

Q2

SINGAPORE
BUSINESS
FORMATION
STATISTICS
REPORT

APRIL-JUNE

2014



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Preface

Since 2010, the Singapore Business Formation Statistics Report has been compiled quarterly by Janus Corporate Solutions, Singapore's premier corporate services firm. 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 activities in Q2 2014.

The two major developed economies, namely the UK and the US, appear to have returned to a steady growth trajectory, as revealed by the latest economic data. The Chinese economy has also stabilized, despite the unexpected plunge in the previous quarters. The World Cup is spurring consumer spending in the Eurozone, which is still struggling to rebound. While the potential interest rate hike in the UK and USA has dampened investor spirits globally, the markets are retaining the momentum. Barring any major flare-up of the tension in Iraq and Ukraine, the global economic situation bodes well for business and investors in general.

Optimism increased in the USA in the second quarter after a disastrous first quarter, which ended with an unexpected drop in gross domestic product. The robust job creation in the second quarter is indicative of the surging economy and economists believe that the momentum will keep the economy buoyant in the second half of the year. The drop in unemployment underscores the rebound in the economy and experts forecast that this resurgence would result in the rise of interest rates sooner than expected.

The UK economy continued to do well in the second quarter, aided by the strong business investments made in the first quarter. Economists believe that the GDP expansion in the second quarter will be similar to that of the first quarter, i.e., around 0.8%. The recovery appears to be broadly balanced and it may potentially result in an early hike in the interest rate. The key sectors, such as the services, manufacturing and construction sector, all rallied ahead in the second quarter, indicating strong economic fundamentals, which also resulted in the pound gaining a six-year high against the US dollar.

The Eurozone continues to be uncertain. With the plunge in German industrial output, the bloc's reliance on the country as the economic engine to propel growth has been now been shaken. Yet Germany's general economy, despite the deceleration, is on an uptrend. As the Eurozone continues to dither in uncertainty, the European Central Bank (ECB) slashed its key interest rate from 0.25% to 0.15% in June and moved its deposit rate into negative territory (-0.10% from 0%). The low inflation and the unrest in Ukraine are thorns on the path to recovery.

In China, the government responded to its flagging growth in the first quarter by cutting taxes and urging regional governments to speed up spending. They also ordered the banks to offload their reserves. As a result, China's economic growth quickened in the second quarter from the previous quarter and is estimated to have stabilized around 7.4%. The targeted measures of the government and its pursuit of policy reforms are expected to keep the world's second largest economy on track and achieve the targeted growth rate of 7.5% for 2014.

In the case of India, the failing GDP growth during the quarter was further plagued by the policy uncertainty that prevailed over the political transition in the country. The new government is expected to whip up some vigor into the country's economy with its pro-business policies. The government under Narendra Modi is expected to unveil initiatives geared towards economic reforms and industrial growth.

The advanced GDP estimates reveal a stalled growth for Singapore in Q2 of 2014. The tight labor market and a fall in Chinese tourist numbers impaired the service sector. The manufacturing output also plunged in Q2, especially in the semiconductor sector. However, the core inflation rate remains strongly high and is forecast to remain slightly higher, despite dips in the headline inflation rate.

Strong core inflation rate is indicative of strong domestic consumption, aided by employment and wage growth. Although the manufacturing output dipped, the economic recovery in the UK and the US is anticipated to put the sector back on its growth track helped by exports.

The potential growth in exports, aided by the recovery of the western markets, steady employment figures and wage growth, along with the government's drive to enhance productivity, will help improve the investors' confidence. The emerging markets surrounding Singapore are also anticipated to gain from the recovery of the US and UK markets. The favorable business environment will spur entrepreneurial and investment activity in Singapore.

