Q2

SINGAPORE BUSINESS FORMATION STATISTICS REPORT

APRIL - JUNE

2016

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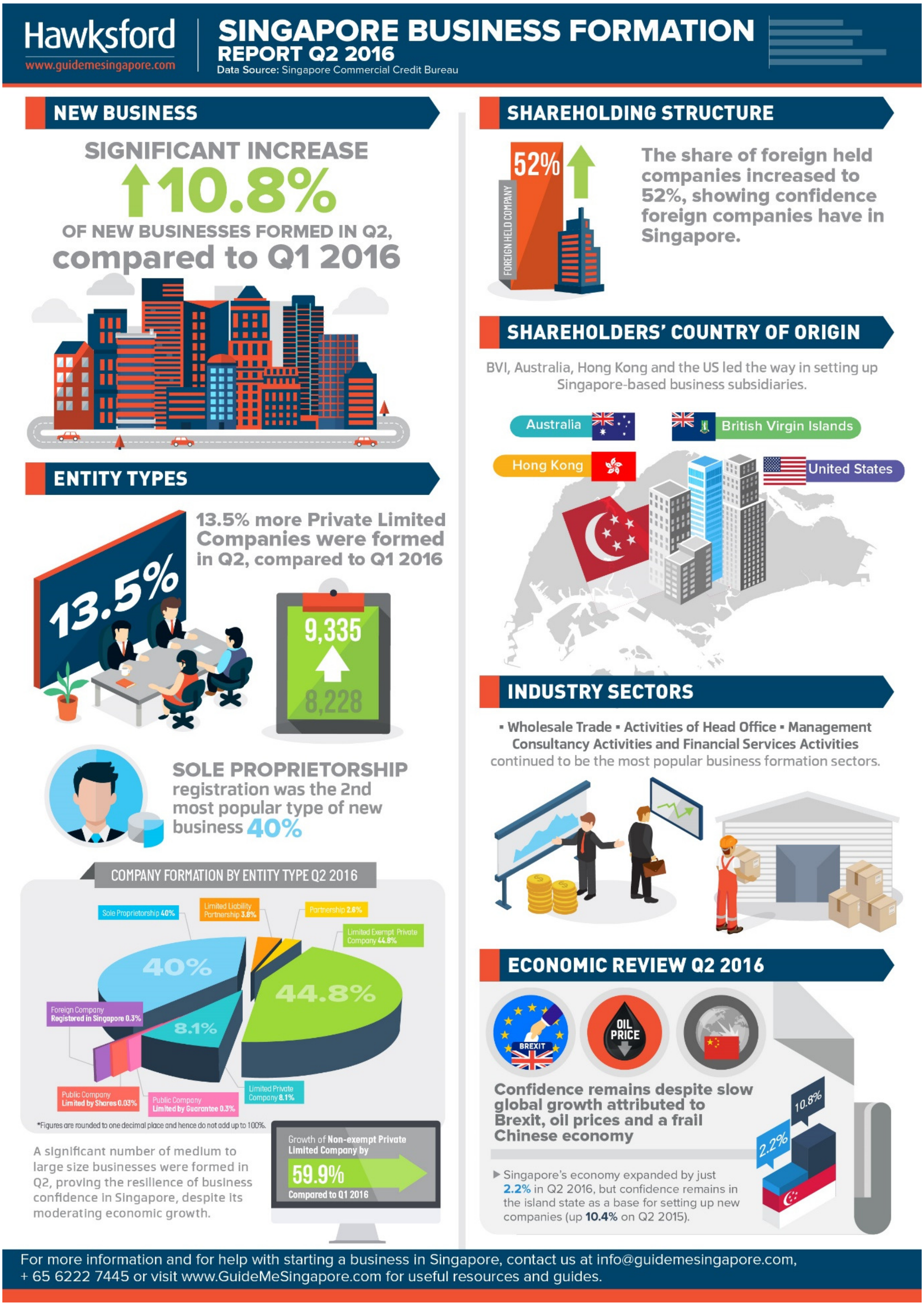
HAWKSFORD SINGAPORE Pte Ltd

