Q3

SINGAPORE NEW BUSINESS TRENDS

JULY - SEPTEMBER

2016

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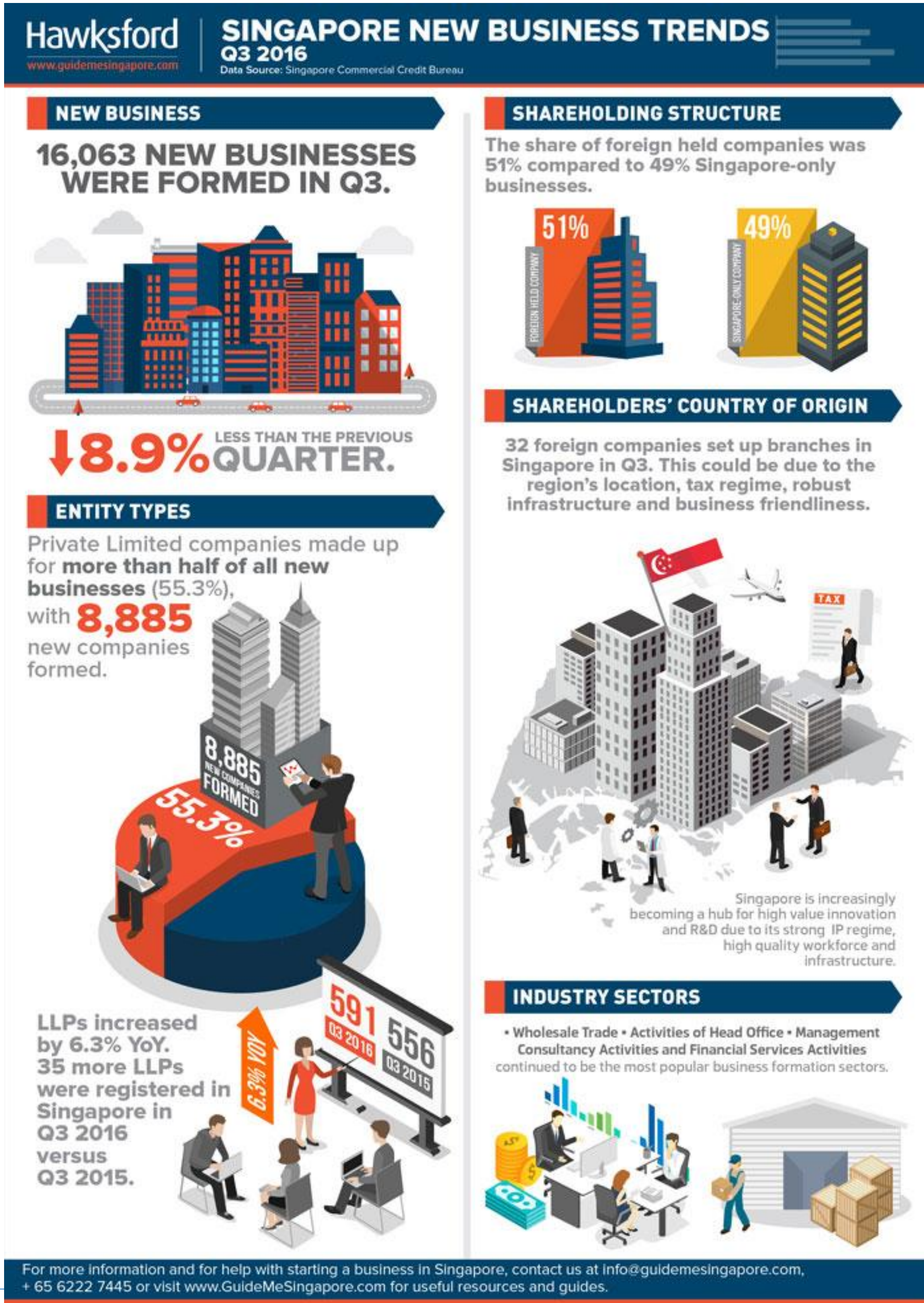
Data Source: Singapore Commercial Credit Bureau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SINGAPORE NEW BUSINESS TRENDS
Q3 2016
Data Source: Singapore Commercial Credit Bureau
NEW BUSINESS
16,063 NEW BUSINESSES WERE FORMED IN Q3.
8.9% LESS THAN THE PREVIOUS QUARTER.
ENTITY TYPES
Private Limited companies made up for more than half of all new businesses (55.3%), with 8,885 new companies formed.
8,885 NEW COMPANIES FORMED
55.3%
LLPs increased by 6.3% YoY. 35 more LLPs were registered in Singapore in Q3 2016 versus Q3 2015.
6.3% YOY
591 Q3 2016
556 Q3 2015
SHAREHOLDING STRUCTURE
The share of foreign held companies was 51% compared to 49% Singapore-only businesses.
51%
FOREIGN HELD COMPANY
49%
SINGAPORE-ONLY COMPANY
SHAREHOLDERS' COUNTRY OF ORIGIN
32 foreign companies set up branches in Singapore in Q3. This could be due to the region's location, tax regime, robust infrastructure and business friendliness.
TAX
Singapore is increasingly becoming a hub for high value innovation and R&D due to its strong IP regime, high quality workforce and infrastructure.
INDUSTRY SECTORS
• Wholesale Trade • Activities of Head Office • Management Consultancy Activities and Financial Services Activities continued to be the most popular business formation sectors.
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 New Business Trends (previously known as the Singapore Business Formation Report), 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 16,603 new businesses were formed in Q3 2016, slumping against the preceding quarter by 8.9%. The rate of contraction is comparable with the corresponding quarter in 2015.

