

Q3

SINGAPORE
BUSINESS
FORMATION
STATISTICS
REPORT

JULY - SEPTEMBER

2014

Hawksford
www.guidemesingapore.com

HAWKSFORD SINGAPORE Pte Ltd

16 Raffles Quay, #33-03, Singapore 048581

+65 6222 7445 | www.GuideMeSingapore.com

Preface

Hawksford Singapore (formerly Janus Corporate Solutions) 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 analyzes the factors affecting business formations in Singapore. This report is a summary of the business formation activities in Q3 2014.

The global economy is settling for a new normal of modest growth in developed economies and stabilization or a dip in emerging economies. The momentum of growth is picking up in the developed economies, and their contribution to the global GDP is estimated to be higher for the quarter. The emerging markets are receding from their cyclical peaks, and although their growth rates remain much above the developed economies they are slowing down invariably. Thus the global economic recovery is weak and uneven.

The US recovery signals have become stronger with the spike in consumer spending along with growth in employment. With the fall in unemployment claims, consumer confidence has shored up and the asset market has also stabilized. The dollar has been gaining. With the surge in recovery signs, the federal chief has announced that Quantitative Easing (QE) will come to an end in October. IMF is also optimistic about the growth trajectory of the US.

The European Union is still in a slump; with inflation, employment and productions falling, the European Central Bank (ECB) – besides slashing the prime lending rates – also announced plans for further credit expansion in the form of QE programs to buy asset-backed securities and Euro bonds. Russia's growth is severely hampered by sanctions and plunging investor confidence.

The UK has sustained its growth momentum. Amidst fears of potential interest rate hikes, the governor of the Bank of England signaled that the rates would stay at the current levels of 0.5% for the medium to long term. This set a mood of optimism among the business community. Uncertainties over the Scottish referendum had little impact on the economic performance and, more importantly, the result ending in favor has bolstered the outlook.

Economic data from China was not strong for the quarter and investors remained concerned about the continued slowdown. Japanese inflation continued to slide amidst the new consumption tax that took effect recently. India fared well during the quarter, buoyed by the momentum induced by the reform-oriented new government.

Singapore's GDP is estimated to have expanded by 2.4%, falling lower than the estimated 2.7%. Economic restructuring and inflationary pressure appear to weigh down on economic growth, which is getting little help from the subdued global recovery. The export-dependent sector lagged, while the service sector appears to have performed well. However, inbound tourism has not returned to its normalcy after the MH370 and South Korean Sewol tragedies; unrest in Hong Kong is also adding to the downtrend. However, we anticipate that the sustained global recovery, albeit subdued, will give a boost to the local economy.

Geopolitical situations loomed large in the quarter; events in Iraq and Russia worsened while Hong Kong's pro-democracy protests, which flared up during the latter end of the quarter, whilst not impacting the Asian economy, has nevertheless tensed up the regional investors.

The global economy will remain on a growth track for the last quarter of 2014, however it will remain subpar. Although the geopolitical risks did not particularly impact the global market, the risks remain. The diminished downside risks for the US are a reason to cheer but the growth momentum is not sufficient to fuel phenomenal global growth.

Market confidence ushered by the political change in India and Indonesia and the stabilized Thailand should help shore up the confidence of investors and enterprise, despite the slack in China.

Singapore's growth outlook still holds good, aided by strong domestic demand. With the global economy sustaining on the growth phase, the export oriented sectors should also do well. The ensuing seasonal holidays in the final quarter of the year will aid the service industry. Government productivity schemes and low interest rates will further boost the economic activity.

