

Q1

SINGAPORE  
BUSINESS  
FORMATION  
STATISTICS  
REPORT

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**Hawksford**

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# Preface

Hawksford Singapore has been publishing the Singapore Business Formation Statistics, a quarterly report, since 2010. The report provides data on new business formation activities in the country. In addition to offering statistical data, the report also analyses the factors affecting business formations in Singapore. This report is a summary of the business formation activities in Q1 2015.

## Report Highlights

- There were 14,641 new business formations in Q1 2015, registering a sharp decline from the 20,540 businesses formed in Q4 2014. It also fades in comparison with 16,190 businesses formed in Q1 2014.
- This quarter the number of business formation in terms of entity type returned to the normal trend, whereby the Private Limited Companies lead the lot. With 8,390 Private Limited Companies formed, this category held the largest share of slightly over 57% among the total businesses formed during the quarter.
- The share of the Sole Proprietorship registration in the total business formation fell to 34.9%, a significant decline from the share of 46.7% held in the previous quarter.
- Of the total Private Limited Companies incorporated, Exempt Private Limited Companies (EPC), with 7,059 registrations, accounted for 84.1%.
- The number of Private Limited Companies formed during the quarter, plunged by 10% against previous quarter. On a Year on Year (YoY) basis also the registration for this year has dropped by 10%.
- The top three industry sectors with the largest number of business formations remain wholesale trade, financial services, and head office and management consultancy activities. There was a marginal increase of 1% in the share of company formations in the financial services sector.
- The British Virgin Islands, the United States, Hong Kong, China, Japan and India were among the top investing countries in Singapore during the quarter.
- Entrepreneurs and investors from India, China, Malaysia and Indonesia accounted for the leading investors in Singapore.

## Economic Review Q1 2015

As the first quarter drew to a close, the fragility of the global economic recovery became quite evident. While the developed markets were struggling to barely cling to the growth trajectory, the giant of the emerging markets, China, lost its steam and continued to decelerate. India is emerging as a saving grace with increased influx of investments encouraged by the reform-minded new government. Major trends that dictated the economic climate in the first quarter include the strengthening US dollar, deferred rate hike by the US Federal Bank and falling oil prices. The EU bucking the deflationary trend backed by the stimulus measures, a slowing China, as well as increased infrastructure spending by the emerging Asian economies and increased discretionary spending by consumers were also key factors.

The US economic expansion remained muted in the first quarter. The lower energy prices drove up consumer spending and consumer confidence was markedly high early in the quarter, compared to preceding quarters. An improved employment prospect was also aiding the consumer spending. However, the stronger US dollar was a drag on export activity and the harsher winter, especially in February, was not in favour of consumer activity. The unemployment rate fell to 5.5%, which is good from one perspective, but from the other it has raised concerns as it nears the employment rate target to effect rate hikes. The Federal Bank's latest statement to defer these rate hikes has brought some cheer among investors and companies. Yet the not so good start for the year has dragged down the quarter's Growth Domestic Product (GDP) estimates, which many economists feared would be flat.

The European Central Bank (ECB) launched its quantitative easing (QE) program with €60 billion in sovereign bond purchases, revving up consumer and business activity. The weaker Euro, falling energy price and lower lending rates are sure to accelerate the Euro area to escape the economic quagmire. Industrial production, construction and retail sales have all posted growth, thus starting the year positively. Advanced estimates point to a 0.5% GDP growth for the quarter.

The UK economy also slowed during the quarter with weaker industrial output and deceleration in other sectors, including construction and services. The Q1 GDP is estimated to be around 0.5%.

Chinese economic data has been disappointing with the lowest quarterly growth rate in 6 years. It grew by only 7% in the quarter. Growth in industrial production, fixed-asset investment and retail sales all decelerated during the quarter. Presently the employment rate holds good but the situation may deteriorate with the deflating factory output. The scenario has fanned up speculations of liquidity injections.

India's budget was announced without much groundbreaking reform amidst sustained growth, it is estimated to have clocked 7.3% in the quarter. However with the liberalisation of Foreign Direct Investment (FDI) ceilings and renewed thrust

in infrastructure investments the overall investment climate is set to improve. Macroeconomic factors also saw improvement, with inflation and current account deficit dropping significantly. Low inflation prompted the Reserve Bank of India to cut its lending rates. Low interest rates, the Government's infrastructure programs and an influx of foreign investment will further boost the economy. The International Monetary Fund (IMF) has projected that India will overtake China as the fastest growing emerging economy in 2015-2016.