- The Private Limited Company Category accounted for a major share of the total business formation (55.3%), with 8,885 new companies formed.

- Continuing the trend from Q2, Sole Proprietorship registration held the second largest share of 38.3%, declining from the 40% share held in the previous quarter.

- Exempt Private Limited Companies (EPC), with 7,488 registrations, accounted for 84.3% of the total Private Limited Companies formed during the quarter.

- The number of Private Limited Companies formed during the quarter, dropped by 4.8% against preceding quarter. The drop was largely driven by a fall in the registration of EPCs.

- The number of companies with a share capital of more than S$100,000 but less than S$500,000, registered a marginal increase from 3% in the previous quarter to 4% in Q3 2016.

- In terms of local vs. foreign shareholding, the twist that emerged in the first quarter of the year continued again in Q3. The share of foreign held companies was higher at 51%, albeit marginally dipping from the 52% held in previous quarter. The share of wholly foreign held companies dropped by one percentage point to 38% in the quarter.

- The top three industry sectors remained unchanged from previous quarters. The Wholesale Trade, Activities of Head Office & Management Consultancy Activities and Financial Services Activities (excluding insurance and pension fund services) continue to be the top three sectors for business formation.

- The share of subsidiaries of Singapore companies was sustained at 53% in the quarter. The share of British Virgin Islands subsidiaries went up by 2 percentage points to 7%. While the share of the US, Australia and Indian subsidiaries dipped by one percentage point, the share of Hong Kong, China and UK subsidiaries remained unchanged against the preceding quarter.

- Entrepreneurs and investors from Malaysia, China, India and Indonesia were the leading investors in Singapore. The share of Singaporean entrepreneurs and investors setting up companies remained unchanged at 56%

Economic Review Q3 2016

The stable US economy, anxiety over the Brexit aftermath, marginal recovery of oil price, frail but stabilized Chinese economic growth, surprising Indian growth story and the conditions favoring a potential federal rate hikes were the key themes for the third quarter of 2016.

The US economy is estimated to have expanded by slightly over 2% during Q3. Employment data remained strong but the business activities remained weak as a result of the strong US dollar, faltering exports, fragile oil market and the recession in Canada and Mexico.

The Eurozone's recovery is estimated to have stabilized at a modest GDP growth of 0.3% during the quarter. In Europe's biggest economy, Germany, exports surged during the quarter. However despite the positive upswing, there is some uncertainty looming over the Eurozone due to Brexit. The weakening of the pound against the euro will impede the Eurozone's exports to the UK and the impact of the UK's withdrawal on trade and economic relations is yet to unfold.

After a 0.7% growth in Q2, the UK is estimated to have moderated to a 0.3% GDP expansion in Q3. The UK economy appears to have pulled through the speculated deep dive after the referendum, however the anxiety about the overall impact of Brexit is still intact.

China's economic data brought some relief to observers, as it held steady in the quarter, expanding by 1.8% over Q2. This indicates that the government's stimulus measures are paying off and keeping the economy well on track to attain the estimated full-year GDP growth. Consumer spending has remained buoyant and manufacturing output is improving. However any further easing could distress economic growth.

In India, the third largest economy of Asia, Q3 is estimated to have mimicked the preceding quarter in terms of GDP expansion. Though the revised GDP computation methodology is under much scrutiny among global economists, the IMF has announced that India is on track to achieve a 7.6% growth for the year. The oil importing country has benefited from lower commodity prices, shoring up domestic consumption and defraying the impact of global sluggishness. The implementation of GST and cancellation of subsidies is fortifying funds available for public spending and helping to sustain momentum.