16 Raffles Quay, #33-02, Singapore 048581

+65 6222 7445 | www.GuideMeSingapore.com

Data Source: Singapore Commercial Credit Bureau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SINGAPORE BUSINESS FORMATION
REPORT Q2 2016
Data Source: Singapore Commercial Credit Bureau
NEW BUSINESS
SIGNIFICANT INCREASE
10.8%
OF NEW BUSINESSES FORMED IN Q2,
compared to Q1 2016
ENTITY TYPES
13.5%
13.5% more Private Limited Companies were formed in Q2, compared to Q1 2016
9,335
8,228
SOLE PROPRIETORSHIP registration was the 2nd most popular type of new business 40%
COMPANY FORMATION BY ENTITY TYPE Q2 2016
Sole Proprietorship 40%
Limited Liability Partnership 3.8%
Partnership 2.6%
Limited Exempt Private Company 44.8%
Foreign Company Registered in Singapore 0.3%
Public Company Limited by Shares 0.03%
Public Company Limited by Guarantee 0.3%
Limited Private Company 8.1%
40%
44.8%
8.1%
*Figures are rounded to one decimal place and hence do not add up to 100%.
A significant number of medium to large size businesses were formed in Q2, proving the resilience of business confidence in Singapore, despite its moderating economic growth.
Growth of Non-exempt Private Limited Company by
59.9%
Compared to Q1 2016
SHAREHOLDING STRUCTURE
52%
FOREIGN HELD COMPANY
The share of foreign held companies increased to 52%, showing confidence foreign companies have in Singapore.
SHAREHOLDERS' COUNTRY OF ORIGIN
BVI, Australia, Hong Kong and the US led the way in setting up Singapore-based business subsidiaries.
Australia
British Virgin Islands
Hong Kong
United States
INDUSTRY SECTORS
▪ Wholesale Trade ▪ Activities of Head Office ▪ Management Consultancy Activities and Financial Services Activities continued to be the most popular business formation sectors.
ECONOMIC REVIEW Q2 2016
BREXIT
OIL PRICE
Confidence remains despite slow global growth attributed to Brexit, oil prices and a frail Chinese economy
▶ Singapore's economy expanded by just 2.2% in Q2 2016, but confidence remains in the island state as a base for setting up new companies (up 10.4% on Q2 2015).
2.2%
10.8%
For more information and for help with starting a business in Singapore, contact us at info@guidemesingapore.com, + 65 6222 7445 or visit www.GuideMeSingapore.com for useful resources and guides.

Preface

Hawksford Singapore has been publishing the Singapore Business Formation Statistics, a quarterly report, since 2010. The source of the statistics is from Singapore Commercial Credit Bureau. The report provides 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 the business formation activities in Q2 2016.

Report Highlights

- A total of 17,628 new businesses were formed in Q2 2016, a sharp increase of 10.8% against the preceding quarter. Against the corresponding quarter in 2015 it increased by 10.4%.

- Continuing the historic trend, the Private Limited Company Category accounted for more than half of the total new business formation. With 9,335 new companies formed, it accounted for 53% of the total business formations in Q2 2016.

- Sole Proprietorship registration held the second largest share of 40%, declining from the 41.6% share held in the previous quarter.

- Exempt Private Limited Companies (EPC), with 7,904 registrations, accounted for 84.7% of the total Private Limited Companies formed during the quarter.

- The number of Private Limited Companies formed during the quarter jumped up by 13.5% against Q1. The increase was largely driven by EPCs.

- In terms of local vs foreign shareholding, the twist that emerged in the preceding quarter continued again. Surprisingly, the share of the wholly locally held companies, which usually is the highest, dropped to 48% while the share of foreign held companies increased to 52%. The share of 100% foreign held companies surged from 37% to 39% in Q2 2016.

- The top three industry sectors remained stable: Wholesale Trade, Activities of Head Office & Management Consultancy Activities, and Financial Services Activities (excluding insurance and pension fund services) are the top three sectors for business formation.

- The share of subsidiaries of Singapore companies marginally increased in Q2 2016, from 51% in the first quarter to 53%. Companies from British Virgin Islands, Australia, Hong Kong, the United States, China and India led the way in setting up Singapore-based business subsidiaries

- Entrepreneurs and investors from Malaysia, China, India and Indonesia accounted for the leading investors in Singapore. The share of Singaporean entrepreneurs and investors setting up companies dipped marginally to 56% from 57%.

Economic Review Q2 2016

At the end of the half-year mark, the global economic recovery is still stuck in the slow lane. The stable US economy, surprising result of the Brexit referendum, marginal recovery of oil price, frail Chinese economy, weak yen and the hiatus in federal rate hikes were the defining themes for the second quarter of 2016.

The US economy remained stable but dull during the quarter, but the economic data revealed a strong job market. Buoyed by job growth and increased disposable income, retail spending shot up during the quarter. The US economy is estimated to have expanded by 2% to 2.5% in the quarter. Some economists anticipate that the Brexit verdict would fuel the flight of funds to US shores, adding to the strength of the US dollar. A stronger US dollar will drag down the US economy by impeding its exports. Predicting the impact, the Fed has announced a hiatus on any further hikes in interest rates.

The Eurozone economy remained subdued during the quarter. An upturn in the manufacturing sector was offset by the slowdown in the service sector. GDP is estimated to have expanded by 0.3% during the quarter. The uncertainty that prevailed around the Brexit referendum weighed down the economy in general. Although the situation currently looks stable, any recessionary trends in its estranged partner's economy will reverberate on the Eurozone's economy as well.

The UK's economic growth was the slowest in the quarter, it is estimated to have grown by 0.2%. Much of the deceleration was due to speculation surrounding the referendum that was held at the end of the quarter. The Brexit aftermath sent the pound plummeting but in early July, contrary to the widespread expectation, the Bank of England retained the interest rate at the same level. This decision halted the slide of pound. The post referendum period is shrouded in more uncertainty than the one preceeding the referendum. We have to wait and watch how the political and policy level changes cushion the economic fallout.