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 Q2 2014. It will also offer a comparison of current data with those of the three previous quarters. The report is presented in six parts:

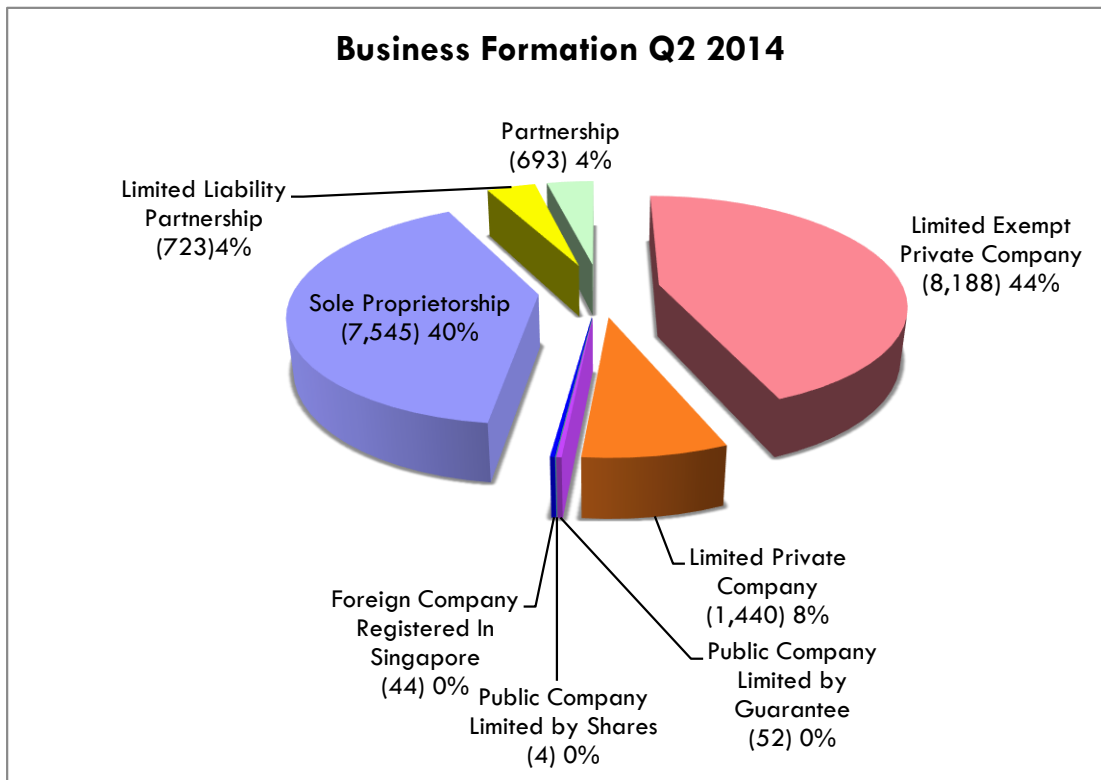
1. Business Formation by Entity Type
2. Business Formation by Share-Capital
3. Business Formation by Shareholding Structure
4. Business Formation by Industry
5. Business Formation by Shareholder's Country of Origin
6. Comparison of Business Formation Activities over the Last 4 Quarters

Report Highlights

- There were 18,689 business formations in Q2 2014, which is a significant jump compared to the 16,190 in Q1 2014.
- Private limited companies continued to prevail as the most common business entity type in Singapore during Q2 2014. More than half, i.e., 51.5% of the businesses formed were private limited entities.
- The second most dominant business entity type was sole proprietorship, accounting for 40.4% of the total business formed. This category registered a significant leap against Q1 2014, in terms of both its share in total business formation as well as its growth rate.
- Of the total private limited companies incorporated, exempt private limited companies (EPC) accounted for 85%, with 8,188 registrations.
- The number of private limited company formation registered a growth of 5% against the previous quarter as well as Q2 of 2013.
- In line with the convention, the top three industry sectors with the largest number of business formations were 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 18,689 businesses were registered in Q2 2014, showing a 15.4% growth against the previous quarter. This is a 16.6% increase against Q2 2013. The continued sharp upward trend in the business formation is attributed to the strong business environment in Singapore and the confidence of the business and investor community in Singapore's economic potential. The sustained economic recovery of the west also contributed to the rise in business registrations in Singapore.



Keeping with the trend, more than half of the total businesses formed (51.5%) were private limited companies. Of the 9,628 private limited companies formed during the second quarter, 8,188 were Exempt Private Companies (EPC). EPCs account for 43.4% of the total businesses formed in the quarter. EPCs are companies with fewer than 20 individual shareholders and no corporate shareholder with annual revenue of under S\$ 5 million. The EPCs are exempt from an annual audit of their accounts. EPC is the most preferred entity because of the relaxed compliance requirements and absolute limitation of the shareholders' liability.