The recovery of oil prices appears to have aided Russia as its GDP is estimated to have remained flat over the preceding quarter. However the central bank retains its forecast of a 0.3% to 0.7% contraction, for the full year. The Rio Olympics failed to aid the receding economy of Brazil, which is struggling under huge inflationary pressure. All major economic indicators, such as employment rate, industrial output and investments all point towards a further fall for the South American country.

Japan's industrial output rose during the quarter indicating a modest GDP expansion in the third quarter. Wage growth has remained muted, resulting in poor consumer spending and low inflation. The Bank of Japan also announced a policy shift in September, whereby it will replace monetary easing with buying long-term government bonds in order to keep 10-year bond yields at 0%. This along with negative interest rates is expected to boost inflation.

The Indonesian economy is estimated to have slowed during Q3 following the tapering of the government's spending on infrastructure projects. The widening budget deficit has forced the central government to slash its spending by US$10 billion. Household consumption remains strong in Indonesia and the tax amnesty programme has been successful in effecting a significant increase in asset repatriation and tax revenue. This will help to balance the budget deficit and strengthen Rupiah amidst impending volatility.

The continued low price of crude oil is impacting Malaysia, a net oil exporting country. The government is defending the GST regime as a means of expanding the tax base. The GDP forecast for the whole year is maintained at 4.2%.

The Philippines' GDP for the second quarter expanded by 6.9% but is estimated to have slowed to a 6.5% expansion in Q3 on a Year on Year (YoY) basis. The slump is attributed to a decline in the overseas remittance and exports. Much of the growth was driven by the domestic demand fired up by an upswing in the employment rate.

Thailand approved a military backed constitution in a referendum held in early Q3. This is expected to provide some political stability for the economy, which was torn by domestic instability that affected investments. Sluggish global demand also impeded exports. The central bank has revised its GDP forecast for the year to 3.2%. Barring any political upheaval and negative impact on tourism, the Thai economy should be able to sustain the momentum through to the end of the year.

Singapore recorded a disappointing third quarter, during which the economy is estimated to have expanded by 0.6% on a YoY basis, a significant deviation from the estimated 1.7% growth. The sluggish global economy, tepid demand among trading partners and weak oil prices have all had an impact.

However the cyclical upturn in tech markets and seasonal demand is anticipated to reverse the situation in the fourth quarter. The steady recovery of the USA, sustained pace of Chinese economic growth and the subdued impact of Brexit all point towards the anticipated revival in Q4.. Despite the positive forecasts for the next quarter, we do not expect to see an increase in the number of new business registrations in Singapore. Previous research suggests that Q4 tends to be a quieter quarter for business formation as the holiday season approaches in many countries. This could provide competitive opportunities for clients wishing to push forward with getting their business started before the end of the year.

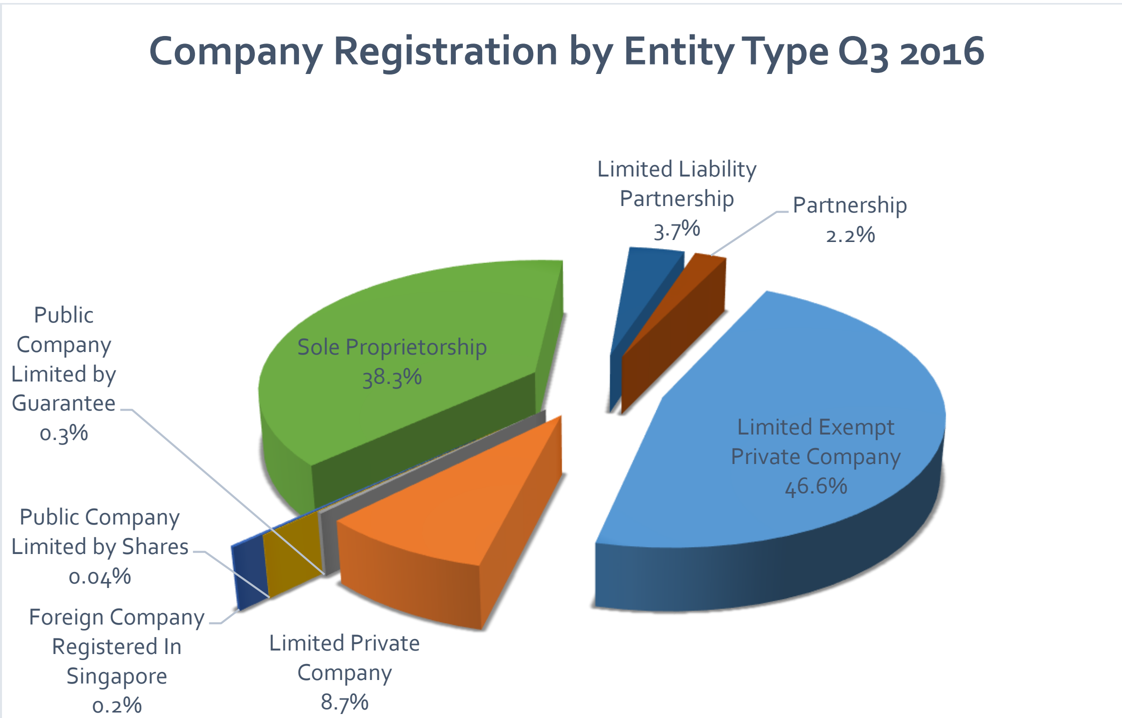
This report, published by Hawksford Singapore, presents the latest statistics of the number and profile of new business formation, the industries that have the highest number of business formations, and the top investing countries in Singapore for Q3 2016. It will also offer a comparison of current data 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 16,603 new businesses were formed in Q3 of 2016, signaling a 8.9% contraction from the preceding quarter. On a YoY basis, the total business formation figure has declined by 8.8%. This decline was anticipated considering the regional and global economic scenario.



