

**Q1**

**SINGAPORE  
BUSINESS  
FORMATION  
STATISTICS  
REPORT**

**JANUARY - MARCH**

**2014**



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# Preface

Since 2010, the Singapore Business Formation Statistics Report has been compiled quarterly by Janus Corporate Solutions, Singapore's premier corporate services firm, to provide data on new business formation activities in the country. In addition to offering statistical data, the report also analyzes the factors affecting business formations in Singapore. This report is a summary of activities in Q1 2014.

The performance of the global economy in the first quarter of 2014 has been encouraging. Although still far from full recovery, the advanced economies are gradually re-gaining ground. The signs of recovery include changes in monetary policies of central banks, and developing markets are bracing for the tougher financial environment. The news of reversal of Quantitative Easing by the USA was met with more muted repercussions in the Asian and other emerging markets than anticipated. Amidst the emerging realities of a tighter credit market, the developing economies are trying to cope by keeping the domestic demand buoyant. New geopolitical risks have emerged, with the political turmoil brewing in the Ukraine and resultant conflict between the west and Russia. Stakeholders are on high alert and watching how the situation is panning out.

The recovery of the US was slightly dampened by a lack of consumer spending, impacting manufacturing and the retail sector. However the economic data that emerged from the country by the end of the quarter was reassuring and has improved business confidence. There was solid job growth in March, putting an end to the weather related lull. With the new Fed chief, Janet Yellen, hinting that the short-term interest rates will remain low through the year, there appears to be better access to consumer loans and mortgages, supporting the continued recovery of the housing and automotive industries, among others.

Europe, although it has recovered from the recession, is still continuing to struggle with the protracted sluggishness. Inflation in the Eurozone is still disastrously low, indicating high unemployment rates, credit tightness and poor public and private balance sheets. Concerns about deflationary pressures persist as consumer price increases hover near all-time lows. However, the economic data from the UK was encouraging and the sustained growth of the UK and the upbeat situation in Germany are expected to improve the European economy for the rest of the year. The EU bank has also signaled some accommodative measures to counter the prolonged low inflation.

Japan has managed to reverse its decade long deflationary trend with the aid of Abenomics that stimulated local consumption, however the outlook is a little murky. With the hike in consumption tax kicking in from April 1, the consumption is anticipated to take a dive, and in the absence of strong recovery of demand for exports, the condition is not conducive for Abenomics.

China, the world's second largest economy, has had a weak start to the year with its manufacturing output contracting. However the GDP during the period grew by 7.4%, higher than the 7.3% market estimations. Although the growth rate is slowing, China's economy is still robust. With the recovery in the west, China's export is anticipated to pick up, domestic consumption is also healthy and the government has rolled out measures for job growth and consumer spending. The recent depreciation of the Chinese Yuan will further aid its export growth.

According to the advanced estimates released by the Ministry of Trade and Industry, the Singapore economy grew by 5.1% in the first three months of 2014 compared with a year ago and 0.1% on a quarter-on-quarter basis, following the 6.1% expansion in Q4. The sharp growth in the manufacturing sector and strong performance of the construction sector are contributing factors, while the services sector slightly lagged behind. Sustained external demand aided exports of the manufacturing sector

while the government infrastructure investment boosted the construction sector. The growth of the service sector was probably hindered by manpower constraints.

The outlook for Singapore is good. Strong growth potential is indicated by: strong employment trends, rise in wages and resultant growth in domestic consumption, low interest rates, asset inflation, government productivity enhancement schemes and recovery of the western economies. This should boost investor confidence and business investments in Singapore.

This report will present the latest statistics of the number and profile of new business formations, the industries that have the highest number of business formations, and the top investing countries in Singapore for Q1 2014. It will also offer a comparison of current data with those of the three previous quarters. The report is presented in five parts:

1. Business formation by entity type
2. Business formation by share capital
3. Business formation by shareholding structure
4. Business formation by industry
5. Business formation by shareholder's country of origin

