

# Singapore Business Formation Statistics Report

Q3 (July-September) 2013



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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, to provide 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 Q3 2013.

Through Q3 2013, the global economy continued to grow at a modest pace as US growth remains underwhelming while Europe dawdles in recession. Major emerging markets have likewise been trapped in a slow progression. In Asia Pacific, China's credit market turmoil earlier in the year has caused its economy to be more sluggish than expected. This in turn affected the purchasing manager's indices (PMIs) for manufacturing in China, and prompted varied impacts on neighboring economies.

Singapore has remained resilient to these economic upheavals. In the most recent estimates released by the Ministry of Trade and Industry (MTI) in October 2013, the nation's gross domestic product (GDP) in Q3 surpassed market expectations with a growth of 5.1%. This statistic is impressive considering the volatility surrounding global financial markets, largely a result of uncertainties in US monetary policies, instability of China's banking system, and adjustments to the new Abenomics policy in Japan.

The stable, forward-looking business environment in Singapore not only boasts low interest rates and strong economic growth, but has also given rise to strong credit growth, high credit quality, and asset inflation. Furthermore, with strong financial metrics, Singapore banks consistently rank amongst the top in the world for recognizability and creditworthiness.

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 2013. 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

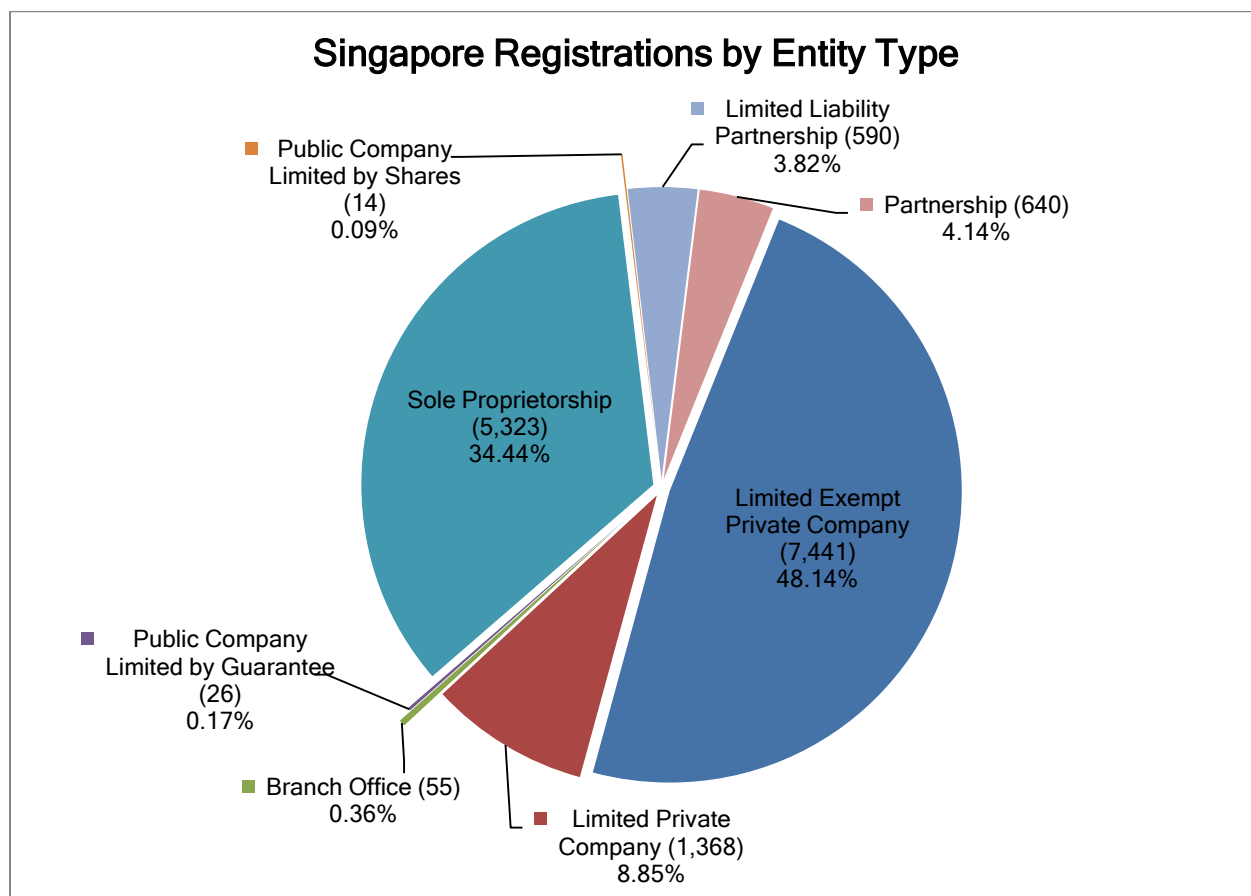
## Report Highlights

- There were 15,457 business formations in Q3 2013, which was a slight decrease compared to the 16,027 business formations in Q2 2013, but a considerable increase from the 14,253 recorded in Q3 2012.
- Similar to previous quarters, private limited companies continued to be the most common business entity type in Singapore during Q3 2013, with 8,809 formations. This is followed by sole proprietorships with 5,323.
- Of the 8,809 private limited companies incorporated, 84.48% were incorporated as exempt private limited companies (EPC).
- There was a 3.67% decrease in the number of private limited company formations and significant decrease of 65.81% in the registration of public companies from Q2 to Q3 2013.
- 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, Japan and India were among the top investing countries in Singapore during the quarter.

## Business Formation by Entity Type

There were 15,457 business formations in Q3 2013. The number is a 3.56% decrease from the previous quarter; it was however an 8.45% hike from Q3 2012. Of these new business entities formed, 57.0% were private limited companies, with a total of 7,441 registered as exempt private limited companies, which are companies with less than 20 individual shareholders.

An additional category of entity type included in this quarterly report is branch offices, which are considered an extension of the foreign-registered parent company and not as a separate legal entity. While only taking up a relatively small percentage of the pie, these entities are indicative of Singapore's repute as a regional business hub, particularly with branch offices commonly an indication of bigger, more established companies wanting to set up regional presence.



