

**Q4**

SINGAPORE  
BUSINESS  
FORMATION  
STATISTICS  
REPORT

OCTOBER-DECEMBER

**2013**



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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 Q4 2013 and offers a comparison of the trends between 2012 and 2013.

The fourth quarter of 2013 headed off on a rocky start with the two-week shutdown of the United States federal government, followed by the anti-government protests in Thailand. Consequently, the American stock market saw a dip amidst the uncertainties, while the Thai baht has dropped to a three-year low by December 2013. However, Singapore's market remained buoyant on the back of the optimism shared by other Asian economies.

Proposed reforms to China's Third Plenum looks to bring positive returns to Asian equities, and has boosted surrounding economies such as Hong Kong. Taiwan and Korea also saw market gains with the export of smartphones and electronics following successful efforts in new product launches. The growth in these East Asian nations have drawn in more optimism and a wider global outlook to the larger Asian economy, and with Singapore's rising status as the choice regional hub, foreign investors have continued to look to the English-speaking city-state to set up their businesses.

While there was a decrease in company formations from the previous quarter, the figures in Q4 2013 remain decidedly positive, especially on the back of troubles in the larger global markets as well as the continued struggles of the Eurozone. Furthermore, the dip in figures is an observed trend in the previous years where entrepreneurs are less keen to incorporate towards the end of the year and into the holiday season.

Meanwhile, the Singapore government continues to place emphasis on entrepreneurship as the key vehicle to steer the nation forward into the new phase in its economic development. The country is steadfastly shifting towards quality growth that is driven by innovation, higher skills and productivity, and the government is committed to facilitating such a development, as evidenced in the numerous schemes and programs that will come into effect through 2014.

This report includes 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 Q4 2013. It also offers a comparison of current data with those of the three previous quarters as well as an overview of formation activities in 2012 and 2013.

The report is presented in seven parts:

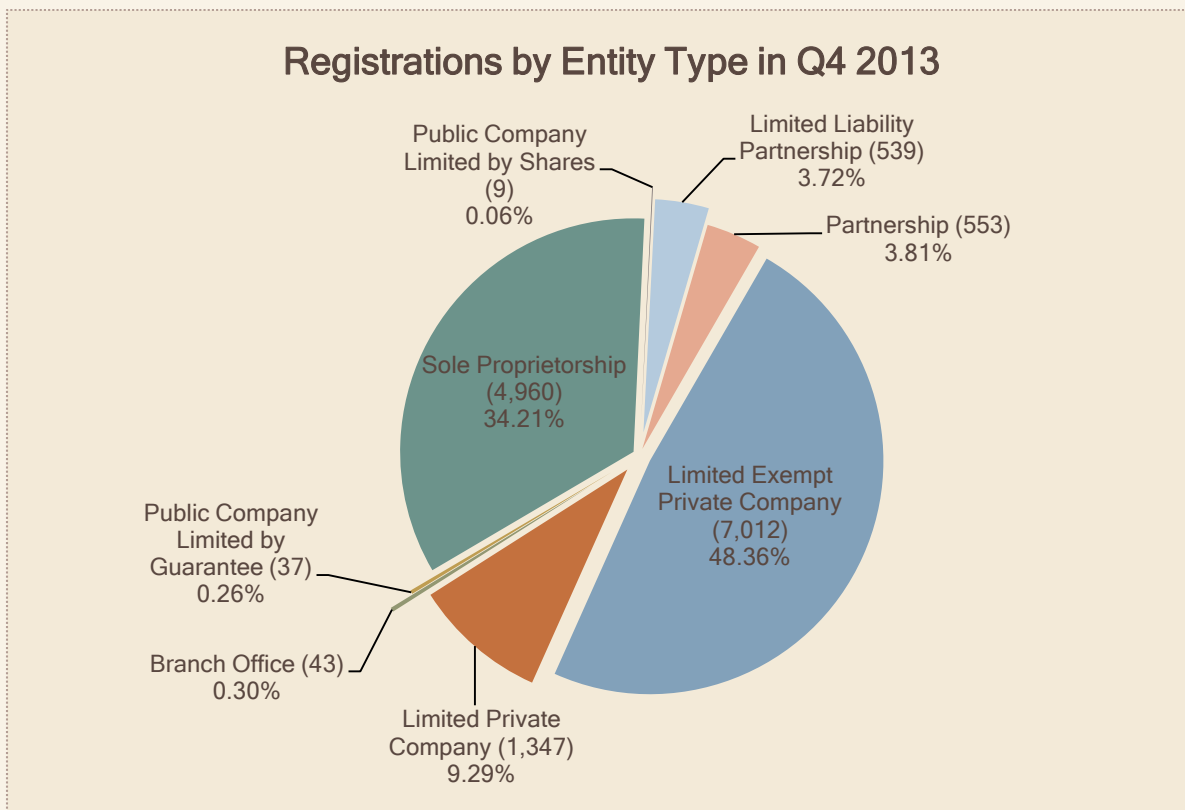
1. Business Formation by Entity Type
2. Business Formation by Share-Capital
3. Business Formation by Shareholding Structure
4. Business Formation by Industry
5. Business Formation by Shareholder's Country of Origin
6. Comparison of Business Formation Activities Over the Last 4 Quarters
7. Comparison of Business Formation Activities Per Quarter from 2012 to 2013

## Report Highlights

- There were 14,500 business formations in Q4 2013, which was a 6.19% dip from the 15,457 business formations recorded in Q3 2013. However, it was a sizeable increase from the 13,351 recorded in Q4 2012.
- In line with the prevailing trend, private limited companies remain the most popular business entity type to set up in Singapore in Q4 2013, registering a total of 8,359 formations. This is followed by sole proprietorships with 4,960 formations.
- Of the 8,359 private limited companies incorporated during the period, 83.89% were incorporated as exempt private limited companies (EPCs), which have no more than 20 individual shareholders.
- There was a 5.11% decrease in the number of private limited company formations, but an encouraging increase of 15% in the registration of public companies from Q3 to Q4 in 2013.
- The top three industry sectors with the largest number of business formations remain wholesale trade, financial services, and head office and management consultancy activities.
- Excluding local entities, the British Virgin Islands, Japan, the United States and Australia top the table with the most corporate entities investing in Singapore, while China, India and Malaysia made up the largest proportion of foreign individuals investing in the country.
- In general, the number of business formations in 2013 increased from the previous year, with most quarters seeing a healthy growth in comparison to the same period in 2012.