China's economic data for the quarter beat estimates by recording a 6.7% GDP growth, while economists estimated a 6.6% growth for the quarter. The marginal overshoot of the estimates indicates that the growth momentum is stabilizing and would even pickup to reach the government's estimate of 7% growth for 2016. The growth is attributed to the consumption growth shored up by the stimulus measures. However, some economists are skeptical about the growth, which is largely driven by state owned enterprises, while the risk-averse national banks sideline the private sector players.

The Q2 GDP growth of India is estimated to hover around 7.7%. Consumption in the fastest growing economy remains robust but investments are wobbly, especially in the private sector. The value of the stalled projects remained at an all time high during the quarter and the slashed lending rate is failing to do the magic. The Reserve Bank governor's controversial exit announcement has turned the spotlight on the stress caused by the Non Performing Assets (NPA) on the public sector banks. Though the economy appears to grow at top speed, the fundamentals appear fragile.

The recovery of oil prices appears to have aided Russia, as its GDP contraction in second quarter is estimated to have moderated. The central bank slashed its lending rates in June to boost consumption. Brazil is reeling under many uncertainties: the impending impeachment, low oil price, health scare, domestic unrest and the challenges created by the Rio Olympics. The country's GDP is estimated to have shrunk further in the second quarter.

Japan remained sluggish during the quarter. Despite the negative interest rates announced earlier in the year, inflation remained at undesirably low levels. The shock from the Brexit tremor hit the already frail Japanese economy and snuffed its faint sparks of growth. The Yen strengthened, impacting exports. The GDP estimate for the whole year has been slashed down to 0.9%. The government also defered the implementation of increased sales tax. A fresh stimulus package is anticipated from the prime minister to boost consumption. The national election that was scheduled in July kept sentiments subdued.

The Indonesian economy appears to have done well in the quarter aided by efforts to stabilize inflation and slash interest rates. This has pushed up consumption and the GDP growth for the quarter is estimated to be 5%. The increase in personal tax income threshold is expected to boost disposable incomes of households and this will drive up the consumption. The tax amnesty bill was passed in parliament, the bill aims to bring back the wealth stashed illegally in offshore jurisdictions by offering to charge a concessionary tax rate of 2-5%. There is lot of anxiety building around the programme.

The continued low price of crude oil is impacting Malaysia, a net oil exporting country. For the second quarter, the GDP growth is expected to be slightly over 4%, almost unchanged from the Q1 growth of 4.2%. Private consumption growth is expected to have sustained the economy during the period. Though the price of crude oil slightly rebounded during the quarter, the price is not adequate to act as a tailwind. The unexpected Brexit referendum is set to cast an ominous shadow on the export oriented economy.

The Philippines' GDP for the second quarter is estimated to have grown by 7%, slightly higher than the 6.9% growth in the preceding quarter. Election spending contributed to the hike. It is widely believed that the new administration under Duterte will sustain the momentum by keeping up its promise to boost infrastructure spending and focus on agriculture. The Thai economy remained fragile amidst the uncertainty looming ahead of the constitutional referendum in August. Exports remained muted against the soft global demand and GDP is estimated to have grown by around 2.6%, one of the slowest in the region. Vietnam expanded by an estimated 5.6% GDP growth, lower than estimated. The decline in agricultural output caused by the crippling drought dragged the economy.

Singapore recorded a lackluster second quarter, during which the economy is estimated to have expanded by 2.2%. It is marginally higher than the 2.1% growth recorded in the first quarter. Brexit uncertainties, the slowdown in China, weak global demand and recessionary trends in regional markets act as strong headwinds for the trade oriented city-state. With no strong signals of a global recovery, economists are concerned that the external weaknesses would spill into the domestic activities and drag down the economy in the second half of the year. The less than desired recovery of commodity prices, growing geo-political unrest, weather calamities and political uncertainties are warning of a challenging second half of 2016.

