Q1

SINGAPORE BUSINESS FORMATION STATISTICS REPORT

JANUARY - MARCH

2016

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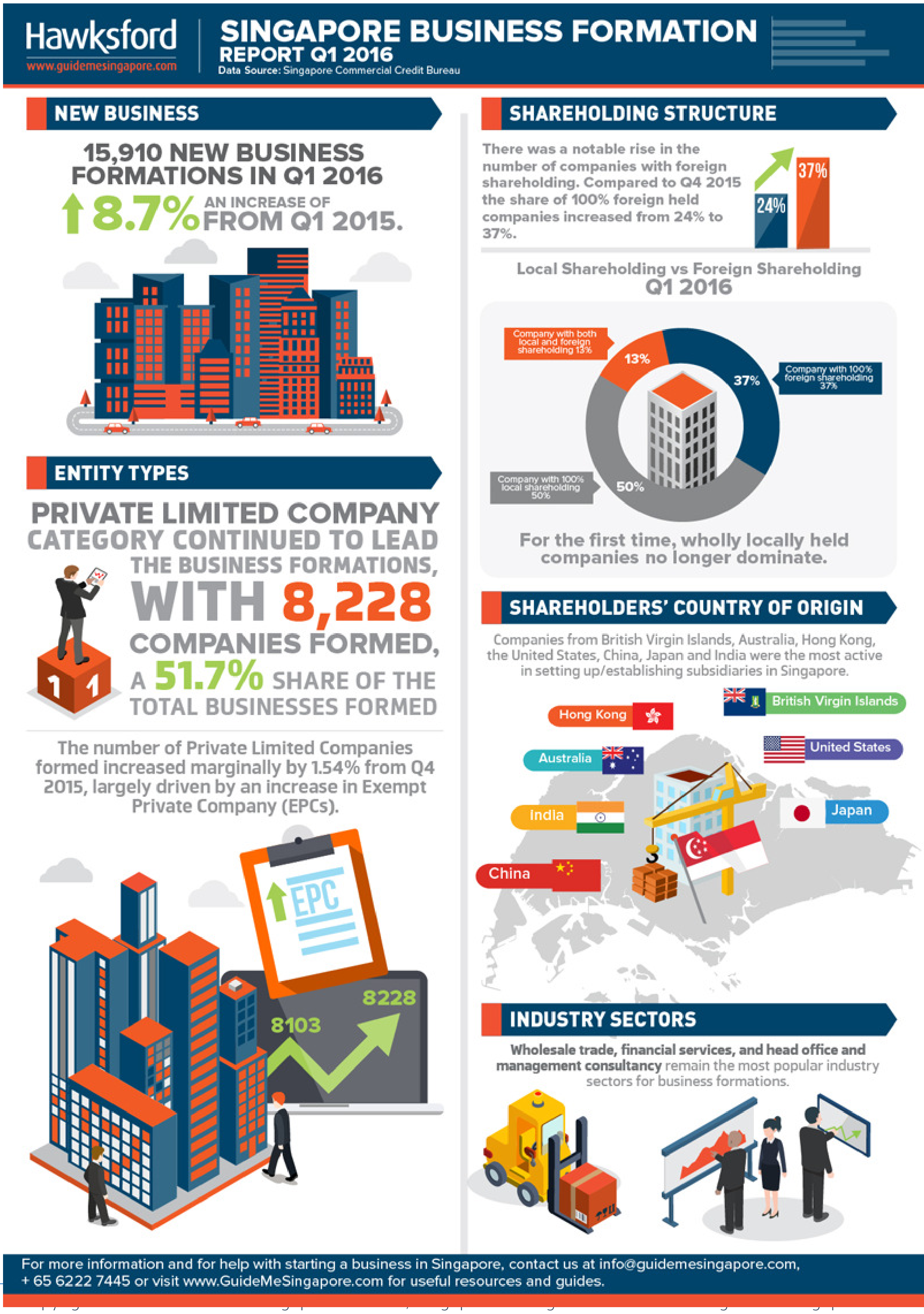
Data Source: Singapore Commercial Credit Bureau