With 7,545 registrations, the sole proprietorship is the second most dominant category. Interestingly, its share of 40.4% in the total business formation in this quarter registered a sharp spike, bucking the trend in the preceding quarters when its share hovered around 35%. In terms of growth rate, it registered a 33% increase against Q1 2014 and 39% increase against Q2 2013. Generally the growth rate of this category hovers around 5% but this quarter's growth rate shows a significant spike.

In this year's Budget 2014 debate speech, Member of Parliament for Ang Mo Kio GRC, Ang Hin Kee, called for more help to be extended to the freelancers and self-employed in Singapore. As they constitute an integral part of the workforce, he urged more schemes to be devised to specifically address the concerns of this group and for schemes such as Workfare Income Supplement to be extended to include this group. This call in parliament may have driven the freelancers and self-employed persons to register their businesses to gain a legal sanctity for their businesses in order to qualify for any potential government schemes.

In Q2 2014, 1,416 partnership businesses were set up, which accounted for 7.6% of the total businesses registered in Singapore. Of these, 723 were limited liability partnerships.

Out of the 56 public companies formed in the period, 52 were public companies limited by guarantee and four were limited by shares. The almost steady number of foreign companies registering in Singapore (44 in Q2 2014 compared to 48 the previous quarter) underscore the confidence of foreign enterprises in the country as a regional hub.

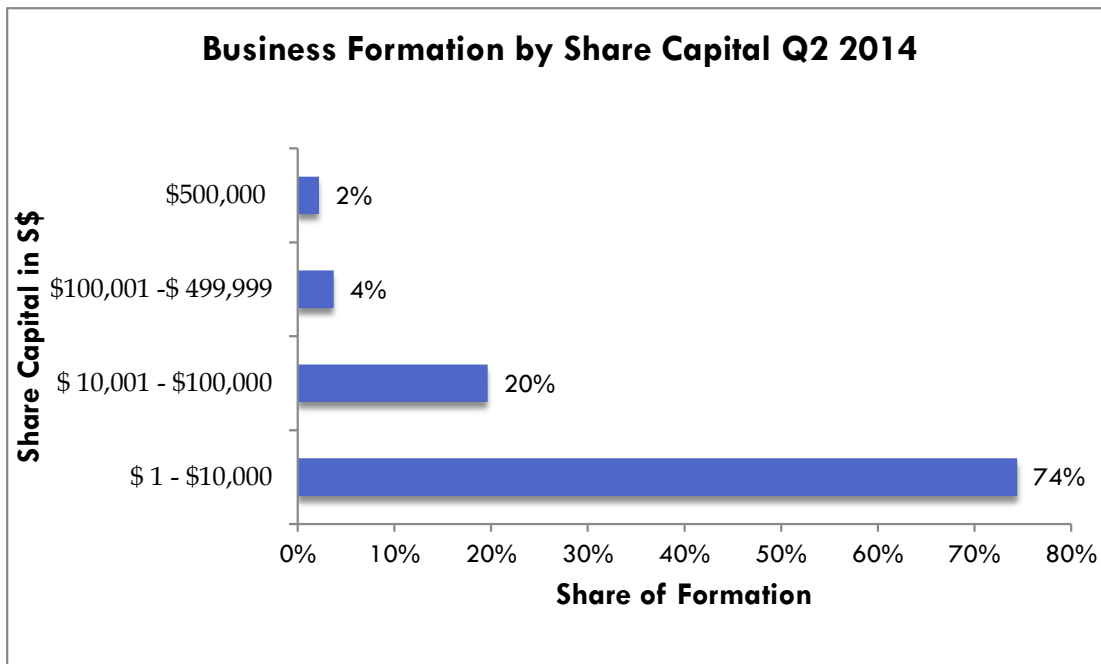
Type of Entity	Increase/(Decrease) from Q4 2013	Increase (Decrease) from Q1 2013
Limited Exempt Private Company	4.4%	5.3%
Limited Private Company	6.4%	5.3%
Public Company	1.8%	(52.1%)
Foreign Company Registered In Singapore	(8.3%)	-
Sole Proprietorship	32.6%	38.9%
Limited Liability Partnership	17.2%	18.3%
Partnership	18.7%	(3.9%)