# 1 Business Formation by Entity Type

Q4 2013 saw a total of 14,500 business formations in Singapore. The figure is a 6.19% decrease from the previous quarter, but a slight increase of 1.73% from Q4 2012. The general shape of the graph continues to be similar to the preceding quarters, which shows a stable trend in the proportion of formation of each entity type.



Of the new business entities, 57.65% were private limited companies, which included a total of 7,012 registrations of exempt private limited companies (EPCs). This entity type has again proven to be the most common among new registrations, and has been taking up about half of the total number of business formations in the past few quarters. Its popularity is likely due to its structure of having less than 20 individual shareholders, as well as attached benefits such as full tax exemption privileges for newly setup EPCs.

Taking up the second biggest share of the pie, sole proprietorships constituted a significant 34.21% of business formations in the quarter. Its accessibility and low cost of setup makes it suitable for entrepreneurs who are looking to incorporate a single-owner, risk-free business entity.

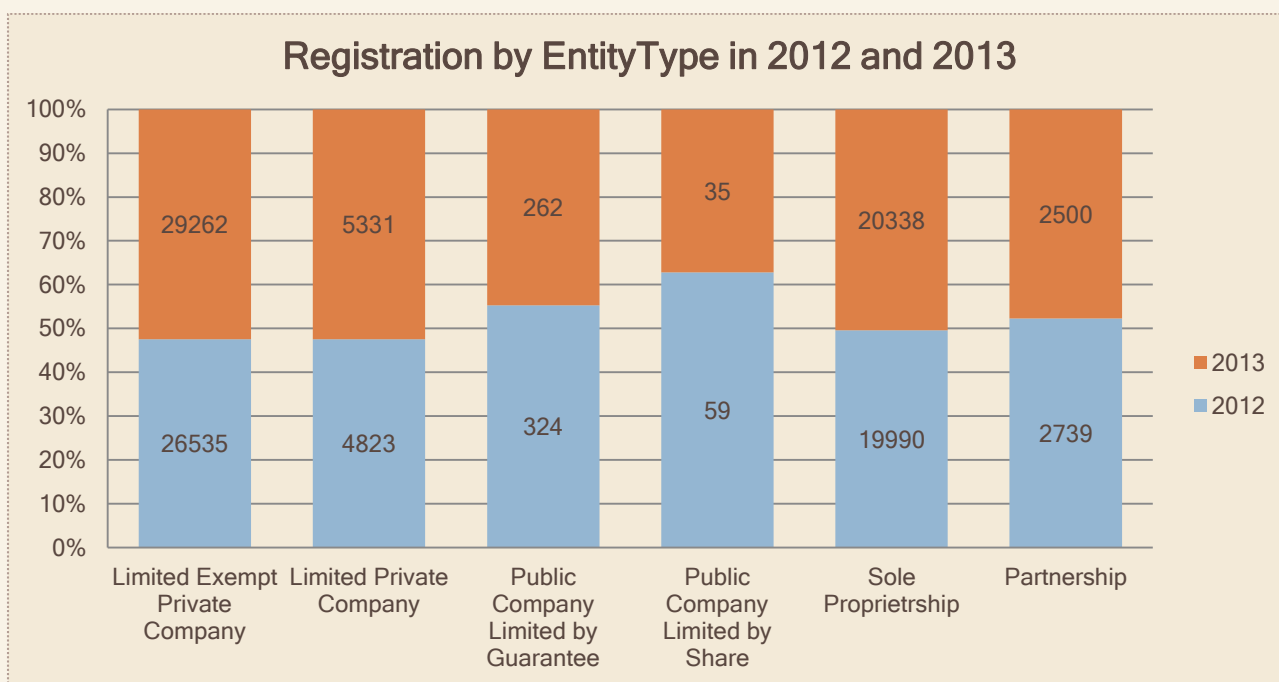
There were also 1,092 new partnerships recorded, 49.36% of which were limited liability partnerships, accounting for 539 formations. The remaining figures include 46 public companies and 43 branch offices, both of which only represented around 0.3% of the total number of formations.

While the statistics show an overall decrease in formations in Q4 2013, this decline is a common trend that has been observed in both Q4 2012 and Q4 2011. One of the reasons is most prefer to avoid incorporating businesses close to the year-end holiday period when manpower would be scarce.

Type of Entity	Increase (Decrease) from Q3 2013	Increase (Decrease) from Q4 2012
Exempt Private Limited Company	(5.77%)	11.43%
Non-exempt Private Limited Company	(1.54%)	7.93%
Sole Proprietorship	(6.82%)	7.41%
Partnership	(13.59%)	(2.30%)
Limited Liability Partnership	(8.64%)	(0.19%)
Public Limited Company	15%	(46.51%)