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SINGAPORE BUSINESS FORMATION
REPORT Q1 2016
Data Source: Singapore Commercial Credit Bureau
NEW BUSINESS
15,910 NEW BUSINESS FORMATIONS IN Q1 2016
8.7% AN INCREASE OF FROM Q1 2015.
ENTITY TYPES
PRIVATE LIMITED COMPANY CATEGORY CONTINUED TO LEAD THE BUSINESS FORMATIONS, WITH 8,228 COMPANIES FORMED, A 51.7% SHARE OF THE TOTAL BUSINESSES FORMED
The number of Private Limited Companies formed increased marginally by 1.54% from Q4 2015, largely driven by an increase in Exempt Private Company (EPCs).
EPC
8103
8228
SHAREHOLDING STRUCTURE
There was a notable rise in the number of companies with foreign shareholding. Compared to Q4 2015 the share of 100% foreign held companies increased from 24% to 37%.
24%
37%
Local Shareholding vs Foreign Shareholding Q1 2016
Company with both local and foreign shareholding 13%
13%
37%
Company with 100% foreign shareholding 37%
Company with 100% local shareholding 50%
50%
For the first time, wholly locally held companies no longer dominate.
SHAREHOLDERS' COUNTRY OF ORIGIN
Companies from British Virgin Islands, Australia, Hong Kong, the United States, China, Japan and India were the most active in setting up/establishing subsidiaries in Singapore.
Hong Kong
British Virgin Islands
Australia
United States
India
Japan
China
INDUSTRY SECTORS
Wholesale trade, financial services, and head office and management consultancy remain the most popular industry sectors for business formations.
For more information and for help with starting a business in Singapore, contact us at info@guidemesingapore.com, + 65 6222 7445 or visit www.GuideMeSingapore.com for useful resources and guides.

Preface

Hawksford Singapore has been publishing the Singapore Business Formation Statistics, a quarterly report, since 2010. The source of the statistics is from Singapore Commercial Credit Bureau. The report provides data on new business formation activities in the country. In addition to offering statistical data, the report also analyzes the factors affecting business formations in Singapore. This report is a summary of the business formation activities in Q1 2016.

Report Highlights

- There were 15,910 new business formations in Q1 2016, falling by 4.23% from the 16,612 businesses formed in Q4 2015. However there was a sharp climb (8.7%) from the 14,641 new businesses formed in Q1 2015.

- In line with the historic trend, the Private Limited Company Category led the formations. With 8,228 Private Limited Companies formed, this category held the largest share of 51.7% among the total businesses formed during the quarter.

- Sole Proprietorship registration held the second largest share of 41.6%, declining from its 44.7% share in the previous quarter.

- Of the total Private Limited Companies incorporated, Exempt Private Limited Companies (EPC) accounted for 89.1% with 7,333 incorporations.

- The number of Private Limited Companies formed increased marginally by 1.54% against the preceding quarter. The increase was largely driven by EPCs. Against Q1 of 2015, the number for this quarter dipped by 1.9%, but this is due to the sharp fall in Non-Exempt Private Companies.

- There was a notable increase in the number of companies with foreign shareholding. Compared to Q4 2015 the share of 100% foreign held companies jumped up from 24% to 37%.

- The top three industry sectors with the largest number of business formations remain wholesale trade, financial services, and head office and management consultancy. There was a marginal increase of 1% in the share of company formations in the financial services sector.

- Companies from British Virgin Islands, Australia, Hong Kong, the United States, China, Japan and India were among the most to set-up subsidiaries in Singapore.

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

Economic Review Q1 2016

The factors that decelerated the global economic growth in 2015 continued throughout Q1 2016. The year has dawned with economic and political uncertainties – plummeting oil prices, continued slowdown in China and sliding commodity prices amidst the weak global demand. The US presidential election and a possible Brexit have contributed to a murky backdrop for the first quarter of 2016. Forced by recessionary trends, the central banks around the world (ECB, BoJ, PBOC, etc) eased their monetary policies with the aim of injecting a boost to economic recovery.

The recovery in the US has stabilized. The tightening labor market and low inflation has caused household incomes to shoot up. The fear of an imminent recession lingered in the US, however continued job creation and the Fed's assurance that rate hikes will remain moderate and accommodative shored up market confidence and buoyed the economy. However the growth is estimated to be marginal; sliding oil prices impacted the earnings of the oil and energy sector, the widening trade deficit and a slump in global demand are weighing down the economy.

The labor market in the Eurozone showed improvement during the quarter, which drove up private consumption. The stimulus measure by the European Central Bank (ECB) also beefed up investments and employment. This is gradually closing the output gap, and is therefore aiding the recovery of the core inflation rate. The sustained moderate recovery is estimated to have registered a gross domestic product (GDP) growth of around 0.4% against the last quarter of 2015. The UK economy continued to soften in Q1, with preliminary estimates predicting a slowdown. The upcoming EU referendum is fueling further domestic uncertainties.

The Chinese economy is estimated to have expanded by 6.7% in Q1 2016. At this pace, the world's second largest economy will achieve its estimated GDP target for the year; the government's policy reforms and stimulus measures appear to be generating the desired results. The People's Bank of China (PBOC) slashed the Reserve Requirement Ratio (RRR) of banks, thus easing access to credit. While investment and domestic consumption remain robust, export numbers also increased, shoring up confidence in the economy. The yuan has stabilized since the beginning of the year, placing the economy on an upward momentum. However the momentum will not be strong enough to haul the global economy along an upward trend.

India seems to be the fastest growing economy since it adopted its new methodology to compute GDP. For the FY 2016 India is estimated to post a GDP growth of 7.7%. The economy expanded by an estimated 7.5% in Q1 2016. The Reserve Bank of India (RBI) maintained its benchmark lending rates in the first quarter and, in April, reduced the rate by just 0.25%. This was prompted by the drop in CPI inflation rate towards the end of the first quarter. The industrial output also inched up in the quarter sending positive signals to the market.

