Q4

SINGAPORE BUSINESS FORMATION STATISTICS REPORT

OCTOBER - DECEMBER 2014

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Preface

Hawksford Singapore (formerly Janus Corporate Solutions) has been publishing the Singapore Business Formation Statistics Report, 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 Q4 2014.

The tepid global economic recovery, decelerating China and subdued domestic consumption in emerging economies together weighed down the global economic growth in Q4 of 2014. Oil prices started sliding in the last quarter sending mixed signals across the markets. The reduced energy prices softened the inflation rate with drops in fuel, food and transport prices. The reduced spending on oil will leave more disposable income for households, more profits for enterprises and reduced fiscal deficit for net oil importing countries. These factors will eventually provide an impetus for economic activities in coming quarters. As for Q4 of 2014 the major trends for the global economy were - reinforced recovery of the US, strengthening of the US dollar, falling oil prices, brewing Russian currency turmoil, stimulus spending by Asian governments and the tense geopolitical situation.

In recent quarters the US continues to register stronger growth rates since the recession, with an estimated 5% GDP expansion in the third quarter, the Q4 estimates are yet to be released. As the shift in federal monetary policy draws closer, the US dollar strengthened during the quarter. The overall confidence in the US recovery registered an upswing as the unemployment rate plunged and dropped below 6% in the quarter.

Although some of the Eurozone economies experienced a growth spurt, such as Spain, the situation in the Eurozone remained sluggish. This left much to be desired from the ECB's bond buying programme to stimulate the economic momentum. The fall in the Euro is expected to aid recovery, yet the geopolitical uncertainties continue to impede investment and growth in the Eurozone. There was solid growth in the UK aided by strong household consumption supported by a rise in wages.

With the extremist factions gaining stronghold in the Middle East the region's stability remained a large concern throughout the last quarter of 2014. Added to this was the collapse of the Ruble and the sanctions on Russia. This further dampened the trade transactions among the trading partners of Russia.

There was undoubtedly a lull in the Asian economies in the last quarter of 2014. China's growth continued to remain subpar, due to a correction in the property market and falling domestic demand and inflation. The moderation of China's economy is touted as a new normal by the government, which is increasing its spending on infrastructure projects. However, the slowdown has cast a cloud on the regional economy. On the other hand the Japanese have endorsed their confidence in Abenomics by voting for Prime Minister Shinzo Ab and his political coalition in the December elections. A fresh stimulus package was announced in December in Japan and this is expected to boost the economy.

The overall trend in the region was below the forecasted expectations. However, the uptrend and positive sentiments were maintained by some of the regional economies including India, Indonesia, Philippines and Malaysia. With the reformist government at the centre, there was an increase in investments and trade in India in the quarter, during which the PMI data was also stronger. The mood in Indonesia remained upbeat with Joko Widodo's economic agenda. The Philippines also fared well in the quarter aided by the government's spending on infrastructure and developmental projects and strong macroeconomic factors. Malaysian exports saw a slight improvement in the last quarter, driven by a rise in exports of electronics and electric products, crude petroleum, as well as exports of timber and timber-based products.

Singapore's performance was downcast in the last quarter; the advance estimates from the MTI revealed that the republic's GDP expanded by only 1.6%. This is sharply below the 3.1% recorded in the previous quarter. The lacklustre growth is attributed to the uneven global recovery and failing regional growth, causing a slump in both non-oil exports and oil exports, and slowing of the manufacturing sector. But, despite the decline, company formation activities remained at a relatively strong pace - usually in the last quarter of the year the numbers fall. The number of business formations dipped in Q4 compared to preceding quarters of 2014, however, compared to Q4 of 2013, the last quarter of 2014 registered much stronger numbers. The average business formation numbers in the last quarter generally hovers below the 15,000 mark but this time a total of 20,540 new businesses were formed in Q4.

As for the coming quarters, the US 's recovery will strengthen in 2015. However, the weak recovery in the Eurozone and continued moderation in China will weigh down on Singapore's growth in the first half of 2015. The plummeting oil price will impact Singapore's important trade partner, Malaysia, which is an oil exporting country. Singapore's growth outlook remains favourable aided by strong domestic demand and improving global economy. The falling energy costs will benefit many Asian economies, which are predominantly oil importers, thus freeing up government funds for infrastructure and developmental projects. This will open new opportunities for Singapore. Individual consumption will also increase aided by lower fuel and food costs bringing economic spinoffs to Singapore. The government's productivity schemes and the country's integral strength will help to benefit from the improving global economy by the second half of 2015. Therefore we anticipate that any faltering in the beginning of the year from the current trend in the business formation numbers will be compensated by a pickup as the new year progresses.

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 Q4 2014. It will also offer a comparison of current data with those of the three previous quarters as well as an overview of formation activities in 2013 and 2014.

The report is presented in six parts:

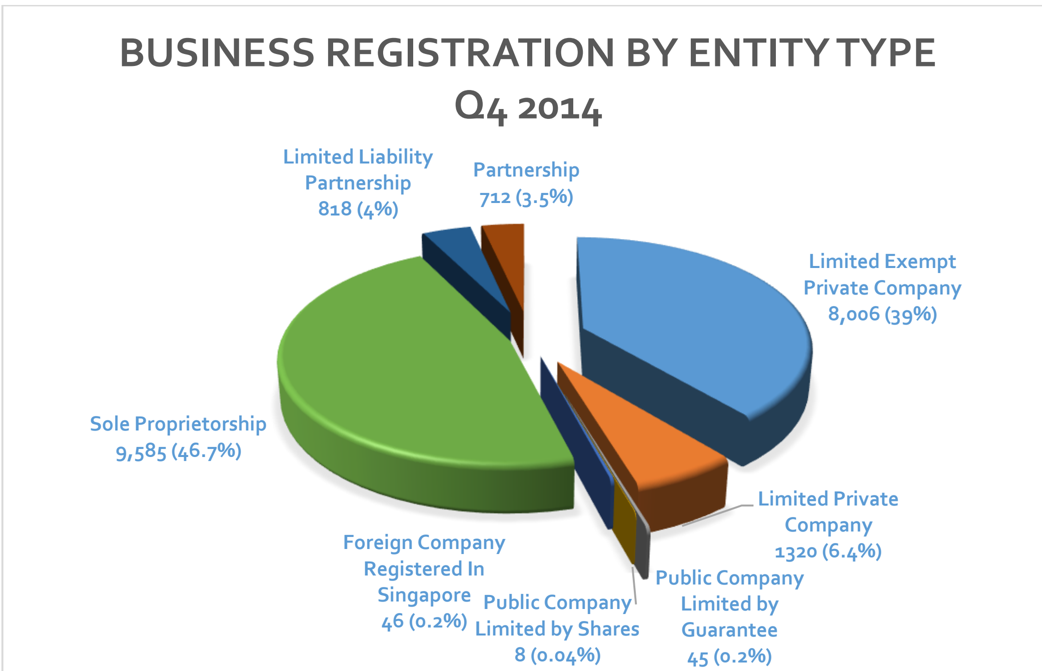
1. Business formation by entity type
2. Business formation by share capital
3. Business formation by shareholding structure
4. Business formation by industry
5. Business formation by shareholder's country of origin
6. Comparison of Business Formation Activity for the Last 4 Quarters