Much of the decline in registrations was driven by a steep fall in Sole-Proprietorship and partnerships. The two categories have dropped by 13.2% in total against Q2 2016, accounting for a shortfall of 1,082 businesses in the third quarter.

In terms of types of entity, the quarter replicated the historic trend - private companies accounted for the major share of new business formations, with 8,885 private companies formed during the quarter. The category accounted for 55.3% of the total business formations. Exempt Private Companies (EPCs), with 7,488 registrations, accounted for 46.6% of the total business formation, slightly more than the 44.8% held in the preceding quarter. This remains the popular entity because of the easy post-incorporation compliance requirements and the limited liability of the shareholders. Non Exempt Private companies, with 1,397 registrations, accounted for 8.7% of the total formation, constituting a 0.6 percentage point increase over the preceding quarter.

The number of Sole Proprietorships formed during the quarter was 6,157 and held a share of 38.3%. Its share dropped marginally from the 40% share held in the previous quarter. This entity type is popular among small, less risky businesses, such as tutors, freelance writers, artists, and skilled service providers. The decline may be attributable to better employment opportunities arising amidst tight labor market conditions and because of the flagging global economic conditions that are prompting potential small entrepreneurs to defer their business plans.

A total of 937 partnerships were formed in Q3, of which 591 were Limited Liability Partnerships (LLP). The remaining 346 were General Partnerships. In General Partnerships the liability remains unlimited and personal assets are at risk in the event of claims made against the business. It is ideal for small and less risky businesses where the promoters need to pool their resources to establish their business entity. The LLPs are more common among chartered professionals, whose services involve considerable risk of litigation and claims. The LLP limits the liability of partners to the expressly agreed sum of capital. In the quarter's total business formation, the LLP and Partnership entities account for 3.7% and 2.2% respectively.

32 Foreign Company branches were registered in Singapore during the third quarter, accounting for a 0.2% share in the total business formation. During the quarter 52 Public Companies were formed, of which seven were Companies Limited by Shares and 45 were Companies Limited by Guarantee.

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

Type of Entity	Q3 2016	Increase/(Decrease) Q2 2016	Increase/(Decrease) Q3 2015
Limited Exempt Private Company	7,904	(5.3%)	3.2%
Limited Private Company	1,431	(2.4%)	0.2%
Public Company	60	(13.3%)	4%
Foreign Company Registered In Singapore	57	(43.9%)	(27.3%)
Sole Proprietorship	7,058	(12.8%)	(20.4%)
Limited Liability Partnership	665	(11.1%)	6.3%
Partnership	453	(23.6%)	(39.3%)

The Foreign Company Branch Office category appears to have the steepest decline at 43.9%, but the difference is not significant when we look at the absolute numbers. It had 57 registrations in the preceding quarter and 32 registrations in the third quarter. On a YoY basis the category was short of 12 registrations and tumbled by 27.3% against the corresponding quarter in 2015. Despite the looming interest rate hikes and economic uncertainties, the continued registration of foreign company branch offices in Singapore,underscores the fact that Singapore has a strong traction for foreign companies. Its ideal location, tax regime, robust infrastructure and business friendliness bodes well for foreign companies looking for a regional launch pad.