Overall on a quarter-on-quarter (QoQ) basis all categories of entities registered growth. This was however amidst the call for greater government support for the self-employed and freelance workers - the sole proprietorship registered a sharp growth among all categories. The next highest growth was registered by partnership entities. The QoQ growth rate of the private limited entities was moderate, indicating the confidence of the business community and entrepreneurs in Singapore's resilience, despite the lackluster performance of the key sectors in Q2 2014. The public company growth rate remained marginal and it must be noted that the small spike was driven by the increase in public companies limited by guarantee, while those limited by shares actually dropped. The plunge in foreign company registration, although small in terms of absolute numbers (from 48 in Q1 to 44 in Q2), is attributed to the uncertainties prevailing over the credit rate and anticipated US tapering.

On a year-on-year basis, the sole proprietorship registered the sharpest growth. While the unlimited partnership category witnessed a slump, the LLP entities registered a significant growth. This indicates a growth in the number of more professional practices such as doctors, lawyers, engineers, architects etc. The public company category registered a sharp decline, the number dropped by more than half but this was largely due to the fall in the number of public companies limited by guarantee.

2 Business Formation by Share Capital

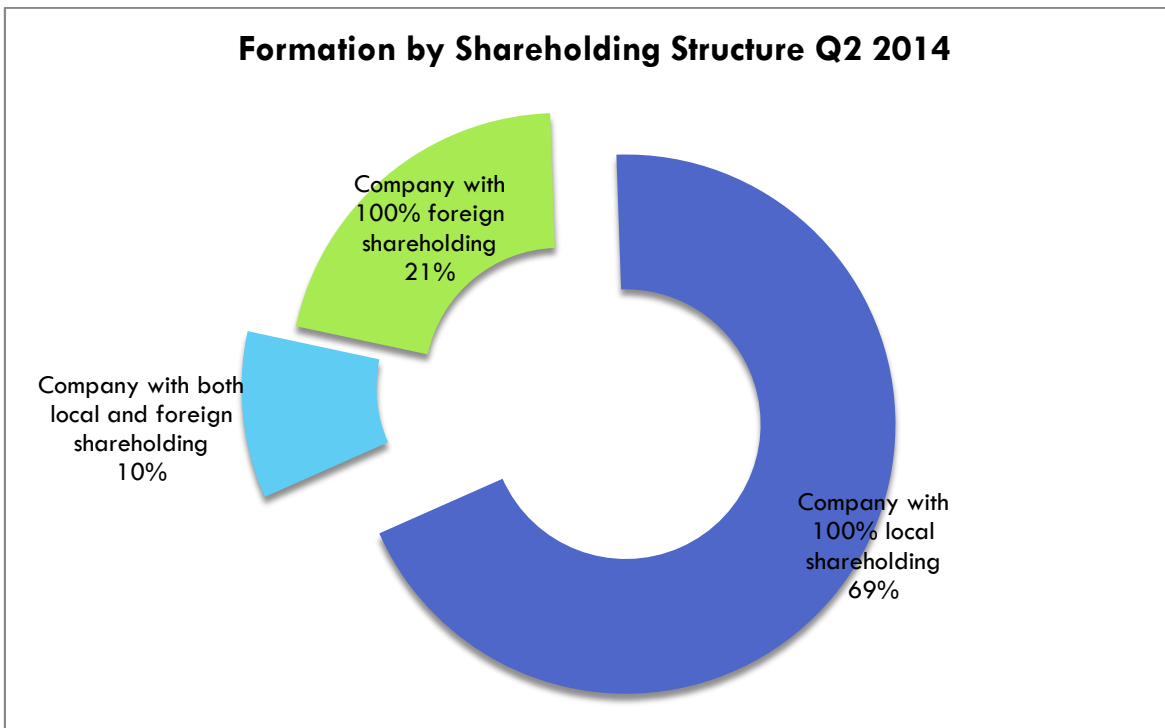
Nearly 74% of the business formations in the quarter had a capital of S\$10,000 or less, while 20% had between S\$10,001-100,000. Just 4% of the businesses had more than S\$100,000 at the time of setup, with around 2% injecting an initial capital of more than S\$500,000.