In Russia the recessionary trend continued in the first quarter, aggravated by the economic sanctions and continued lower prices of oil. External factors negatively impacted the economy, which is bearing the brunt of depressed consumer demand and declining investments. Brazil is reeling under recession and the political turmoil surrounding the impeachment of the president. The Zika virus issue and corruption scandal are also furthering its economic woes. The Q1 2016 data will be disastrous for the country, ahead of hosting the 2016 Olympics Games.

Meanwhile, the Japanese economy is likely to have expanded by 0.5% in Q1. The Bank of Japan's negative interest rate policy pushed up domestic borrowings moderately in Q1, breathing some life into the ailing economy. The yen appreciated during the quarter, rendering its exports uncompetitive. This was compensated by the rise in domestic consumption, which was aided by the liquidity and real income growth.

Malaysia is suffering from the impact of falling oil prices, the slowdown in China and stronger US dollar. The Fed rate hike and the resultant capital outflow have depressed the Ringgit. Political developments and the fragile domestic economy have further impacted the economy. Despite these issues, the policy reforms and fiscal consolidation measures, such as GST, are likely to keep the economy on track to achieve its targeted 4% GDP expansion this year.

Indonesia's economy is estimated to have grown by 5.1% in the first quarter of the year backed by government spending. Realizing the impact of the global slowdown on its economy, the Indonesian government rolled out a series of policy reforms, including deregulation, the lifting of a foreign ownership cap on selected sectors, fiscal incentives for investment in select sectors and rising the cap on tax exempted personal income. These measures have increased private investment and household consumption and have likely aided the economy.

Thailand's economy remained muted in Q1 2016. Political uncertainty, high household leverage and the extreme drought situation are expected to take their toll on its growth. The Asian Development Bank (ADB) cut the country's growth estimate for the year to 3% from 3.5%.

The Philippines is estimated to have expanded by slightly over 6% in the first quarter, in part due to private investment and domestic consumption. Remittance from overseas remains high and domestic consumption spiked due to the positive consumer sentiments.

According to preliminary estimates by the Ministry of Trade and Industry (MTI), Singapore's GDP growth on a QoQ basis for the first quarter of the year remained flat against Q4 2015. Compared to a 4.9% contraction in the previous quarter, the manufacturing sector expanded by 18.2% in Q1 2016. The construction sector posted 10.2% growth, against the 6% growth in the previous quarter. The services sector contracted by 3.8%, retreating from the 7.7% growth in Q4 2015. Compared to the same period a year ago, the economy grew by 1.8%, beating the prediction of 1.7% growth.

Amidst challenging economic conditions, the newly formed government's first budget was rolled out on 24 March. The focus was clearly on economic transformation through innovation and collaboration within and across industries. Significant handouts to businesses and individuals were conspicuously absent, but the budget incorporated measures to help companies brave the short-term headwinds and included highly targeted schemes to drive innovation and automation.

SMEs in the marine and process sector welcomed the deferral of hikes in the labor levy. Other announcements, such as enhanced corporate tax rebate, risk sharing for SME working capital loan and Automation Support Package, are anticipated to boost business sentiments.

While the talks to freeze production failed due to political reasons, it is anticipated that the drop in oil prices is likely to continue throughout 2016. Asia's emerging economies are increasingly vulnerable. The protracted slowdown in China, fall in global demand, plummeting commodities, strong US dollar, Fed rate hike and the resultant higher cost of servicing debt are likely to impede the growth of Asian economies. The tense geopolitical situation and proliferation of natural calamities are adding to the unfavorable scenario.

Singapore will show signs of distress during this year. Already in the first quarter, the economy remained stagnated and the Non-Oil Domestic Exports (NODX) slumped. The Asian Development Bank (ADB) has revised down its growth forecast to 2% for 2016, from 2.3%, while DBS maintains its forecast at 1.5% and has not discounted the risk of a technical recession. Experts are forecasting a tough time for the trade dependent city-state for the next two quarters.

We believe that the strong SME focused policy reforms, as envisaged in this year's budget, should help Singapore businesses sail through the storm. The overall business climate globally is gloomy, but given the strong demographics that primarily comprises of a growing middleclass, the region is relatively well placed to ride through. With governments focusing on infrastructure spending and currency depreciation, private investments and real income growth should keep the economies sailing. Singapore's strong economic fundamentals and sound polices will provide some leverage for businesses operating from Singapore. We do not expect any significant deviation from the usual trends in company incorporation for this year.

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 2016. It will also offer a comparison of current data with those of the three previous quarters.