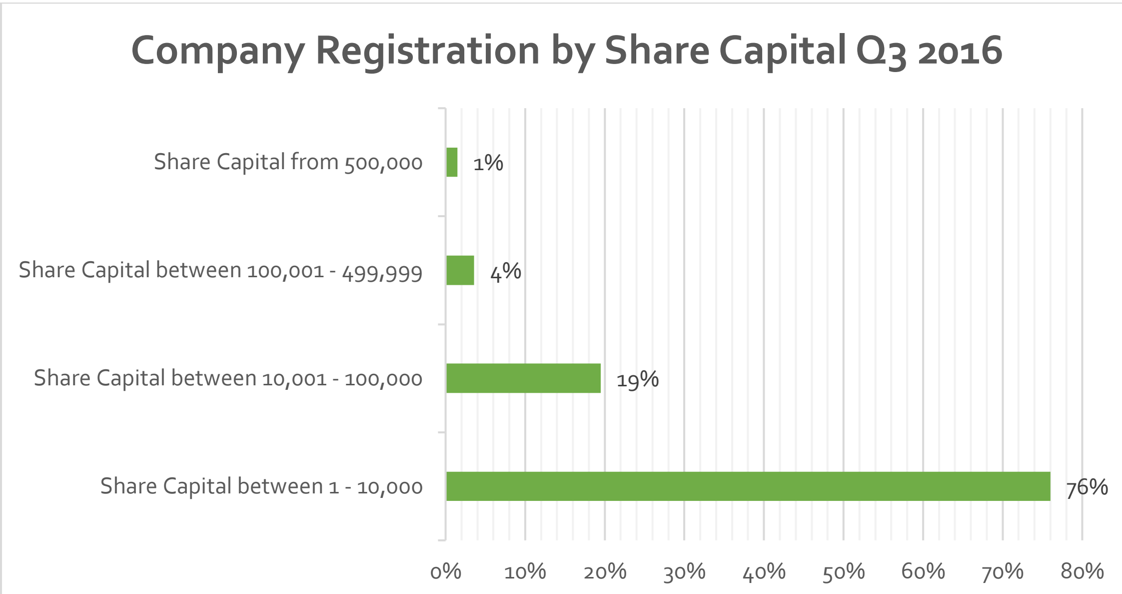
The other steep declines, in terms of percentage, were in the Partnership and LLPs (23.6% and 11.1% respectively). The decline for the Partnership category is indicative of the sensitivity of businesses in this category to economic fragility. It must be noted that on a YoY basis, while the registration of Partnerships nosedived by 39.3%, the LLP category has increased by 6.3%. Professional practitioners, such as accountants, doctors, architects and lawyers adopt the LLP as a business vehicle. The 6.3% YoY growth translates to 35 more LLP businesses in Q3 2016, in terms of absolute numbers. Though the economic conditions may appear unfavorable for businesses in general, some specific professional practices are insulated from economic trends, which explains the YoY growth for the category.

On a QoQ basis, all categories contracted. The steepest contraction, in terms of absolute numbers, occurred in the Sole Proprietorship category. Although in terms of percentage the QoQ decline is only 12.8%, the category was short of 901 businesses against the preceding quarter. On a YoY basis the category dropped by 20.4%. The businesses in this category are small businesses that are very sensitive to the economic conditions. The category has been on a corrective course after a brief period of deviation in 2014 and 2015 from the historical quarterly averages. The improved employment opportunity amidst tight labor market may have also contributed to the fall in self-employed locals, who typically register such Sole-Proprietary entities.

The 13.3% QoQ decline in the Public Company category was largely driven by the fall in registration of Companies limited by Guarantee. This vehicle is adopted by non-commercial undertakings such as trade associations, charities, cooperatives and NGOs. Despite the decline, the registration of Public Companies limited by shares increased from six to seven in the preceding quarter. On a YoY basis the public company increased by 4%, largely driven by an increase in the number of Companies limited by Guarantee.

Both Private Company categories registered a decline against the preceding quarter. The EPC company and Non-Exempt Private company categories registered a QoQ decline of 5.3% and 2.4% respectively. It must be noted that registration of Non-Exempt companies that are typically medium and large sized companies, with minimal contraction, has remained relatively stable. More importantly on YoY basis, both the Exempt and Non-Exempt categories have increased by 3.2% and 0.2% respectively. This is indicative of the strong business fundamentals and value propositions that Singapore holds for companies even amidst the volatile economic conditions.

