

Q3

SINGAPORE
BUSINESS
FORMATION
STATISTICS
REPORT

JULY – SEPTEMBER

2015

Hawksford

www.guidemesingapore.com

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NEW BUSINESS

17,608 new business formations in Q3 2015



SINGAPORE PROVES ITS RESILIENCE AS A BUSINESS CENTRE

10.3% INCREASE AS COMPARED TO Q2 2015

20.3% INCREASE AGAINST Q1 2015

MOST POPULAR ENTITY

Private Limited Entities continue to top the charts, with

8,652

companies formed in the quarter

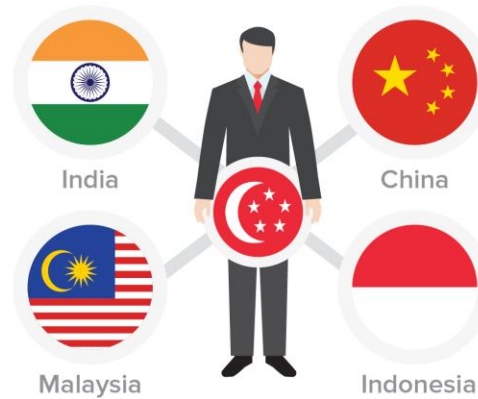


556

Limited Liability Partnerships, an entity favoured by doctors, architects and engineers.

SHAREHOLDER'S COUNTRY OF ORIGIN

Entrepreneurs from India, China, Malaysia & Indonesia accounted for the leading investors in Singapore.



SHARE CAPITAL

75% OF THE COMPANY FORMATIONS HAVE A SHARE CAPITAL OF LESS THAN **S\$10,000**

The volatile equity markets, slowing Chinese economy, softening commodity prices, stronger US dollar, deferral of Federal rate hike, escalating geopolitical tension underpinned by the intensifying refugee issue were some of the major trends in the Q3 of 2015.



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 Q3 2015.

Report Highlights

- There were 17,608 new business formations in Q3 2015, registering a sharp increase from the 15,964 businesses formed in the preceding quarter. So far this quarter has the highest number of new business formations for the year, an increase of 10.3% and 20.3% against Q2 and Q1 respectively.
- With 8,652 Private Limited Companies formed, this category held the largest share, slightly over 49%, among the total businesses formed during the quarter.
- The share of Sole Proprietorship registration in the total business formation accounted for nearly 44%, a marked increase from the share of over 37.7% held in the previous quarter.
- Of the total Private Limited Companies incorporated, Exempt Private Limited Companies (EPC) accounted for 84% with 7,258 registrations.
- Wholesale trade, financial services, and head office and management consultancy activities continue to remain the top three sectors in terms of new business formation.
- Companies from the British Virgin Islands, the United States, Hong Kong, Australia, China, Japan and India were among the top investors in Singapore during the quarter. There was a marginal increase in subsidiaries being set up by Hong Kong and Australian companies.
- Entrepreneurs and investors from India, China, Malaysia and Indonesia accounted for the leading investors in Singapore.

Economic Review Q3 2015

The third quarter of 2015 was dominated by downside risks to the global economy, which has been moderating since the previous quarter. The growth induced by stimulus injection from economies around the world, is loosing steam. Although the US continues to expand, the slowing Chinese economy is sending shivers around the world. The UK is posting bolder growth figures yet Brazil, Russia and significant parts of Europe remain in recession. Industrial activity remains sluggish.

There were a number of major global issues during Q3 - the volatile equity markets, slowing Chinese economy, softening commodity prices, stronger US dollar, deferral of Federal rate hike and the escalating geopolitical tension underpinned by the intensifying refugee crisis.

The US economy is estimated to record a GDP growth of 1% to 1.5% against Q2. The US registered a strong rebound in the second quarter by posting a 3.9% growth in Q2 from the 0.6% in Q1. Although the GDP growth has declined, it is the only major economy that is maintaining the uptrend amidst the tumultuous global economy. Employment data improved during the quarter with the unemployment rate falling to 5.1%, the lowest in the post recession period. The demand for housing and personal spending remained firm during the quarter and imports surged due to stronger USD, but exports plunged against weak global demand.