Among the other regional economies Japan bounced back from recession in the first quarter, largely aided by the low oil prices and falling yen. The stimulus package weakened the yen, causing exports to spike. Yet consumer spending has not picked up, pushing inflation lower, and capital investments also remains uneven.

The Malaysian economy is warming up to economic reforms. The removal of fuel subsidy lifted inflation slightly. Consumers were braced for the debut of a Goods and Services Tax, which spiked consumption in March shooting up the inflation rate. Lower commodity prices will be a drag on growth and the GDP for the quarter is estimated to hover lower than 5%. The neighbouring Indonesian economy is also estimated to record a similar GDP growth for the quarter.

Singapore's economy slowed in the first quarter. The YoY advance GDP estimate for the quarter is 2.1%. On a QoQ basis it grew by 1.1% against the 4.9% expansion recorded in Q4 2014. It marked the lowest growth rate in three quarters, yet it still beat the 0.5% growth the markets had expected. While the construction sector expanded, surprisingly despite the property cooling measures and the lull in private property sales, the manufacturing sector contracted. The services sector also expanded driven by wholesale and retail trade. The economic performance of Singapore in Q1 concurs with our prediction in our preceding report. In line with our forecast, the business formation numbers have dipped in the quarter. We anticipate that it will pick up in the coming quarters.

The budget, announced on 23 February 2015, brought some welcome relief to businesses. SMEs lauded the deferral of hikes in the labour levy. Other announcements encompassing skills upgrade, innovation and internationalisation are anticipated to boost business sentiments amidst the cloudy global economic backdrop.

The drop in oil prices is likely to continue throughout 2015. The emerging economies of Asia, which are largely net energy importers, will benefit from the low oil prices. But amid recovery in Europe and the UK and tepid growth in the US there are many uncertainties regarding interest rates, currency values, consumer spending and the sustainability of growth. Unrest in Yemen, geopolitical tension in the Middle East and South China Sea and the imminent policy normalisation by the US will all keep the global economy tumultuous in the coming quarters, as will concerns about the possibility of Greece defaulting and upcoming elections in the UK.