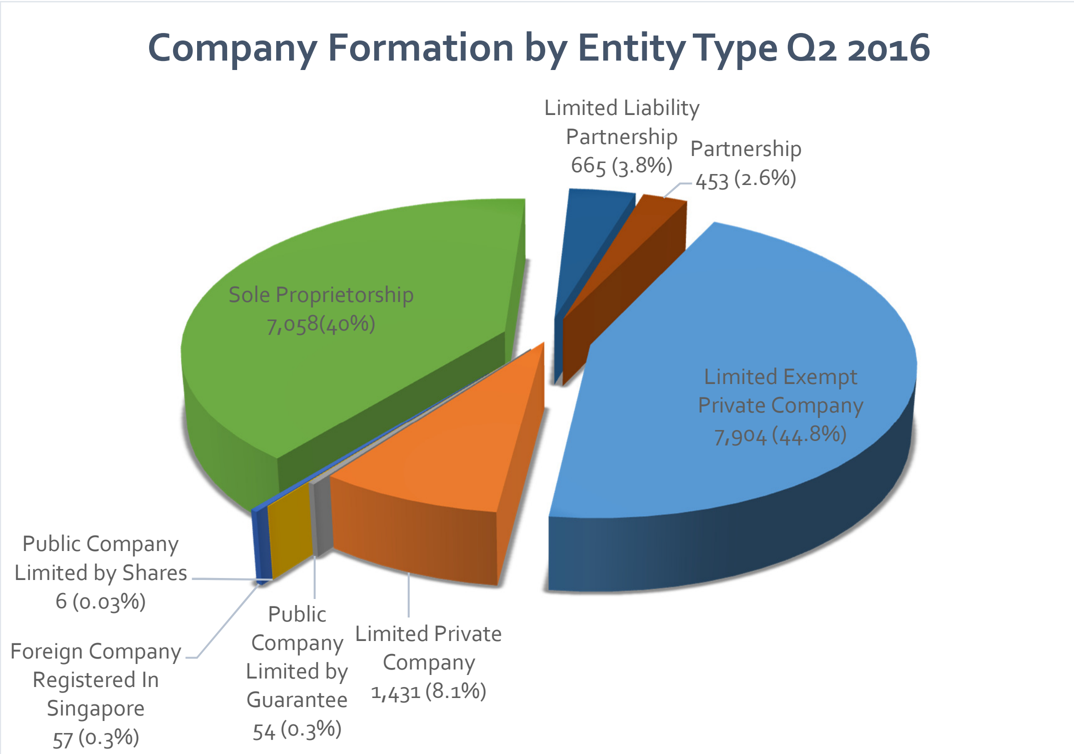
This report will present the latest statistics of the number and profile of new business formations, the industries that have the highest number of business formations, and the top investing countries in Singapore for Q2 2016. It will also offer a comparison of current data with those of the three previous quarters.

The report is presented in six 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 Activity for the Last 4 Quarters

1 Business Formation by Entity Type

A total of 17,628 new businesses were formed in Q2 of 2016. This bodes well against the preceding quarter, during which only 15,910 new businesses were formed. The Q1 2016 figure, although higher than the five-year average for first quarters, was short of the preceding quarter by 4.2%. In our Q1 2016 report, we predicted that business formation numbers would register a sharp spike in the second quarter. Concurring with our forecast, the Q2 business formation figures registered 10.8% growth against the preceding quarter.



In terms of types of entity, the quarter replicated the historic trend – private companies, with 9,335 businesses registered, held the highest share of 53.0%. Exempt Private Companies (EPC), with 7,904 registrations, accounted for the largest share of 44.8% amongst total registration.

EPCs are companies exempted from annual audit. A private company, in order to qualify for the audit exemption, must satisfy at least two of the three conditions for each of the two preceding financial years. The criteria to qualify are:

1. Total annual revenue for the financial year of not more than $10 million.
2. Total assets for the financial year of not more than $10 million.
3. Number of employees for the financial year not more than 50.

(More in detail: https://www.guidemesingapore.com/blog-post/singapore-business/overview-of-the-key-amendments-to-companies-act-phase-1)

In Q2 2016, Non–exempt companies, with 1,431 registrations, accounted for third largest share of 8.1%.

Most of the companies qualify as an EPC. Following the recent amendments made to the Company Act, even some of the non-exempt companies, subject to conditions, qualify as small companies and are exempted from audit. Singapore always strives to make its regulatory framework simple so that the operating landscape for small companies remain conducive and competitive. Thus it always subjects its regulations to public review and opinion and promptly amends it in order to keep it simple and relevant. The non-exempt small company concept is an outcome of such efforts. The Singapore business community welcomed the amendment, as it would reduce the compliance costs involved in auditing.

The number of Sole Proprietorships formed during the quarter was 7,058 and held a share of 40%. Its share dropped marginally from the 41.6% held in the previous quarter. This entity type is popular among small, less risky businesses.

A total of 1,118 partnerships were formed, of which 665 were Limited Liability Partnerships (LLP). The remaining 453 were General Partnerships. While General Partnership is common among small businesses that are less risky, owners of such entities normally enter into such arrangements to share the responsibility and pool capital. Their liability remains unlimited and personal assets are at risk in the event of claims made against the business. LLPs are more common among chartered professionals, whose services involve considerable risk of litigation and claims. By entering into an LLP arrangement, the owners of such entities not only limit the liability but also cumulate capital, resources and professional expertise. In the quarter's total business formation, the LLP and Partnership entities account for 3.8% and 2.6% respectively.

A total of 57 Foreign Company branches were registered in Singapore during the second quarter, accounting for 0.3% share in the total business formation. Of the 60 Public Companies registered during the quarter, six were Companies Limited by Shares and the remaining 54 were Companies Limited by Guarantee.