Q3 2015 remained moderate in the UK. Its recovery decelerated in the quarter due to weakness in the manufacturing sector spreading to the service sector, which predominantly drives the economy. Consumer confidence also shrank and spending dwindled. The Purchase Managers Index (PMI) during the quarter was the lowest since April 2013 and Sterling weakened against USD and the Euro. Its GDP for the quarter is estimated to be around 0.5%. Growth in the UK will continue to lag in the next quarter.

The Eurozone successfully avoided a 'Grexit' and is estimated to have expanded by 0.4% in the Q3 of 2015, mainly driven by domestic consumption and backed by healthy employment figures. Industrial production posted a moderate growth in the quarter, and the weaker Euro and resurgent US helped its exports, yet it remained lacklustre because of the decelerating emerging economies. The currency union was also perturbed by the refugee crisis.

China has undoubtedly slowed and the government is adjusting its economy to gain ground through domestic consumption. However, its PMI fell to its lowest in September. China's slowdown is impacting its neighbouring economies, which have been a major source of input to China's manufacturing sector. The equity market was rattled and the losses were staggering, and the volatility is expected to continue. Rate cutting by Bank of China has eased the credit; this coupled with the government's rebalancing efforts should payoff eventually.

India appears to be a bright spot with its manufacturing sector expanding as its industrial output rose to a three year high in August. Domestic consumption is driving growth despite sluggish external demand. The rate cutting by the Reserve Bank of India has been an economic boost.

Among Singapore's neighbouring countries, Malaysia's growth moderated amidst the political turmoil emanating from the corruption scandal. The softer oil and commodities prices also impacted the economy but domestic consumption kept it going. Growth during the quarter is estimated to have fallen short of the preceding quarter. Indonesia's economic performance faltered during the quarter due to the slowdown in its biggest trading partner, China. The government's efforts to revive the economy through stimulus spending failed to take off. The GDP estimate was revised down by the government, this caused the Rupiah to spiral down. Thailand has been the most underachieving economy with faltering manufacturing output, consumer spending and exports. The Philippines has kept an impressive performance as its neighbours are battered by the headwinds. Strong domestic consumption, rising private sector investments and falling debt burden favoured the country in the third quarter.

Singapore's economy was in the doldrums in Q3 of 2015. It narrowly missed a technical recession by expanding 0.1% on a QoQ basis. It expanded by 1.4% from a year ago and managed to reverse the 2.5% contraction in the previous quarter. The growth primarily came from the services sector, which was buoyed by SG50 celebration, SEA games and Formula 1 race. Exports and industrial outputs diminished. The deceleration in China, weakening global demand, tight labour market and cooling property market together contributed to the dent in growth. The Republic went to election in this quarter and voted the long-ruling People Action Party back to power. Politically, the country is stable and businesses are assured of a clear direction in terms of economic policies and domestic business environment.

The slowdown in the Chinese economy is sending shockwaves across the Asian region, which is tightly integrated in China's manufacturing supply chain. The broad based impact is anticipated to keep the growth muted in the coming quarter, unless strong domestic consumption revs up the economies. The US rate hike may be deferred until early next year, giving some respite to businesses relying on credits. However, the not so robust recovery in the West and the delayed momentum of China's domestically focused rebalancing efforts will result in a sluggish Q4.