Sole proprietorships constituted a significant 34.44% of business formations. This type of business entity is owned by one person or one company without partners. The ease and low cost of setting up sole proprietorships make this a suitable option for local individuals with small businesses that do not carry any substantial risks.

There were 1,230 new partnerships recorded, 47.97% of which were limited liability partnerships. A limited liability partnership gives owners the flexibility of operating as a partnership while enjoying many of the benefits that come with corporate entities such as a private limited company. Such partnerships are primarily suited for professions like accountants, law firms and architects, where two or more professionals would like to build a joint practice in a common field.

There were also 40 public companies incorporated this quarter. Two-thirds of these were public companies limited by guarantee, while only 14 were public companies that are allowed to offer shares to the general public.

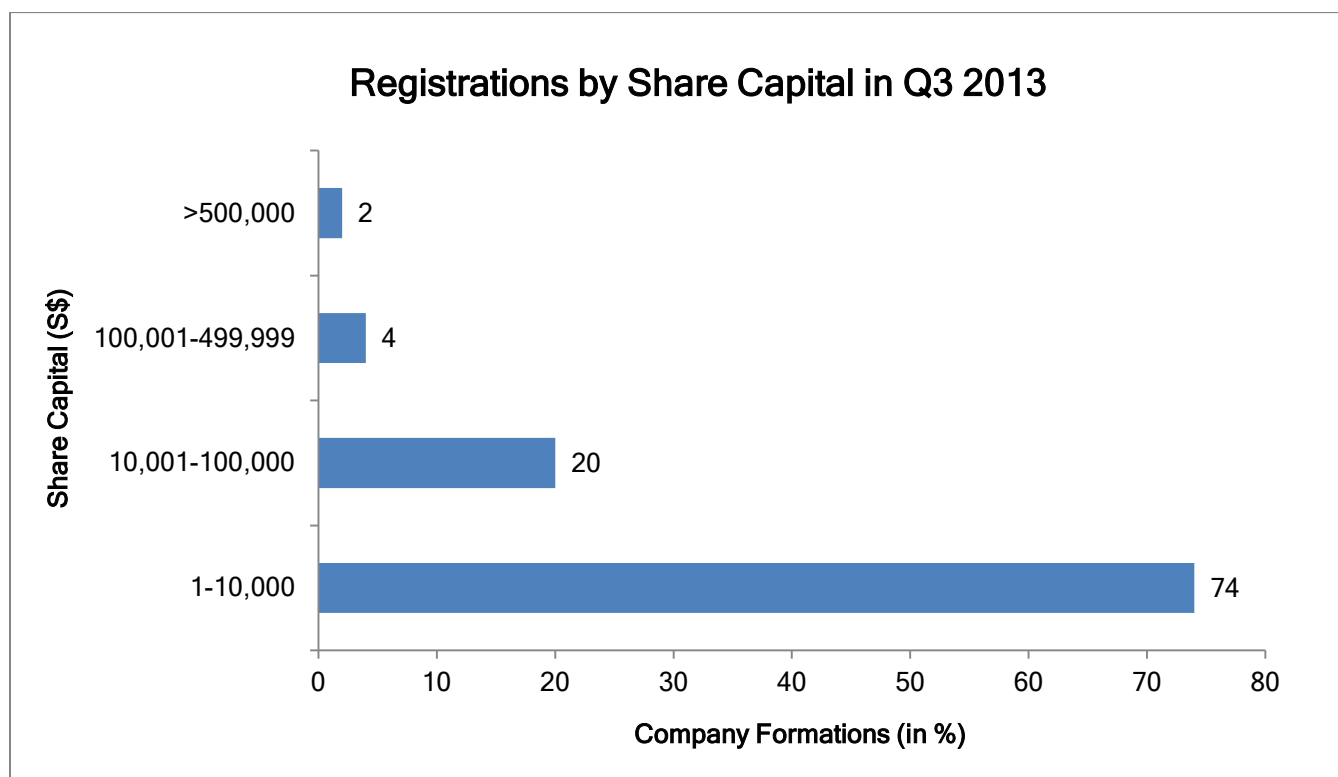
Despite the slight decrease across the board compared to the previous 3 months, which was noted in the previous Quarterly Report (Q2 2013) as an unexpectedly active quarter, the figures show a continuous upwards trend from the past year, with the exception of Public Limited Companies. The unexpected fall in Public Limited Companies may have been a consequence of uncertainty in the stock market.