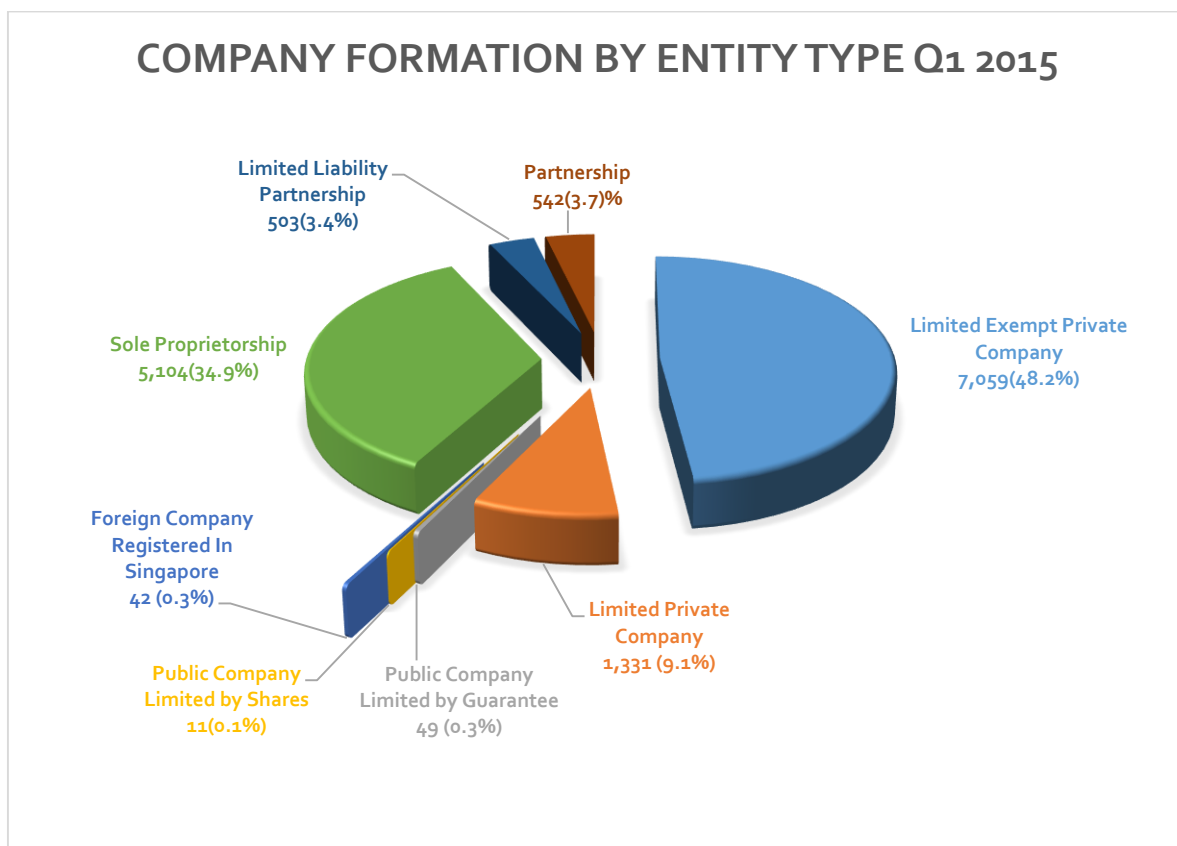
This report will present the latest statistics of the number and profile of new business formations, the industries that have the highest number of business formations, and the top investing countries in Singapore for Q1 2015. It will also offer a comparison of current data with those of the three previous 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 14, 641 businesses were formed during the first quarter of 2015. The number of registrations fell by 28.7% compared to Q4 of 2014. The year has started on a painfully slow pace for business formation. Compared to the previous quarters, which witnessed a roaring rise in the number of business formations, this quarter was very subdued. The lull in the market was probably prompted by the speculations regarding the imminent federal rate hikes. The sustained recovery in the US, strengthening US dollar and employment rate sparked speculation that the US rate hike could take place sooner, perhaps as early as June instead of nearer the end of the year. It shot up the SIBOR rate in Singapore thus tightening the liquidity in the market, posing tough business scenarios. The shaky start to the global economy and slowing Chinese economy did not bode well for the business environment. These factors may have induced a watch and wait approach from investors and entrepreneurs.



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In terms of types of entity, last year there was a buck in the trend and the number of Sole Proprietorship formations overtook the Private Limited Entity formation. This has been reset in this quarter and we see a return to the conventional trend of Private Limited Companies (PLC) leading the entity types. Last year, following the special provisions announced in the budget for small businesses, the trend was altered from Q2 and Sole Proprietorship businesses held the largest share among total business formation in the subsequent quarters. In Q1 we see the return of the convention, with 8,390 PLCs formed. This category held the largest share (slightly over 57%) among the total businesses formed during the quarter. Of these, 7,059 (84.1%) were Exempt Limited Companies (EPC). EPC continue to remain the popular option as they score well in terms of compliance and cost factors.

The number of Sole Proprietorships formed during the quarter was 5,104, taking a share of 34.9%. This is in sharp contrast to the previous quarter when it held a major share of 46.7%. Small-scale business owners and less risky home-based businesses usually prefer this structure as the compliance and costs are minimal.

A total of 1,045 Partnership companies were formed, of which 503 were Limited Liability Partnerships (LLP). While the LLP structure enables the pooling of funds and resources by partners, it also provides the merits of a Limited Liability company by curtailing the personal liability of the proprietors, while assuring the ease of compliance requirements that comes with the partnership structure. This entity type is popular among professionals such as doctors, architects and engineers.

A total of 42 Foreign Companies were registered in Singapore during the quarter, accounting for 0.3% of the total business formation. This is a strong endorsement of Singapore's traction for foreign companies engaged in business in this part of the world.

Interestingly there was a moderate rise in the number of Public Companies formed in the first quarter. 60 Public Companies (0.4%) were registered of which 49 were Limited by Guarantee and 11 were Limited by Shares. Public Company Limited by

Guarantee is commonly used for trade associations, charitable bodies, clubs, professional and learned societies, some religious bodies and the like, rather than commercial undertakings. Public Companies Limited by Shares may raise capital by offering shares and debentures to the public. A public company must register a prospectus with ACRA before making any public offer of shares and debentures.