Quarter-over-Quarter and Year-over-Year Comparison

Type of Entity	Q2 2016	Increase/(Decrease) Q1 2016	Increase/(Decrease) Q2 2015
Limited Exempt Private Company	7,904	7.8%	7.0%
Limited Private Company	1,431	59.9%	6.7%
Public Company	60	87.5%	20%
Foreign Company Registered In Singapore	57	35.7%	21.3%
Sole Proprietorship	7,058	6.6%	17.2%
Limited Liability Partnership	665	10.1%	18.1%
Partnership	453	18.3%	(18.1%)

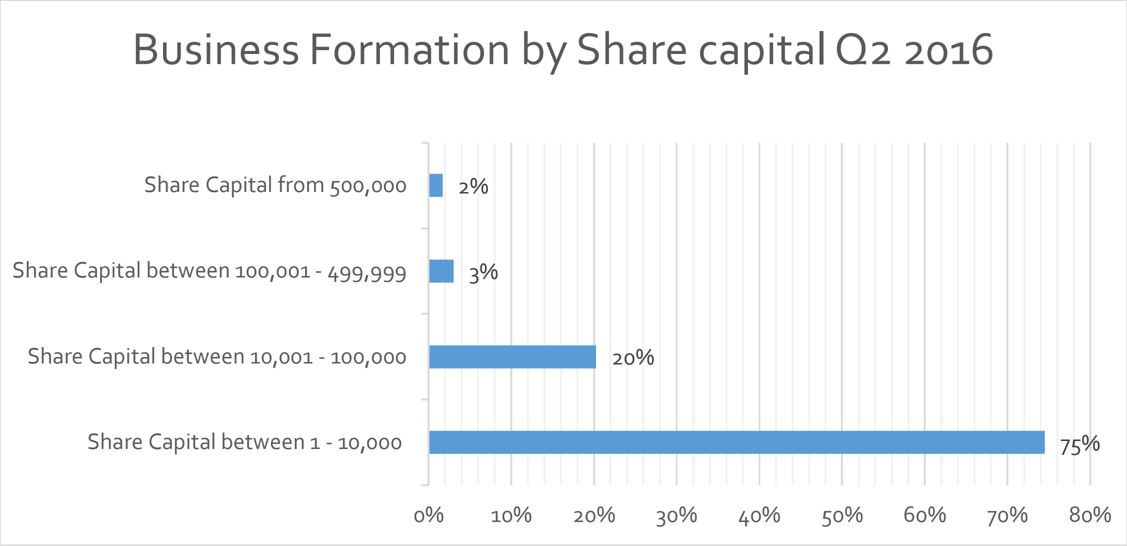
On a QoQ basis, there was a remarkable increase across all categories. The sharpest spike was recorded by Public Company. However, the Public Companies Limited by Guarantee largely drove up the registration. This vehicle is adopted by non-commercial undertakings such as trade associations, charities, cooperatives and NGOs.

It is interesting to note that Non–exempt Limited Private Company formation, which recorded the sharpest QoQ decline of 37% in Q1 2016, had the second highest QoQ growth of nearly 60% in the second quarter. From 895 registrations in the first quarter, it grew by 1,431 registrations in Q2, indicating that a significant number of medium to large size businesses were formed during the quarter. This proves the resilience of business confidence in Singapore, despite its moderating economic growth.

The registration of foreign company branch offices is another key indicator of Singapore's business fundamentals and its traction as a business hub. The number of foreign company branches registered in Singapore in the second quarter, recorded a sharp spike of 35.7% against the preceding quarter. Given the uncertainties and lack of robust growth signals in the west and the slowdown in the conventional eastern markets, international companies are looking at opportunities in the emerging South East Asian markets. Singapore comes as a natural choice for setting up a branch office to manage the regional operations of such companies. However, such branch offices are generally a preliminary arrangement for the foreign companies because such entities do not qualify as a resident for tax purposes and are not eligible for the tax benefits available in Singapore. Therefore such entities are typically upgraded to Singapore subsidiaries eventually.

Against the corresponding period in 2015, except for Partnership setups that registered a decline of 18.1%, all other entities recorded a significant growth. Registration of Foreign Company Branch office in Singapore topped the list with 21.3% growth, followed by Public Company formation that recorded 20% growth. The corresponding period in 2015 was a period of uncertainty regarding the rate hikes by the US Federal Bank, alongside the lackluster world economy. So the registrations remained muted during the period. Although the situation now is no different from then, the city-state is a safe haven given the fragility of the global economy. So enterprises and entrepreneurs setup, expand and venture out from Singapore. Another factor driving up the registration number of the LLPs, EPCs and Sole Proprietorship is the layoffs and structural unemployment caused by tough economic situation. Such displaced professionals invariably setup business entities to strikeout on their own.