Type of Entity	Increase ( <i>Decrease</i> ) from Q2 2013	Increase ( <i>Decrease</i> ) from Q3 2012
Exempt Private Limited Company	<i>(4.32%)</i>	11.53%
Non-exempt Private Limited Company	0%	18.34%
Sole Proprietorship	<i>(2.02%)</i>	5.93%
Partnership	<i>(11.23%)</i>	<i>(12.21%)</i>
Limited Liability Partnership	<i>(3.44%)</i>	<i>(0.34%)</i>
Public Limited Company	<i>(65.81%)</i>	<i>(49.37%)</i>

While the number of Private Limited Companies showed a slight decrease from the previous quarter, the number remains markedly optimistic with noticeable growth since the same period in 2012. The statistics reflect the continued confidence of business owners and entrepreneurs in the stability and vibrancy of Singapore's economy. A number of new government schemes and grants introduced this year to promote productivity and innovation in small and medium enterprises (SMEs) adds to the myriad benefits of setting up businesses in Singapore.

## Business Formation by Share Capital

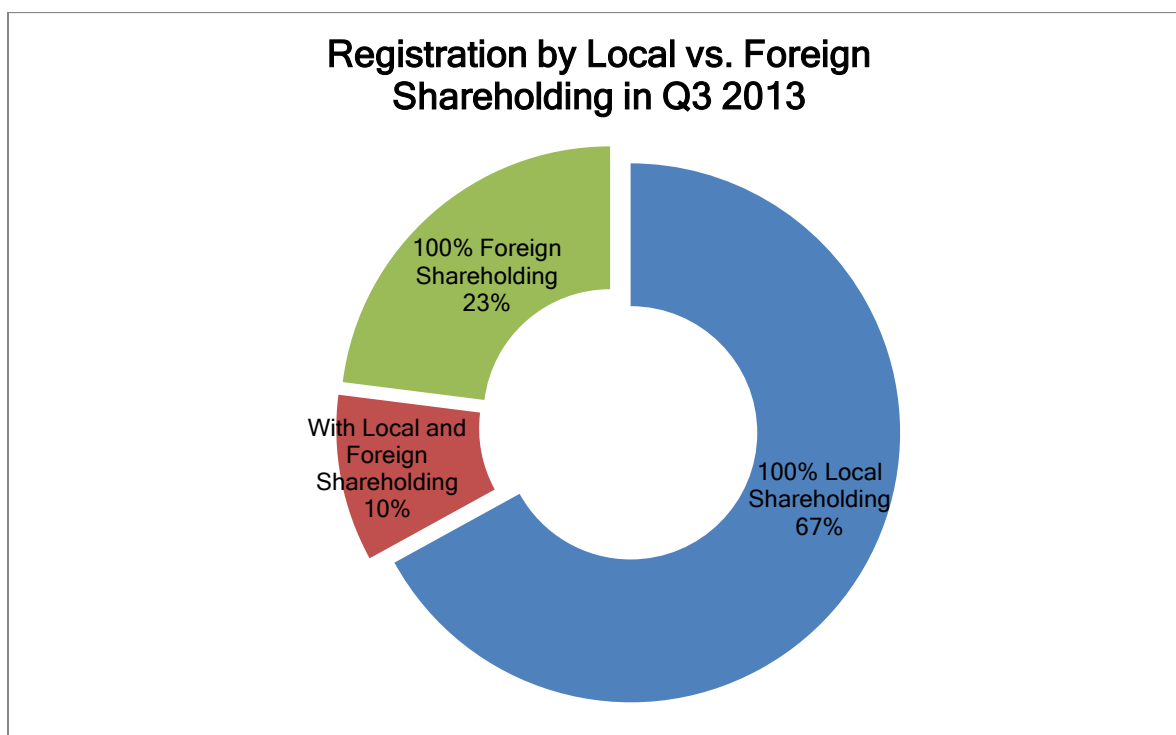
Approximately 74% of the business formations in the quarter had a capital of S\$10,000 or less, while 20% had between S\$10,001-100,000. The remaining had more than S\$100,000 at the time of setup, with around 2% putting in an initial capital of over S\$500,000.