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 Q3 2014. It will also offer a comparison of current data with those of the three previous quarters. The report is presented in five parts:

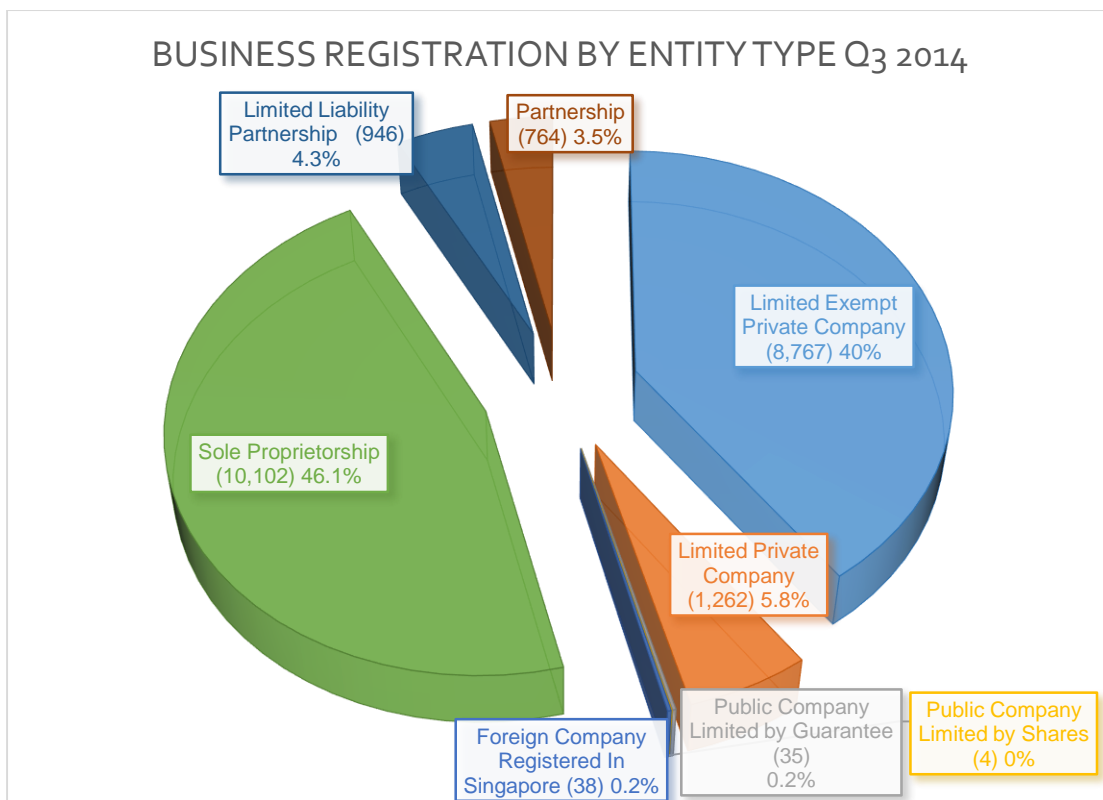
1. Business formation by entity type
2. Business formation by share capital
3. Business formation by shareholding structure
4. Business formation by industry
5. Business formation by shareholder's country of origin
6. Comparison of Business Formation Activities over the Last 4 Quarters

Report Highlights

- There were 21,918 business formations in Q3 2014, which is a significant jump compared to the 18,689 business formed in Q2 2014 and also against the Q1 2013 figure of 15,457.
- Breaking the convention, the number of Sole Proprietorship, with 10,102 registrations, overtook the Private Limited Company registrations. With 10,029 formations the Private Limited Companies receded to the second position.
- Of the total Private Limited Companies incorporated, Exempt Private Limited Companies (EPC), with 8,767 registrations, accounted for 87.4%. Higher than the previous quarter.
- The number of Private Limited Companies went up by 4.2% against previous quarter. However the Year on Year growth rate is significantly higher at 13.8%.
- The top three industry sectors with the largest number of business formations remain wholesale trade, financial services, and head office and management consultancy activities.
- The British Virgin Islands, the United States, Hong Kong, China, Japan and India were among the top investing countries in Singapore during the quarter.