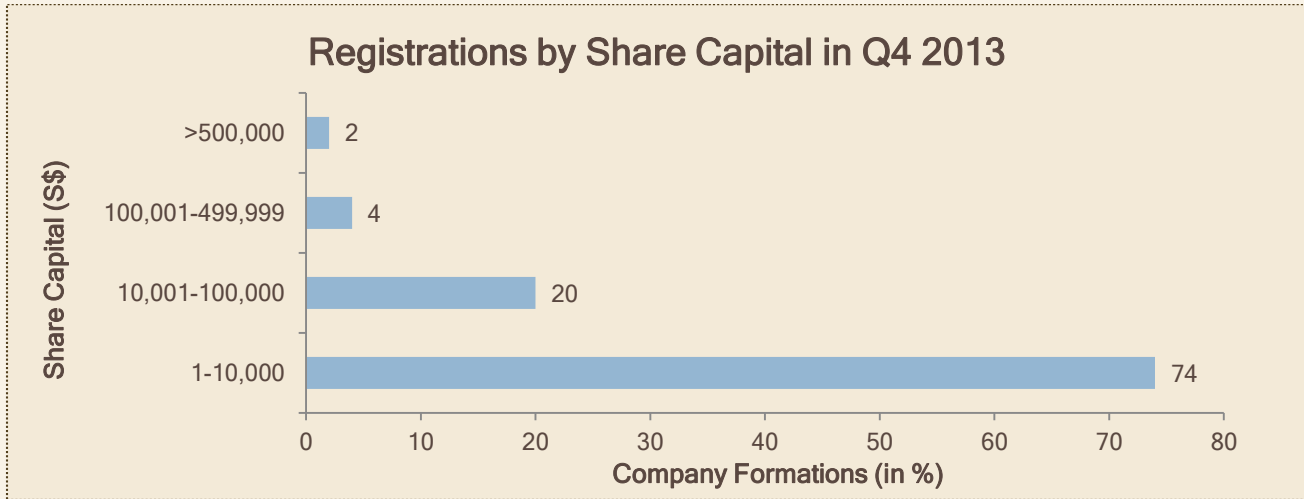
The number of Public Limited Companies was the only entity that saw an increase during this three-month period, which may be attributed to the return of confidence of the stock market, which was likely to have caused an unexpected fall in the previous quarter. Within this entity type, the number of Public Companies Limited by Guarantee remains higher than that of Public Companies Limited by Shares, with 37 and 9 formations recorded respectively. This could also be attributed to a rise in social enterprises.

## Overview of Formations 2012-2013



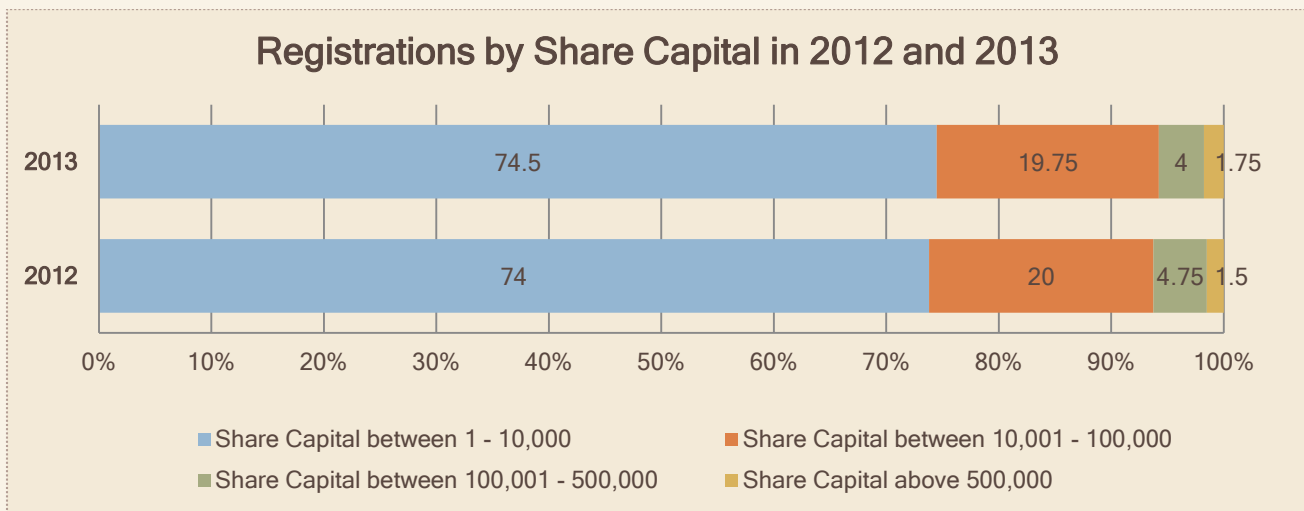
## 2 Business Formation by Share Capital

The pattern of the amount of share capital injected into newly formed companies in Singapore has shown no change over the course of 2013. The same breakdown in statistics was observed in Q4 2013 as it did in the three preceding quarters.



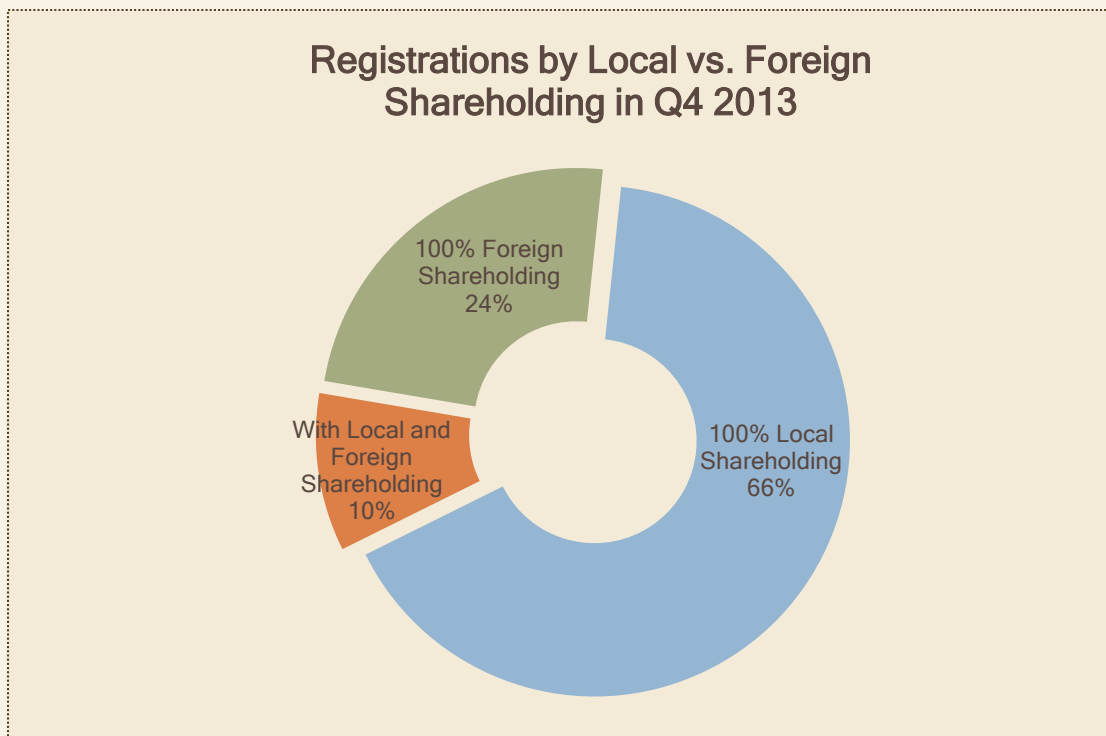
74% of the business formations in the quarter had a capital of S\$10,000 or less, while 20% had between S\$10,001-100,000. Only a small percentage of businesses were incorporated with over S\$100,000: 4% injected between S\$100,001-499,999 at the time of setup, and just 2% put in an initial capital of over S\$500,000.