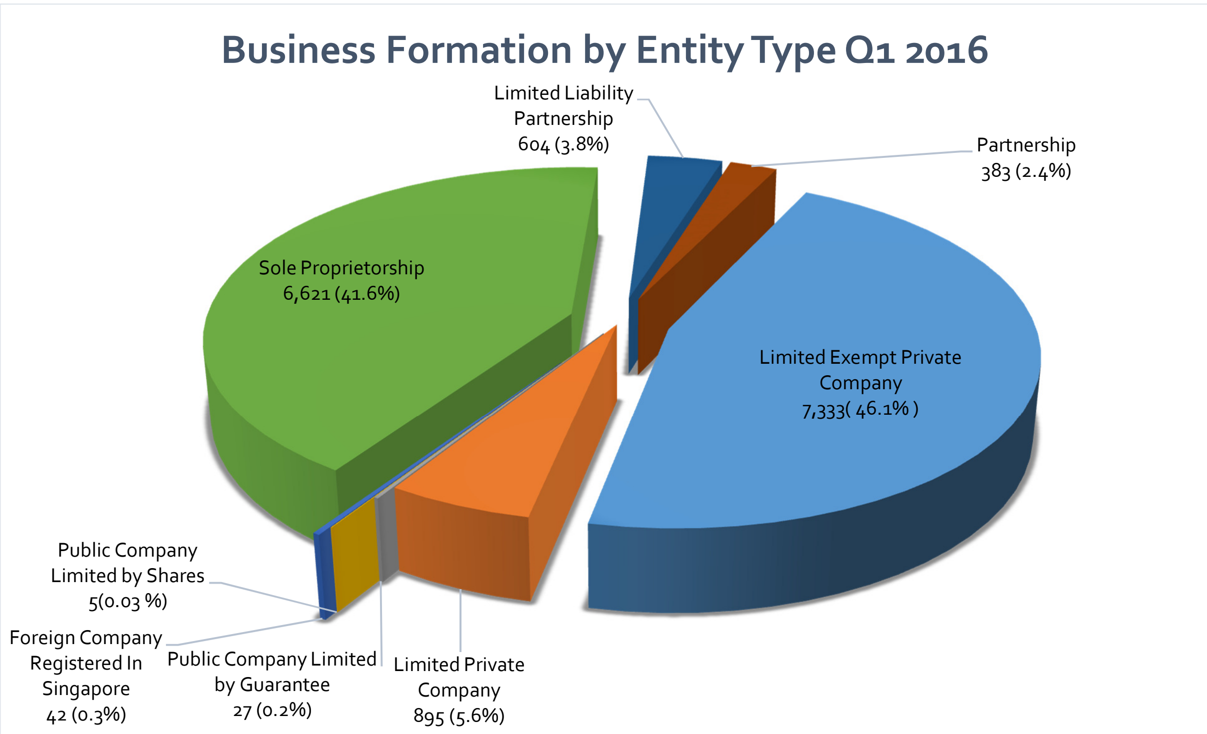
The report is presented in six parts:

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 15,910 businesses were formed during the first quarter of 2016. The number of registrations fell by 4.2% compared to 16,612 in Q4 of 2015. Much of the decline was driven by the fall in the formation of Non-Exempt Private Company, Sole Proprietorship and Partnership.

The total business formation for the quarter may appear as a considerable decline from the preceding quarter, but the number is in sync with the trend observed for the first quarter of preceding years. Except for Q1 2014 when the total business formation hit 16,190, the numbers have hovered slightly above 14,000. It must be noted that against the corresponding period of Q1 2015, the business formation number for Q1 2016 has shot up by 8.7% from 14,641. The previous five-year average (including 2014) for the first quarter is only 14,788. The figure for Q1 2016 reflects well on Singapore's strength as a business hub, particularly given the tough economic climate. Even the moderate fall against the preceding quarter is attributable to an 'err on the side of caution' approach adopted by businesses and investors.



In terms of types of entity, Q1 2016 stayed with convention. With 8,228 Private Limited Companies formed, this category held the largest share of 51.7% among the total businesses formed during the quarter. Of these, 7,333 (89.1%) were Exempt Limited Companies. EPC remains the most popular option as it scores well in terms of compliance requirements and cost.

The number of Sole Proprietorships formed during the quarter was 6,621, taking a share of 41.6%. Its share has fallen slightly from the 44.7% share held in the previous quarter. This entity is a popular choice among owners of very small-scale businesses and home based businesses, which are usually less risky because the compliance requirements and costs involved are minimal.

A total of 987 Partnership businesses were formed, of which 604 were Limited Liability Partnerships (LLP). Its share marginally increased from 6.1% in the preceding quarter to 6.2%. The LLP type of entity bundles the benefits of both the partnership and limited liability entity. It involves minimal compliance requirements and compliance cost but also limits the liability of the partners. This entity type is popular among professionals such as doctors, architects and engineers. Such professionals need to protect their personal assets from being attacked in case of litigations claiming professional negligence or liabilities.

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 role as a regional business hub.