The minimum share capital required to register a company in Singapore is S\$1, which is the reason for the bulk of the companies formed with a share capital of less than S\$10,000. The share of the companies across the different share capital tiers, as covered for the purpose of the report, has remained constant across the quarters. However, on a YoY basis, the businesses with share capital between \$10,000 and \$100,000 has marginally increased.

3 Business Formation by Shareholding Structure

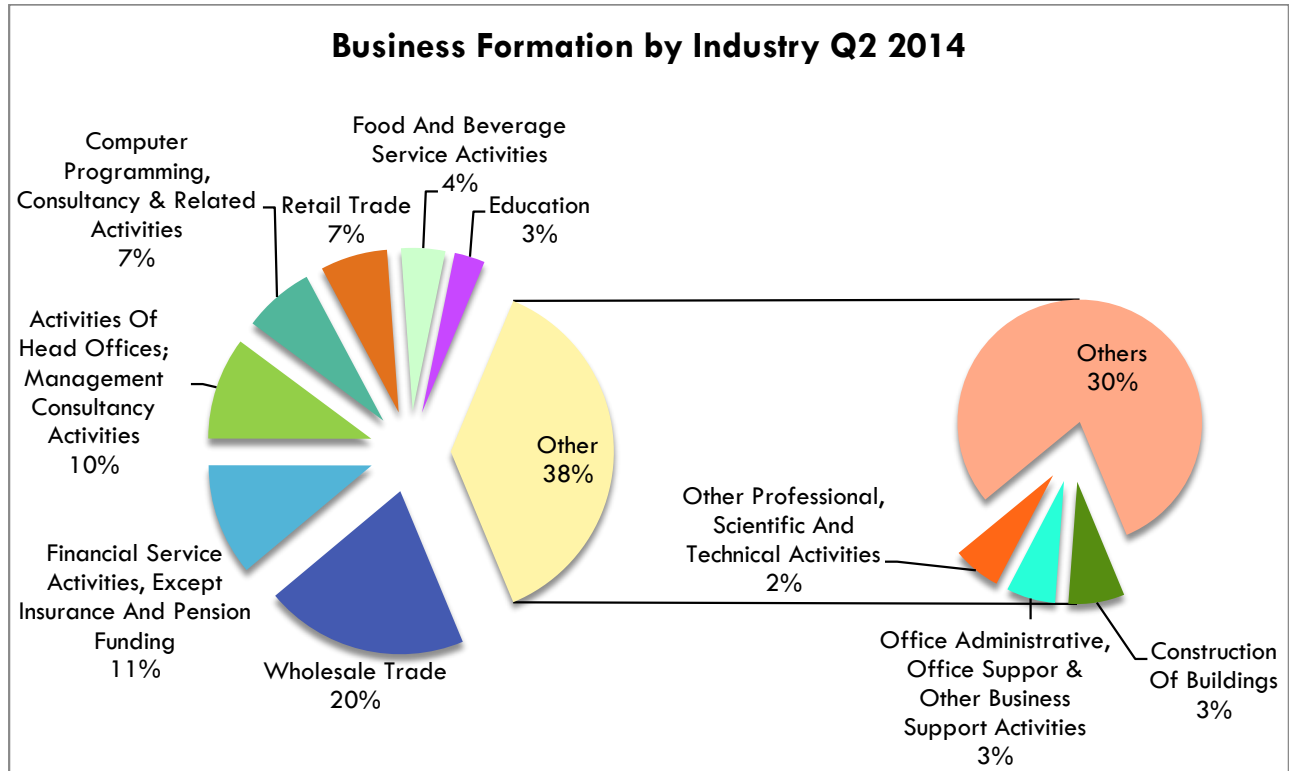
Entities fully owned by Singapore-resident shareholders made up 69% of business formations in Q2 2014. Entities with a combination of local and foreign shareholders accounted for 10%, while the remaining 21% had full foreign ownership.



The local entrepreneurship has remained robust in the recent period, supported by strong government initiatives. The availability of funds and mentorship schemes together with tertiary level educational institutions promoting entrepreneurship and programs to hone and nurture business skills, have prompted a growth in 100% local share holding companies (69% in Q2 of 2014). The share of the companies with mixed shareholding remains constant at 10% across the quarters.