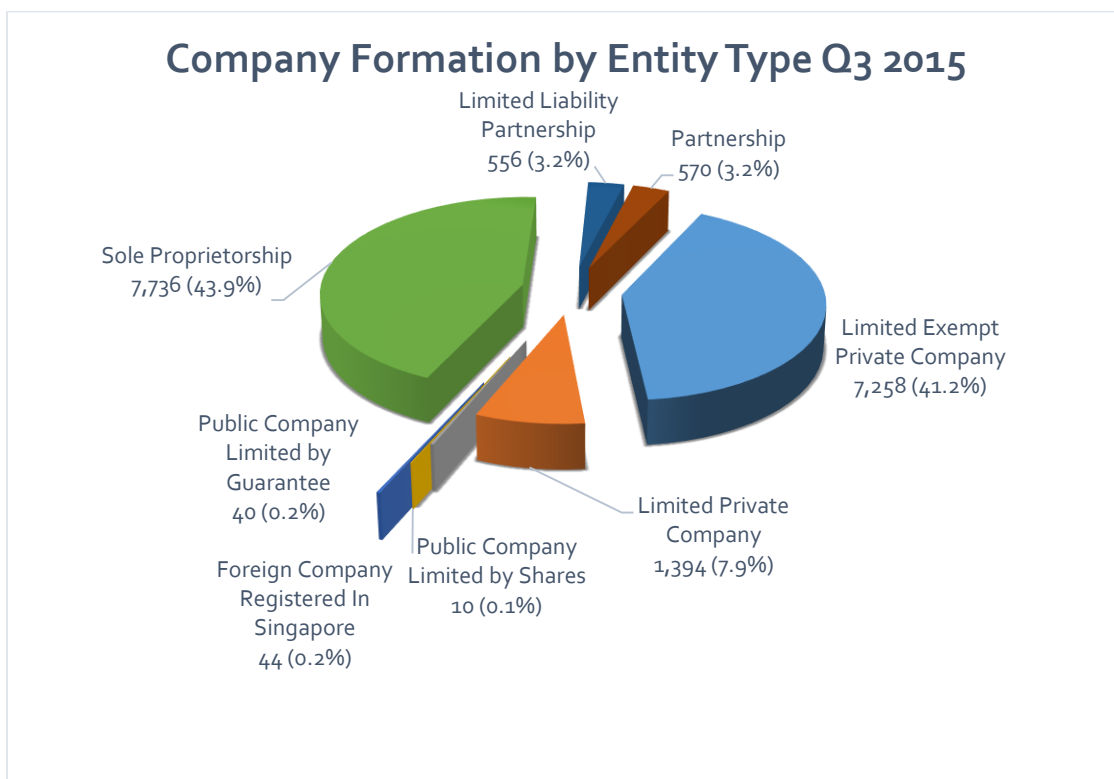
This report presents the latest statistics of the number and profile of new business formations, the industries that have the highest number of business formations, and the top investing countries in Singapore for Q3 2015. It will also offer a comparison of current data with those of the three previous 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 17,608 businesses were formed during the third quarter of 2015. The number of registrations shot up by 10.3% compared to Q2 of 2015. Compared to the first quarter, the number of new businesses formed has increased by 20.3%, a significant jump following a painful start to the year. The fact that this has happened amidst many uncertainties - a tumultuous equity market, Singapore General Elections, and political unrest in neighbouring economies - endorses the resilience of Singapore as a business centre in the region. The slowdown in China had pushed the country close to a technical recession; however domestic consumption and a healthy service sector helped Singapore to narrowly avoid one. Although business sentiments remained dampened by the tight labour and credit market, the confidence in the resilience and inherent economic strengths of Singapore is intact among investors and entrepreneurs.



In terms of entity types, private limited entities continue to top the charts, with 8,652 companies formed in the quarter. However, in this quarter the share of Exempt Private Companies (EPC) took a marginal dip to 84% from 85% in the preceding quarter. With 7,258 registrations, EPCs account for the largest type of entity. The private non-exempt entity type witnessed a marginal surge in its share of total private limited company formation with 1,394 registrations.

Exempt Private Companies (EPC) are small companies that are exempted by ACRA, the company registrar, from statutory annual audits. The criteria to qualify as an EPC underwent sweeping changes when the latest amendments to the Companies Act came into effect on July 1 2015.

Under the new framework a company will qualify as a small company to be regarded as EPC if it meets the following criteria:

- Annual revenue is less than \$10 million SGD;
- Total assets not exceeding \$10 million SGD;
- Less than 50 employees.