## Overview of Formations, 2012-2013



### 3 Business Formation by Shareholding Structure

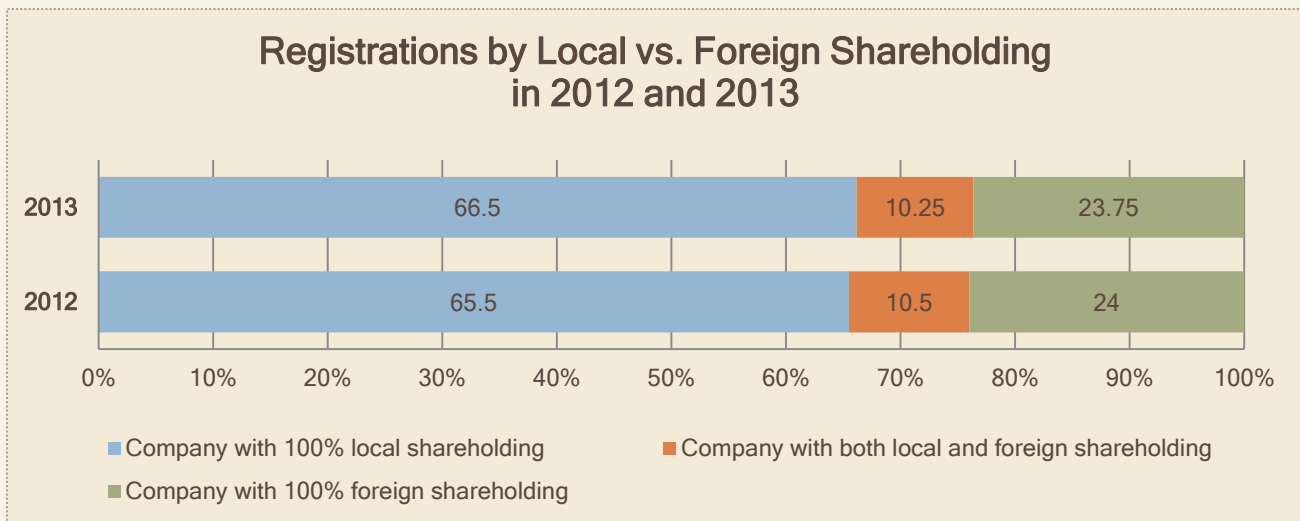
The majority of businesses formed in Q4 2013 were locally owned, with 66% fully owned by Singapore-resident shareholders. 24% of the entities had full foreign ownership, while 10% were owned by a combination of local and foreign shareholders. The ratio of shareholding structures has been similar in previous quarters, including Q3 2013 and Q4 2012, with marginal differences of 1%.



The vibrant and diversified local entrepreneurial environment has led to the consistently high number of new locally-owned companies. Even in the face of increased competition and tighter labor market, enterprising Singaporeans have continued to turn to entrepreneurship in setting up their own business entities.

The Singapore government has also been very proactive in encouraging entrepreneurship by implementing a range of schemes, assistances, and pro-business policies. Several of these schemes also extend to foreign-owned businesses, and together with Singapore's thriving economy, strategic location and stable politics, overseas investor and entrepreneurs have also continued to flock to the city-state to establish their business ventures. Furthermore, having been consistently ranked as the top business hub in the region, multi-national corporations (MNCs) and other large scale companies have also been encouraged to set up their regional headquarters and expand their businesses to Singapore.

