the world (USD 104969 in 2023 in constant PPP terms) and a well-diversified economy, with key sectors including finance, insurance, wholesale trade, transportation, and electronics. The services sector accounts for about 70% of nominal value added, while manufacturing accounts for ~20%.

The city-state has an open economy and acts as a regional hub for many global corporations. However, growth tends to be volatile due to Singapore's linkages to the global economic environment.

In 2023, Singapore's real GDP growth slowed to 1.1% from 3.8% in 2022 amidst a downturn in the global electronics cycle and high inflation. However, growth picked up in H1 2024, averaging 3%, aided by a recovery in tourism and the electronics cycle. The economy is projected to grow between 2-3% in 2024, and at an average annual rate of 2.5% thereafter until 2028.

Structurally, Singapore faces an ageing population though, the economy is well placed to manage it. Over the past decade, the share of the old age population (65 years and above) has doubled to ~16% in 2023 from ~8% in 2013. This trend is expected to continue, with projections indicating that Singapore will become a super-aged society by 2027. Singapore's openness to non-resident workers and measures aimed at enhancing retirement savings under the Forward Singapore initiative should help mitigate economic effects of this demographic shift.

Fiscal Strength

Singapore's government typically runs fiscal surpluses, which are primarily managed by its investment arms, GIC and Temasek. The portfolio of both these arms is estimated to be significant. While Singapore's gross government debt to GDP ratio is very high (~171% of GDP as of 2023), the government is estimated to have no net debt or limited net debt as a result of its large investments. Most government borrowings are for non-spending purposes, such as to meet the investment needs of the Central Provident Fund, to transfer excess foreign exchange reserves from the Monetary Authority of Singapore (MAS) for investments, and to deepen Singapore's local debt market. However, recently, the government has started issuing debt for spending purposes to finance nationally significant infrastructure projects. At present, such debt accounts for only 1% of the outstanding government debt stock. While debt issuances for spending purposes are expected to rise in the future, they will be capped by a legislative gross issuance limit of S$90 billion.

Singapore's fiscal profile also benefits from the fact that the government has no external debt and returns from investments help service debt costs. Going ahead, government expenses are expected to rise with Singapore's ageing population and other social needs. However, Singapore plans to fund these rising fiscal costs through budgetary sources, for instance, it has increased the GST rate by 2% since 2023 to increase tax revenues. Further, with a sizeable pool of government assets, Singapore can also fund future expenditures through investment returns. This should help maintain the sovereign's fiscal health.

External Position & Linkages

Singapore has consistently maintained large current account surpluses, averaging 18.0% of GDP between 2019 and 2023. The city-state receives high foreign direct investment net inflows, averaging 29.5% of GDP between 2019 and 2023, underscoring its attractiveness as an investment destination. As of July 2024, the MAS holds sizeable forex reserves of about ~USD 379 billion. Additionally, Singapore's net international investment position stands at 171% of GDP as of 2023, one of the highest among sovereigns.

However, these strengths are partly offset by Singapore's very high external debt, at around 398% of GDP in 2023, although this high level of debt partly arises from Singapore's status as a major global financial hub, wherein deposits from overseas banks and depositors in Singaporean banks are classified as external liabilities. Nonetheless, these deposits are transformed into external assets when Singaporean banks lend to overseas borrowers.

Monetary & Financial Stability

The Singapore dollar is actively traded. Given the open nature of the economy, the MAS follows a unique monetary policy framework centered around managing the exchange rate against a basket of currencies to maintain price stability. The MAS' intermediate target is the Singapore Dollar Nominal Effective Exchange Rate (S$NEER) and it ensures to keep it within a policy band.

The MAS has managed inflation well historically. However, recent global inflationary pressures have posed challenges, leading the MAS to tighten monetary policy between October 2021 and October 2022 by increasing the rate of appreciation of the S$NEER policy band and raising the level of its mid-point. It has left the monetary policy settings unchanged since then. Consequently, inflation has moderated, with annual headline inflation at 2.4% in July 2024, down from a peak of 7.5% in September 2022. Core inflation has also fallen to 2.5%, down from a peak of 5.5% in February 2023. Starting 2024, the MAS has increased the frequency of monetary policy reviews to four from two times per year, allowing it to make more timely interventions.