It is not a straight-forward framework and will require further explanations as there are various conditions that apply. You can find out more at <http://www.guidemesingapore.com/blog-post/singapore-business/overview-of-the-key-amendments-to-companies-act-phase-1>.

The regulatory burden being lifted off small companies, the ease of doing business in Singapore is furthered. This reduces the cost and complexity of incorporating and operating companies in Singapore. More small companies will benefit from the relaxed compliance framework.

With 7,736 registrations, the sole proprietorships accounted for the second largest share in the new business formation. It accounted for 43.9% of the new businesses formed during the quarter. Sole proprietorship is the perfect type of entity for small, less risky businesses. The compliance requirements are very lenient and less demanding on the proprietors.

A total of 1,126 partnership businesses were formed, of which 556 were Limited Liability Partnerships (LLP). The LLP structure provides the triple benefit of the ability to limit the partners' personal liability while enabling the pooling of funds and resources by partners. More importantly, the compliance requirements are minimal. This entity type is popular among professionals such as doctors, architects and engineers. The partnerships in general accounted for 6.4% in the total business formation.

A total of 44 foreign companies were registered in Singapore during the quarter, accounting for 0.2% of the total business formation. This is a strong endorsement of Singapore's attraction as a regional business hub and international financial

centre. Many international companies use Singapore as a hub and spoke arrangement to organise their operations in this part of the world.

In Q3 2015, 50 Public Companies (0.3%) were registered of which 40 were Limited by Guarantee and 10 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	Q3 2015	Increase/(Decrease) Q2 2015	Increase/(Decrease) Q3 2014
Limited Exempt Private Company	7,258	(1.8%)	(9.8%)
Limited Private Company	1,394	4%	(6.9%)
Public Company	50	0%	(10.7%)
Foreign Company Registered In Singapore	44	(6.4%)	(6.8%)
Sole Proprietorship	7,736	28.5%	(20.2%)
Limited Liability Partnership	556	(1.2%)	(22.1%)
Partnership	570	(1.8%)	(20.2%)

On a QoQ basis, the sole proprietorship category registered the highest spike, growing by 28.5% against the preceding quarter. The partnership business registration also went up by 3.1% against previous quarter. These categories have been registering sharp and aberrant growth since last year and even caused a twist in the historical trend, whereby, the share of private limited companies have always led the new business formation numbers. But the numbers returned to the normal trend in the first quarter of this year. Although the trend has been upheld in this quarter, the sharp increase in the sole proprietorship registration is noteworthy. The numbers started surging since last quarter. In Budget 2015 it was announced that the Productivity and Innovation Credit (PIC) scheme would be phased out by 2018. A good proportion of the registrations in this category may be attributable to business owners who are scrambling to take advantage of the PIC. Registration numbers of partnership entity followed a similar norm.