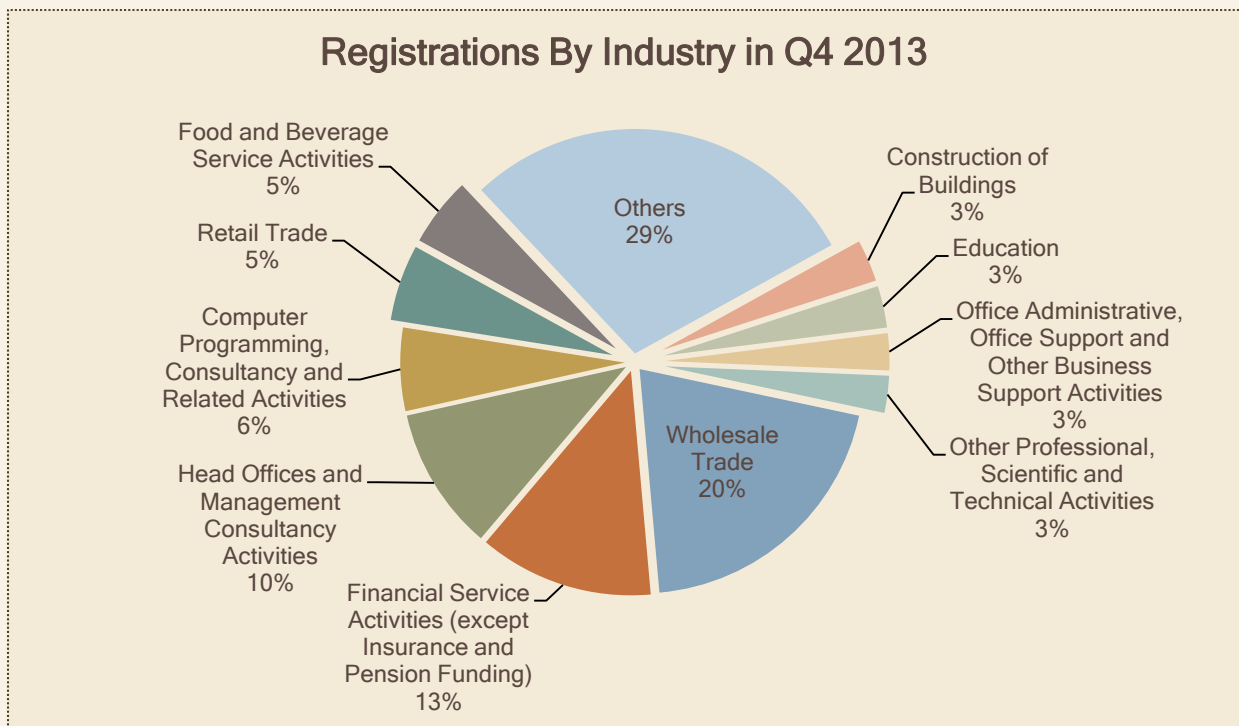
## Overview of Formations, 2012-2013





## 4 Business Formation by Industry

Wholesale trade, financial services (excluding insurance and pension funding), and head office and management consultancy activities continue to be the most active industries in Q4 2013, accounting for the largest number of business formations. The percentage ratio of business formations by industry remain similar to the preceding quarters with only 1% differences recorded.



Singapore's long-standing reputation as one of the world's leading trading hubs has established the city-state as the choice destination for companies to set up regional headquarters to facilitate businesses and offer support services to business activities in and around Southeast Asia and the larger Asia region. In Q4 2013, 10% of the total business entities formed deal with head offices and management consultancy activities.

The wholesale trade industry account for 20% of business formations in Q4 2013, and the forecast for the industry continue to look promising with expectations to expand in the first quarter of 2014, according to a new trade barometer developed by Standard Chartered Bank. The barometer offers one-quarter advance projection of the country's export performance.

The retail and Food and Beverage (F&B) sectors each take up a healthy 5% of the total formations, which is largely similar to the statistics in Q3 2014 and Q4 2012, despite facing testing challenges such as the labor crunch as well as inflation.

Another labor-intensive sector, the construction industry has also maintained at 3% of total formations, which was similar to the preceding quarters. While it was hit hard by the curb on foreign workers and

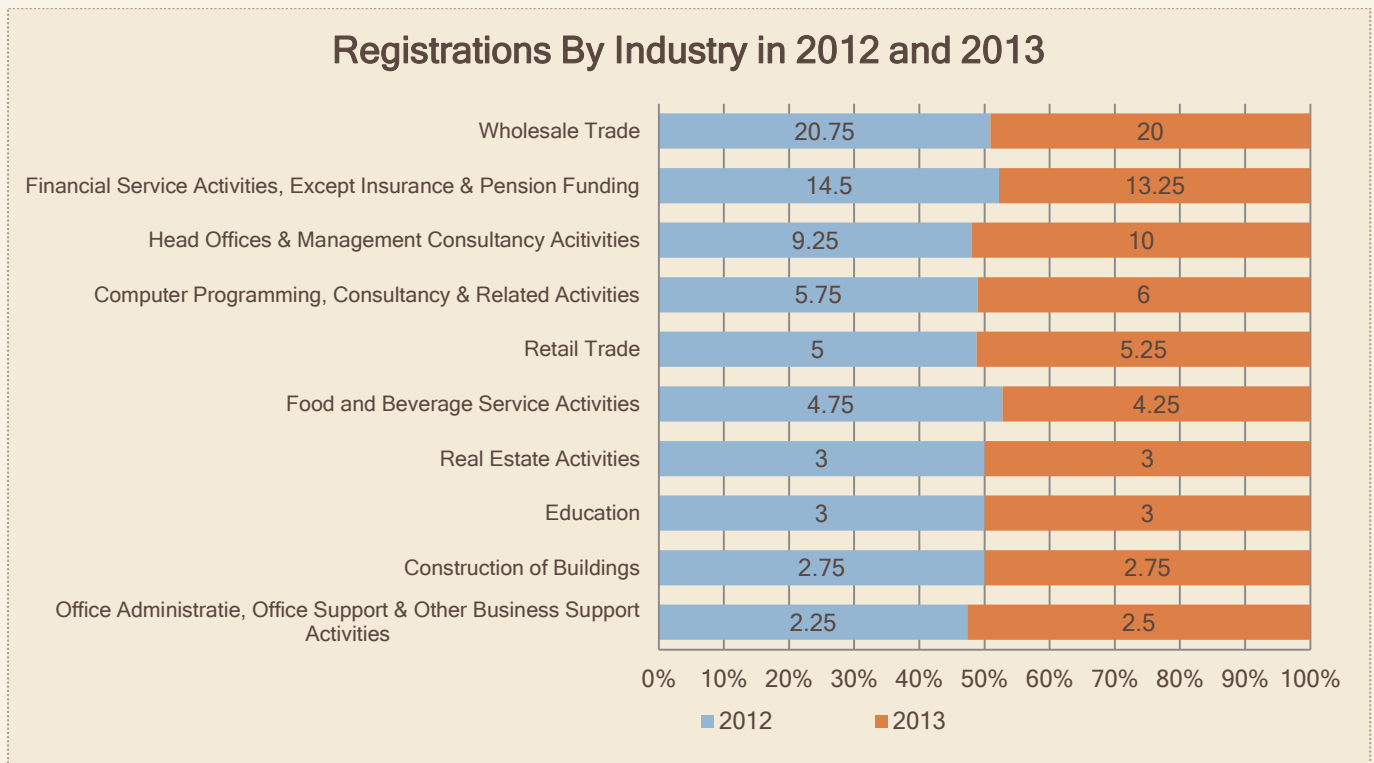
higher levies, Singapore's unceasingly developing landscape and booming real estate development has helped to sustain the industry.

Although not specifically highlighted in the chart due to its relatively smaller number, the biological sector has been growing significantly after eight manufacturing plants have been set up in Singapore over the past five years. Startups offering related services have also been emerging along with these developments. The expansion is expected to persist as the Singapore Economic Development Board (EDB) foresees a 60% increase in new jobs in the sector over the next three to four years.