Report Highlights

- There were 20,540 business formations in Q4 2014, which is a drop compared to the 21,918 businesses formed in Q3 2014. It is, however, a significant jump from the 14,500 businesses formed in Q4 2013.
- In line with the latest trend, which surfaced in the previous quarters of this year, the number of Sole Proprietorship registrations was 9,585, and overtook the Private Limited Company registrations in this quarter as well. With 9,326 formations, Private Limited Companies incorporations receded to second position.
- The share of Sole Proprietorship registrations in the total for Q4 2014 was 46.7%, a spike from the share held in the previous quarter.
- Of the Private Limited Companies incorporated, Exempt Private Limited Companies (EPC), with 8,006 registrations, accounted for 85.8%.
- The number of Private Limited Companies formed plunged by 7% against the previous quarter. However, the year on year growth rate is significantly higher at 11.6%.
- 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 20,540 new businesses were formed in Q4 of 2014, registering a 6.3% decline over the previous quarter. However, on a YoY basis this marked an increase of 41.7%. Despite the decline compared to the previous quarter, it is a significant jump from the quarterly averages of previous years where it hovers around 16,000. The surge in business formations, despite the difficult economic challenges that emerged during the last quarter of 2014, is an indicator of business confidence in Singapore amidst the challenges posed by economic restructuring initiatives.



Keeping in line with the new business trend for 2014, the Sole Proprietorship category once again took the lead, pushing the conventional lead, Private Limited Company, to the second position. A total of 9,585 Sole Proprietorships were incorporated and the category grabbed a share of 46.7%. However, it registered a drop of 5.1% against Q3 2014. The micro business specific schemes and schemes such as Productivity and Innovation Credit (PIC), which are open for Sole Proprietary businesses and Partnership firms, have proved to be a shot in the arm for this category. Many small business people have come forward to secure a legitimate identity for their business by formally registering their business, thus leading to a sharp rise in the numbers for this category.

With a total registration of 9,326, Private Limited Company set ups held a share of 45.4% as against 46% in the previous quarter. The Exempt Private Limited Companies, with a total registration of 8,006, held a share of 39% of the total registration. EPCs remain a popular choice because of the low compliance requirements and costs involved.

A total of 1,530 Partnership entities were registered, of which 53.5% were Limited Liability Partnerships with 818 registrations. The remaining figures include 53 Public Companies and 46 Branch Offices, both of which only represented around 0.4% of the total number of formations. Interestingly, in this quarter, the number of Public Companies Limited by Shares doubled to eight compared to only four in the previous quarter.

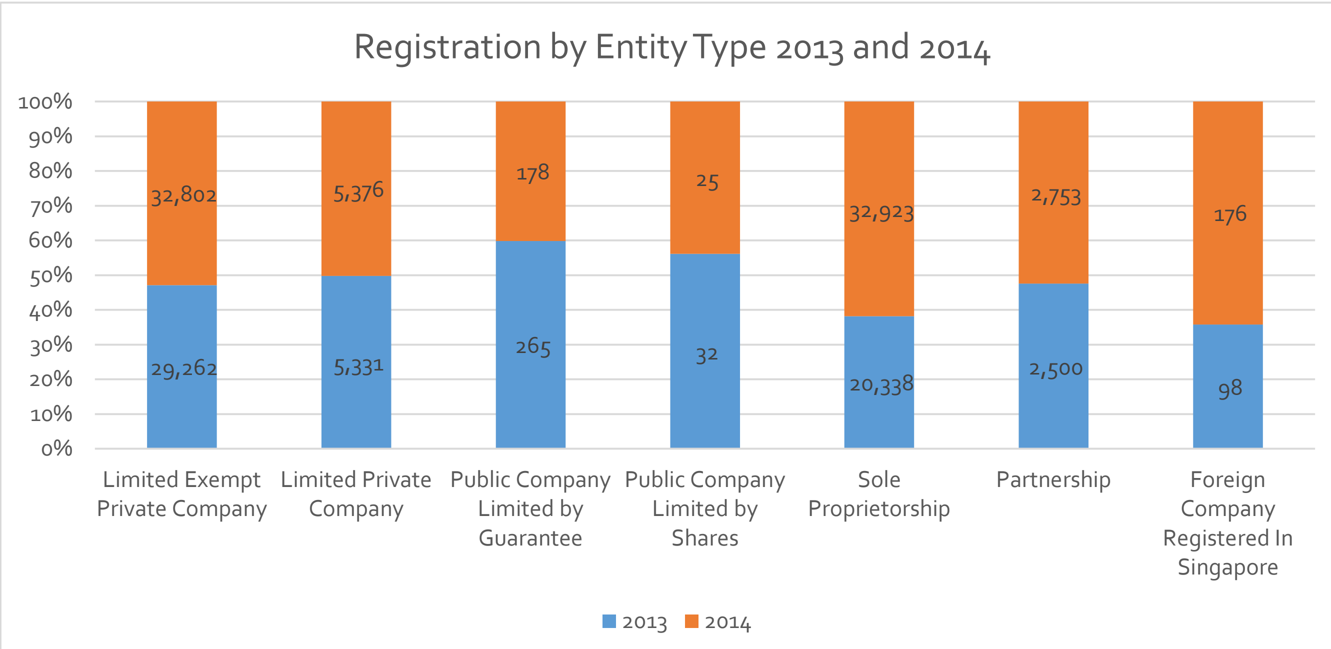
In general, the drop in company formations in this quarter is in line with the trend observed during previous business years of 2013, 2012 and 2011. The number of new company formations usually tapers in the last quarter because of the lull induced by the holiday season in the market.