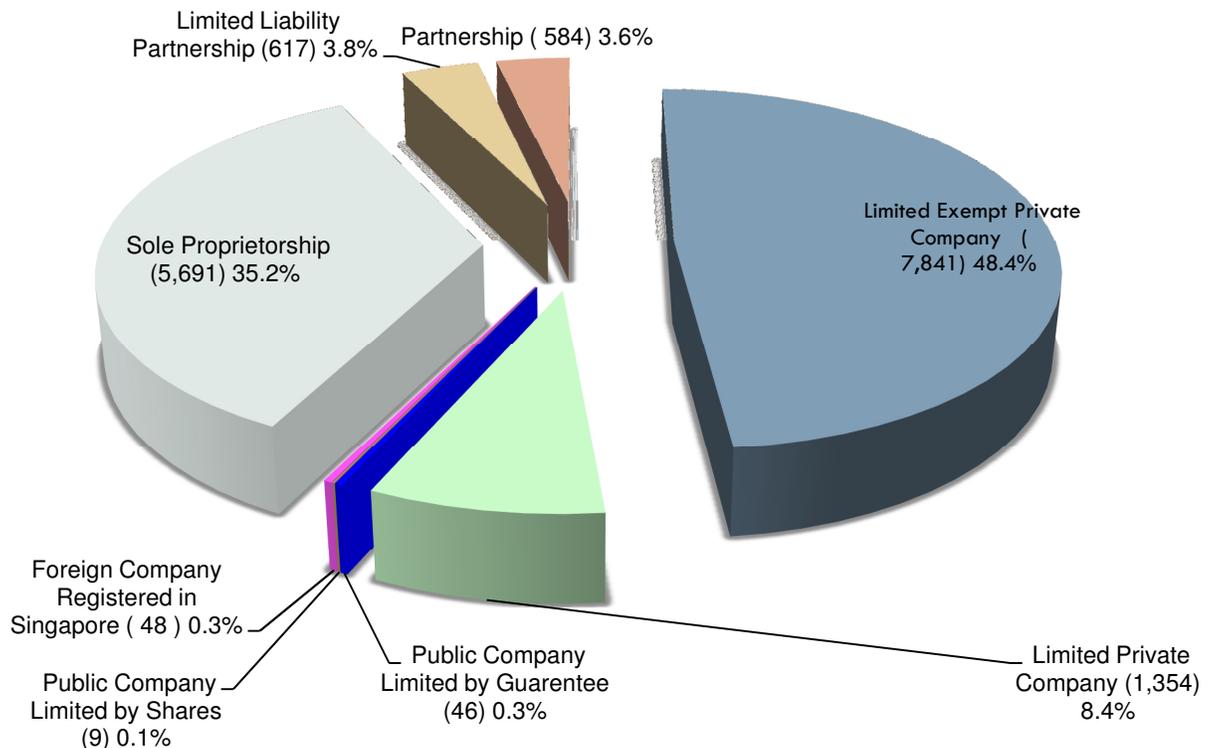
## Report Highlights

- There were 16,190 business formations in Q1 2014, which is a significant jump compared to the 14,500 business formed in Q4 2013 and also against the Q1 2013 figure of 14,156.
- In line with convention, private limited companies continued to be the most common business entity type in Singapore during Q1 2014, with 9,195 formations. Sole proprietorship, with 5,691 registrations, is the second most prominent type of entity.
- Of the total private limited companies incorporated, exempt private limited companies (EPC), with 7,841 registrations, accounted for 85.3%. Slightly higher than the previous quarter.
- There is a sharp spike in the number of private limited company registrations. It has increased by 10% in Q1 2014 against the previous quarter, i.e. Q4 2013. The Year on Year growth rate is also significantly higher at 11.1%.
- The top three industry sectors with the largest number of business formations remain wholesale trade, financial services, and head office and management consultancy activities.
- The British Virgin Islands, the United States, Hong Kong, China, Japan and India were among the top investing countries in Singapore during the quarter.

# 1 Business Formation by Entity Type

A total of 16,190 businesses were registered in Q1 2014. The number is an 11.7% increase from the preceding quarter and a significant 14.4% increase against Q1 of 2013. It is quite normal for the first quarter of the year to witness a surge in business registrations with the onset of new financial year, with the popular belief of the New Year bringing new prosperity and growth. However this year the numbers were exceptionally high. This is likely to be due to the sustained recovery signs of the global markets, Singapore's resilience amidst news of tapering of US quantitative easing and the sustained low interest rates.

## Singapore Registration by Entity Type Q1 2014



In line with the prevailing trend, private limited companies accounted for the majority of the businesses formed, with a total of 9,195 registrations, which is 56.8%. Of the private limited companies formed during the Q1, 7,012 were exempt private limited companies, which are companies with fewer than 20 individual shareholders. The share of 48.4% for this entity type is a slight increase from the previous quarter. The tax advantage is a key driver for the growth in exempt private limited companies.