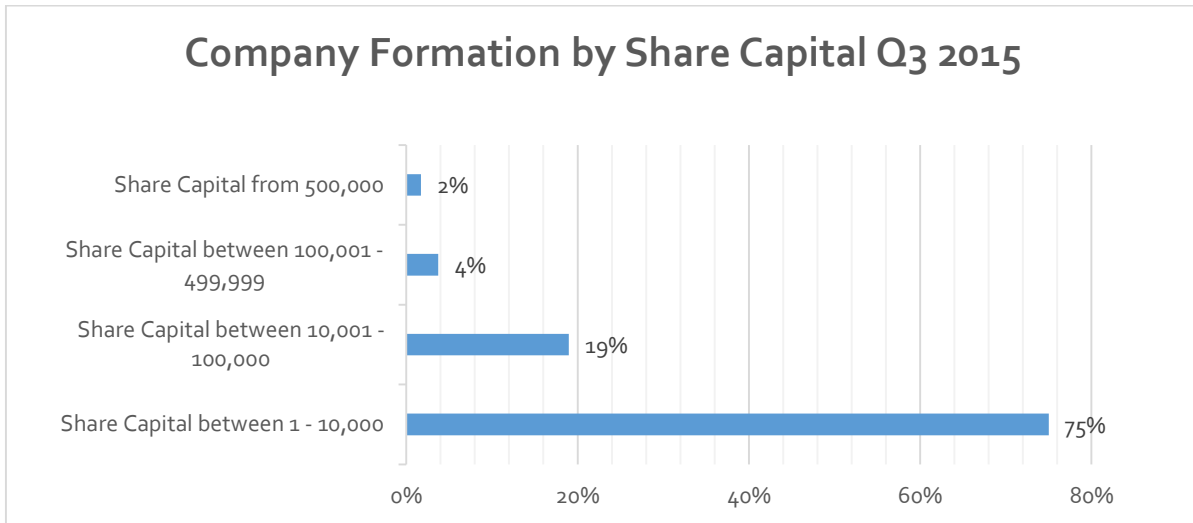
It is of interest to note that non-exempt private companies have been on the rise on a QoQ basis by 4%. This is indicative of the fact that medium and large size businesses are being set up even amidst the tumultuous economic condition.

On a Year-on-Year (YoY) basis, there was a decline in the number of registrations across all entity types in the third quarter, except for, non-exempt private company, public company and foreign company. Since the second quarter of last year, business owners and investors were speculating a federal rate hike and imminent tightening of liquidity and access to credit. Investments and new business registrations were put on hold for a wait and watch approach, however with the rate hike being deferred there is a revival of active business formation, among medium and large-scale category. The YoY business formation numbers underscores this.

Exempt private limited company category registered a sharp decline of 17.2% on a YoY basis in Q3 2015. These are generally small companies that are sensitive to economic conditions. The general slowdown in domestic and external economic expansion, may have led to this slump.

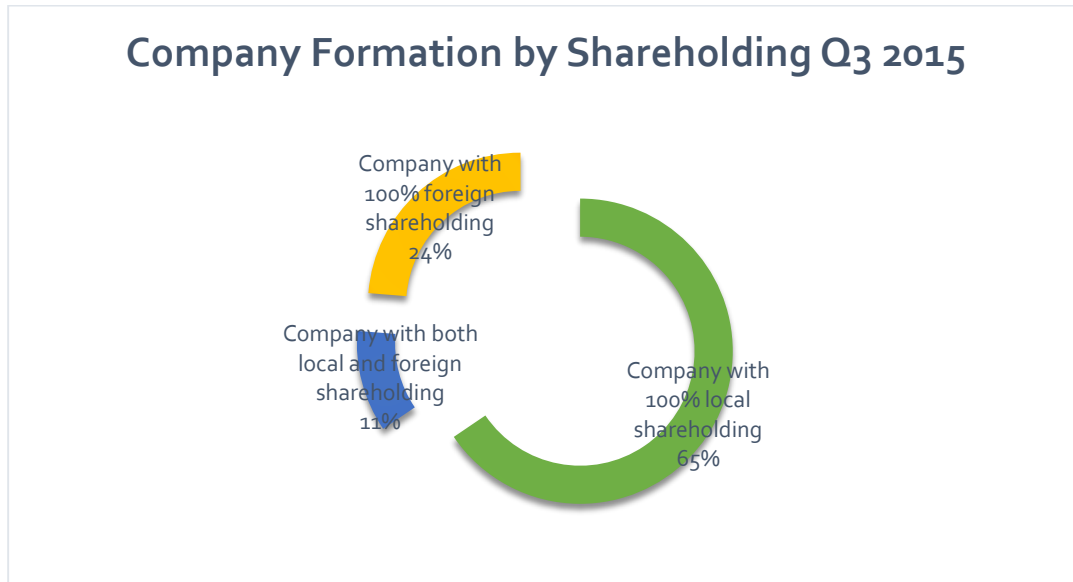
Limited Liability Partnerships, Sole Proprietorships and Partnerships registered a sharp decline on a YoY basis. This is a reversal from the abnormal trend triggered by incentive schemes targeted at these categories. However, with the recent tightening of screening measures for qualifying businesses and scrutiny of suspicious activities the numbers have been falling.