1 Business Formation by Entity Type

A total of 21,918 new businesses were formed in the Q3 of 2014, recording a 17% increase over the previous quarter. As against Q3 of 2013 this marked an increase of 42%. The surge in registration is an indicator of the business confidence in Singapore despite the inflationary pressures caused by economic restructuring. The sustained global economic recovery also has contributed to the exceptional spike.



Bucking the trend the Sole Proprietorship registration, with a total of 10,102 registrations, took over the Private Limited Companies category. The share of Private Limited Companies has conventionally remained over 50% but in this quarter its share fell to 46%. On the contrary the Sole proprietorship, whose share has always hovered around 35% in the preceding quarters, started on an upward trajectory since last quarter, when it registered a 40% share and a 33% QoQ growth against Q1 registrations. Its QoQ growth against Q2 is marginally higher at 34%.

This surge in sole proprietorship category may have been triggered by the recent proposal in the parliament to extend more government help and support to sole proprietors and freelancers. In addition, the cash payout option available for qualifying

sole proprietors for eligible expenses under the Productivity and Innovation Credit (PIC) scheme, may have also served as an impetus for entrepreneurs to register their business activity in order to render a legitimate legal identity.

The share of Limited Liability Company dropped to a surprising 46% with a total registration of 10,029. Among them the Exempt Private Company (EPC) type accounted for 87.4%. EPCs have very minimal compliance requirement and also limits the liability of the shareholders, therefore it remains a popular choice.

A total of 1,710 partnerships were formed in Q3, of this 946 were Limited Liability Partnerships accounting for 4.3% of the total formation.

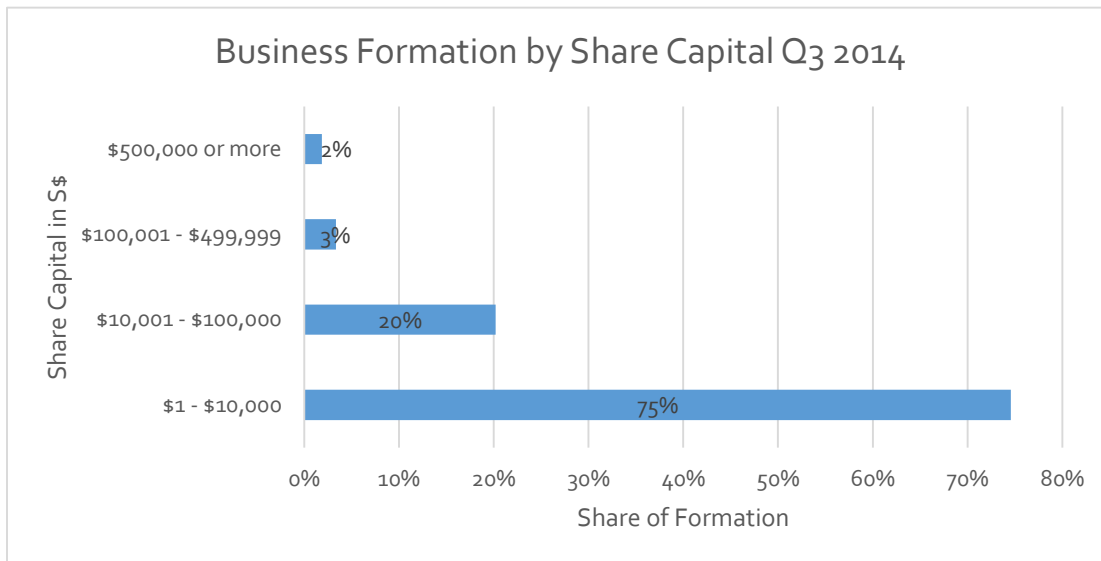
There were 38 Foreign Companies registered in Singapore and this took a share of 0.2%. In terms of absolute numbers, there is a decline from 44 in the previous quarter. However the continued registration of foreign companies testified the continued traction that Singapore holds as an international hub for foreign companies. A total of 39 Public Companies were formed in Singapore and 4 of them were companies limited by shares.