The non-exempt private companies held a share of 8.4% with 1,354 registrations. This share on a quarter-on-quarter basis has dipped marginally by nearly 1% against 9.3% in Q4 2013. The non-exempt private limited companies are those that have more than 20 shareholders or have a company as a shareholder

and have an annual turnover of S\$ 5million. Unlike the exempt category they have to submit audited accounts annually and the compliance cost is higher.

With a total of 5,691 registrations and a share of 35.2% there is a 1% gain in share of the sole proprietorships registered against the previous quarter. This underscores the strong fundamentals of Singapore for fostering entrepreneurship. Sole proprietorship is easy to set up and the ongoing compliance requirements are minimal, therefore it continues to be a very popular type of entity among people setting up less risky businesses.

Public companies formed during Q1 were markedly lower than the Q1 of 2013 and the subsequent quarter last year. It must be noted that the registration of public companies dropped sharply in the second half of last year. The moderate numbers have been maintained in this quarter as well.

48 foreign companies were registered in Singapore, reinforcing the business traction of Singapore as a regional hub. The branch offices are extensions of the parent company and do not constitute a legal entity. Large international companies register their branch offices in Singapore to carry out critical business activities that incrementally contribute to the parent company.

Type of Entity	Increase/(Decrease) From Q4 2013	Increase/(Decrease) From Q1 2013
Exempt Private Limited Company	11.8%	11.5%
Private Limited Company	0.5%	8.5%
Sole Proprietorship	14.7%	23.1%
Partnership	5.6%	(0.3%)
Limited Liability Partnership	14.5%	7.5%
Public Company	19.6%	(41.5%)

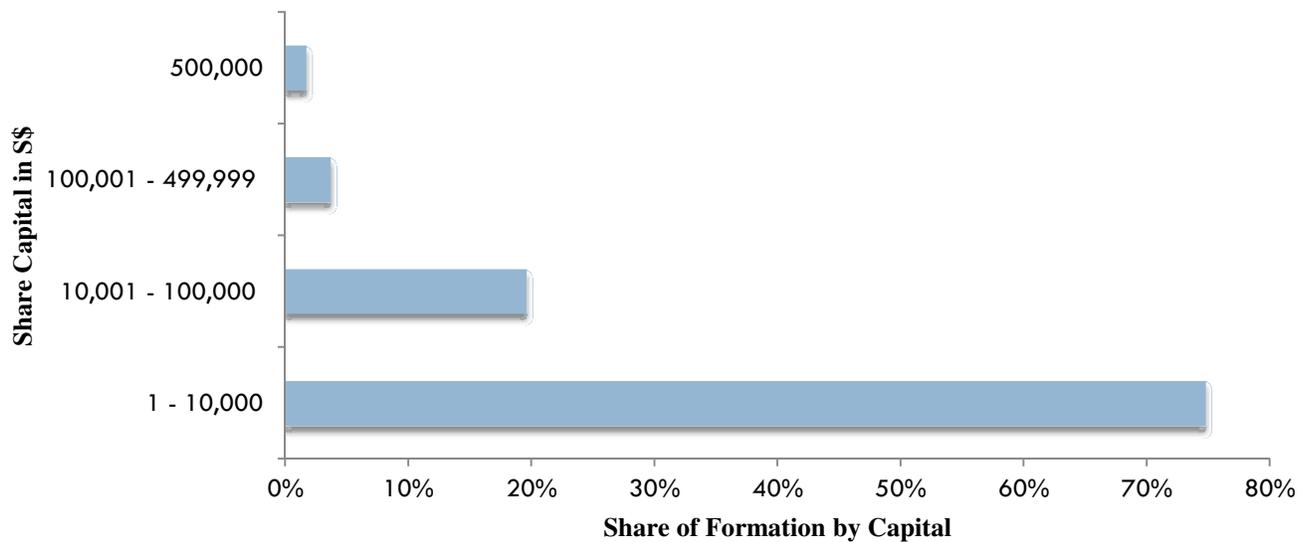
The number of businesses registered across all entities have seen double digit growth on a quarter-on-quarter basis, reaffirming the strong footing of Singapore's business environment against the gradually recovering global economy. The public companies accounted for the highest QoQ growth among the entities, reflecting the overall cautiously positive sentiments. The foreign company branch office registration in Singapore also marked steady double-digit growth against the previous quarter, indicating the attractiveness of Singapore as a regional hub.