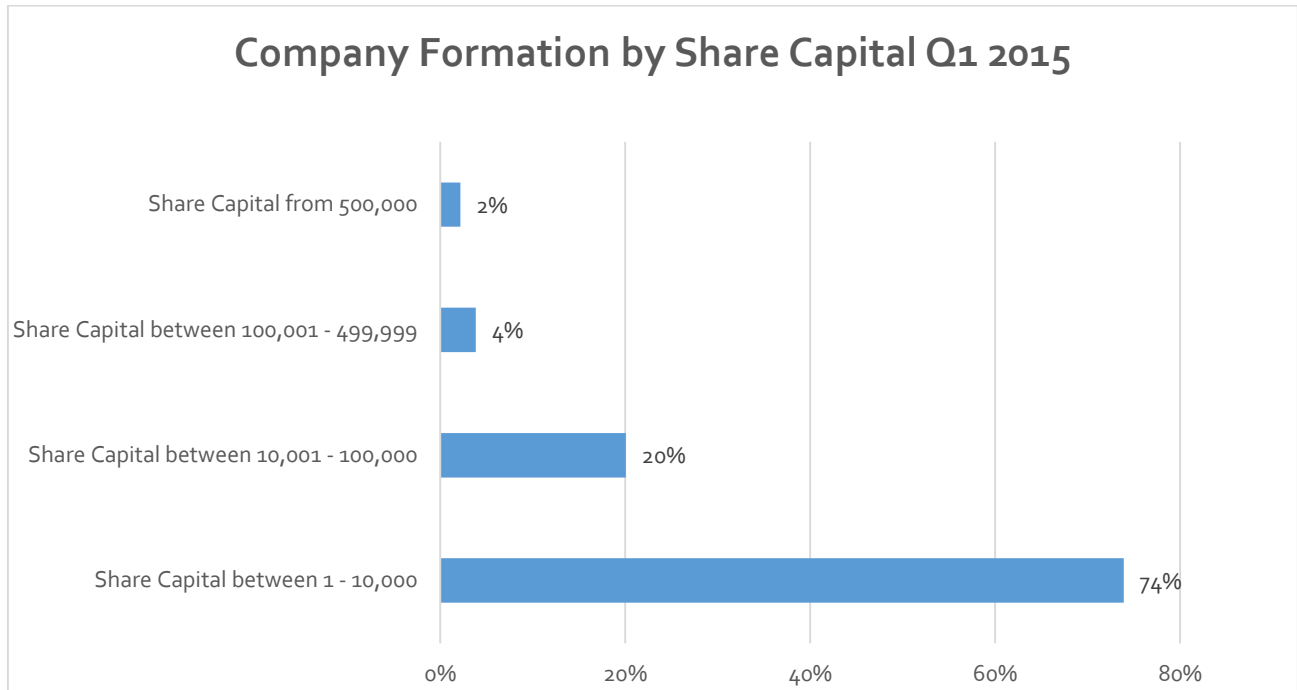
Type of Entity	Q1 2015	Increase/(Decrease) Q4 2014	Increase/(Decrease) Q1 2013
Limited Exempt Private Company	7,059	(11.8%)	(10.0%)
Limited Private Company	1,331	0.8%	(1.7%)
Public Company	60	13.2%	9.1%
Foreign Company Registered In Singapore	42	(8.7%)	(12.5%)
Sole Proprietorship	5,104	(46.8%)	(10.3%)
Limited Liability Partnership	503	(38.5%)	(18.5%)
Partnership	542	(28.7%)	(7.2%)

Across all categories the number of registrations registered a decline both on a QoQ basis as well as on a YoY basis. The Non-Exempt Private Limited entity has registered a marginal increase on a QoQ basis. However, it is of interest to note that the number of Public Companies registered in Singapore has increased in Q1 of 2015 both on a QoQ and YoY basis. Although most of the Public Companies formed are Limited by Guarantee, the number of Public Company Limited by Shares has increased considerably in this quarter. This is an indicator of favorable business environment in Singapore were businesses are confident to raise capital. The optimism prevailing in the market and among investors is noteworthy.