Type of Entity	Q4 2014	Increase/(Decrease) Q3 2014	Increase/(Decrease) Q4 2013
Limited Exempt Private Company	8,006	(8.7)%	17.8%
Limited Private Company	1,320	(4.6%)	(7.7%)
Public Company	53	35.9%	17.9%
Foreign Company Registered In Singapore	46	21.1%	7%
Sole Proprietorship	9,585	(5.1%)	93.2%
Limited Liability Partnership	818	(13.5%)	51.8%
Partnership	712	(6.8%)	28.8%

It is interesting to note that Public Company and Branch Offices/Foreign Company registrations in Singapore marked a spike compared to the previous quarter and the same period in 2013. This demonstrates the resilience and confidence of business owners in the Singapore economy. Among the Public Companies, those limited by guarantee continue to dominate. This is attributed to the rise in social enterprises in Singapore. A total of eight Public Companies Limited by Share were registered during the quarter, indicating the confidence in the local equity market. The number of Branch Offices registered in Singapore also fared well during the quarter, with 46 Branch Offices formed in the last quarter.

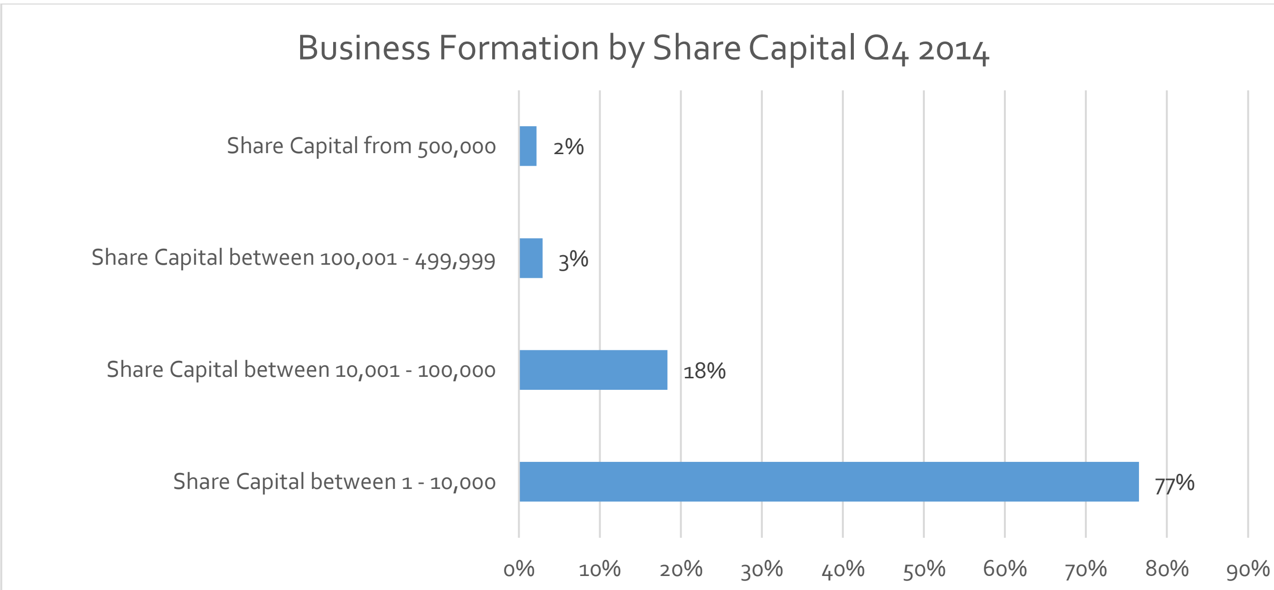
On a YoY basis, except for Non Exempt Limited Companies, all other entities have registered a significant increase. The sharp increase in Sole Proprietorship and Partnership registrations were prompted by the specialised schemes that were launched in the year.

OVERVIEW FOR 2013-2014



It must be noted that more foreign company Branch Offices were registered during 2014 compared to the previous year, recording an increase of nearly 80%. This is a strong endorsement of Singapore's competitiveness as an international business hub. As the economic action shifts towards the east, foreign companies are keen to place themselves in the best location to capitalise on the Asian growth phenomena.

