

Singapore's Corporate Sector 1993–2003

By
Mr Khoo Soon Lee and Mr Poh Wei Chian
Business Statistics Division
Singapore Department of Statistics

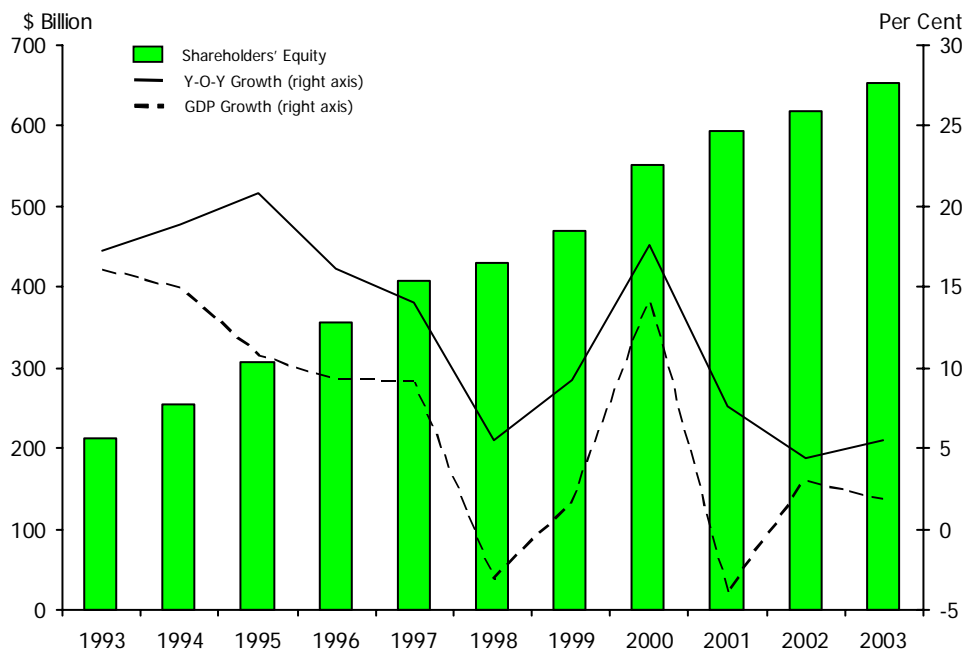
Introduction

This article analyses the trends in sectoral composition of Singapore's corporate sector from 1993–2003. The data presented were compiled from the results of the Survey of Financial Structure and Operations of Companies (FSC)¹ conducted annually by the Singapore Department of Statistics.

Between 1993 and 2003, total shareholders'

equity² tripled from \$214 billion to \$653 billion, representing an average expansion of 12 per cent per annum (Chart 1). Generally, the growth of shareholders' equity was closely linked with overall economic performance. The corporate sector enjoyed double-digit expansion in equity capital from 1993 until the Asian financial crisis in 1998 when the growth in shareholders' equity slowed to 5.5 per cent. Since then, equity capital has registered a more moderate single-digit growth, except in the year 2000.

CHART 1 SHAREHOLDERS' EQUITY
(As At Year-End)



1 FSC survey covers companies incorporated or registered in Singapore, including branches of foreign companies.

2 Shareholders' equity consists of paid-up share capital and the reserves of the company.

Shareholders' Equity

The share of shareholders' equity attributed to financial services (which includes investment holding companies), the largest sector, rose from 44 per cent in 1993 to 47 per cent in 2003 (Table 1). This was mainly due to the increased dominance of investment holding companies.

TABLE 1 SECTORAL DISTRIBUTION OF SHAREHOLDERS' EQUITY, 1993 AND 2003
(As At Year-End)

Shareholder's Equity	Per Cent	
	1993	2003
Financial Services	43.7	46.8
Manufacturing	17.3	16.9
Real Estate & Business Services	17.0	12.3
Transport & Communications	8.9	10.9
Commerce	10.1	9.4
Others	3.0	3.7

The transport & communications sector's share increased from 8.9 per cent to reach 11 per cent as a result of the rapid expansion experienced by the communications sector over the past decade.

In contrast, real estate & business services experienced a decline in share from 17 per cent in 1993 to 12 per cent in 2003, due mainly to the lacklustre growth of real estate companies since the Asian financial crisis. The proportion of equity capital accrued to manufacturing remained relatively unchanged at 17 per cent in 2003 compared with 1993.