The sharp decline in the Sole Proprietorship, LLP and Partnership category on a QoQ basis indicates that the trend is reverting back to convention. The preceding quarters recorded a phenomenal increase in the numbers of these categories because of the specialised schemes announced in that year's budget. Now the financial year has come to a close, the small business owners would have adopted a wait and watch approach to assess what is in store in the new budget.



## 2 Business Formation by Share Capital

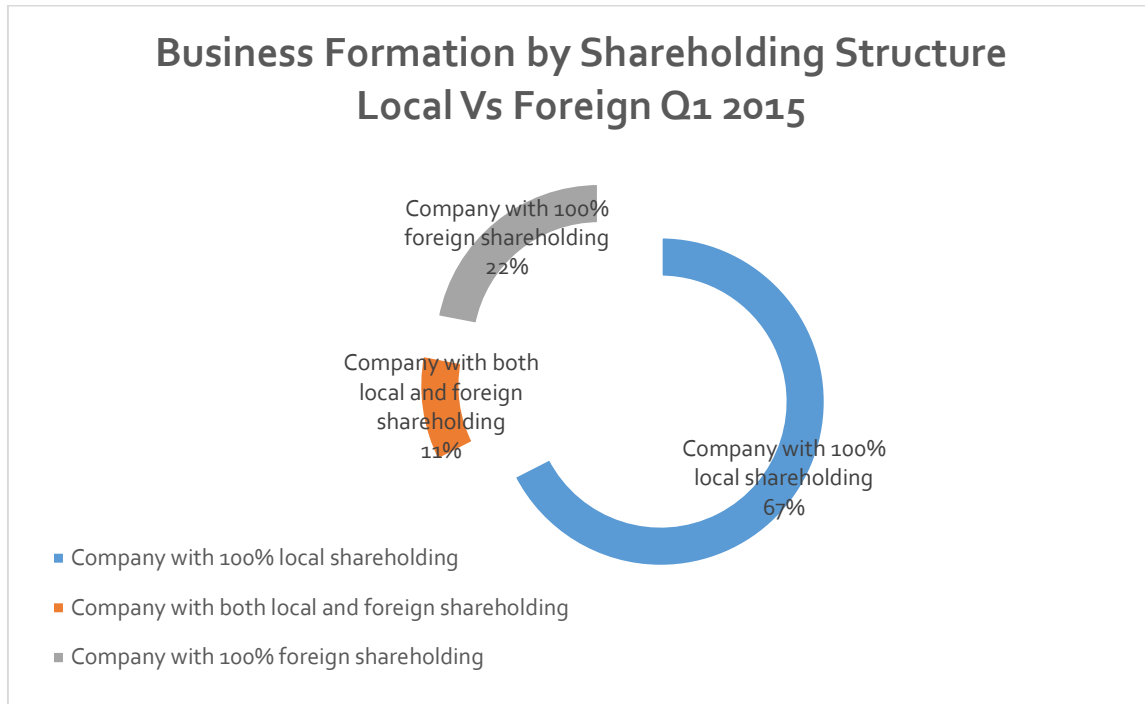


The majority of the formations are entities with a share capital of less than S\$10,000. Entrepreneurs capitalise on Singapore's regulatory framework that allows for companies to be incorporated with as little as S\$1 as share capital. Regulatory barriers do not overwhelm small entrepreneurs; this paves the way for easy and swift business formation. Startup owners proactively render their business idea as a legal identity and then progressively build on resources and capital.

In Q1 of 2015, 74% of the company formations have a share capital of less than S\$10,000. It is interesting to note that the share of companies with capital of S\$10,001 – S\$100,000 has increased by 2%. Likewise the share of companies with capital of more than S\$100,001 - S\$499,999 has increased by 1%. This indicates that more big companies have been setup in this quarter, hoping to get a head start in the beginning of the year. The business ecosystem of Singapore is complex and vibrant with lot of opportunities for the companies to gain synergies.