2 Business Formation by Share Capital



In Q3 of 2015, 75% of the company formations have a share capital of less than S\$10,000. The share of companies with capital of S\$10,001 – S\$100,000 marginally decreased to 19%. The share of companies with capital of S\$100,001 - S\$499,999 and S\$500,000 or more, remained at 4% and 2% respectively. This indicates that the formation of large companies remains largely unchanged owing to the strong business fundamentals in Singapore. Smaller entrepreneurs continue to benefit from the low entry barriers in the regulatory framework that paves way for companies to be set up with share capital as low as S\$1. The business ecosystem of Singapore is complex and vibrant with lot of opportunities for companies to gain synergies.

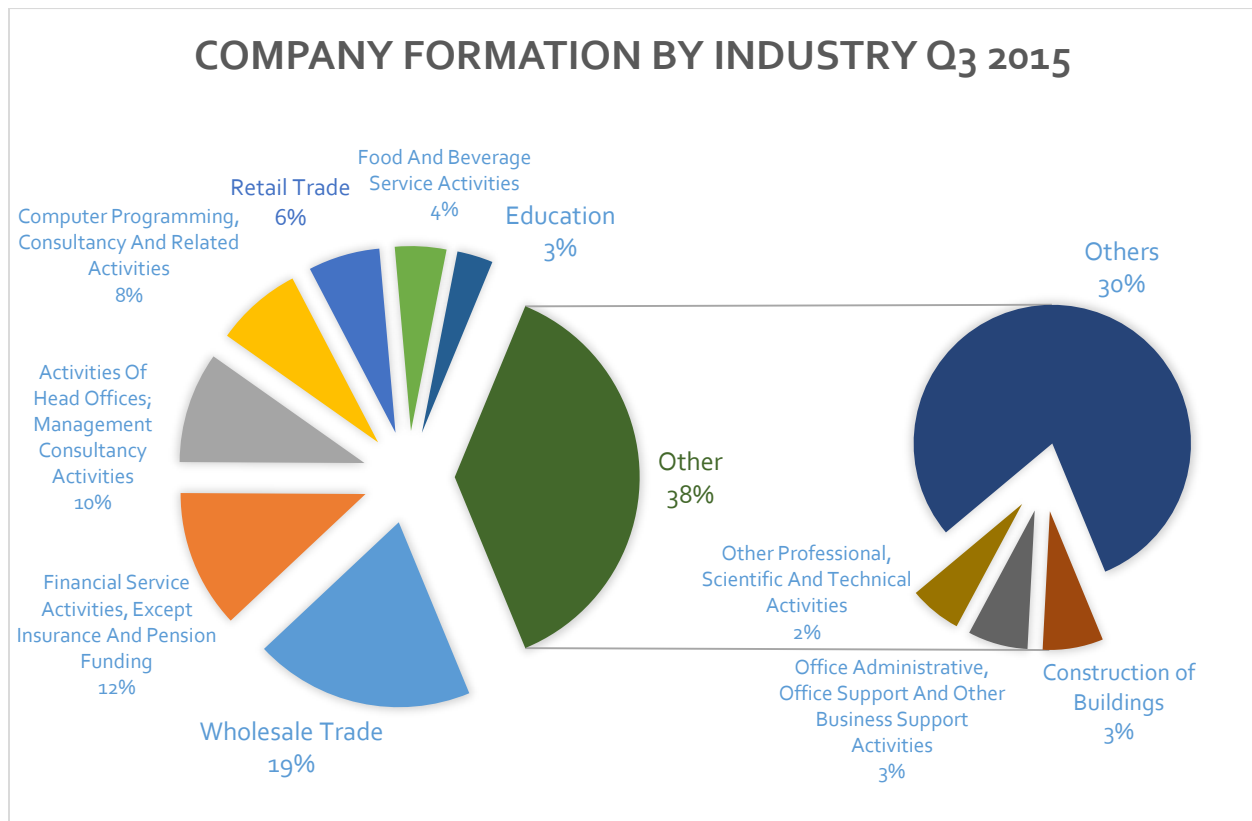
3 Business Formation by Shareholding Structure