The persistently high proportion of incorporations in the S\$10,000 or less range highlights one of the key advantages of the Singapore Companies Act, which allows the establishment of companies with a minimum paid-up capital of only S\$1, and which may be increase at any time after incorporation. This flexibility and inclusivity is a significant incentive for startups as well as younger entrepreneurs.

## Business Formation by Shareholding Structure

Entities fully owned by Singapore-resident shareholders made up 67% of business formations in Q3 2013. Entities with a combination of local and foreign shareholders accounted for 23%, while the remaining 10% had full foreign ownership.

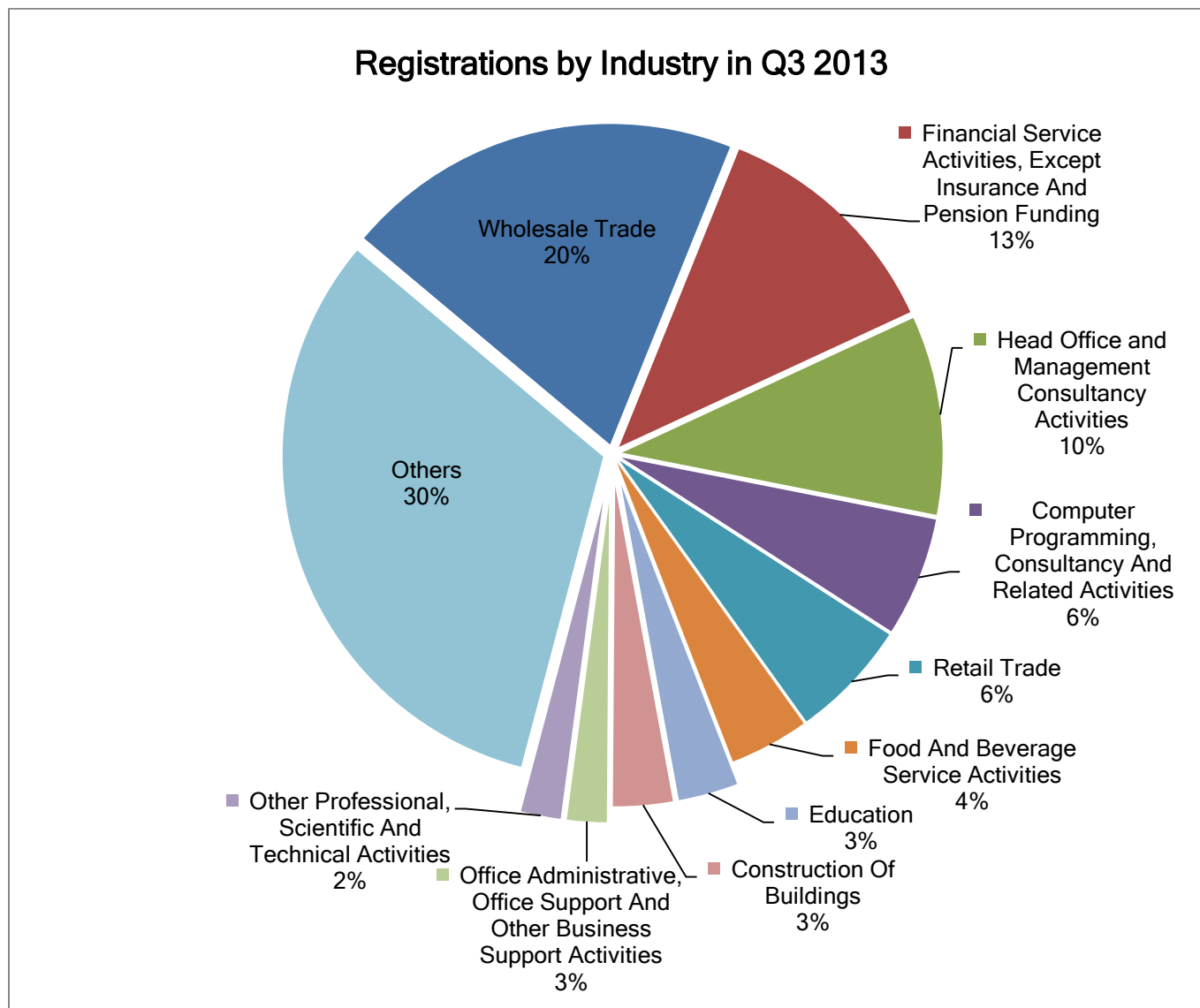


The percentage ratio of the three categories of shareholding structure remains the same as that recorded in Q2 2013 with marginal differences of 1%. The statistics from the previous three months were: 66% fully local, 24% fully foreign, and 10% mixed shareholder entities. In the year-on-year comparison, similar numbers were recorded in Q3 2012: 65% fully local, 24% fully foreign, and 10% mixed shareholder entities.

The enduring number of local entrepreneurship proves the effectiveness of Singapore government’s efforts in promoting the spirit of enterprise among home-grown talents. Initiatives and schemes implemented by policy makers in the recent years have paid off, and while such government assistance has quickly gained grounds, more improvements have been paid this year to enhance existing policies such as the updated Productivity and Innovation Credit (PIC) scheme. The Singapore government’s evidenced dedication and support to promote and strengthen local businesses ensures the sustainability and continued growth of the local entrepreneurial economy.

## Business Formation by Industry

Making up the majority of business formation this quarter are wholesale trade, financial services (excluding insurance and pension funding), and head office and management consultancy activities. In a recurrent trend from last quarter, new companies involved in information technology-related activities and retail trade continue to emerge in Q3 2013.



Wholesale trade retains the largest proportion of business formations, cementing Singapore’s status as a leading trading hub. The country’s strategic location at the confluence of major trade routes afforded the nation a natural advantage, but it is the continued efforts by the government in implementing strategic policies that has allowed Singapore remain fiercely competitive with a pool of skilled workforce, efficient infrastructure, and advanced