### 3 Business Formation by Shareholding Structure

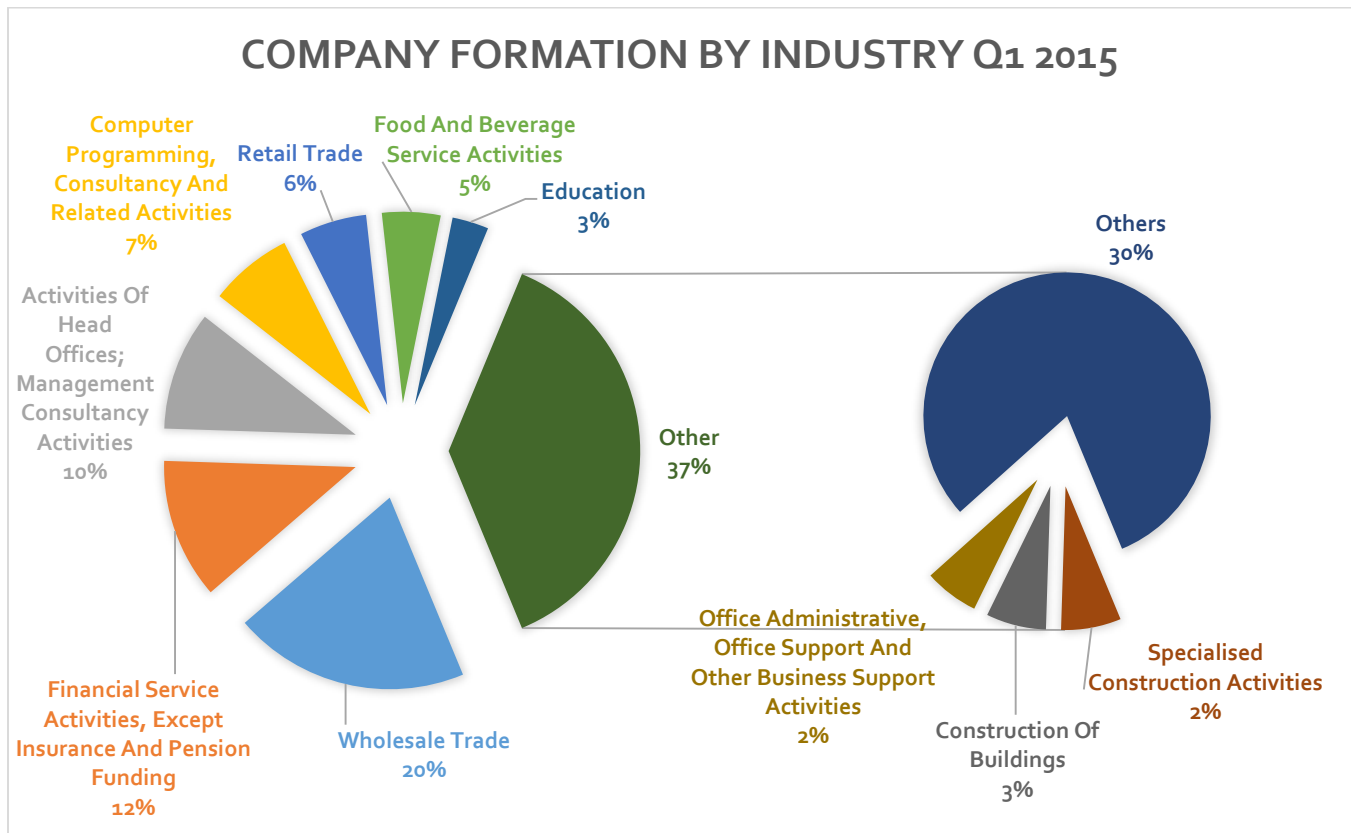
## by Shareholding Structure



In line with the convention the majority of the companies incorporated in Q1 2015 were locally owned with 67% fully owned by Singapore resident shareholders. Foreigners wholly owned 22% of the companies formed during the period and 11% were owned by a combination of local and foreign shareholders.

In terms of local or foreign shareholders, the share of the companies remained unchanged from the preceding quarter. The March announcement by US Fed to defer rate hike further brought some clarity to investors and entrepreneurs and this must have helped in sustaining the share of foreign held companies. Singapore allows for 100% foreign shareholding and it has established extensive Avoidance of Double Taxation Treaties with countries around the world. It also allows free repatriation of profits and there is no tax on capital gains.