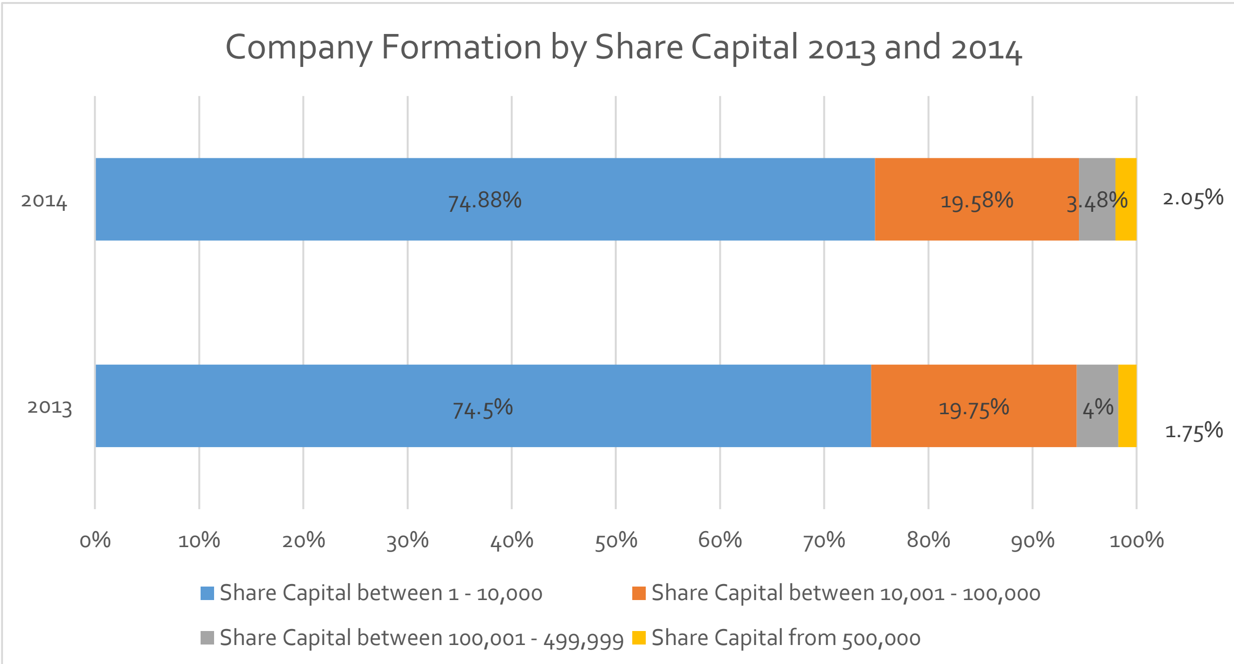
2 Business Formation by Share Capital



The majority of the formations are entities with a share capital of less than S$10,000. Entrepreneurs have capitalised on Singapore's regulatory framework that allows for companies to be incorporated with as little as S$1 as share capital. This is a major draw for and is stimulating an enterprise boom in Singapore, where small entrepreneurs are not hindered by lofty capital outlays in the initial stages of setting up their companies.

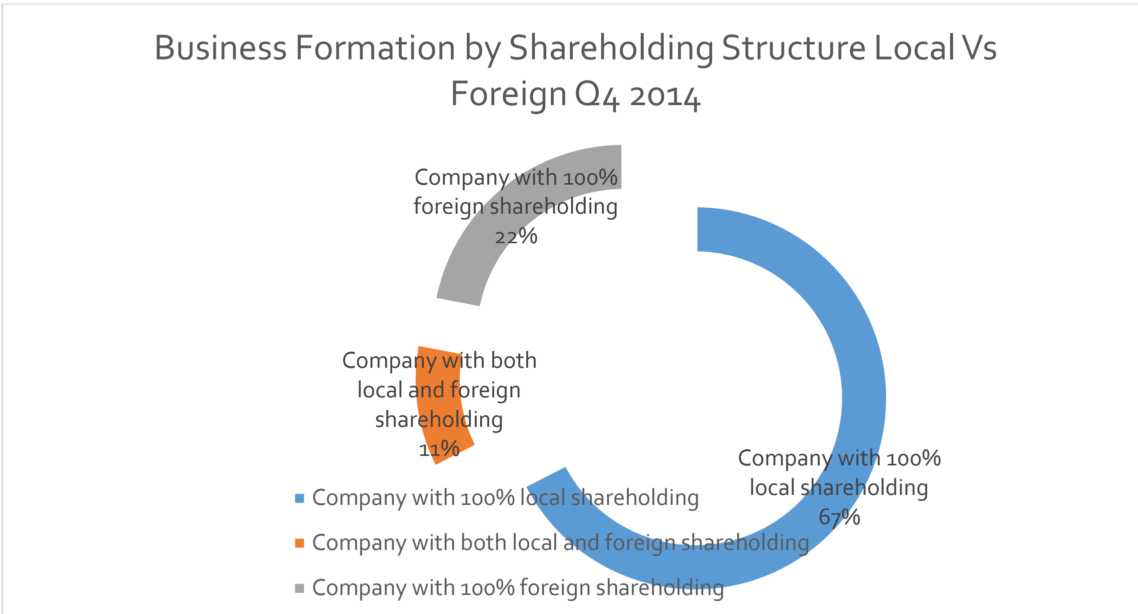
The share of the companies incorporated with less than S$10,000 share capital increased to 77% in Q4 from 75% in the preceding quarter. There is a small dip in the number of companies incorporated with share capital between $10,001 – S$100,000. The shares of other capital tiers that are covered for the purpose of this report have remained constant across the quarters.

OVERVIEW FOR 2013-2014



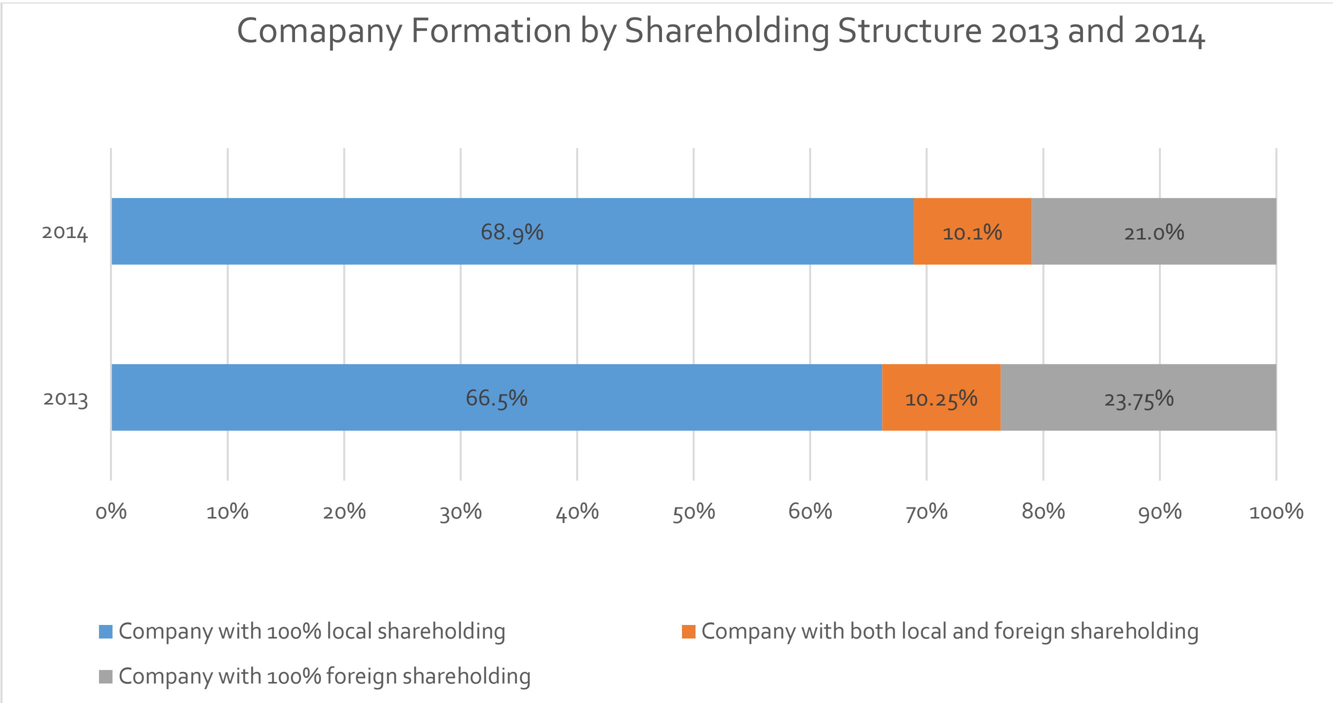
In 2014 there was a marginal increase in the shares less than $10,000 category. Due to the highly targeted SME centric schemes, support system and the enterprise friendly ecosystem, more small enterprises have sprung up this year. This enhances the vibrancy of the business landscape in Singapore and vouches for the competitiveness of Singapore. It is of interest to note that the share of companies formed with $500,000 or more has increased marginally as well.