Type of Entity	Increase/(Decrease) from Q2 2014	Increase (Decrease) from Q3 2013
Limited Exempt Private Company	7.1%	17.8%
Limited Private Company	(12.4%)	(7.7%)
Public Company	(16.1%)	(2.5%)
Foreign Company Registered In Singapore	(13.6%)	(30.9%)
Sole Proprietorship	33.9%	89.8%
Limited Liability Partnership	30.8%	60.3%
Partnership	10.2%	19.4%

On a QoQ basis Exempt Private Company category registered 7.1% growth. Three categories, the Limited Private Company, Public Company and Foreign Company slumped on a QoQ basis. The decline in the Public Company and the Foreign Company registration in Q3 of 2014 are attributable to the prevailing uncertainties in the market over the credit tapering and sluggish growth of China. However it must be noted that the absolute number of Public Company limited by shares formed in Q3 and the preceding quarter remained the same. The Sole Proprietorship and LLP recorded a significantly high growth rate against the previous quarter this was mainly driven by the increased government support for the Sole Proprietary and Partnerships in the form of PIC Scheme.

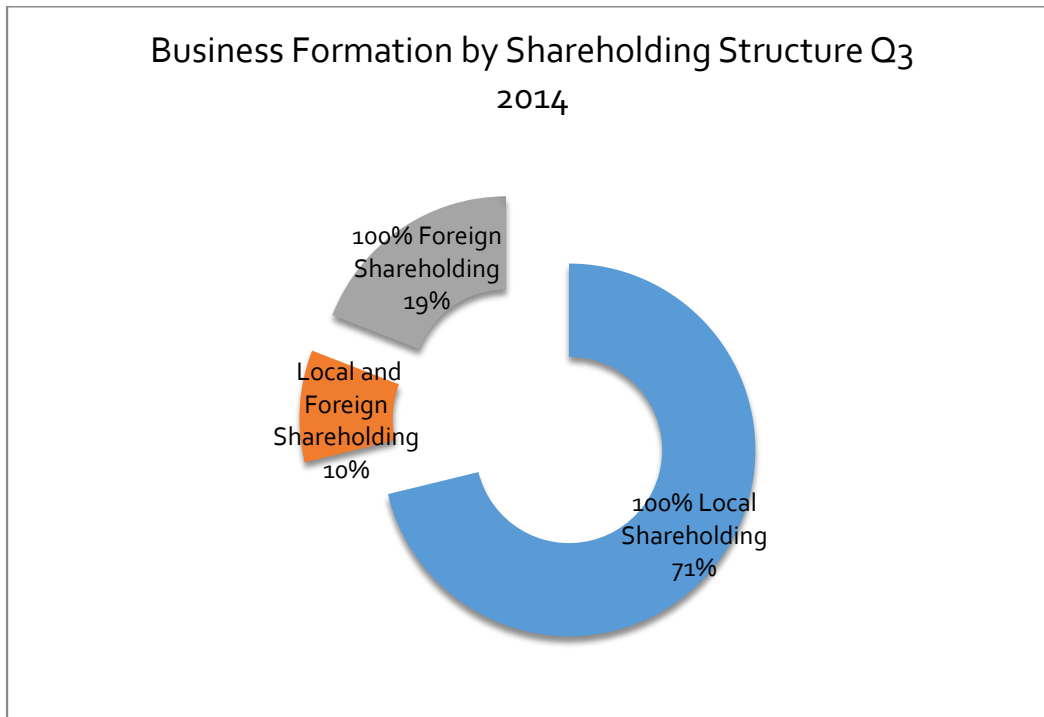
On a Year-on-Year basis the Sole Proprietorship registered the sharpest growth. The LLP entities registered a comparably significant growth. This indicates a growth in number of more professional practices such as doctors, lawyers, engineers, architects etc. The Foreign Company category registered a sharp decline.