On a Year-on-Year basis, the number of registrations have increased consistently except for a substantial drop in the public companies registered in Singapore. This reflects the US impasse, winding up of the stimulus measures and slowing growth rate in China, but we anticipate the situation to reverse in the coming quarters as reflected by the QoQ growth of public companies. The number of partnership entities registered also witnessed a dip, albeit negligibly. Branch office registration, which was absent during Q1 of 2013, played catch up from the second half of last year and the numbers have been sustained.

## 2 Business Formation by Share Capital

Approximately 74% of the business formations in the quarter had under S\$10,000 of capital, while 20% had between S\$10,001-100,000. The remaining had more than S\$100,000, with around 2% putting in an initial capital of over S\$500,000.

**Registration by Share Capital Q1 2014**

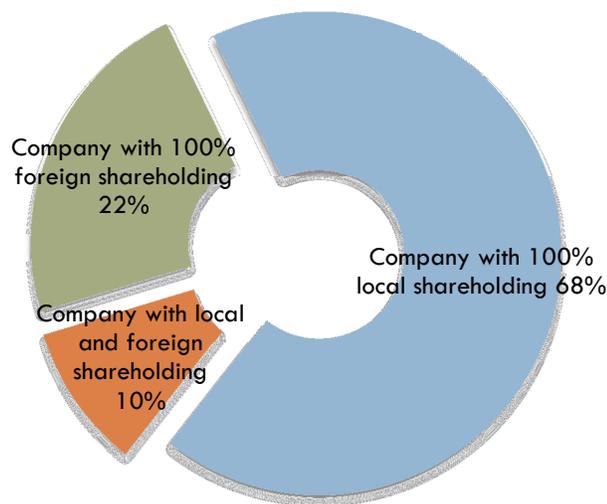


Singapore's Company Act allows for companies to be registered with share capital as low as S\$1. This negligible minimum capital facilitates easy incorporation of companies by startups and small entrepreneurs who are often challenged by financial constraints. The share capital of the registered companies can be increased subsequently at any time. This is the key reason for companies with share capital of under S\$ 10,000 forming the bulk of the registrations. The share of companies within the four categories has remained unchanged from the previous quarter. However on a YoY basis the share of companies with share capital over S\$10,000 and S\$500,000 has gone up marginally, suggesting that businesses with higher stakes and significance are gaining ground, keeping in line with the government's push for productivity and value.

### 3 Business Formation by Shareholding Structure

Entities fully owned by Singapore-resident shareholders made up 68% of business formations in Q1 2014. Entities with a combination of local and foreign shareholders accounted for 22%, while the remaining 10% had full foreign ownership

#### Local Vs Foreign Shareholding Registration Q1 2014



Both on a QoQ basis and YoY basis the share of 100% foreign entities dipped by two percentage point, the share of 100% local shareholding companies correspondingly increased by two percentage points.