## 4 Business Formation by Industry



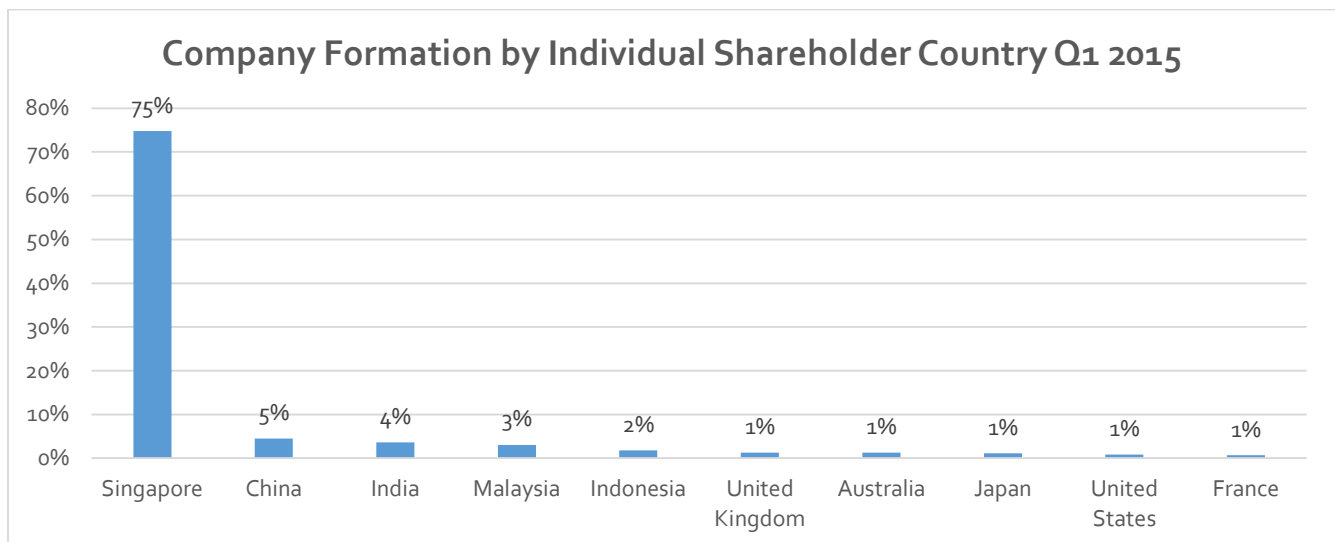
The maximum number of business formations was in the Wholesale Trade industry, followed by Financial Services and Activities of Head Office and Management consultancy. This has been the convention for the past few years. The share of Financial Services sector surged marginally by 1% compared to the preceding quarter. The slowdown in China and uncertainties in Western economies shifted the attention to Singapore, an international financial centre and relative safe haven. Singapore's Financial Sector Incentive (FSI) schemes have also favored the sector.

Despite the competitive strategies of regional economies, Singapore's dominance as a regional distribution hub continues to remain unchallenged and this has led to the sustained high share of Wholesale Trade Sector in business formation. Stationing Head Office Activities in Singapore brings operational efficiency and several other tax benefits to the companies, thus we find that the company formation in this sector continues to reign high.

