
TECHNICAL NOTES

Singapore's Direct Investment Abroad

Objective

The statistics on Singapore's Direct Investment Abroad are compiled mainly from the results of the *Singapore's Investment Abroad Survey* conducted annually by the Department of Statistics. The statistics are used extensively by the government, business community and academicians in their policy-making, business planning and research. The data are also used as inputs for the compilation of Singapore's International Investment Position (IIP) and Balance of Payments (BOP) statistics.

Legal Authority

The survey is conducted under the Statistics Act (Chapter 317), which makes the submission of returns mandatory. Individual returns received are kept in confidence in accordance with the Statistics Act.

Scope and Coverage

The survey covers Singapore-incorporated enterprises with investment abroad. Local branches of foreign companies with overseas investment are also covered.

Sample Selection

The survey frame of enterprises with overseas investment is mainly based on the results of the previous year's survey. Enterprises with investment abroad are also identified through screening questions in other business surveys, from financial accounts, media and administrative sources.

The sampling method for the *Survey of Singapore's Investment Abroad* was based on stratified random sampling. All enterprises in the sampling frame were stratified by the value of their overseas investment and their major investment destination country. Enterprises with significant overseas investment were selected with certainty (take-all stratum). Smaller enterprises were selected using simple random sampling without replacement from the remaining stratum (take-some stratum).

The sample size was optimised with an appropriate cut-off value based on the required precision expected from the overall sample. This would ensure an optimal sample size so as to achieve a desired accuracy of the survey results.

Methodology

Data Collection

The survey was primarily conducted using a standard questionnaire and supplemented by financial accounts of overseas affiliates where available. Reminder letters were sent to companies which failed to respond without reasonable explanations. A second reminder was sent to companies which did not respond to the first reminder.

A generalised survey system was used in the survey. The system supports multiple modes of data collection via mail and internet. Secured transmission of statistical information via the internet was enabled through a service known as E-survey. Queries or clarifications with respondents on omissions and inconsistencies in data were conducted through telephone or e-mail correspondence.

Data Processing

Survey data were evaluated for completeness and consistency and erroneous data would be amended and re-processed. Tabulation was carried out only after all records were validated.

Year of Reference

The period of reference is the calendar year. However, for enterprises whose accounting year differed from the calendar year, they were asked to report according to the accounting or financial year covering the major part of the calendar year.

Type of Business Activity

The type of business activity refers to the principal activity undertaken by the enterprise. The principal activity is defined as the one in which the enterprise devotes most of its resources or from which it derives most of its income. The classification of the principal activity of the enterprise is based on the "Singapore Standard Industrial Classification, 2020".

Currency Valuation

Singapore's investment statistics are expressed in Singapore dollars. Survey returns which are submitted in foreign currencies are converted to Singapore dollars.

Concept of Foreign Direct Investment (FDI)

The conceptual framework used in compiling Singapore's Foreign Direct Investment (FDI) statistics is based on the International Monetary Fund's Balance of Payments Manual, Sixth Edition (BPM6).

What is Foreign Direct Investment (FDI)?

FDI is the category of international investment that reflects the objective of an entity (direct investor) resident in one economy obtaining a lasting interest in an enterprise (direct investment enterprise) resident in another economy.

The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the direct investment enterprise.

The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship.

What is Singapore's Direct Investment Abroad (DIA)?

Singapore's DIA refers to an investment in which a Singapore direct investor owns 10% or more of the ordinary shares or voting power in an overseas direct investment enterprise. An investment by a Singapore direct investor with less than 10% of the shares is considered as outward portfolio investment.

Why the 10% threshold?

There may be situations of an investor owning 10% or more of the ordinary shares of an enterprise but not having an effective voice in the management, or an investor owning less than 10% of the ordinary shares or voting power of an enterprise but having an effective voice in the management. However, the recommended threshold of 10% is to ensure statistical consistency and comparability across countries.

What does FDI measure?

FDI includes the initial equity transaction and position that meets the 10% threshold and all subsequent financial transactions between the direct investor and the direct investment enterprise. FDI is not limited to equity investment, and also includes reinvested earnings and inter-company lending.

Direct investment is a financial concept and is not the same as capital expenditure on fixed assets. Assets of the direct investment enterprises that are financed by local borrowings are also not included.

What is FDI stock by country?

FDI stock, in this publication, refers to the value of direct investment position as at the end of the reference period.

The destinations of the overseas investment are established based on their registered address. Overseas investment is recorded according to the immediate destination based on the recommendations of the BPM6, rather than the ultimate destination. For example, if a Singapore enterprise invests in country A through country B, it would be recorded as an investment in country B (immediate destination) and not country A (ultimate destination).

How different is FDI compared to Investment Commitments?