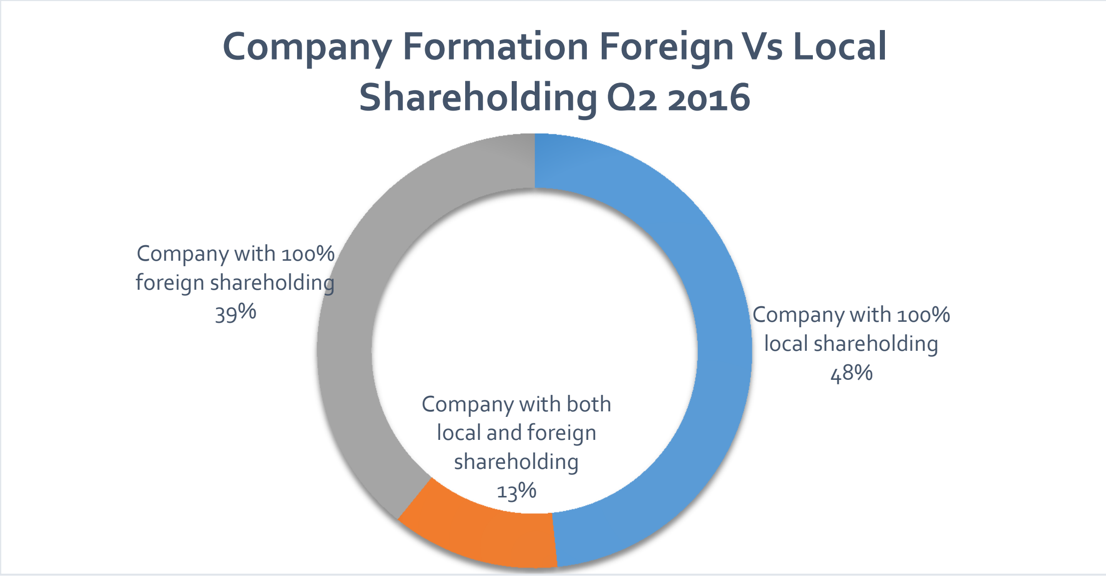
2 Business Formation by Share Capital



Keeping with the convention, the majority of the new companies formed had a share capital of S$10,000 or less. Singapore allows for companies to be registered with a share capital as low as S$1. Entrepreneurs and enterprises can establish a legal entity and render their business a legitimate and credible legal identity without any regulatory hurdles stipulating substantial capital outlay. Such instant incorporation is a welcome relief for business owners who intend to eventually inject additional capital into their companies or those who set up companies for administrative reasons.

The shares of companies in the other share capital tiers,remain unchanged from the preceding quarter. It is of interest to note that the total share of companies with a capital of S$500,000 and those with S$100,001 – S$499,999 remained at 5%, despite the fragile world economic recovery and moderation in domestic economy.