Other industries to note include the sales of life insurance policies, which has been reported to have grown 27% in Q1 to Q3 2013 compared to the same period a year ago. The sector has also registered a total of S\$2 billion worth of premiums, according to the Life Insurance Association (LIA).

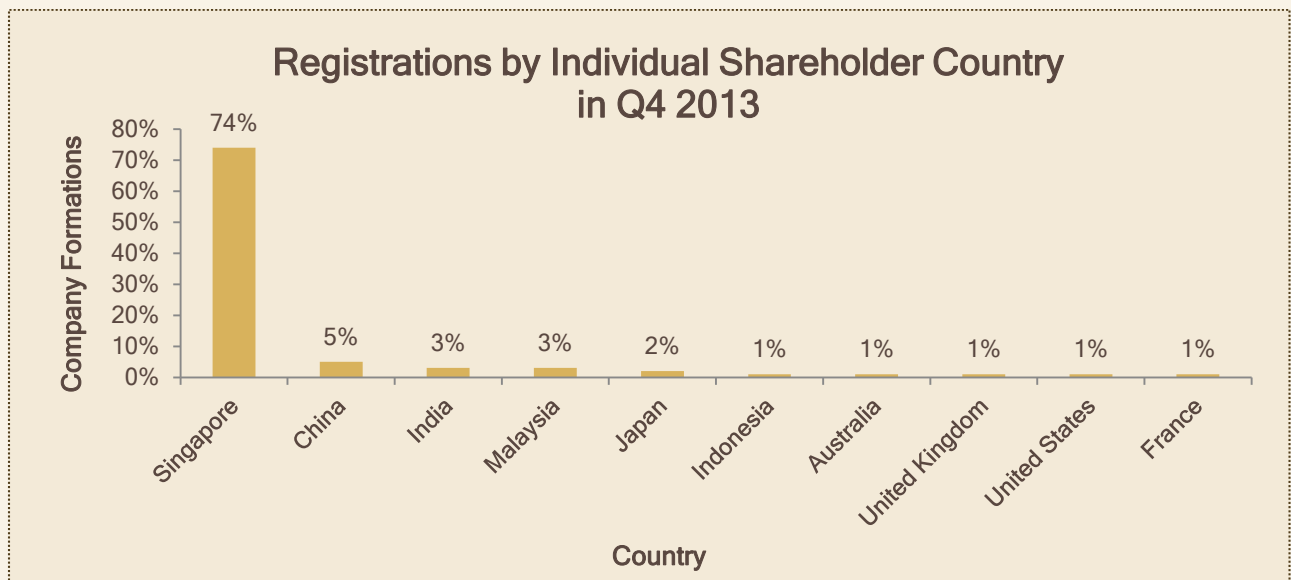
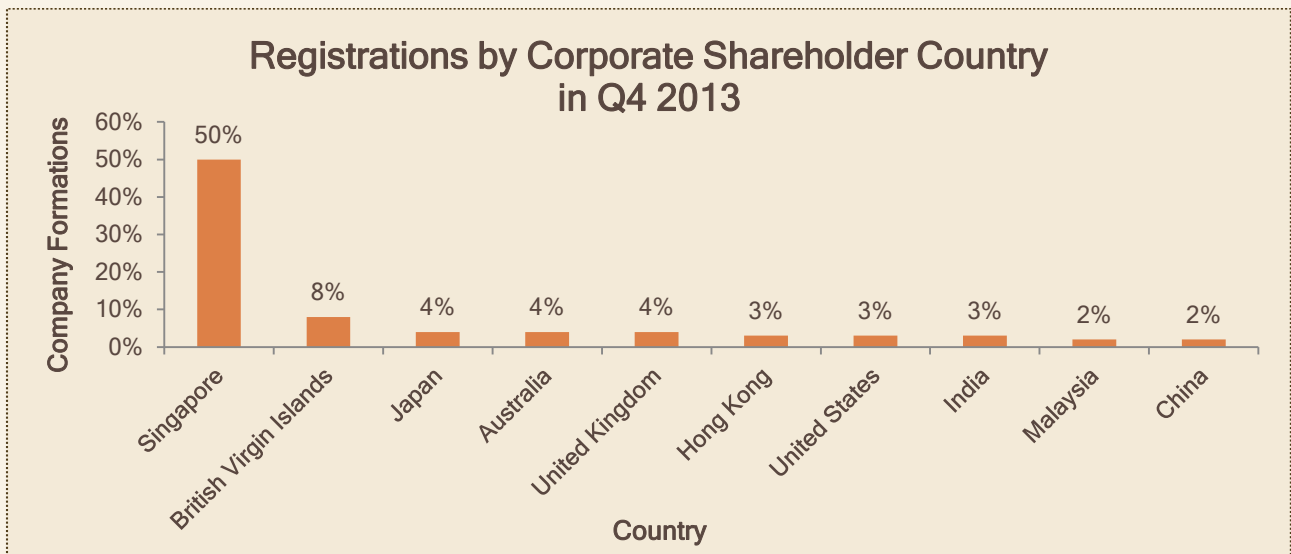
Similarly, the information security market is expected to grow in the next five years following the spate of high profile online hacking cases in various countries including Singapore, which is likely to prompt an increase in cyber security companies and technology entrepreneurs to set up companies ashore.

## Overview of Formations, 2012-2013



## 5 Business Formation by Country

While half of the businesses formed in Q4 2013 were by local companies and entrepreneurs, Singapore has also attracted a diverse pool of foreign investors from countries that stretch from Asia Pacific to Europe and North America. In particular, majority of the foreign businesses had corporate shareholders from the British Virgin Islands, Japan, Australia, and the United Kingdom, while entrepreneurs from China, India, Malaysia and Japan formed the largest proportion of individual shareholders.