Financial Services

Investment holding companies (81 per cent) and banks (14 per cent) accounted for the bulk of shareholders' equity in financial services as at end of 2003 (Table 2). More investment holding companies had emerged over the past decade. As a result, their shareholders' equity increased from \$68 billion in 1993 to \$247 billion in 2003, and their share of equity capital in financial services sector expanded steadily from 73 per cent to 81 per cent. In contrast, the slower pace of growth in banks' share capital (9.0 per cent per annum) compared to that of investment holding companies (14 per cent per annum) led to a dilution in banks' proportion of shareholders' equity from 20 per cent to 14 per cent over the same period.

TABLE 2 SHAREHOLDERS' EQUITY IN FINANCIAL SERVICES BY SUB-SECTOR, 1993-2003
(As At Year-End)

	\$ Billion						
	1993	1995	1997	1999	2001	2002	2003
Financial Services	93.3 (100.0)	126.3 (100.0)	176.5 (100.0)	214.3 (100.0)	280.3 (100.0)	282.0 (100.0)	305.5 (100.0)
Investment Holding Companies	67.9 (72.8)	92.6 (73.3)	134.6 (76.3)	166.1 (77.5)	221.0 (78.8)	225.4 (79.9)	246.8 (80.8)
Banks	18.5 (19.9)	24.3 (19.2)	30.3 (17.2)	32.6 (15.2)	41.8 (14.9)	41.2 (14.6)	44.0 (14.4)

() : Figures in parenthesis refer to sub-sectoral composition of total shareholders' equity in sector.

Manufacturing

Shareholders' equity in manufacturing was concentrated in electronics (31 per cent), chemicals (31 per cent) and petroleum (8.8 per cent) in 2003 (Table 3). The electronics sector's share of manufacturing equity capital rose from 28 per cent in 1993 to about 40 per cent in the late 1990s. However, substantial dividends paid by foreign electronics enterprises since 2001 resulted in a moderation of its share to 31 per cent in 2003³.

The steady increase in the share of manufacturing equity attributed to the chemicals (including pharmaceuticals) sector from 14 per

cent in 1993 to 31 per cent in 2003 was largely due to the robust growth of the pharmaceuticals sub-sector. In 2003, shareholders' equity in the pharmaceuticals sub-sector constituted 23 per cent of total manufacturing equity capital, significantly higher than 5.4 per cent a decade earlier. The faster pace of growth for the pharmaceuticals sector (29 per cent per annum) vis-à-vis other major sub-sectors such as electronics (13 per cent per annum) and petroleum (11 per cent per annum) propelled pharmaceuticals to be one of Singapore's key manufacturing sub-sectors. The petroleum sector's share of manufacturing shareholders' equity remained within the range of 5.6 per cent and 8.9 per cent over the last ten years.

TABLE 3 SHAREHOLDERS' EQUITY IN MANUFACTURING BY SUB-SECTOR, 1993–2003
(As At Year-End)

	\$ Billion						
	1993	1995	1997	1999	2001	2002	2003
Manufacturing	37.0 (100.0)	50.5 (100.0)	67.9 (100.0)	74.4 (100.0)	97.7 (100.0)	102.0 (100.0)	110.6 (100.0)
Electronics	10.5 (28.4)	16.9 (33.4)	23.3 (34.2)	30.0 (40.3)	37.7 (38.6)	35.3 (34.6)	34.4 (31.1)
Chemicals	5.1 (13.8)	8.1 (16.1)	13.4 (19.7)	15.7 (21.2)	23.9 (24.4)	28.4 (27.9)	34.2 (30.9)
<i>Pharmaceuticals</i>	<i>2.0</i> <i>(5.4)</i>	<i>4.0</i> <i>(7.8)</i>	<i>7.1</i> <i>(10.5)</i>	<i>10.6</i> <i>(14.2)</i>	<i>16.8</i> <i>(17.2)</i>	<i>20.4</i> <i>(19.9)</i>	<i>25.6</i> <i>(23.1)</i>
Petroleum	3.3 (8.9)	4.0 (8.0)	4.2 (6.1)	5.2 (7.0)	7.1 (7.3)	7.4 (7.2)	9.8 (8.8)

() : Figures in parenthesis refer to sub-sectoral composition of total shareholders' equity in sector.

³ Revenue reserves, and in turn shareholders' equity, of a company will decline if dividends paid out to investors exceed profits earned during the year.

Commerce

As at end of 2003, about 81 per cent of shareholders' equity within the commerce sector was contributed by wholesale trade (Table 4). The remaining 19 per cent was shared between restaurants & hotels (12 per cent) and retail trade (6.9 per cent). The share of wholesale trade's equity capital increased steadily from 73 per cent in 1993 to 81 per cent in 2003.