3 Business Formation by Shareholding Structure



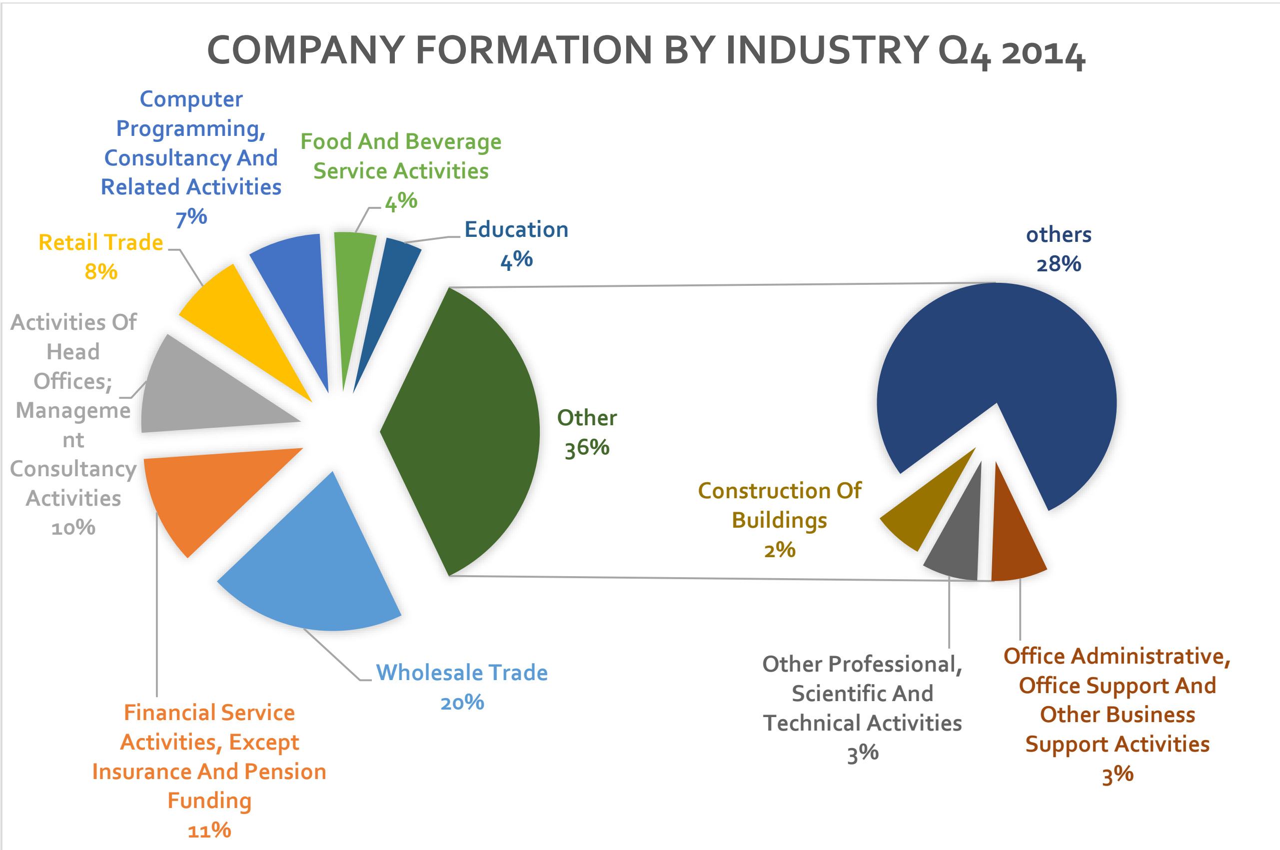
The majority of businesses formed in Q4 2014 were locally owned, with 67% fully owned by Singapore- resident shareholders. 22% of the entities had full foreign ownership, while 11% were owned by a combination of local and foreign shareholders. It is interesting to note that the companies with 100% locally held shares has dipped from the previous quarter, from 71% in Q3 it has dropped to 67%. Correspondingly the companies with 100% foreign held shares and the mixed shareholding companies have increased by three and one percentage points respectively. The looming interest rate hikes have kept the foreign entrepreneurs and enterprises from taking on new initiatives and investments in the preceding quarters, resulting in a decline in the share of these two categories. But with the assurance of delayed tightening, confidence appears to have returned and there is a renewed vigor in the business landscape with more foreign investors coming in. 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.