The majority of the companies incorporated in Q3 2015 were locally owned with 65% fully owned by Singapore-resident shareholders. Foreigners wholly owned 24% of the companies formed during the period and 11% were owned by a combination of local and foreign shareholders.

Against Q2 2015, the share of the companies in terms of local or foreign shareholders remained unchanged, except for a marginal dip by 1%, in the share of wholly locally owned companies. The deferral in federal rate hike may have brought some clarity to the investors and entrepreneurs, helping to sustain 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



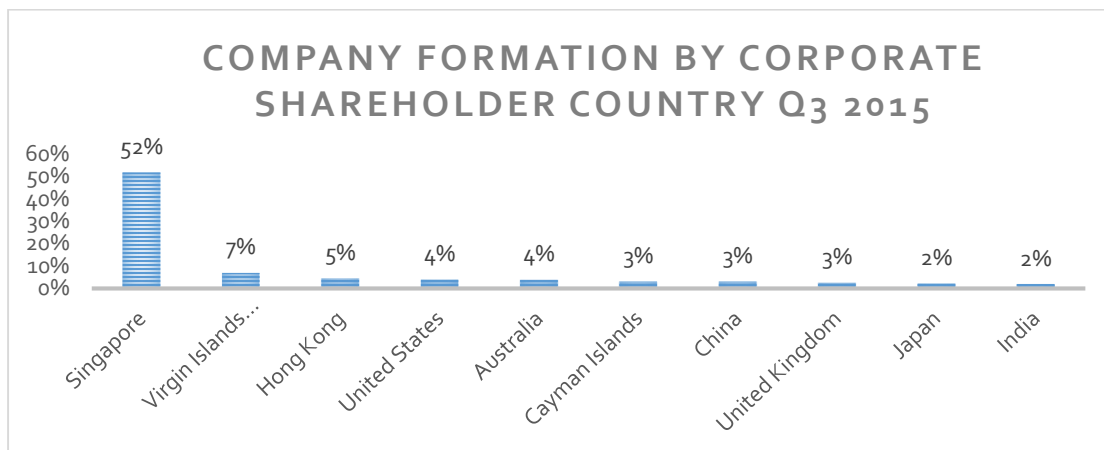
Conforming with the historical trend, the wholesale trade sector had the highest business formation in Q3 2015. Financial services and activities of head office and management consultancy sectors had the next highest share. Singapore’s strategic location along the corridor of east and west makes it an ideal location as a trading hub. The government has, along the years, honed its strategic edge by enhancing its connectivity with neighbours and countries around the world, not only in terms of transport but also in terms of trade pacts. Along with the world-class ports and service platforms, service providers and intermediaries, Singapore has a winning combination as a trading and distribution hub in the region.

Compared to the preceding quarter, the share of financial services sector remained unchanged at 12%. The slowdown in China and uncertainties in the western economies shifted the attention to Singapore, an international financial centre and a relative safe haven. Singapore's Financial Sector Incentive (FSI) schemes have also favoured the sector. Likewise the share of head office and management consultancy activities remains nearly resilient because of Singapore’s unique value