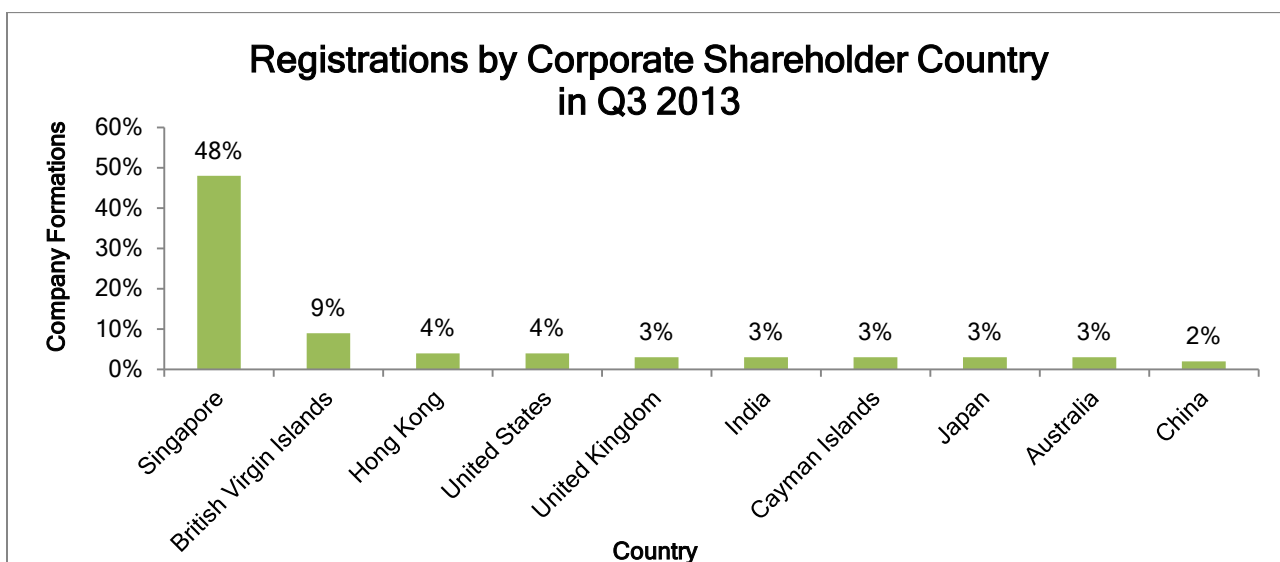


technologies. Singapore is also consistently ranked top in most open economy, corruption-free government, most business-minded, low tax rates, and one of the highest per-capita GDP in the world.

The city-state's reputation as one of the world's most transparent economies and most stable government have also attracted investments from notable multinational corporations (MNCs) and consequently an influx of foreign talents. This creates a vibrant and competitive corporate sector, which in turn boosted the number of incorporations in the financial services and head office and management consultancy activities.

## Business Formation by Country

Singapore attracted businesses and entrepreneurs from countries like the United States, China, India, Japan, United Kingdom and Hong Kong. There were also investors from the British territories of the British Virgin Islands and Cayman Islands.



With the extensive range of Free Trade Agreements and Avoidance of Double Taxation Agreements in place in recent years, Singapore has grown to be notable an investment and trading hub both in the region and globally, and this status will only be enhanced in the future with more agreements in talks. In particular, the agreement with

the European Union (EU) and direct currency trading agreement with China promises to expand opportunities to two of the biggest and most active markets in the world.

In recent global rankings, Singapore continues to emerge as one of the top business destination with top-ranked intellectual property (IP) protection, economic competitiveness, and the city-state is also well regarded as a premier trust jurisdiction. In the 2013 survey conducted by the World Economic Forum (WEF), Singapore ranked top in the *Global Information Technology Reports (GITR) Ranking* and *Global Competitiveness Index (GCI) Ranking*. Additionally, three of Singapore's local banks were also given top rankings in the *World's 50 Safest Banks 2013* list compiled by financial publication *Global Finance*.

These accolades and a firm reputation for security, stability and overall confidence have fueled Singapore's status as the preferred business hub for both entrepreneurs and MNCs looking to establish a regional presence.

## Comparison of Business Formation Activity for the Last 4 Quarters

	Q3, 2013	Q2, 2013	Q1, 2013	Q4, 2012
<b>Total Number of Business Registrations</b>	<b>15,457</b>	<b>16,027</b>	<b>14,156</b>	<b>13,351</b>
<b>Registrations by Entity Type</b>				
Exempt Private Limited Company	7,441	7,777	7,032	6,293
Non-Exempt Private Limited Company	1,368	1,368	1,248	1,248
Sole Proprietorship	5,323	5,433	4,622	4,618
Partnership	640	721	586	566
Limited Liability Partnership	590	611	574	540
Public Limited Company	40	117	94	86
Foreign Company Registered in Singapore	55	-	-	-
<b>Registrations by Share Capital</b>				
S\$1 to S\$10,000	74%	75%	75%	74%
S\$10,001 to S\$100,000	20%	19%	19%	20%
S\$100,001 to S\$500,000	4%	4%	5%	5%
Above S\$500,000	2%	2%	1%	1%
<b>Registrations by Share Structure</b>				
100% Local Shareholding	67%	66%	66%	65%
100% Foreign Shareholding	23%	24%	24%	25%
Both Local and Foreign Shareholding	10%	10%	10%	10%

## About Janus Corporate Solutions

Janus Corporate Solutions is a leading Singapore-based corporate services firm, and your one-stop partner for starting and managing a business in Singapore. The Janus team consists of seasoned professionals with extensive experience in the country's legal, financial, tax and regulatory frameworks. We aim to build a lifetime relationship with you by ensuring that you receive the highest quality services each and every time you interact with us. Specifically, we provide services for:

- Incorporation of local companies
- Registration of subsidiaries and branches of overseas companies
- On-going statutory administration of companies
- Bookkeeping and payroll services
- Tax filing for companies and individuals
- Application for work passes for expatriate staff and business owners
- Application for business licenses
- Other related corporate services

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](http://www.guidemesingapore.com).

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