OVERVIEW FOR 2013-2014



The uneven global recovery and the looming interest rate hikes were inhibitive to investment initiatives of foreign entrepreneurs and enterprises resulting in a small dip in the share of foreign held companies in 2014. But with sustained recovery and the fear of tightened credit markets being abated by federal assurance, there are signs of activities returning to normality.

4 Business Formation by Industry



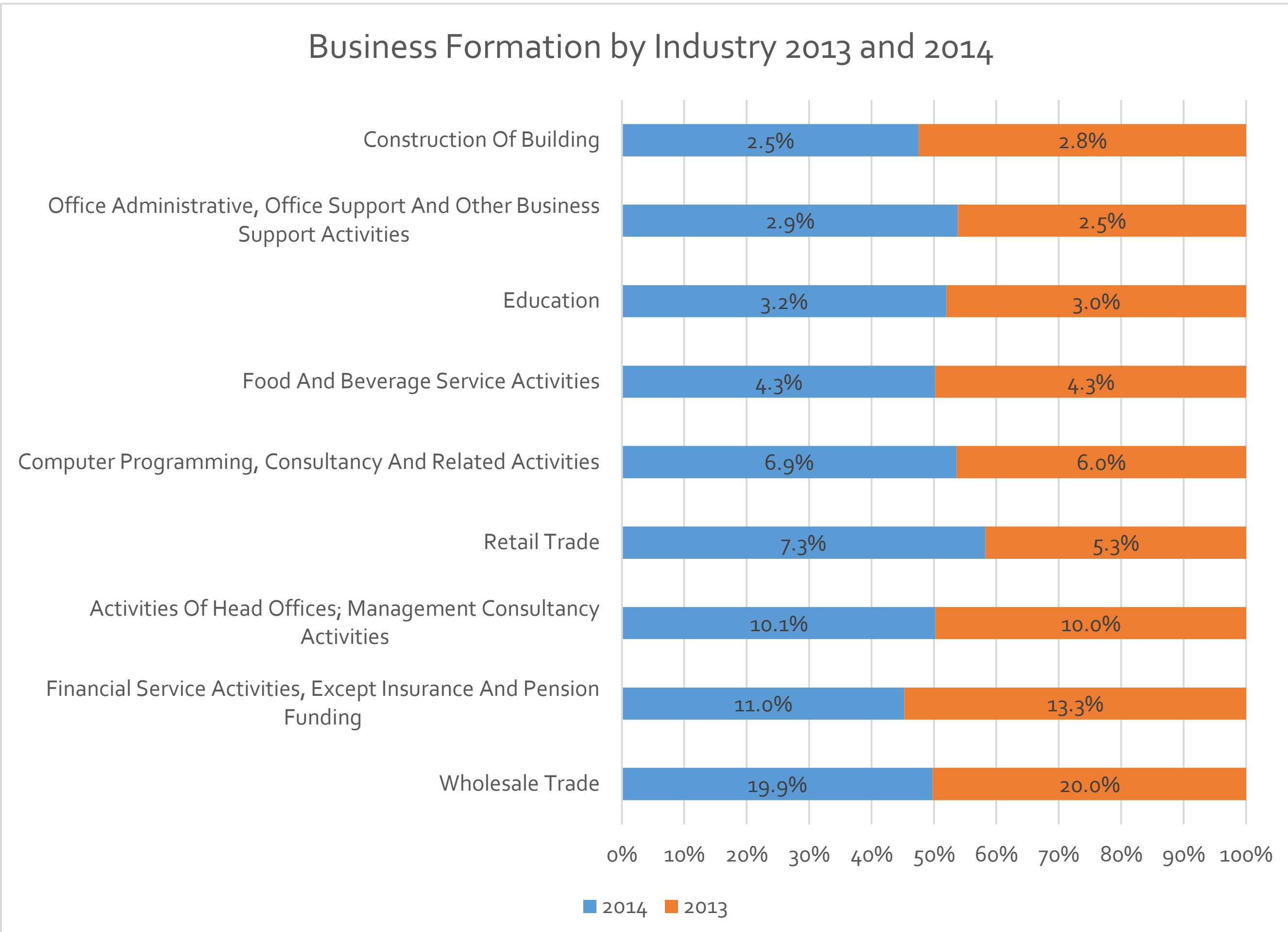
In accordance with the prevailing trend, the maximum number of business formations were in the Wholesale Trade industry, followed by Financial Services and Activities of Head Office and Management Consultancy. The top two categories, Wholesale Trade and Financial Services, registered a marginal increase of 1% from the previous quarter. Singapore's dominance as a regional distribution hub continues to remain unchallenged despite the competitive strategies of regional economies. The share of the Wholesale Trade sector in new business formations was 20%.

The share of Retail Trade and Food and Beverage business also remained the same as in the previous quarter. This bodes well for the sector, which is severely challenged by government's restructuring policies and labour woes.

Despite the gloomy conditions in the market it is heartening to note that the share of Financial Services sector incorporations improved marginally by 1% to 11%. Singapore continues to attract investments and wealthy individuals who choose to place their funds in Singapore because of the friendly tax framework and the clean image upheld by the country.

Singapore's Financial Sector Incentive (FSI) schemes have played a key role in boosting the sector. The city-state's position as a key international financial hub is no doubt a beneficiary of these long-sighted and business-friendly policies.