Thirty two Public Companies were formed in the first quarter, accounting for 0.20% of the total business formation. Twenty seven Public Companies Limited by Guarantee and five Public Companies Limited by Shares were formed. Public Company Limited by Guarantee is commonly used for trade associations, charitable bodies and other similar non-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. There are strict regulatory requirements for such entities and the compliance cost is also significantly high. The entity is ideal for very large corporations.

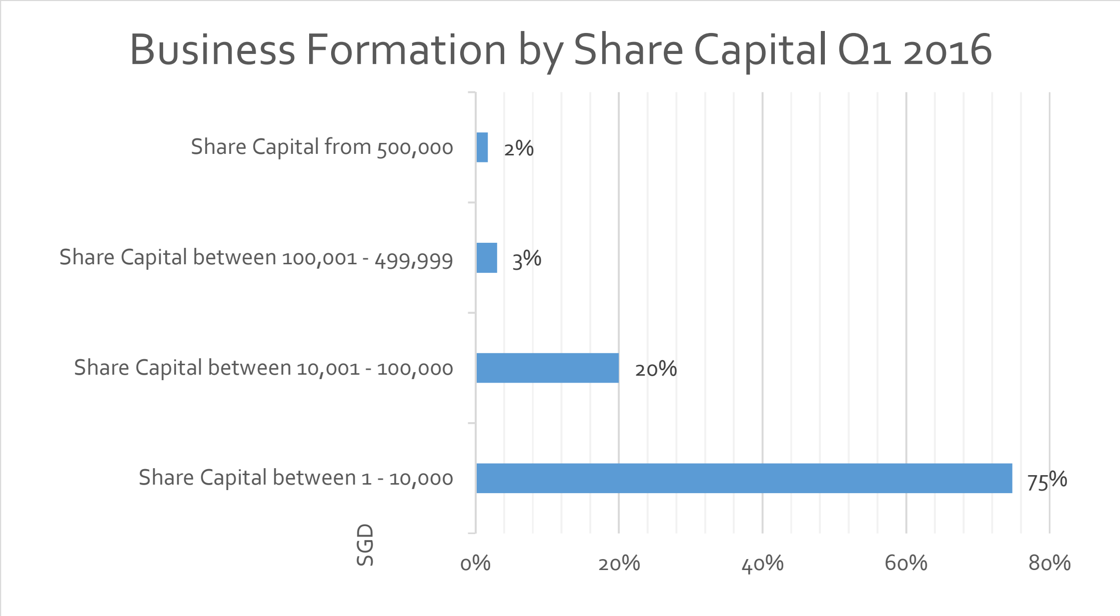
Type of Entity	Q1 2016	Increase/(Decrease) Q4 2015	Increase/(Decrease) Q1 2015
Limited Exempt Private Company	7,333	9.7%	3.9%
Limited Private Company	895	(37.0%)	(32.8%)
Public Company	32	(30.4%)	(46.7%)
Foreign Company Registered In Singapore	42	40.0%	0.0%
Sole Proprietorship	6,621	(10.8%)	29.7%
Limited Liability Partnership	604	25.8%	20.1%
Partnership	383	(27.7%)	(29.3%)

On a QoQ basis, all categories except for the Exempt Private Company, Foreign Company and Limited Liability Company marked a decline. The Foreign Company category had the sharpest growth of 40% over the preceding quarter. It must be noted that the Foreign Company formation declined sharply in the last quarter of 2015, prompted by the Fed rate hikes, however with the Fed's commitment to an accommodative approach in normalization, Foreign Companies are now unfettered to explore opportunities. As for the rise in the EPC and LLP, part of this is attributable to the 'dawn of the new year and new opportunities sentiment' that generally influences businesses and professionals.

The Non-Exempt Private company category registered the sharpest decline on a QoQ basis; it declined by 37% against the preceding quarter. The cautionary approach of large businesses amidst the unfavorable economic climate may have caused this slide. The Public Company category fell by 30.4% against Q4 2015., however on a QoQ basis the number of Public Company Limited by Shares remained flat at five. Much of the decline is caused by the fall in the numbers of Public Company Limited by Guarantee. The sharp decline in the Sole Proprietorship and Partnership category on a QoQ basis indicate that the trend is reverting back to convention.

Against the corresponding period in 2015, the Exempt Private Company registered a moderate growth of 3.9% in Q1 2016, underscoring the resilience of the business climate for the SME sector. Sole Proprietorship and LLP registered a sharp increase of 29.7% and 20.1% respectively. The sharp decline registered by the Non exempt Private Company, Public Company and Partnership categories, on a Year on Year (YoY) basis, are indicative of the tough economic situation that is unfolding.