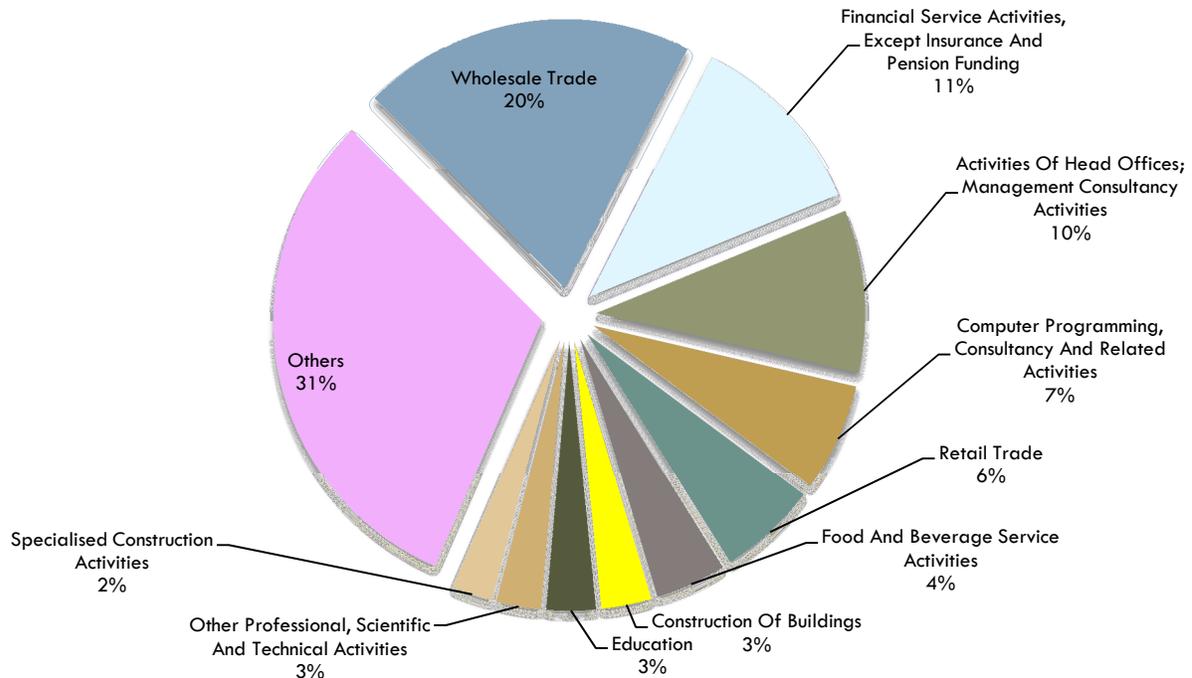
Strong local entrepreneurship drives up the registration of 100% local shareholding companies. The resilient local economy and the continued strong business and consumer confidence, despite the rising cost of labor and other inflationary pressure, led to the increase in the share of 100% locally held companies.

The share of foreign held companies stood at 32%, still accounting for a significant share of the business registration. Although the share dropped by two percentage points, it must be noted that in terms of absolute numbers, the 100% foreign shareholding companies, as well as mixed shareholding companies increased significantly. On a QoQ basis the absolute number of mixed shareholding companies and 100% foreign shareholding companies increased by 8.8% and 4.3% respectively, and in terms of YoY, they registered 11.4% and 6.9% growth respectively.

The continued upward trend in terms of absolute numbers demonstrates that Singapore is attractive as a regional hub for many international companies, owing to its competitive tax regime, transparent regulatory framework, reliable arbitration base, extensive tax and trade treaties.

## 4 Business Formation by Industry

### Registration by Industry Q1 2014



The registration of wholesale trade businesses continued to dominate in the quarter, underpinning Singapore's reputation as a regional trading hub. The strategic location of Singapore along the corridor of the east and the west, an extensive transport network and the government's wide spanning FTA network are contributing to the robust trade activities centered in Singapore. Many international companies use Singapore as a distribution center for the regional markets and there are several SMEs that provide supporting services to such companies. The wholesale sector thus remains vibrant.

Compared to the previous quarter, registrations in the financial services sector dipped slightly from 13% to 11%, reflecting the evolving challenges in the global financial market after the announcement of the withdrawal of the stimulus measure by the US. However, due to the quick adjustments by the Asian markets and muted aftermath, the share continues to remain healthy and it reinforces Singapore's status as the regional financial hub.

The share of registrations in the IT sector registered a slight increase compared to the previous quarter, it increased from 6% to 7%. This may be indicative of the increased demand for technical services to enhance productivity amidst a tight labor market and also the sustained share of the head office and consultancy services sector. It may also reflect the continued good stead of the financial services sector, as these high value activities require IT resources and support.