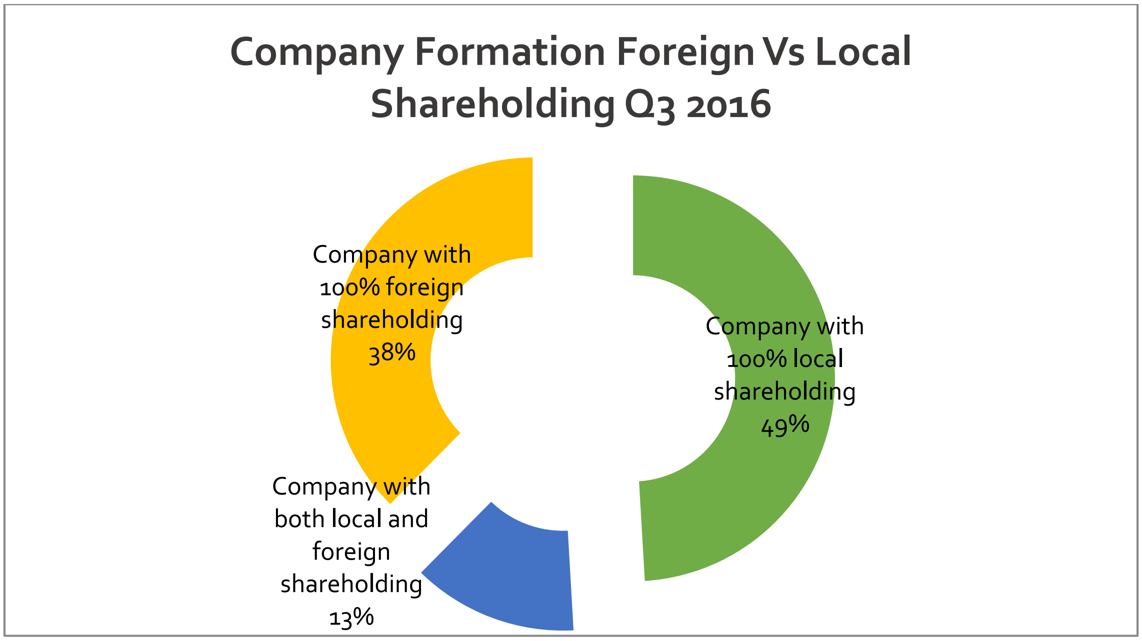
2 Business Formation by Share Capital



The majority (76%) of the new companies formed had a share capital of S$10,000 or less. The share has marginally increased by one percentage point against the preceding quarter. Entrepreneurs and enterprises capitalize on the regulatory framework of Singapore that allows for companies to be registered with a share capital of even S$1. This is really beneficial to entrepreneurs who are in need of a legal identity for their business but are not in a position to invest huge capital. It facilitates the instant incorporation of companies. World Bank in its *Doing Business Report* has continuously ranked Singapore as the world's easiest place to do business because of such business friendly regulatory framework.

It is interesting to note that the share of companies with a share capital of S$100,001 – S$499,999 has inched up marginally from 3% in Q2 2016 to 4% in Q3 2016. It is evident that medium and large-scale businesses is growing in Singapore and they remain unperturbed by the economic volatility. The shares of companies with share capital of S$10,001-100,000 and S$500,000 or more was 19% and 1% respectively.

3 Business Formation by Shareholding Structure



The recent deviation whereby the share of foreign owned companies outdid the share of locally owned companies moderated in the third quarter. Since the first quarter of the year, the deviation was spotted and it became more prominent with the share of foreign held companies rising to 52% in Q2. But in this quarter the deviation moderated to 51% with the share of wholly foreign owned companies dropping to 38% from 39% in Q2 2016. Correspondingly, the share of wholly locally held companies increased to 49% from 48% in preceding quarter. The share of partially foreign owned companies remained unchanged at 13%.

The region is the best vector for growth and foreign enterprises and entrepreneurs are flocking to setup their companies to ensure proximity to markets. Singapore is best placed not only in terms of geographical location but also in terms of political stability, enterprise ecosystem and regulatory frameworks. Therefore in spite of the economic stagnations, investors, enterprises and entrepreneurs are going ahead with their business plans. The extensive DTA arrangement and competitive tax regime are other key tractions for foreign companies that are keen on tax efficient structuring to curtail tax expenses.