2 Business Formation by Share Capital



In line with convention, the majority of the formations are entities with a share capital of less than S\$10,000. Entrepreneurs capitalize on Singapore's regulatory framework that allows for companies to be incorporated with as little as S\$1 as share capital. This capital tier registered a marginal increase to 75% in Q3 from the 74% in the preceding quarter. Except for the share of businesses with not more than S\$10,000 as share capital, the shares of all other tiers that are covered for the purpose of this report have remained constant across the quarters.

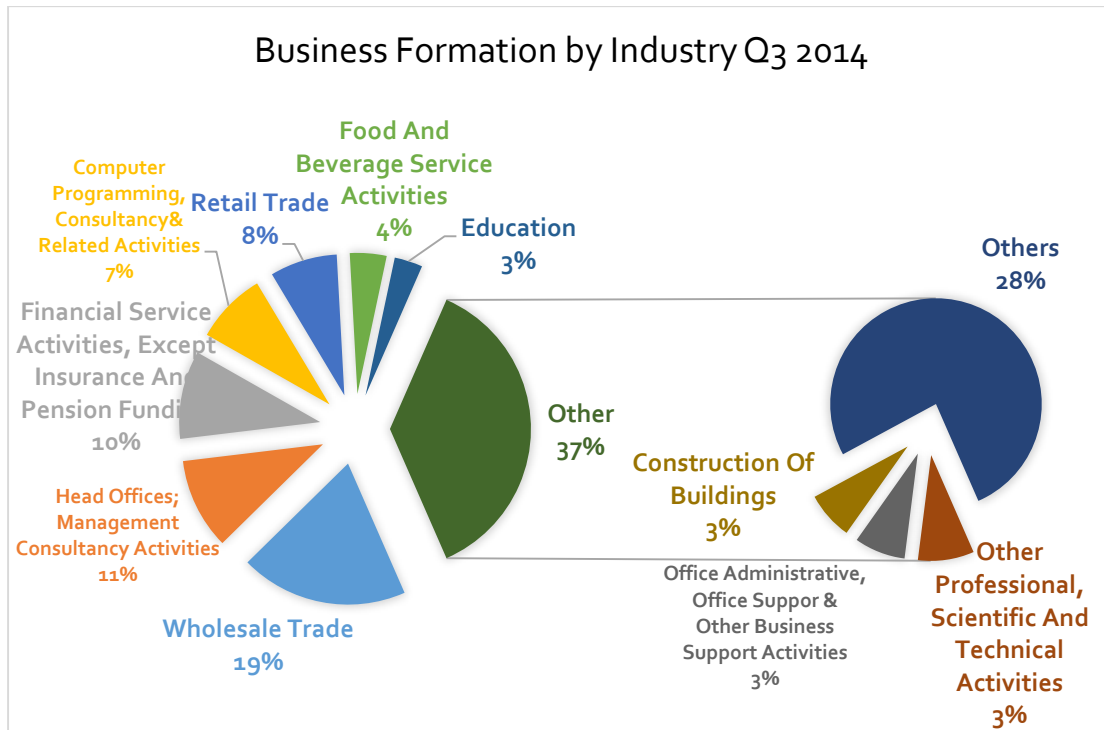
3 Business Formation by Shareholding Structure



In Q3 of 2014 the share of companies with 100% local shareholders has increased marginally to 71% from 69% in the previous quarter. This demonstrates the growing entrepreneurial spirit among the locals. The share of this category has been incrementally growing in every quarter. This reflects the pro business environment that nurtures enterprises. The availability of credit, simple company formation procedures, minimal compliance requirements and tax incentives for local entities are some of the factors that contribute to this trend. Moreover, established large corporations strategically structure the organization of their company to efficiently manage the tax expenses resulting in the formation of new locally held companies. The share of mixed shareholding companies remains unchanged.