2 Business Formation by Share Capital

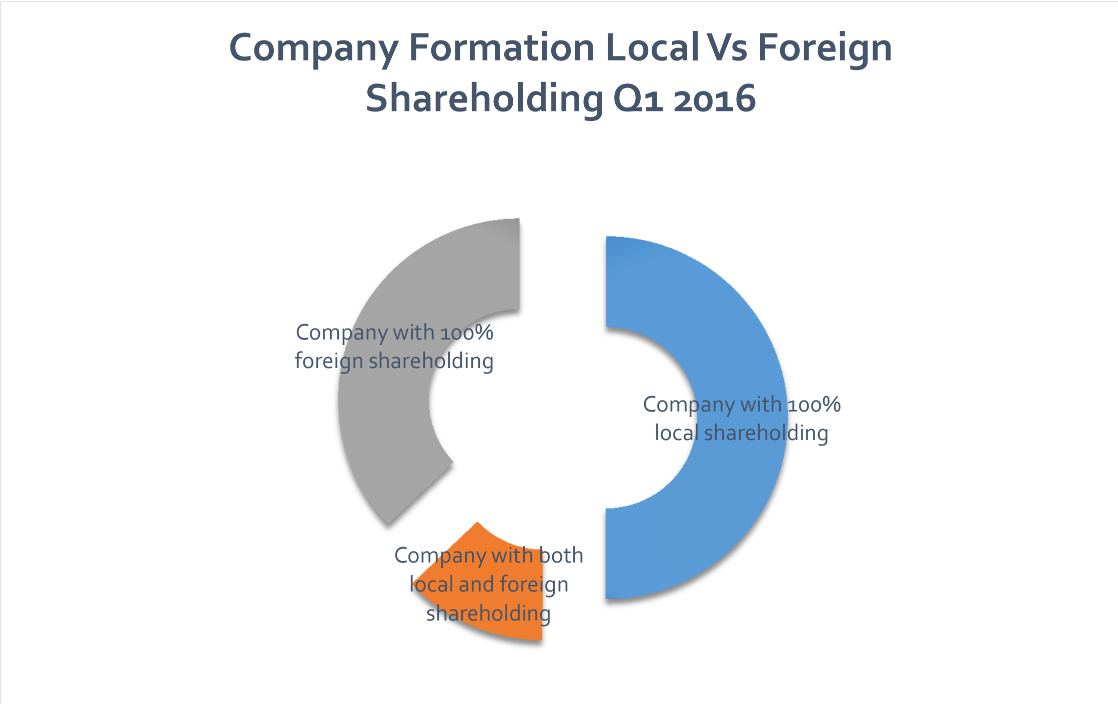


The majority of the formations were entities with a share capital of less than S$10,000. Entrepreneurs tend to capitalize on Singapore's regulatory framework that allows for companies to be incorporated with as little as S$1 as share capital. Even small entrepreneurs are not held back by lofty capital outlay just for the purpose of fulfilling regulatory norms. This paves the way for easy and swift business formation.

In Q1 of 2016, 75% of the company formations had a share capital of less than S$10,000; this remained unchanged from Q4 of 2015. Likewise the share of companies formed with a share capital of more than S$500,000 also remained unchanged at 2% in Q1 2016.

It is interesting to note that the share of companies with capital of S$10,001 – S$100,000 has marginally increased by one percentage point against preceding quarter, reaching 20%. The share of companies with capital of more than S$100,001 - S$499,999 has dropped by 1% point against preceding quarter to 3%. This indicates that not many large-scale companies have debuted in this quarter.