3 Business Formation by Shareholding Structure

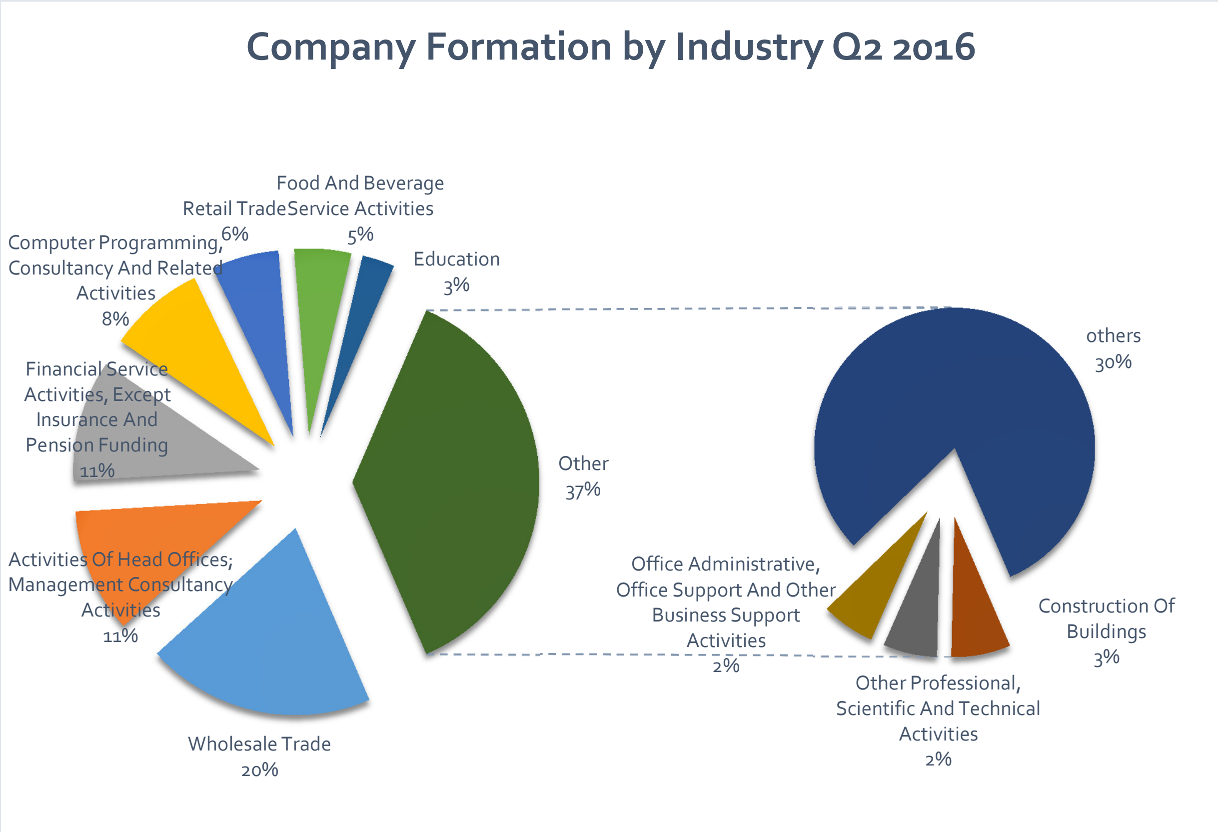


The twist that cropped up in the historical trend in the preceding quarter was even more pronounced in Q2. The share of wholly locally held companies usually hovers well above 50% but in Q1 2016, its share dropped to 50%. The remaining 50% was held by companies with foreign ownership, including partial and wholly foreign owned.

Notably, the deviation sharpened further in the second quarter, with the share of wholly locally held companies dipping further to 48%. Correspondingly, the share of foreign held companies increased to 52%. The share of wholly foreign owned companies went up from 37% in the preceding quarter to 39% in the second quarter. The share of partially foreign owned companies remained unchanged at 13%.

The South East Asian economies are considered a growth market and safe haven given uncertainty in the west. The central banks in the region are keeping rates low, therefore aided by liquidity and in quest of new markets businesses are expanding across borders. Singapore is an ideal hub facilitating the regional business operations of companies, hence we find the share of foreign owned companies going up in the recent quarters.

4 Business Formation by Industry



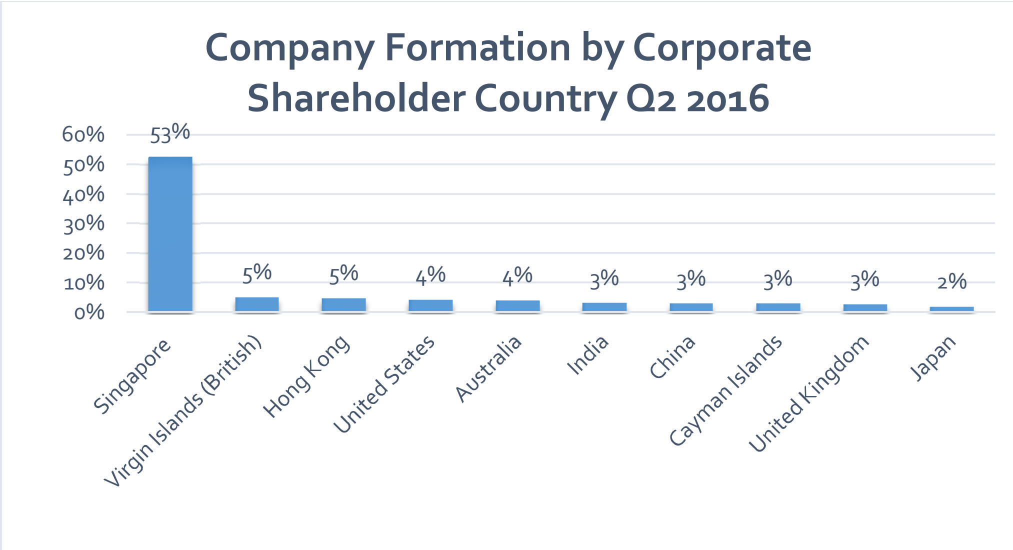
The wholesale Trade industry continued to top the charts with 20% share of the total business formation. Activities of Head Offices, Management Consultancy industry and Financial Service Industry (except Insurance and Pension Funding) held an equal share of 11% each.

The share of Wholesale Trade industry marginally inched up against preceding quarter - from 19% in Q1, it increased to 20% in Q2. As a regional hub, with world-class port facilities located along the corridors of east and west, Singapore is an ideal location for trading companies.

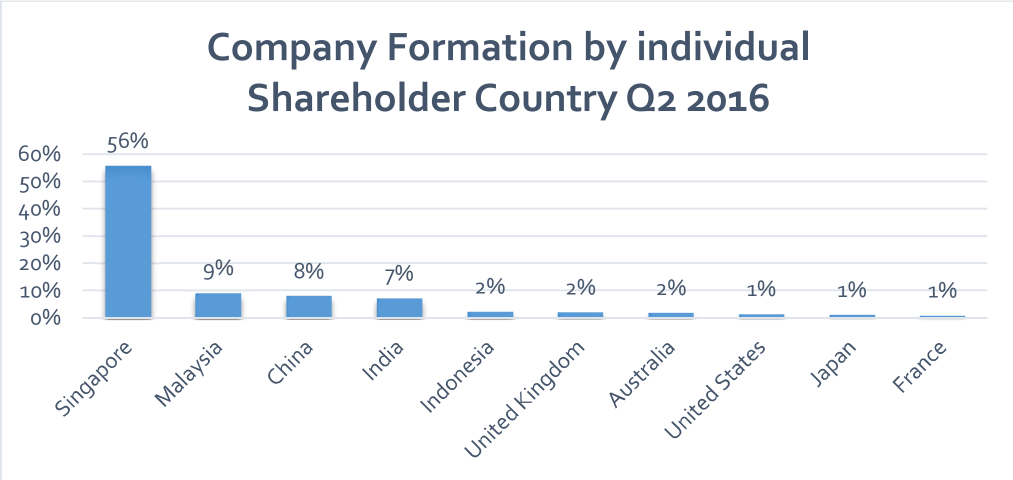
Singapore is a preferred headquarters location for multinational companies targeting the Asian markets. Singapore offers several concessionary tax incentives for companies to locate their headquarters activities here. In June, Pilz, a German automation and industrial safety company, opened its regional headquarters for Southeast Asia (SEA) in Singapore. In July, Belgium-based big data analytics company NGDATA opened its Asia Pacific headquarters here. Recently, DuPont set up its regional headquarters here, with a focus on increasing its technology and engineering footprint in Southeast Asia. Other companies that opened their headquarters recently in Singapore include Roche and Ferring Pharmaceuticals from the biomedical sector, and IT specialists Kaspersky Labs and HubSpot.