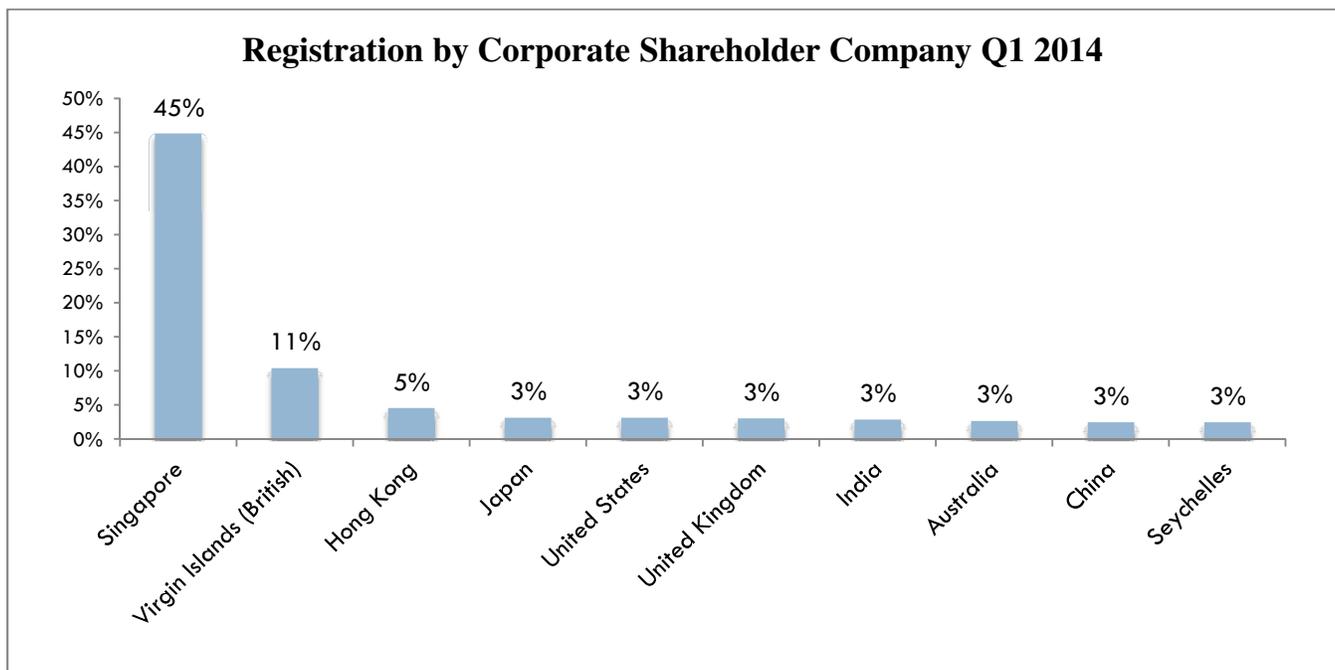
The retail sector share also increased marginally from 5% in the previous quarter to 6% in Q1 2014 reflecting the strong domestic demand and consumer confidence. However, the F&B sector, which is plagued by the tight labor market dipped 5% in the previous quarter to 4% in Q1 2014.

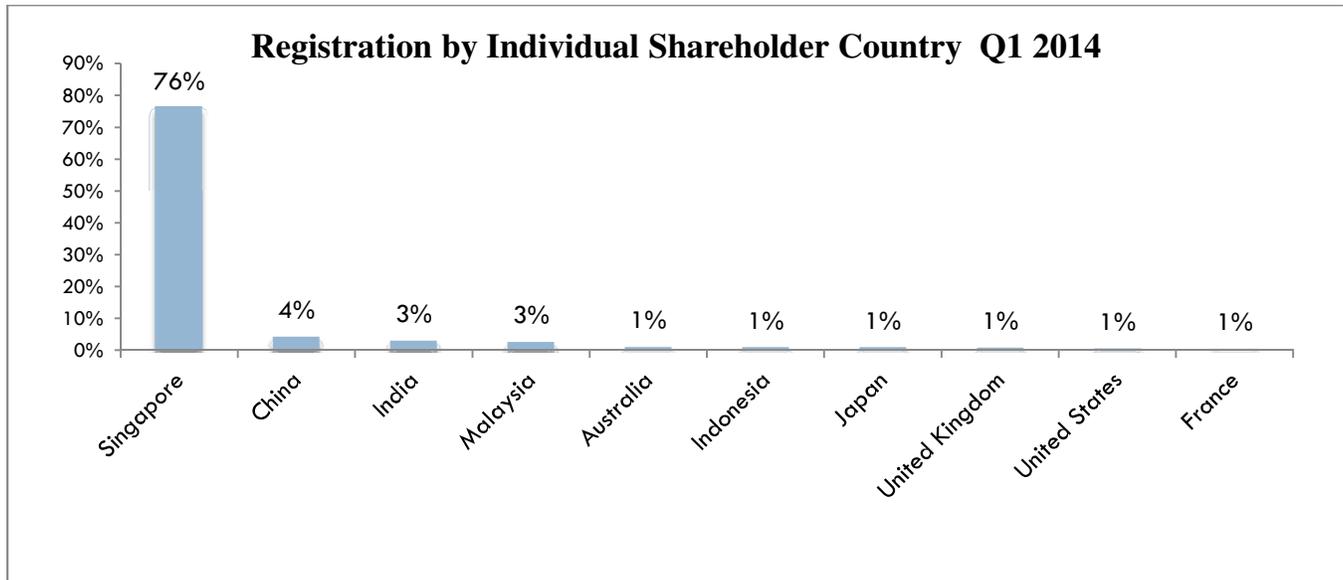
## 5 Business Formation by Country

Singapore continues to attract investors and enterprises from all over the globe. Although local investments and enterprise participation constitutes a significant share, the share of registrations from enterprises and individuals from diverse source countries has remained high.