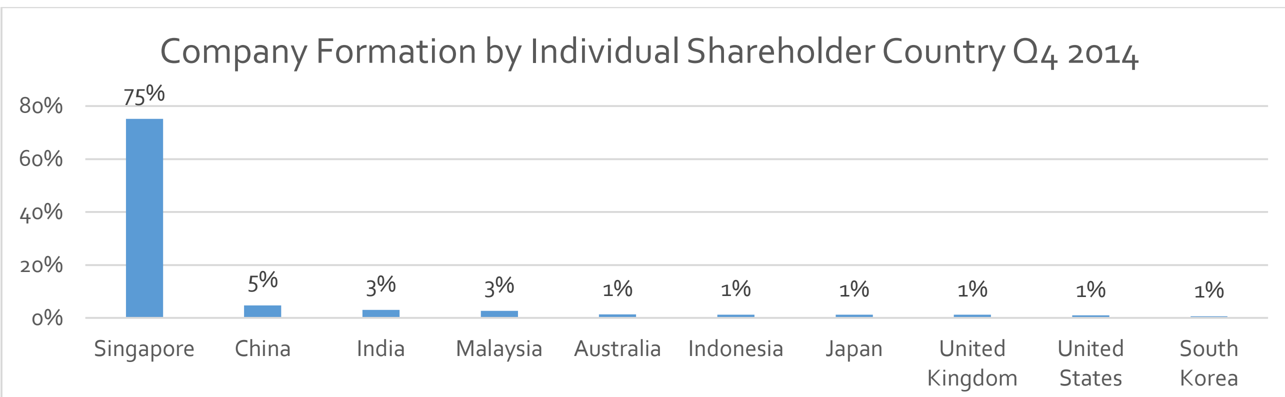
OVERVIEW FOR 2013-2014



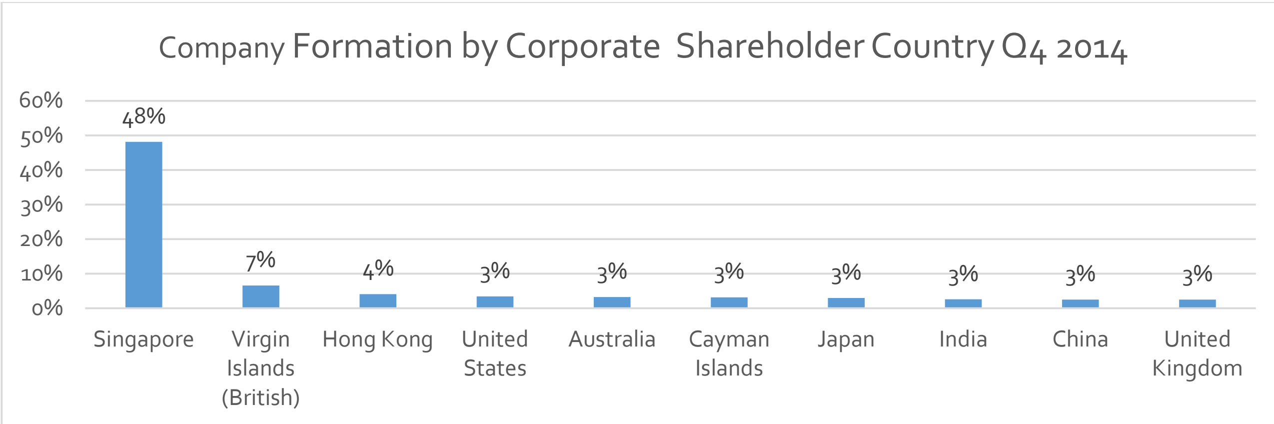
The share of the Wholesale Trade sector dipped marginally in 2014 by 0.1% but it was the Financial Services sector that registered a significant decline of 2.3% . The uncertainties that prevailed in the global markets and the anticipated flight of funds anticipated as a result of the tightening credit market dampened the activity in the sector. It is of interest to note that despite the labour crunch the Food & Beverage sector held on to its share from 2013 and the Retail Trade sector registered a sharp spike, 7.3% from 5.3% in 2013. Strong domestic spending and the growth in wages kept these two sectors buoyant, despite the challenges posed by economic restructuring. Education, Computer and IT Consultancy and the Services sector also registered substantial increases backed by the government's drive to improve productivity through innovation, skill enhancement and automation.

5 Business Formation by Country of Origin

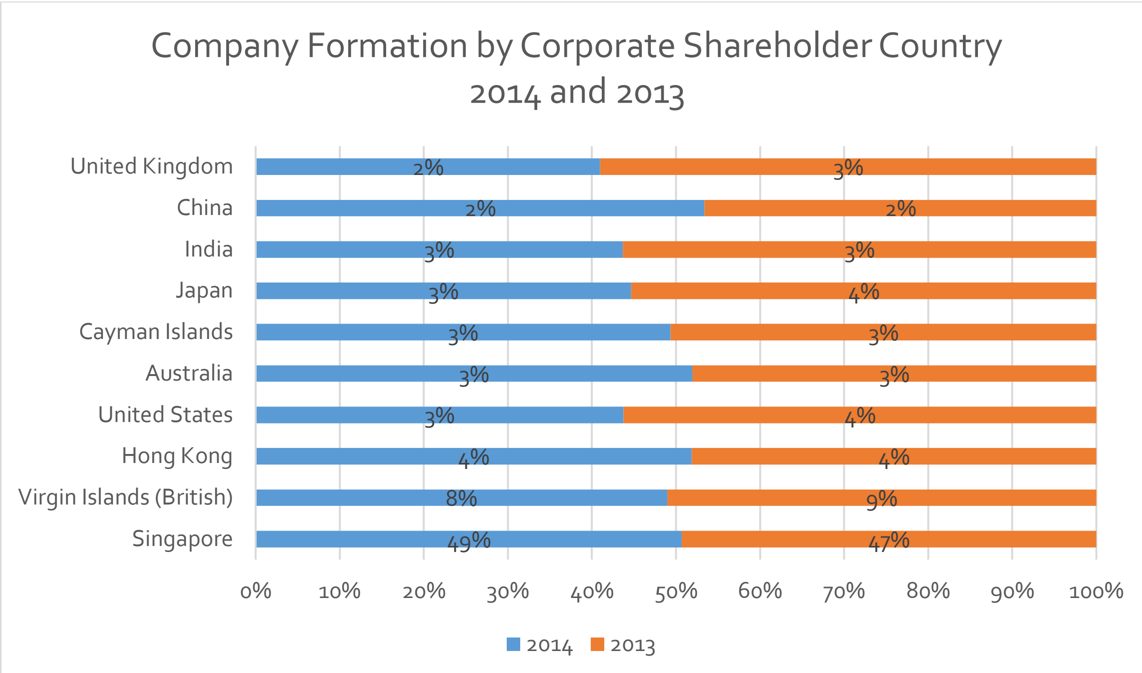
Singapore continued to attract foreign investors and entrepreneurs from across the globe. The share of foreign individual shareholders increased to 25% in Q4 from 23% in the previous quarter. Although the share of companies with local only individual shareholder companies dominates the company formation figures with 75%, the fact that Singapore sustains the confidence of global investors even amidst the uncertain economic situation is a strong endorsement. Entrepreneurs from China, India and Malaysia constitute the majority of foreign investors. The share of entrepreneurs from China compared to the previous quarter increased from 4% in Q3 to 5% in Q4. Chinese entrepreneurs accounted for the second largest share. With the Chinese economy moderating, Singapore appears to be the top option for Chinese entrepreneurs who wish to maximise the mileage on their investments and enterprises. Individual investors are also increasingly coming from diverse source countries such as India, Malaysia, Japan, Australia, Indonesia, the UK and France.