Some companies are pulling out of Singapore on the grounds of capital rationalization. However it cannot be denied that Singapore is becoming a sought after center for high value business functions such as R&D, IP licensing, cyber security and financial management. It must be noted that several financial sector players such as Standard Chartered Bank, Visa Cards, following the footsteps of pioneers such as MasterCard and Citi, have recently set up their innovation labs here. German Allianz, a leading insurance player, has also set up its innovation lab here. The objective is to tap into Singapore's technological prowess, robust infrastructure, political stability and talent pool to deliver innovative, technology-empowered services.

5 Business Formation by Shareholder's Country of Origin



The Share of Singapore subsidiaries in total company formation inched up from 51% in Q1 to 53% in Q2 2016. Compared to Q1, the share of the US, Hong Kong and India subsidiaries went up marginally by 1 percentage point. The share of foreign subsidiaries has been falling since Q4 2015, during which it held 51%, in Q1 2016 it dropped further to 49% and in the latest quarter it dipped further to 47%. Correlating the data with the earlier section "Company Formation by Shareholding Structure", where it was established that the share of foreign owned company is on the rise, it can be concluded that much of the growth was driven by companies formed by foreign individuals rather than foreign companies.



The share of companies owned by Singaporeans dropped to 56% in the quarter down 1% on Q1 2016. The Q1 share itself was a significant deviation from the customary share of around 70%. It is evident that funds are flowing from countries with sluggish economies or where credit rates are aggressively accommodative. Entrepreneurs and investors from Malaysia, China, India and Indonesia accounted for the largest share among foreign individual shareholders.

6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Total Number of Business Registrations	17,628	15,910	16,612	17,608
Registrations by Entity Type				
Exempt Private Limited Company	7,904	7,333	6,682	7,258
Non-Exempt Private Limited Company	1,431	895	1,421	1,394
Sole Proprietorship	7,058	6,621	7,423	7,736
Partnership	453	383	530	570
Limited Liability Partnership	665	604	480	556
Public Limited Company	60	32	46	50
Foreign Company Registered in Singapore	57	42	30	44
Registrations by Share Capital				
S$1 to S$10,000	75%	75%	75%	75%
S$10,001 to S$100,000	20%	20%	19%	19%
S$100,001 to S$500,000	3%	3%	4%	4%
Above S$500,000	2%	2%	2%	2%
Registrations by Share Structure				
100% Local Shareholding	48%	50%	65%	65%

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
100% Foreign Shareholding	39%	37%	24%	24%
Both Local and Foreign Shareholding	13%	13%	11%	11%

About Hawksford Singapore

Hawksford is a successful, international, independent wealth structuring, funds and corporate services provider. Our clients range from small and large corporates to ultra-high net worth individuals.

We help clients to meet all of the statutory compliance requirements and relieve the administrative burdens associated with administrating and managing a company; this allows clients to focus on running and growing their business. In addition, we also provide fiduciary services and complete solutions for corporate governance.

Ultimately, we pride ourselves on our top quality, friendly service, which provides clients with value for money. Our people are highly experienced and well trained and we have invested heavily in the best technology to ensure we deliver when we say we will, we can meet a clients' business needs, we clearly present options and we communicate clearly and concisely. We also aim to be transparent on th e fees we charge and provide practical advice to clients.

Our Services include:

- Company Formation & Fiduciary Services
- Tax & Accounting
- Immigration
- Business Licenses
- Start-Up Assistance

To learn more about doing business in Singapore and the services that our group offers, please visit our website at: www.guidemesingapore.com.

Contact Us

Hawksford Singapore Pte. Ltd.
16 Raffles Quay #33-02
Hong Leong Building
Singapore 048581

Phone: (+65) 6222-7445
Fax: (+65) 6222-7421
Email: info@guidemesingapore.com
Website: http://www.guidemesingapore.com

LinkedIn: https://www.linkedin.com/company/hawksford-singapore-pte-ltd-
Facebook: http://www.facebook.com/guidemesingapore
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Google+: +GuidemesingaporeGMS