This trend has also afforded Singapore the fifth position in the latest Global Power City Index 2013, a ranking of the world's cities by the Institute for Urban Strategies at The Mori Memorial Foundation in Tokyo. The Index evaluates and ranks major cities according to their ability to attract creative people

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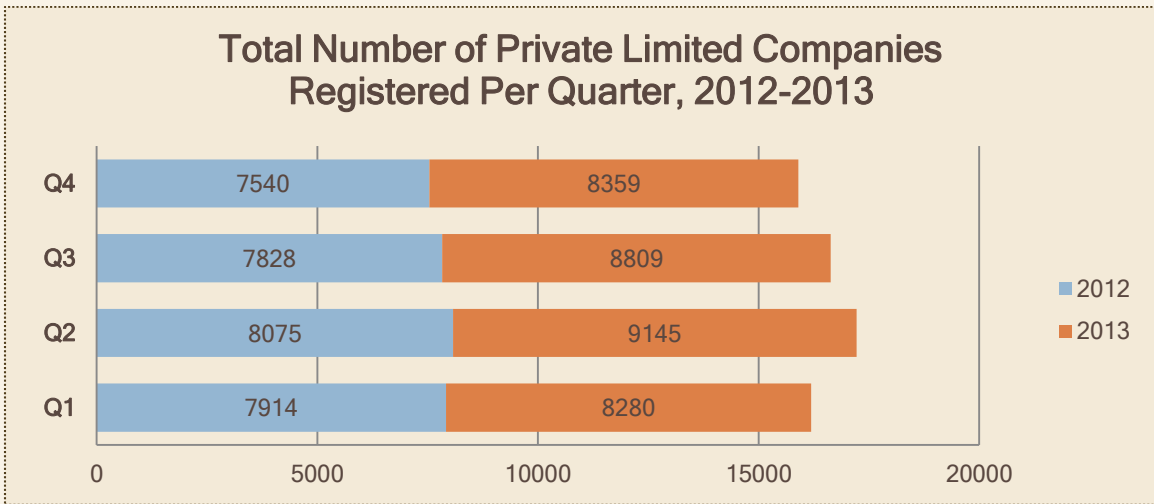
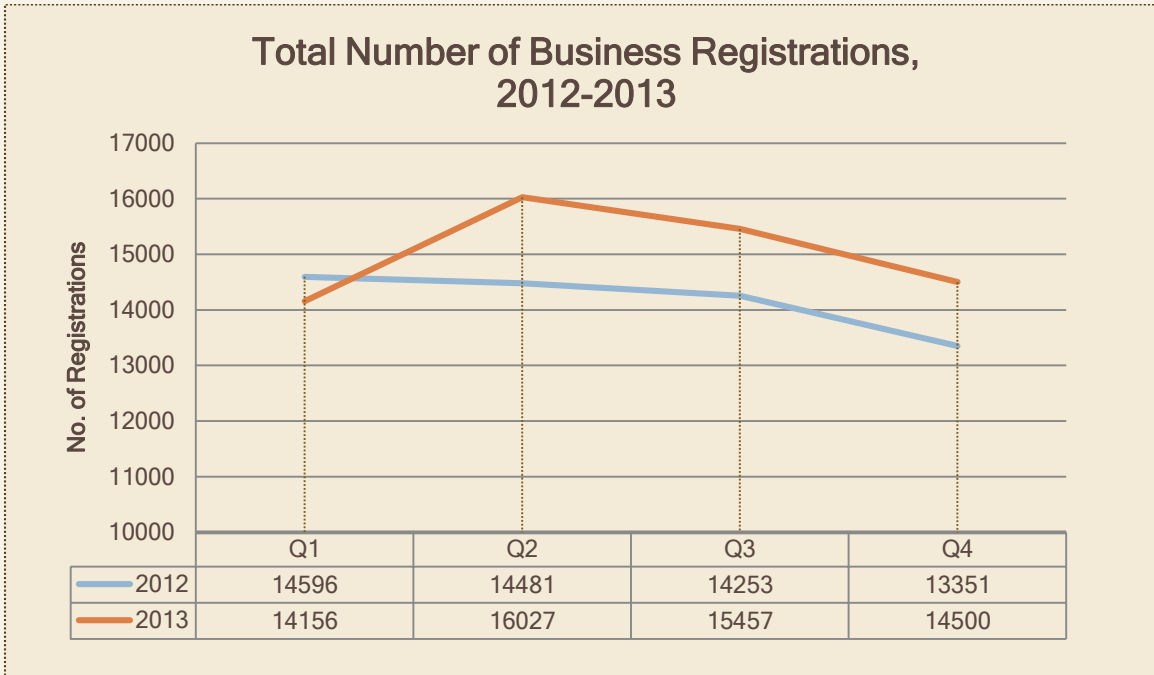
and businesses from around the world through six functions: Economy, Research and Development, Cultural Interaction, Livability, Environment, and Accessibility.