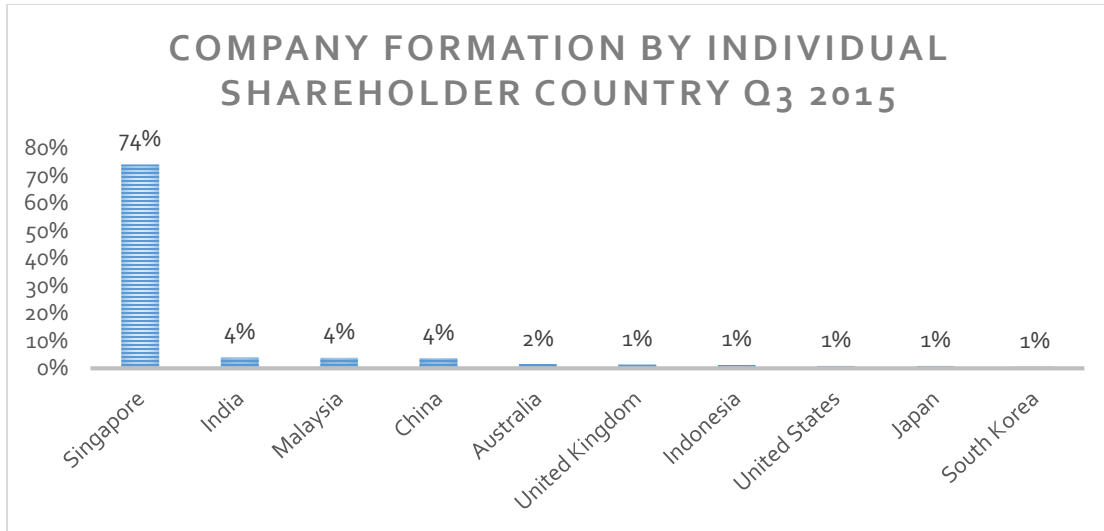
proposition, as an Asian hub that has an English-speaking workforce, convenient time-zone, and world-class facilities that enable a hub and spoke setup. The share of other sectors remained unchanged.

5 Business Formation by Country of Origin

Registrations by foreign companies accounted for 48% of the subsidiary company formation in Singapore. This is a significant dip from the previous quarter during which it held 50%. The general slowdown in the global economy may have driven this slide in share. Companies from countries like British Virgin Islands, Hong Kong, the USA, Australia, Japan, India and the UK have setup subsidiary companies in Singapore. Corporate entities from the British Virgin Islands and Hong Kong, with 7% and 5% respectively, continue to account for the highest share of companies formed. The share from Hong Kong and Australia has gone up from last quarter (From 3% in Q2 2015 to 5% and 4% respectively).



For Q3 2015, individual investors and entrepreneurs from India, Malaysia, China and Australia accounted for the largest share of foreign shareholders. The share of individual shareholders from India registered a marginal dip against the preceding quarter, from 5% to 4%. The liquidity in India has increased with the central bank slashing the lending rates, but the internal investment conditions are attractive, channelling some of the outbound investors to focus domestically. The share of Malaysian and Australian individual shareholders went up marginally by 1% against the preceding quarter. Besides the tumultuous economic conditions worsened by the low commodity prices, the political uncertainty in Australia and Malaysia, both being commodity exporting countries, may have urged the entrepreneurs and investors to look for regional opportunities, perhaps prompting some spill-overs.



6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Total Number of Business Registrations	17,608	15,964	14,641	20,540
Registrations by Entity Type				
Exempt Private Limited Company	7,258	7,389	7,059	8,006
Non-Exempt Private Limited Company	1,394	1,341	1,331	1,320
Sole Proprietorship	7,736	6,021	5,104	9,585
Partnership	570	553	542	712
Limited Liability Partnership	556	563	503	818
Public Limited Company	50	50	60	53
Foreign Company Registered in Singapore	44	47	42	46
Registrations by Share Capital				
S\$1 to S\$10,000	75%	74%	74%	77%
S\$10,001 to S\$100,000	19%	20%	20%	18%
S\$100,001 to S\$500,000	4%	4%	4%	3%
Above S\$500,000	2%	2%	2%	2%
Registrations by Share Structure				
100% Local Shareholding	65%	66%	67%	67%

	Q3 2015	Q2 2015	Q1 2015	Q4 2014
100% Foreign Shareholding	24%	24%	22%	22%
Both Local and Foreign Shareholding	11%	11%	11%	10%

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.

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