The 100% foreign shareholding companies appears to have dropped by one percentage point on a QoQ basis and two percentage points on a YoY basis. The concerns over the US tapering of quantitative easing, and the feared spike in interest rates have taken its toll on this category. Singapore allows for 100% foreign shareholding and it has established extensive Avoidance of Double Taxation Treaties with the 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 into the Asian market opportunities.

4 Business Formation by Industry



In line with Singapore's reputation as the regional trade hub, and upholding the usual trend, the highest number of business formations were in the wholesale trade industry. Singapore's strategic geographic location, world-class transport network and infrastructure and extensive trade agreements with the major markets of the world makes it a preferred location for operating wholesale trade businesses.

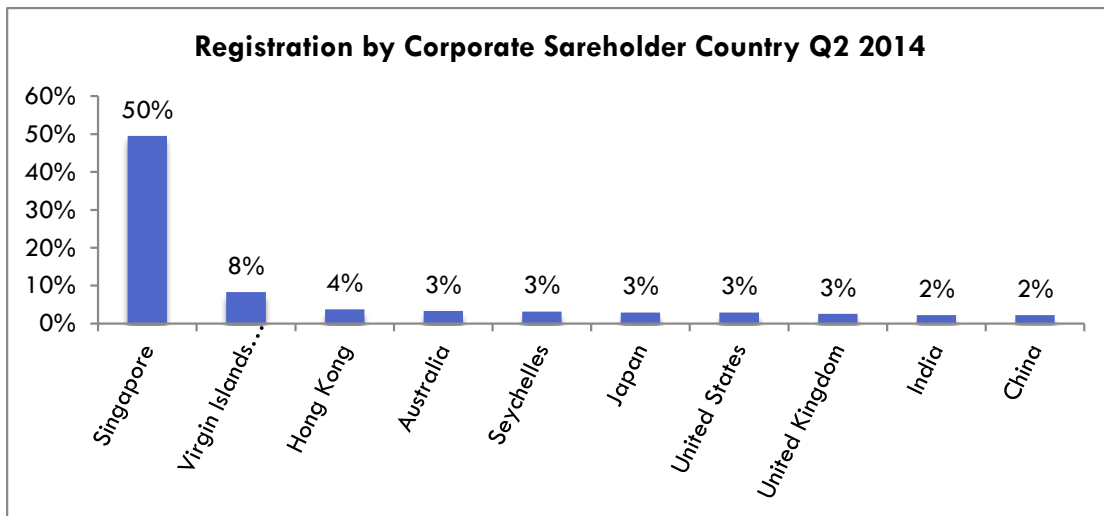
Besides wholesale trade industry, the financial services (outside of insurance and pension funding), and head office and management consultancy industries were active with the high number of company formations. Business formation in financial services sector and head office and management consultancy accounted for 11% and 10% of the total business formations respectively. Singapore is an international financial center and, due to the growing regional economies, it also acts as a hub for regional operations of companies and those providing management consultancy services. Therefore, traditionally these two sectors come in the top when it comes to new business formation.

The share of business formations in Information Technology and its related sector remains steady at 7%. Government's push to promote productivity and its drive to tap into technology to enable automation and reduce reliance on external labor sources, have led to strong growth in demand for IT and related services. Mobile penetration and broadband proliferation has enabled convergence of technology and this is redefining the way products, services, and contents are purchased, delivered and consumed. This scenario bodes well for the sector, hence it is retaining a steady share in the total number of new business formation.