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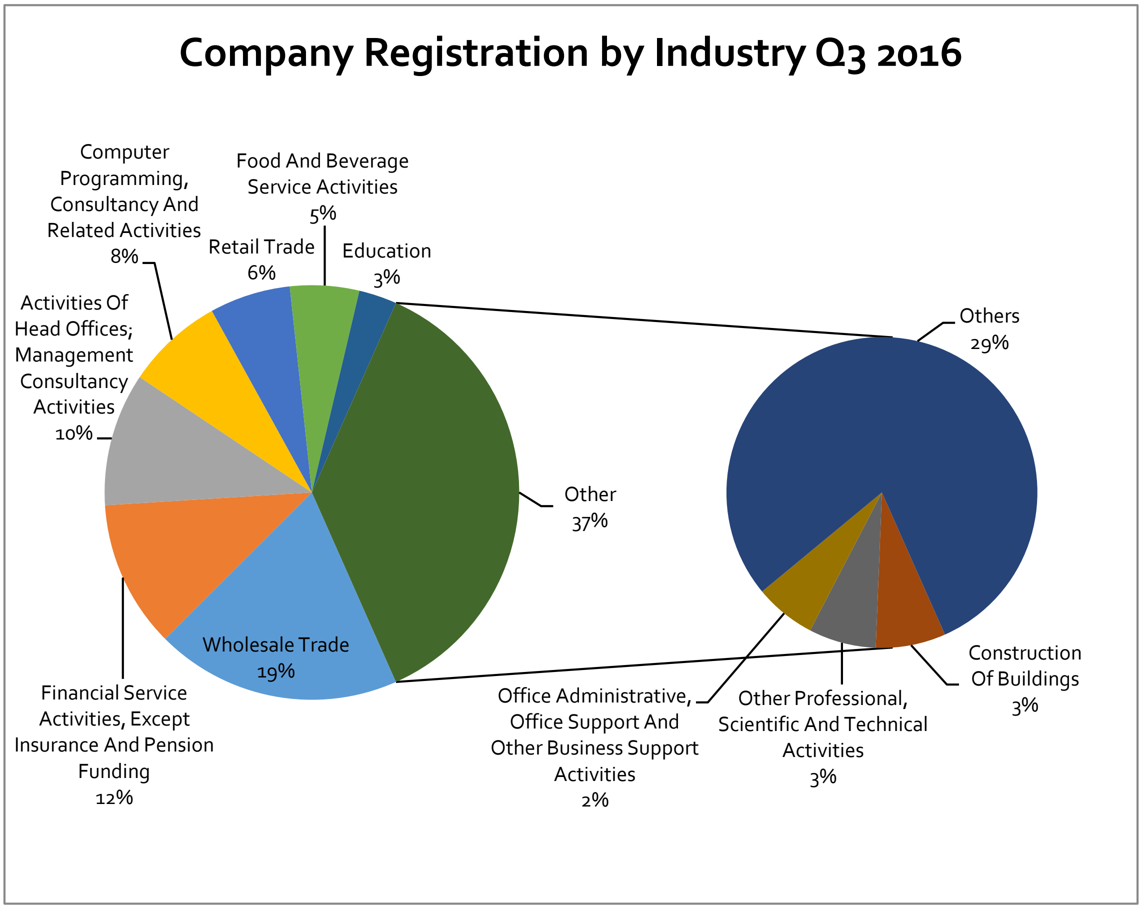
4 Business Formation by Industry



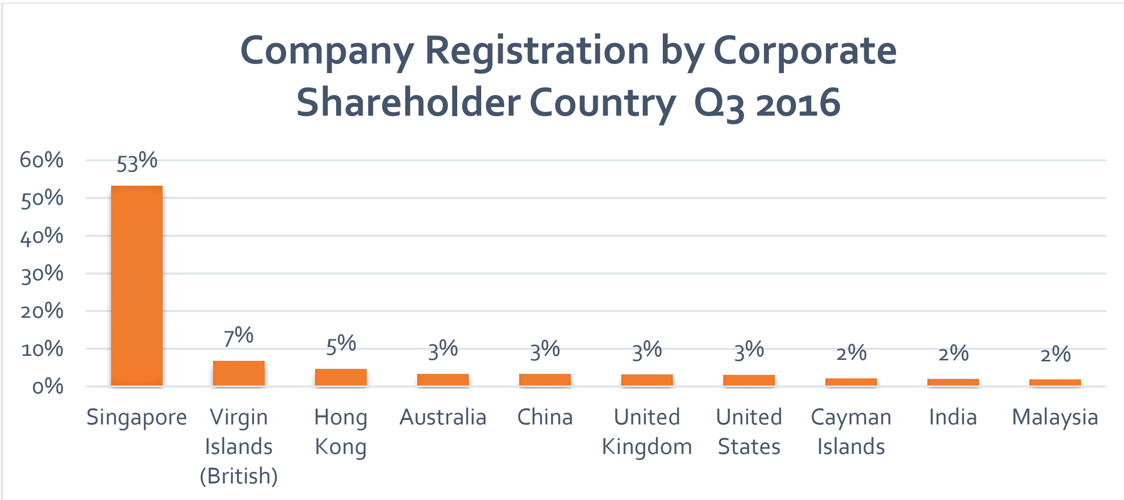
The Wholesale trade industry continued to top the charts but its share dropped by one percentage point to 19% of the total business formation. The Financial Service industry (except Insurance and Pension Funding), Activities of Head Offices and the Management Consultancy industry held a share of 12% and 10% respectively.

Singapore continues to attract trading companies because of its strategic location and world-class ports and customs service. Singapore is located on important maritime routes that connect both sides of the hemisphere, making it 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. Recently London-based connectivity services provider for the financial services industry, FXecosystem, has opened its regional headquarters in Singapore. CITIC Envirotech also established its international headquarters here in July.