Transport, Storage and Communications

In 1993, shareholders' equity in the transport & storage sub-sector was 81 per cent (Table 5). Despite the positive growth registered, its share had been diluted by the faster growing post & communications sub-sector over the years. By 2003, the proportion held by transport & storage companies was reduced to 59 per cent while that of post & communications enterprises increased from 19 per cent in 1993 to 41 per cent in 2003.

TABLE 4 SHAREHOLDERS' EQUITY IN COMMERCE BY SUB-SECTOR, 1993–2003
(As At Year-End)

	\$ Billion						
	1993	1995	1997	1999	2001	2002	2003
Commerce	21.7 (100.0)	29.8 (100.0)	34.7 (100.0)	38.5 (100.0)	50.7 (100.0)	60.8 (100.0)	61.6 (100.0)
Wholesale Trade	15.8 (72.8)	21.5 (72.1)	25.1 (72.2)	29.4 (76.4)	39.0 (77.0)	48.9 (80.5)	50.1 (81.4)
Retail Trade	1.5 (6.7)	2.0 (6.6)	2.1 (6.1)	2.8 (7.3)	4.6 (9.2)	4.2 (6.9)	4.3 (6.9)
Restaurants & Hotels	4.4 (20.4)	6.4 (21.3)	7.5 (21.7)	6.3 (16.2)	7.0 (13.8)	7.7 (12.6)	7.2 (11.7)

() : Figures in parenthesis refer to sub-sectoral composition of total shareholders' equity in sector.

TABLE 5 SHAREHOLDERS' EQUITY IN TRANSPORT, STORAGE AND COMMUNICATIONS
BY SUB-SECTOR, 1993–2003
(As At Year-End)

	\$ Billion						
	1993	1995	1997	1999	2001	2002	2003
Transport, Storage & Communications	19.0 (100.0)	24.9 (100.0)	32.3 (100.0)	43.6 (100.0)	58.3 (100.0)	66.0 (100.0)	71.2 (100.0)
Transport & Storage	15.4 (81.0)	19.2 (77.3)	23.5 (72.8)	31.6 (72.5)	35.0 (60.0)	39.9 (60.5)	41.8 (58.7)
Post & Communications	3.6 (19.0)	5.6 (22.7)	8.8 (27.2)	12.0 (27.5)	23.3 (40.0)	26.1 (39.5)	29.4 (41.3)

() : Figures in parenthesis refer to sub-sectoral composition of total shareholders' equity in sector.

Real Estate and Business Services

Although real estate constituted the majority of shareholders' equity of real estate & business services sector in 2003, its growth had lagged behind that of business services (Table 6). This resulted in a fall in the proportion of shareholders' equity accruing to real estate from 90 per cent in 1993 to 73 per cent in 2003. In contrast, business services experienced an increase in its share from 9.7 per cent to 28 per cent during the same period. The lacklustre growth of real estate's shareholders' equity was attributed to reduced

profits earned in the weak property market after year 2000.

Conclusion

While the overall composition of Singapore's corporate sector remained relatively unchanged over the past decade, there were significant changes in the composition of its component industries. The emergence of investment holding companies, pharmaceuticals, wholesale trade, communications and business services in the corporate sector reflected the ongoing restructuring of the Singapore's economy.

TABLE 6 SHAREHOLDERS' EQUITY IN REAL ESTATE AND BUSINESS SERVICES
BY SUB-SECTOR, 1993–2003
(As At Year-End)

	\$ Billion						
	1993	1995	1997	1999	2001	2002	2003
Real Estate & Business Services	36.3 (100.0)	55.0 (100.0)	69.6 (100.0)	69.8 (100.0)	80.8 (100.0)	82.3 (100.0)	80.3 (100.0)
Real Estate	32.8 (90.3)	49.6 (90.3)	62.4 (89.5)	58.8 (84.2)	60.9 (75.3)	60.5 (73.5)	58.2 (72.5)
Business Services	3.5 (9.7)	5.3 (9.7)	7.3 (10.5)	11.0 (15.8)	20.0 (24.7)	21.8 (26.5)	22.1 (27.5)

() : Figures in parenthesis refer to sub-sectoral composition of total shareholders' equity in sector.

The latest report *Singapore's Corporate Sector, 2003* contains consolidated data from the *Survey of Financial Structure and Operations of Companies* carried out in 2004/05 for reference year 2003. Summary findings and key indicators are accessible from the SingStat website at

<http://www.singstat.gov.sg/keystats/surveys/corporate.html>

Internet users may purchase the publication online at the SingStat DataShop via

<http://www.singstat.gov.sg/pdtsvc/eservices/datashop.html>