3 Business Formation by Shareholding Structure

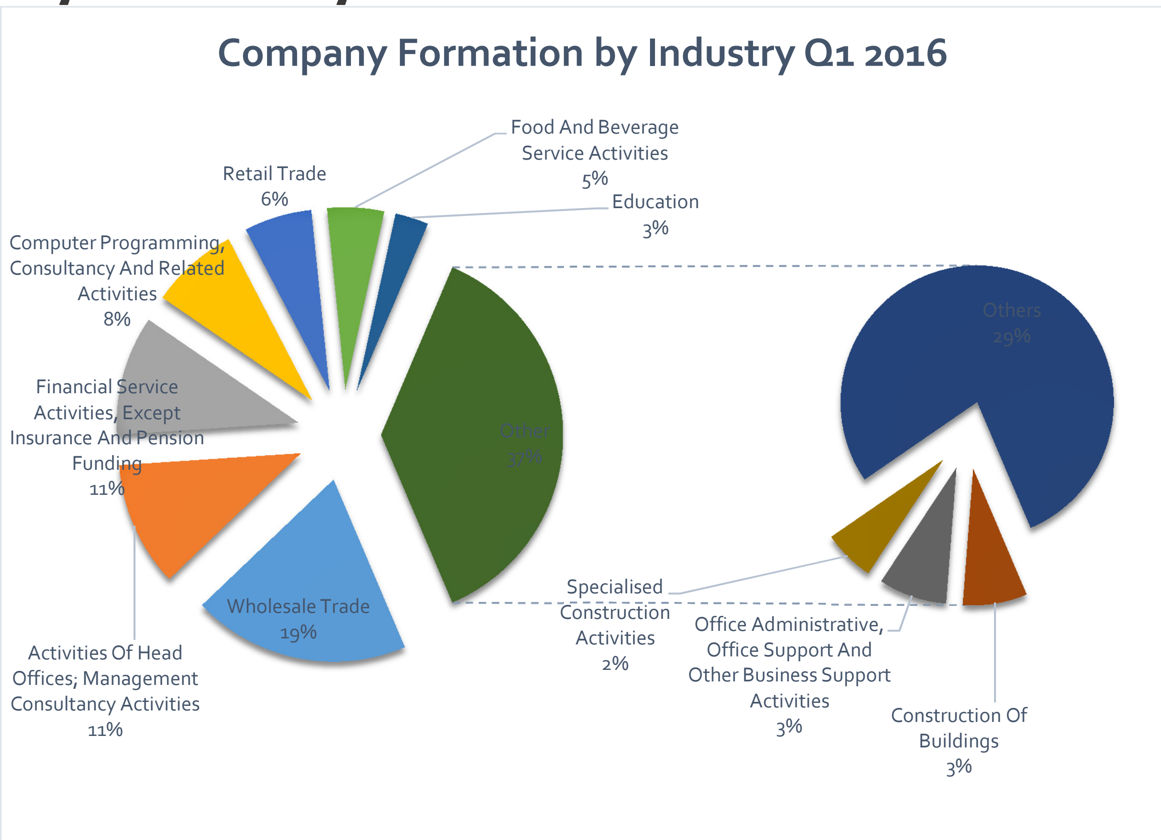


This quarter there was a new twist to the historic trend. Conventionally the share of wholly locally owned companies hovered around 65%, but in Q1 2016 it plummeted to 50% while the share of wholly foreign owned company shot up to 37%. Also the share of mixed holding companies usually hovers slightly above 10% but in Q1 2016 it increased to 13%.

Singapore releases its annual budget every year in the month of February, however this year it was rolled out in late March. Businesses usually watch out for what is contained in the budget before planning their structuring and new businesses initiatives. The delayed rollout may have prompted local entrepreneurs and investors to adopt a cautionary approach before incorporating the company. This is made clearer later in the report – Business Formation by Individual Shareholder Country - where it shows that the share of Singaporean held companies has declined sharply from 72% to 57%.

Another factor that would have prompted the sharp spike in foreign held companies is the assurance by the Fed to hold rates steady in order to prevent volatility. This lifted the confidence of foreign entrepreneurs and investors. The central banks of the regional economies have also slashed rates or have maintained aggressively accommodative rates, thus enhancing liquidity in the market. This has primarily contributed to a spike in the share of foreign held companies.

4 Business Formation by Industry



In line with the historical trend, the highest number of business formations was in the Wholesale Trade industry, followed by Financial Services and Activities of Head Office and Management consultancy. The share of Financial Services sector grew marginally by 1% compared to the preceding quarter. The slowdown in China and uncertainties in the western economies shifted the attention to Singapore, an international financial center and a relatively safe haven.

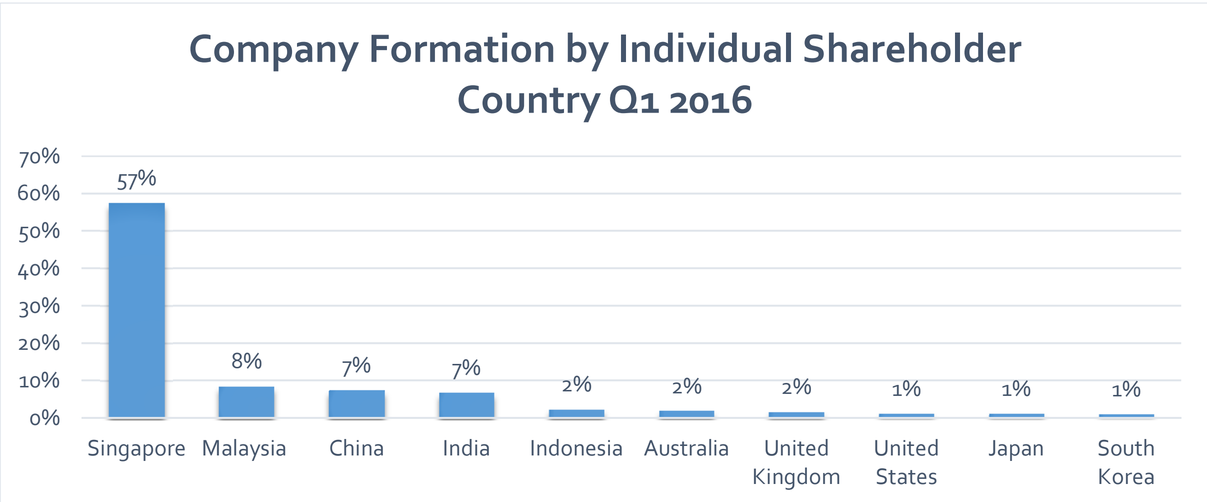
Singapore's dominance as a regional distribution hub remains unchallenged. Stationing Head Office Activities in Singapore brings operational efficiency and several other tax benefits to companies, thus we find that the company formation in this sector continues to remain high. The extension of the Finance and Treasury Center Scheme for another five years and the enhanced tax concession is anticipated to further strengthen this segment.