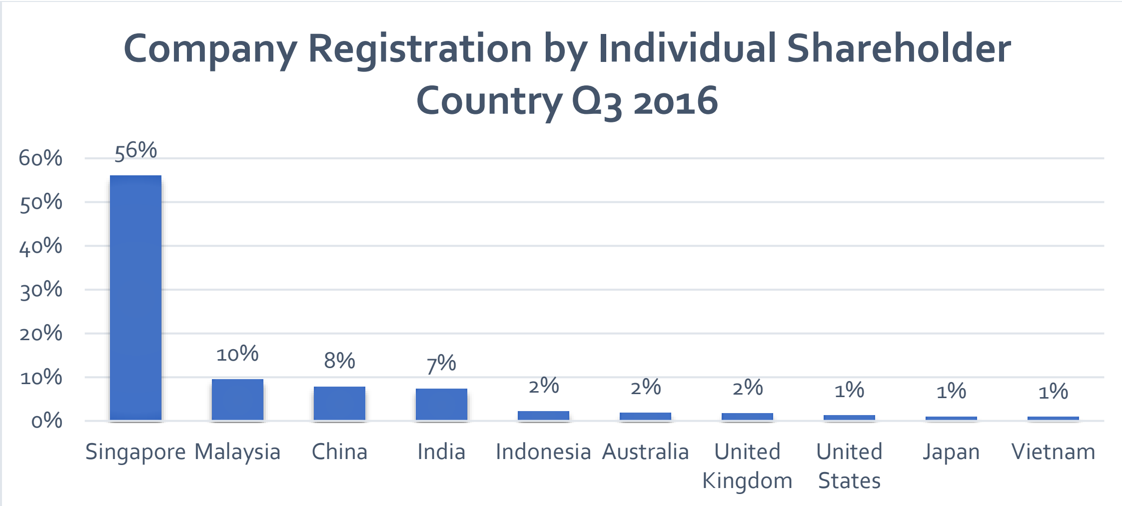
Singapore is increasingly becoming a hub for high value innovation works and a knowledge base for enterprises. More international companies and startup enterprises are setting up their R&D and innovation centers in Singapore, because of the strong IP regime that complements its high quality workforce and infrastructure. Several hi-tech research centers were launched in Singapore during the quarter. For example Dentsu Aegis Network launched its Global Innovation Center, Philips launched an Application Center, CITIC launched an Innovation Center and ENGIE, the energy giant, launched a green energy lab.

5 Business Formation by Shareholder's Country of Origin



The share of Singapore subsidiaries in total company formation remained stable at 53% in Q3 2016. Compared to the preceding quarter, the share of Hong Kong and China remained stable at 5% and 3% and the share of British Virgin Island subsidiaries shot up by two percentage points to 7% in Q3. The share of US, Australia and Indian subsidiaries dropped by one percentage point against the preceding quarter.

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 last two quarters it plunged to 47%. Foreign individuals drive much of the growth in the share of foreign held companies rather than foreign subsidiaries.



The share of companies owned by Singaporeans remained stable at 56% in Q3 2016. It is a significant deviation from the customary share of around 70%. This indicates that more foreign individuals are setting up companies here in Singapore. It is evident that funds are flowing from the countries with sluggish economies or where the credit rates are aggressively accommodative. Entrepreneurs and investors from Malaysia, China, India and Indonesia accounted for the largest share of foreign individual shareholders. The share of Malaysians increased marginally by one percentage point to 10% in Q3. The near recessionary trends and political uncertainty may have coaxed Malaysians to set up companies in Singapore to explore regional opportunities.

6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Total Number of Business Registrations	16,603	17,628	15,910	16,612
Registrations by Entity Type				
Exempt Private Limited Company	7,488	7,904	7,333	6,682
Non-Exempt Private Limited Company	1,397	1,431	895	1,421
Sole Proprietorship	6,157	7,058	6,621	7,423
Partnership	346	453	383	530
Limited Liability Partnership	591	665	604	480
Public Limited Company	52	60	32	46
Foreign Company Registered in Singapore	32	57	42	30
Registrations by Share Capital				
S$1 to S$10,000	76%	75%	75%	75%
S$10,001 to S$100,000	19%	20%	20%	19%
S$100,001 to S$500,000	4%	3%	3%	4%
Above S$500,000	1%	2%	2%	2%
Registrations by Share Structure				
100% Local Shareholding	49%	48%	50%	65%

	Q3 2016	Q2 2016	Q1 2016	Q4 2015
100% Foreign Shareholding	38%	39%	37%	24%
Both Local and Foreign Shareholding	13%	13%	13%	11%

About Hawksford Singapore

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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:

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- 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.

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