The 100% foreign shareholding companies (19%) appear to have dropped by two-percentage points on a QoQ basis and four percentage points on a YoY basis. The concerns over the US tapering of QE and the stalled growth in China and lopsided recovery of the advanced economies are impeding the expansion of foreign companies resulting in the fall of their share. 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. Therefore foreign entrepreneurs and enterprises find it easy and beneficial to set up subsidiaries and companies in the city-state to tap on the Asian market opportunities.

4 Business Formation by Industry



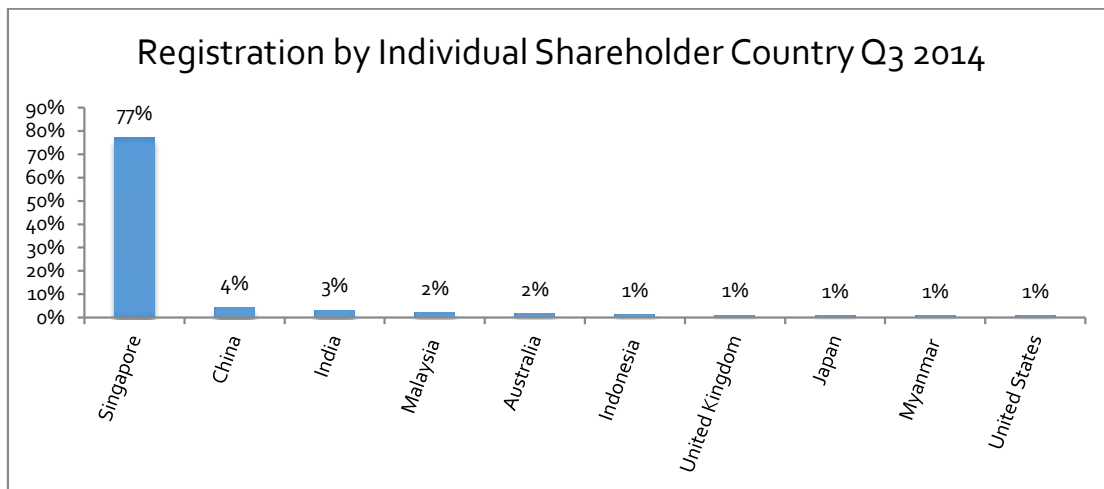
The conventional trend is upheld in the Q3 as well, with maximum number of business formations in the Wholesale Trade industry. This is no surprise in Singapore, which has a reputation of a regional trading hub. However there is a marginal fall as against last quarter; the exports have generally taken a hit following the low global demand for goods and services, this must have dampened the sentiments in the sector consequently affecting the share of the industry in new business formation. The shares of Head Offices and Management Consultancies sector have also dropped to 10% from 11% in the previous quarter.

To the contrary, the shares of Computer and IT consulting services, Retail, and Business Support services have all gone up by one percentage point as against the previous quarter. The government’s push towards improving productivity by harnessing technology and IT, the strong local consumption aided by employment and wage growth and enterprises relying on increased outsourcing to enhance productivity have contributed to the spike in the shares of the respective sectors.

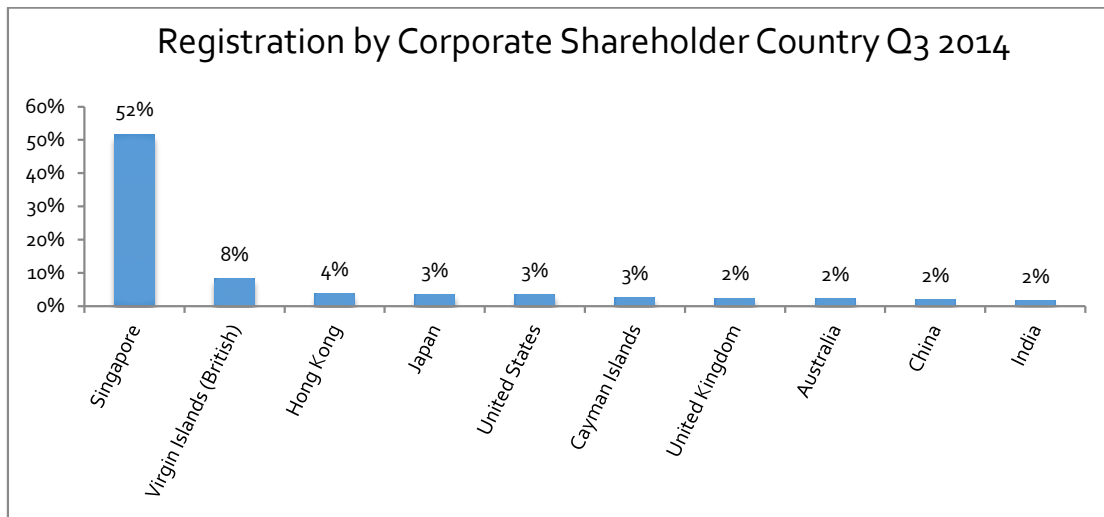
5 Business Formation by Country of Origin