In terms of corporate shareholders' origin countries, the share of foreign participation remained significantly high at 55%, with enterprises from British Virgin Islands, Hong Kong, Japan and the United States continuing to fortify their confidence in Singapore as a business hub. It must be noted that the share of China and Hong Kong enterprises registering business in Singapore has marginally increased, reflecting Singapore's attractive position as a link between the Far East and the rest of the world. It may also be attributed to the near fruition of the ASEAN Economic Community.

Business registrations by individual shareholders from foreign countries account for nearly fourth quarter of the registrations. Entrepreneurs from India, China and Malaysia constitute a majority. There continues to be a diverse pool of investors as reflected by registrations by entrepreneurs from countries such as Japan, Australia, Indonesia, the UK and France.





Singapore has established a wide network of bilateral treaty arrangements facilitating trade and investments from across the world. Besides the attractive tax regime, Singapore also provides a stable political environment, resilient currency, transparent legal system, robust IP protection, world-class infrastructure and a competent workforce. Singapore government's policies towards businesses are constantly reviewed and updated to remain relevant and competitive. The open economic policy is also attractive to foreign investors and entrepreneurs.

Singapore has continuously been ranked highly in several important international surveys that reflect the business, social and political environment. The World Bank ranked Singapore No.1 worldwide for the ease of doing business for 2012, for the seventh consecutive year. Singapore now leads the world in BERI Report 2011-II as the city with the best investment potential, after coming in second for 16 consecutive years. According to the Globalization Index 2012, Singapore came in after Hong Kong and Ireland as the preferred country for foreign trade and investment.

Such accolades and a resilient reputation has won Singapore a distinguishing position amidst the international investors and enterprises. The security, stability and strategic location attract the foreign investments and enterprises to the local shores; this trend will continue in the coming quarters.

## Comparison of Business Formation Activity for the last 4 Quarters

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Total Number of Business Registrations	16,190	14,500	15,457	16,027
<b>Registrations by Entity Type</b>				
Exempt Private Limited Company	7,841	7012	7441	7777
Non-Exempt Private Limited Company	1,354	1347	1368	1368
Sole Proprietorship	5691	4960	5323	5433
Partnership	584	553	640	721
Limited Liability Partnership	617	539	590	611
Public Limited Company	55	46	40	117
Foreign Company Registered in Singapore	48	43	55	
<b>Registrations by Share Capital</b>				
S\$1 to S\$10,000	74%	74%	74%	75%
S\$10,001 to S\$100,000	20%	20%	20%	19%
S\$100,001 to S\$500,000	4%	4%	4%	4%
Above S\$500,000	2%	2%	2%	2%
<b>Registrations by Share Structure</b>				
100% Local Shareholding	68%	66%	67%	66%
100% Foreign Shareholding	22%	24%	23%	24%
Both Local and Foreign Shareholding	10%	10%	10%	10%

## About Janus

Janus Corporate Solutions is a leading Singapore-based corporate services firm, and your one-stop partner for starting and managing a business in Singapore. The Janus team consists of seasoned professionals with extensive experience in the country's legal, financial, tax and regulatory frameworks. We aim to build a lifetime relationship with you by ensuring that you receive the highest quality services each and every time you interact with us. Specifically, we provide services for:

- Incorporation of local companies
- Registration of subsidiaries and branches of overseas companies
- On-going statutory administration of companies
- Bookkeeping and payroll services
- Tax filing for companies and individuals
- Application for work passes for expatriate staff and business owners
- Application for business licenses
- Other related corporate services

We offer clear and concise explanations of all your compliance requirements. Combined with our standardized operating procedures and personalized approach, we provide timely and accurate service to ensure that your business needs are well met.

To learn more about doing business in Singapore and our services, please visit our website at [www.guidemesingapore.com](http://www.guidemesingapore.com).

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