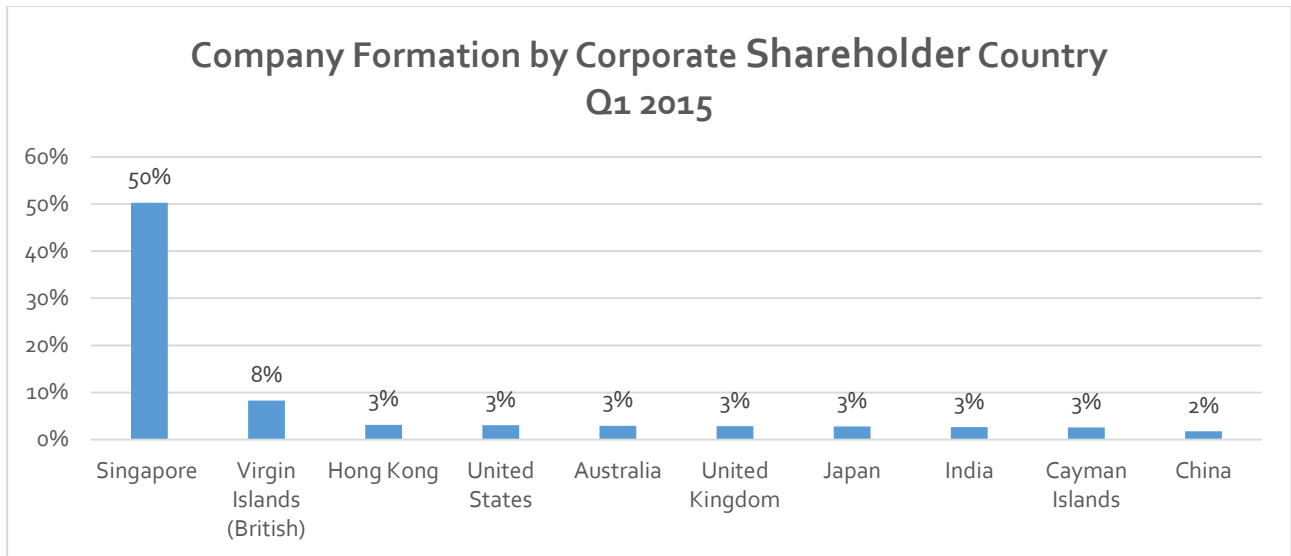
The share of Retail Trade and Computer and IT services dipped marginally against the preceding quarter. The tight labor market is posing a key entry barrier for aspirants in this sector.

## 5 Business Formation by Country of Origin

Singapore continues to hold strong traction for international investors and shareholders. Besides the resilient economy, thriving business ecosystem, transparent and simple tax regime, Singapore offers a good standard of living with low crime rates and a cosmopolitan culture. Investments made in Singapore are safe and legitimate. For Q1 2015, individual investors and entrepreneurs from China, India, Malaysia and Indonesia accounted for the largest share of foreign shareholders. The share of Chinese individuals has remained at a sizeable 5% since the preceding quarter, underscoring the appeal of Singapore against the decelerating Chinese economy. The share of Indian individual shareholders has increased marginally by 1%. The liquidity in India has increased with the central bank slashing the lending rates by 50 basis points. This must have prompted some spillovers. The poor performance of the Indonesian economy and the restructuring efforts of the new government may have caused a sharp spike in the share of Indonesian shareholders.



Registrations by foreign companies accounted for half of the subsidiary formations. 50% of the subsidiaries formed in Singapore had corporate shareholders from foreign countries. It is a significant dip from the previous quarter during which it held 52%. Companies from countries like British Virgin Islands, Hong Kong, the USA, Australia, Japan, India and the UK have set up subsidiary companies in Singapore. Corporate entities from British Virgin Islands and Hong Kong, with 8% and 3%, respectively continue to account for the highest share of companies formed. Indian and Chinese companies are finding Singapore an attractive location for setting up subsidiaries. The share of countries from where companies set up subsidiary companies in Singapore has largely remained unchanged in Q1 2015.



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

	Q1 2015	Q4 2014	Q3 2014	Q2 2014
<b>Total Number of Business Registrations</b>	14,641	20,540	21,918	18,689
<b>Registrations by Entity Type</b>				
Exempt Private Limited Company	7,059	8,006	8,767	8,188
Non-Exempt Private Limited Company	1,331	1,320	1,262	1,440
Sole Proprietorship	5,104	9,585	10,102	7,545
Partnership	542	712	764	693
Limited Liability Partnership	503	818	946	723
Public Limited Company	60	53	39	56
Foreign Company Registered in Singapore	42	46	38	44
<b>Registrations by Share Capital</b>				
S\$1 to S\$10,000	74%	77%	75%	74%
S\$10,001 to S\$100,000	20%	18%	20%	20%
S\$100,001 to S\$500,000	4%	3%	3%	4%
Above S\$500,000	2%	2%	2%	2%
<b>Registrations by Share Structure</b>				
100% Local Shareholding	67%	67%	71%	69%

	Q1 2015	Q4 2014	Q3 2014	Q2 2014
100% Foreign Shareholding	22%	22%	19%	21%
Both Local and Foreign Shareholding	11%	11%	10%	10%

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# 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 the 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](http://www.guidemesingapore.com).



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