Singapore continues to attract entrepreneurs and enterprises from around the world. The enterprise ecosystem supported by pro-business policies and extensive FTA agreements and Double Tax Avoidance agreements and stable government provides strong fundamentals for businesses here.

Foreign individual shareholders accounted for nearly one quarter of the company formation by individuals. Singaporeans accounted for a majority (77%) of the companies formed by individuals in Singapore. Entrepreneurs from China, India and Malaysia constitute a majority. Albeit a marginal decline in the share of entrepreneurs from China compared to previous quarter, from 5% in Q2 it dropped to 4% in Q3, Chinese entrepreneurs accounted for the second largest share. Singapore continues to be the top draw among foreign entrepreneurs who come from countries such as Japan, Australia, Indonesia, the UK and France.



Registrations by foreign companies accounted for nearly half of the subsidiary formations. Companies from countries like Australia, the USA, the UK, and Japan have set up subsidiary companies in Singapore. Corporate entities from British Virgin Islands and Hong Kong with 8% and 4% respectively continue to account for the highest share of companies formed. Indian and Chinese companies are also finding a smooth landing into the region through their subsidiaries in Singapore. Their shares continue to remain at 2%.



6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Total Number of Business Registrations	21,918	18,689	16,190	14,500
Registrations by Entity Type				
Exempt Private Limited Company	8,767	8,188	7,841	7,012
Non-Exempt Private Limited Company	1,262	1,440	1,354	1,347
Sole Proprietorship	10,102	7,545	5,691	4,960
Partnership	764	693	584	553
Limited Liability Partnership	946	723	617	539
Public Limited Company	39	56	55	46
Foreign Company Registered in Singapore	38	44	48	43
Registrations by Share Capital				
S\$1 to S\$10,000	75%	74%	74%	74%
S\$10,001 to S\$100,000	20%	20%	20%	20%
S\$100,001 to S\$500,000	3%	4%	4%	4%
Above S\$500,000	2%	2%	2%	2%
Registrations by Share Structure				
100% Local Shareholding	71%	69%	68%	66%
100% Foreign Shareholding	19%	21%	22%	24%
Both Local and Foreign Shareholding	10%	10%	10%	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.

Contact Us

Hawksford Singapore Pte. Ltd.

16 Raffles Quay #33-03

Hong Leong Building

Singapore 048581

Phone: (+65) 6222-7445

Fax: (+65) 6222-7421

Email: info@guidemesingapore.com

Website: <http://www.guidemesingapore.com>

Facebook: <http://www.facebook.com/guidemesingapore>

Twitter: @GuideMeSG

Google+: +GuidemesingaporeGMS

LinkedIn: <https://www.linkedin.com/company/janus-corporate-solutions-pte-ltd>

DISCLAIMER: This report is of a general nature only and is not intended to be comprehensive. While care has been taken to prepare this report accurately, Hawksford Singapore accepts no liability for any errors or for any loss, however occasioned, to any person or company by reliance on this report.