Singapore also has a well-regulated and sound banking sector, with non-performing loans at just 1.7% (Q1 2024), and comfortable capital buffers.

Institutions & Quality of Governance

Singapore's governance institutions are robust, with a strong record in strategic planning and policy implementation. Its business-friendly regulatory framework and stable political system attracts foreign investment. However, Singapore ranks low in the voice and accountability dimension of the Worldwide Governance Indicators. While most information related to the economy and public finances is available in the public domain, certain details regarding the size of government assets are not disclosed.

The political landscape in Singapore has been dominated by the People's Action Party (PAP), which has governed the city-state since its independence in 1965. Lee Hsien Loong served as Prime Minister from 2004 until 2024, when he handed over leadership to Lawrence Wong, a long-time member of the PAP. This was a planned succession, and Mr. Wong has largely kept the Cabinet unchanged, ensuring policy continuity. The next general elections are scheduled to take place by November 2025. Affordable housing remains a key political issue, with the government implementing various measures to cool housing prices.

Singapore – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	377	377	349	434	498	501	525	548
GDP Per Capita (Constant-PPP)	USD	98220	98409	94896	108525	109023	104969	106800	108521
Real GDP Growth	%	3.5	1.3	-3.9	9.7	3.8	1.1	2.1	2.3
GFCF/GDP	%	22.4	22.8	20.9	22.2	20.7	22.2	-	-
Gross Domestic Savings/GDP	%	55.5	54.4	55.8	60.4	62.3	58.5	-	-
Exports (G&S)/GDP	%	178.2	176.3	181.6	183.0	185.8	174.3	-	-
Working-Age (15-64) Population (% Share in Total)	%	76.5	75.6	74.7	73.9	73.0	72.2	71.3	70.4
Old-Age (65+) Population (% Share in Total)	%	11.3	12.2	13.2	14.1	15.1	16.1	17.1	18.1
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	3.7	3.8	-6.7	1.1	1.2	3.6	5.1	3.6
Revenue/GDP	%	17.6	17.8	17.4	16.8	16.6	18.6	18.5	19.2
Expenditure/GDP	%	13.9	14.0	24.1	15.7	15.4	15.1	13.4	15.5
GG Gross Debt/GDP	%	107.5	124.7	146.1	133.4	157.1	170.8	175.0	175.6
GG External Debt (by Creditor)/GG Gross Debt	%	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Interest/Revenue	%	0.0	0.4	0.5	0.3	0.4	-	-	-
External Indicators									
Current Account Balance/GDP	%	16.0	16.0	16.6	19.8	18.0	19.8	18.0	17.8
FDI, Net Inflows/GDP	%	21.8	28.1	23.1	31.6	29.8	34.9	-	-
Outstanding FII Liabilities/GDP	%	73.9	84.2	102.5	99.8	97.5	101.5	-	-
NIIP/GDP	%	183.8	241.2	312.8	231.5	178.4	171.4	-	-
Foreign Exchange Reserves	USD Billion	287.3	278.9	362.2	416.8	288.8	351.2	-	-
Import Cover	Months	6.2	6.1	8.3	7.8	4.7	6.1	-	-
External Debt/GDP	%	406.2	430.6	509.7	430.0	389.0	398.3	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.4	0.6	-0.2	2.3	6.1	4.8	3.0	2.5
Exchange Rate (Average)	LC per USD	1.3	1.4	1.4	1.3	1.4	1.3	-	-
Non-Performing Loans/Total Gross Loans	%	1.9	2.0	2.6	2.1	1.8	1.7	-	-
Private debt, loans and debt securities/GDP	%	198.8	210.0	232.6	207.2	180.0	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long Term Foreign Currency (Unsolicited)	AAA	October 3, 2024

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Criteria Applied

CareEdge Sovereign Rating Methodology

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