The shares of other sectors remained unchanged from the preceding quarter.

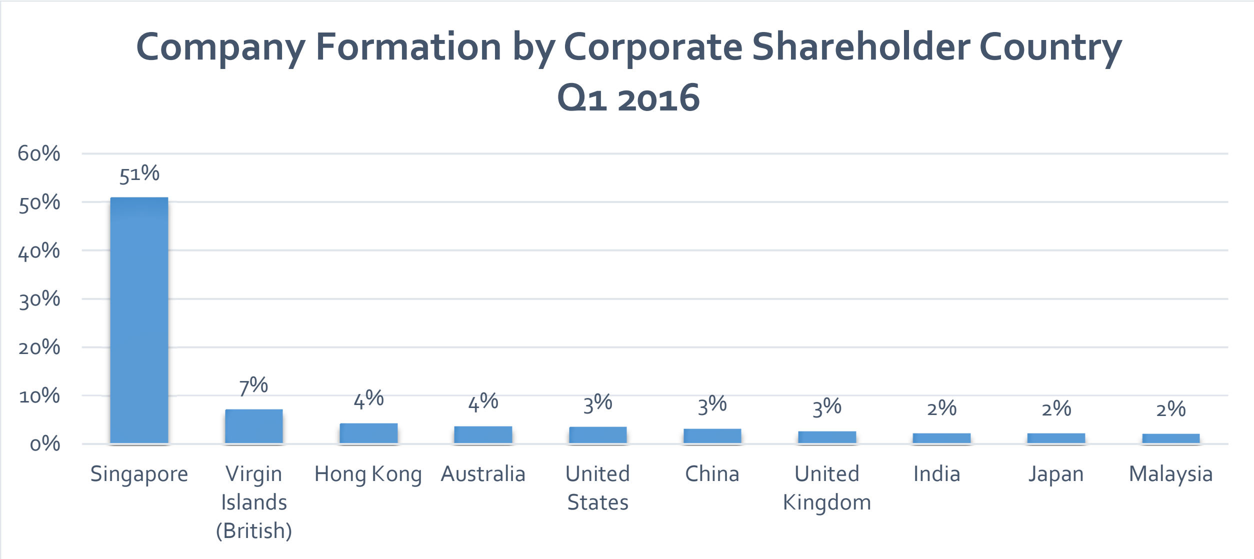
5 Business Formation by Shareholder's Country of Origin

Singapore's political stability, economic resilience, world-class workforce, robust legal framework, first-world infrastructure and its geographic location amidst a growing Asia offer the best synergies for international enterprises, investors and entrepreneurs. Its competitive tax regime and cosmopolitan culture also holds appeal as an international hub in which to live, work and play. The simple and transparent incorporation process is made even easier by efficient corporate service providers, making Singapore an ideal location for establishing a business. Investments made in Singapore are safe and legitimate.

For Q1 2016, individual investors and entrepreneurs from China, India, and Malaysia accounted for the largest share. Contrary to the trend (slightly over 70%), the share of companies held by Singaporeans dropped significantly in the quarter to 57%. Against the previous quarter, the share of Malaysian held companies doubled from 4% to 8% in Q1 2016. The share of Chinese and Indian owned companies also soared to 7%, from 4% each in the preceding quarter. The liquidity in India has increased with the lower lending rate of the central bank; perhaps prompting Indian entrepreneurs to explore regional markets. The slowing domestic economy in China and the faltering economic conditions in Malaysia may be a tipping point for the increase in the share of the individual shareholders.



Registrations by foreign companies accounted for nearly half of the subsidiary formations. 49% of the subsidiaries formed in Singapore had corporate shareholders from foreign countries. This is a marginal dip from the previous quarter, during which it held 50 %. In Q1 2016 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 a share of 7% and 4% respectively, continue to account for the highest share of companies formed. Companies from Australia, the US, the UK, China and India continue to find Singapore as an attractive location for setting up the subsidiaries.



6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Total Number of Business Registrations	15,910	16,612	17,608	15,964
Registrations by Entity Type				
Exempt Private Limited Company	7,333	6,682	7,258	7,389
Non-Exempt Private Limited Company	895	1,421	1,394	1,341
Sole Proprietorship	6,621	7,423	7,736	6,021
Partnership	383	530	570	553
Limited Liability Partnership	604	480	556	563
Public Limited Company	32	46	50	50
Foreign Company Registered in Singapore	42	30	44	47
Registrations by Share Capital				
S$1 to S$10,000	75%	75%	75%	74%
S$10,001 to S$100,000	20%	19%	19%	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	50%	65%	65%	65%

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

About Hawksford Singapore

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

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

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

Our Services include:

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

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

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