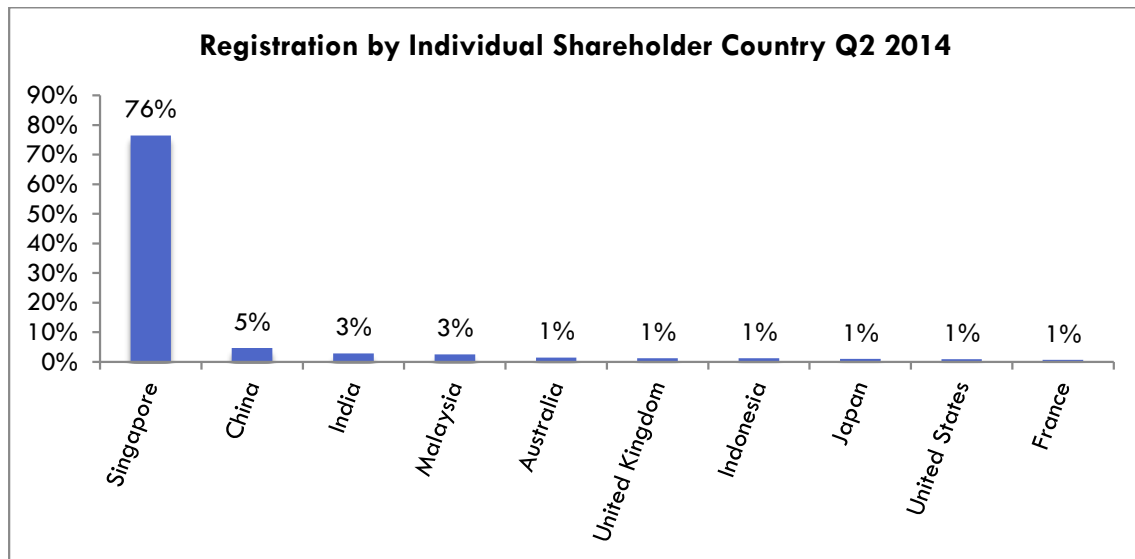
Retail trade business formations, with 7% share, experienced a slight increase from the previous quarter when it held at 6%. Although marginal, it is interesting to note that the sector is coping well with the tight labor market that seems to have affected other service businesses. The strong employment and wage growth is keeping the domestic consumption high as evident from the core inflation rate. Perhaps the strong revenue potential in the sector is attracting new players into the sector despite the tough challenges.

5 Business Formation by Country of Origin

Enterprises and entrepreneurs across the globe find Singapore an attractive business destination. Companies from countries like Australia, the USA, the UK, and Japan have setup subsidiary companies in Singapore. Corporate entities from the British Virgin Islands and Hong Kong, with 8% and 4% respectively, account for the highest share of companies formed. Indian and Chinese companies are also making a steady inroad into Singapore, although compared to previous quarter their share has dipped marginally from 3% to 2%. The uncertainty that prevailed amidst the political transition in India in the second quarter, and the slower growth in the domestic markets in China may have stalled the expansion plans of companies from these two countries.



Business registrations by individual shareholders from foreign countries account for nearly one fourth of the registrations in the second quarter, with the majority being entrepreneurs from China, India and Malaysia. There continues to be diverse pool of investors as reflected by registrations by entrepreneurs from countries such as Japan, Australia, Indonesia, the UK and France.



6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Total Number of Business Registrations	18,689	16,190	14,500	15,457
Registrations by Entity Type				
Exempt Private Limited Company	8,188	7,841	7012	7441
Non-Exempt Private Limited Company	1,440	1,354	1347	1368
Sole Proprietorship	7,545	5,691	4,960	5,323
Partnership	693	584	553	640
Limited Liability Partnership	723	617	539	590
Public Limited Company	56	55	46	40
Foreign Company Registered in Singapore	44	48	43	55
Registrations by Share Capital				
S\$1 to S\$10,000	74%	74%	74%	74%
S\$10,001 to S\$100,000	20%	20%	20%	20%
S\$100,001 to S\$500,000	4%	4%	4%	4%
Above S\$500,000	2%	2%	2%	2%
Registrations by Share Structure				
100% Local Shareholding	69%	68%	66%	67%
100% Foreign Shareholding	21%	22%	24%	23%
Both Local and Foreign Shareholding	10%	10%	10%	10%

About Janus

Based in Singapore, Janus has a team of over 40 people who specialize in providing high quality corporate services. It is the one-stop shop for incorporating and operating a business in Singapore; it employs an experienced team of lawyers, company secretaries, accountants, tax consultants and immigration experts who fully understand Singapore's regulatory framework. Janus is part of the Hawksford Group, an independent wealth structuring company based in Jersey.

Janus' business philosophy places customer relationships at the core of everything it does. It has established a strong reputation through the quality of its service, responding promptly, fair and transparent pricing and by keeping its promises. Janus' services include:

- Company formation;
- Tax and accounting;
- Immigration;
- Business licenses; and
- Start-up assistance.

We offer clear and concise explanations of all your compliance requirements. Combined with our standardized operating procedures and personalized approach, we provide timely and accurate service to ensure that your business needs are well met.

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

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