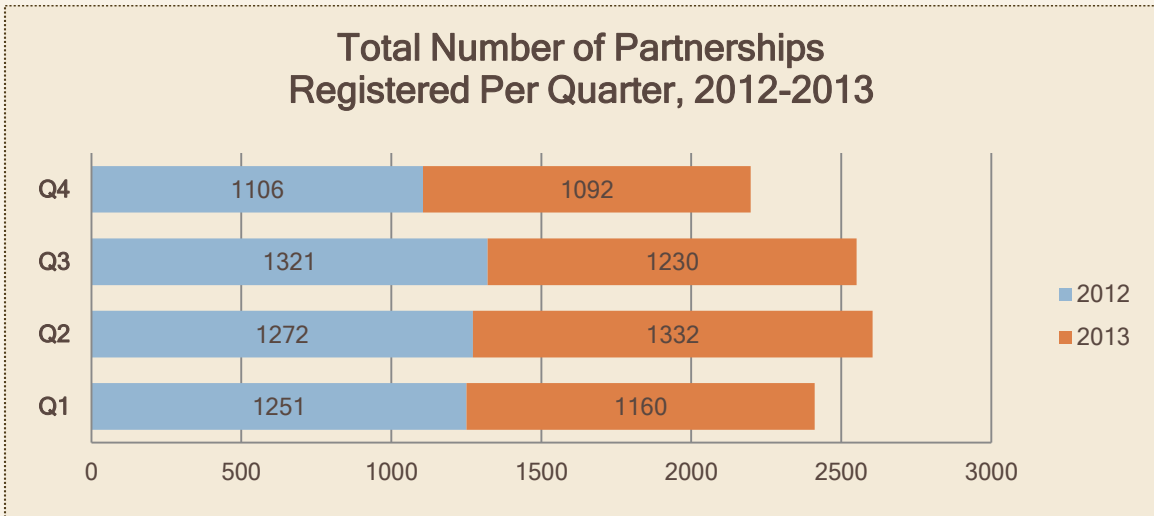
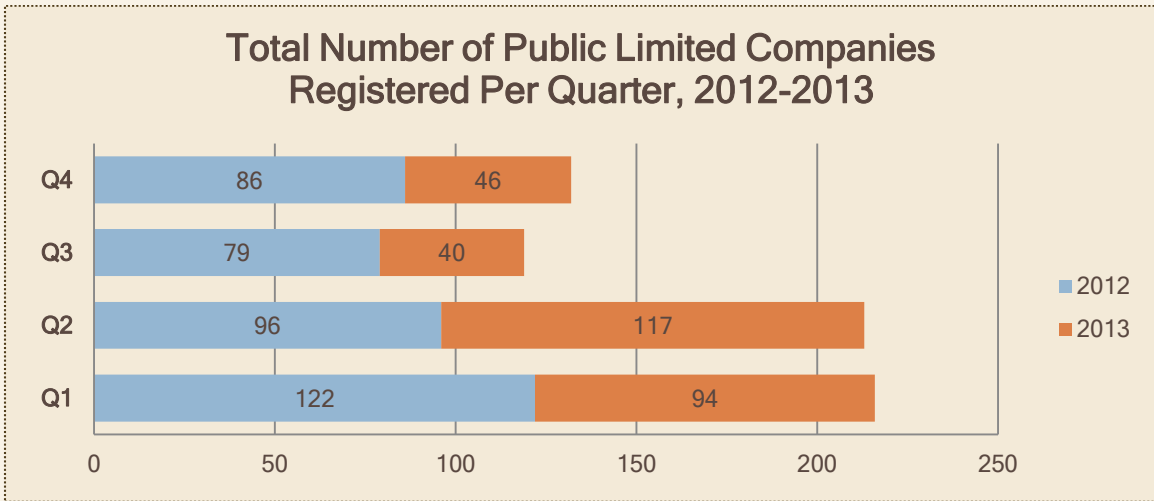
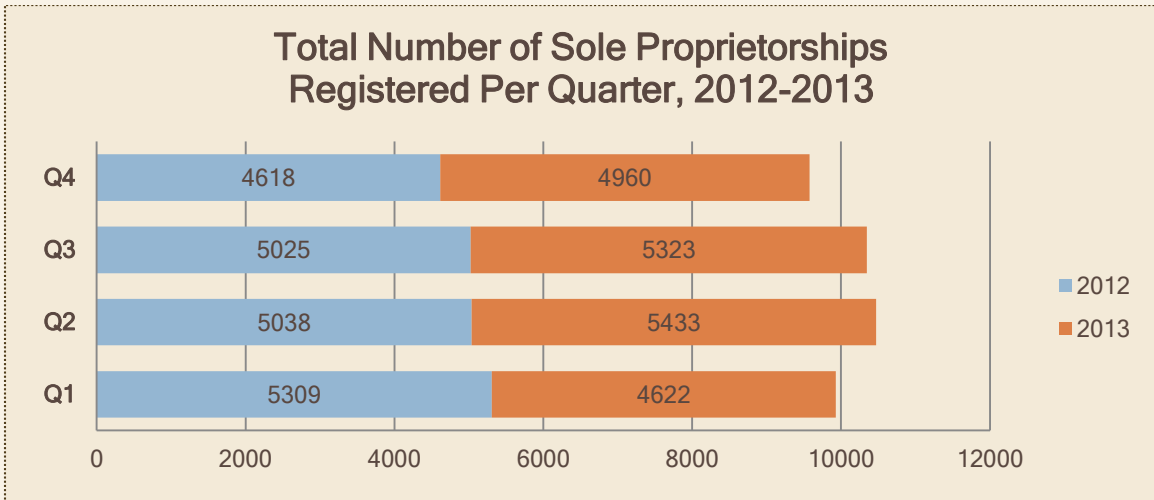
The numerous bilateral trade agreements that Singapore holds has played a vital role in encouraging foreign investments. As Singapore continues to strengthen ties with nations around the world, several large-scale economic agreements are underway, including the EU-Singapore Free Trade Agreement (FTA), which is pending ratification, the ASEAN Economic Community, which is expected to be established in 2015, as well as the proposed Trans-Pacific Partnership (TPP). These strategic partnerships will help to further expand Singapore's economy and advance steadily towards the country's ambition to become the world's most comprehensive hub.

## 7 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q4, 2013	Q3, 2013	Q2, 2013	Q1, 2013
<b>Total Number of Business Registrations</b>	<b>14,500</b>	<b>15,457</b>	<b>16,027</b>	<b>14,156</b>
<b>Registrations by Entity Type</b>				
Exempt Private Limited Company	7,012	7,441	7,777	7,032
Non-Exempt Private Limited Company	1,347	1,368	1,368	1,248
Sole Proprietorship	4,960	5,323	5,433	4,622
Partnership	553	640	721	586
Limited Liability Partnership	539	590	611	574
Public Limited Company	46	40	117	94
Foreign Company Registered in Singapore	43	55	-	-
<b>Registrations by Share Capital</b>				
S\$1 to S\$10,000	74%	74%	75%	75%
S\$10,001 to S\$100,000	20%	20%	19%	19%
S\$100,001 to S\$500,000	4%	4%	4%	5%
Above S\$500,000	2%	2%	2%	1%
<b>Registrations by Share Structure</b>				
100% Local Shareholding	66%	67%	66%	66%
100% Foreign Shareholding	24%	23%	24%	24%
Both Local and Foreign Shareholding	10%	10%	10%	10%

## 8 Comparison of Business Formation Activities Per Quarter from 2012 to 2013





## 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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