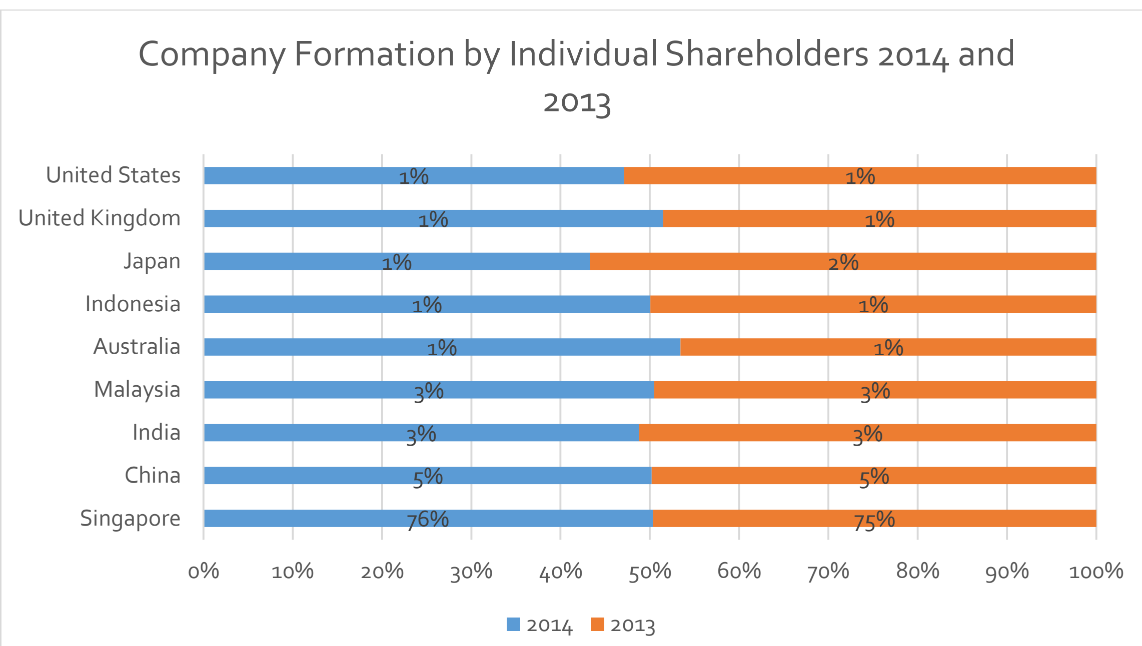
52% of the subsidiaries formed in Singapore had corporate shareholders from foreign countries. It is a significant rise from the previous quarter, which stood at 48%. Companies from countries like Australia, the USA, the UK and Japan have set up subsidiary companies in Singapore. Corporate entities from the British Virgin Islands and Hong Kong, with 7% and 4% respectively, continue to account for the highest share of companies formed. Indian and Chinese companies are also finding Singapore an attractive location for subsidiaries - during Q4 the share of subsidiaries set up by companies from India and China increased to 3% from 2% in the previous quarter.


Company Formation by Corporate Shareholder Country Q4 2014
60%
50%
40%
30%
20%
10%
0%
48%
7%
4%
3%
3%
3%
3%
3%
3%
3%
Singapore
Virgin Islands (British)
Hong Kong
United States
Australia
Cayman Islands
Japan
India
China
United Kingdom

OVERVIEW FOR 2013-2014



The share of the subsidiaries setup by Singapore companies has gone up by 2% as against 47% in 2013. The resilient local economy and the burgeoning Asian market were the driving force behind the aggressiveness of local companies. The share of British Virgin Island parent companies setting up in Singapore dropped from 9% to 8% in 2014. This is attributable to the stringent tax laws relating to doctrine of economic substance being enacted in BVI. . The slowed economy and the Eurozone mired in uncertainty may have dragged down the share of the UK, which dropped from 3% in 2013 to 2% in 2014.



Optimism in the local market by Singapore entrepreneurs and investors is reflected by the increased percentage in the number of companies formed by shareholders from 2013 to 2014, perhaps motivated by the strong domestic consumption and regional resilience. Aided by the government's schemes to improve productivity and support for SMEs there was a significant surge in entrepreneurship and growth in the SME sector. The split of the Individual shareholder countries remains unchanged except for Japan. Japan, which has been in economic doldrums, is gradually recovering under the Abenomics agenda, which may account for some Japanese entrepreneurs and investors to focus their attention domestically.

6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Total Number of Business Registrations	20,540	21,918	18,689	16,190
Registrations by Entity Type				
Exempt Private Limited Company	8,006	8,767	8,188	7,841
Non-Exempt Private Limited Company	1,320	1,262	1,440	1,354
Sole Proprietorship	9,585	10,102	7,545	5,691
Partnership	712	764	693	584
Limited Liability Partnership	818	946	723	617
Public Limited Company	53	39	56	55
Foreign Company Registered in Singapore	46	38	44	48
Registrations by Share Capital				
S$1 to S$10,000	77%	75%	74%	74%
S$10,001 to S$100,000	18%	20%	20%	20%
S$100,001 to S$500,000	3%	3%	4%	4%
Above S$500,000	2%	2%	2%	2%
Registrations by Share Structure				
100% Local Shareholding	67%	71%	69%	68%

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

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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 the fees we charge and provide practical advice to clients.

Our Services include:

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- Immigration
- Business Licenses
- Start-Up Assistance

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