Other measures of investment include investment commitments or intentions, authorised and realised investments. The basic differences between FDI and investment commitments or intentions are the timing and extent that the transactions will take place. FDI is recorded only when a direct investment transaction takes place. The basic difference between FDI and authorised and realised investment is the extent of external financing by the direct investment enterprise in the reporting economy and the extent of reinvested earnings. FDI does not measure the liabilities of the direct investment enterprise to external parties, such as financing from financial institutions. Retained earnings, an important component of FDI, are not included in investment commitments, authorised and realised investment statistics.

As an illustration, let us assume a Singapore investor has committed \$100 million to set up a manufacturing plant in Mainland China. During the year, the investor injected funds amounting to \$30 million, of which \$20 million was borrowings by the manufacturing plant from a bank in Mainland China. In this case, investment commitments or intentions amounting to \$100 million and authorised and realised investment amounting to \$30 million would be recorded while FDI of \$10 million would be recorded.

In summary, FDI statistics compiled by DOS are different from data on investment commitments or authorised and realised investments usually compiled by investment promotion agencies. Although there are differences between the two set of statistics, data on investment commitments in a destination country may be used to provide a quick assessment of the trends in Singapore's direct investment abroad.

Under what circumstances will stock of Singapore's direct investment abroad decline?

The stock of Singapore's direct investment abroad may decline due to:

- a) partial/complete divestment in overseas direct investment enterprise by the Singapore direct investors
- b) overseas direct investment enterprise buying back its shares from the Singapore direct investor
- c) overseas direct investment enterprise is operating at a loss
- d) dividends distributed by overseas direct investment enterprise are higher than current earnings recorded
- e) redemption of inter-company loans from Singapore direct investors by direct investment enterprises
- f) valuation changes and/or currency translation changes

Under which circumstances are negative stock of Singapore's direct investment abroad recorded?

Negative stock of Singapore's direct investment abroad may be recorded when:

- a) there are continuous losses in the overseas direct investment enterprise leading to negative reserves
- b) the value of loans/debt securities extended by the Singapore direct investor to its overseas direct investment enterprises is exceeded by the corresponding value advanced by the direct investment enterprises to their Singapore direct investor

Definition of Terms

| | | |
|--|---------------|--|
| Foreign Investment (FDI) | Direct | FDI is a category of investment that reflects the objective of establishing a lasting interest by an enterprise (direct investor) resident in one economy in an enterprise (direct investment enterprise) resident in another economy. |
| Direct Investment Abroad | | <p>Singapore's direct investment abroad refers to an investment where a Singapore direct investor owns 10% or more of the ordinary shares or voting power in an overseas direct investment enterprise.</p> <p>Direct investment abroad comprises direct equity investment and the net inter-company lending between the Singapore direct investor and the overseas direct investment enterprise.</p> |
| Direct Investor | | A direct investor is an entity resident in one economy that has acquired, either directly or indirectly, at least 10% of the voting power of an enterprise resident in another economy. |
| Direct Investment Enterprise | | A direct investment enterprise is an enterprise resident in one economy and in which an investor resident in another economy owns, either directly or indirectly, 10% or more of its voting power. |
| Subsidiary, Investment Enterprise | Direct | A subsidiary is a direct investment enterprise in which an investor owns at least 50% of its voting power. |
| Associate, Investment Enterprise | Direct | An associate is a direct investment enterprise in which an investor owns at least 10% but less than 50% of the voting power. |
| Branch, Investment Enterprise | Direct | A branch is an unincorporated direct investment enterprise resident in an economy and fully owned by its direct investor in another economy. |

Affiliate, Investment Enterprise **Direct** Subsidiaries, associates and branches of a direct investor are collectively known as affiliates of the direct investor.

Equity Capital Equity capital covers all components of shareholders' funds (proportionate to the percentage of shares held), including equity, contributed surplus, reinvested earnings, revaluations, as well as any reserve accounts.

The amount of equity capital is compiled based on market value.

Direct Investment Abroad **Equity** Direct equity investment abroad refers to equity capital in overseas direct investment enterprises attributable to direct investors from Singapore.

For overseas branches of Singapore incorporated or registered banks, their net fixed assets are used as a proxy of equity capital. For overseas branches of other Singapore entities, the net amount due to their Singapore head office is used.

Debt Securities Debt securities include bonds, debentures, commercial paper, promissory notes and other tradable non-equity securities.

Net Inter-Company Lending Inter-company debt, in the form of loans and debt securities, between a Singapore direct investor and its overseas direct investment enterprise (i.e. value of loans to overseas direct investment enterprises net of loans extended to the Singapore direct investor).

LIST OF ACTIVITIES

| SSIC 2020 | Industry |
|-----------|---|
| | Manufacturing |
| | Food, Beverages & Tobacco |
| 10 | Manufacture of Food Products |
| 11 | Manufacture of Beverages |
| 12 | Manufacture of Tobacco Products |
| | Wood & Wood Products |
| 16 | Manufacture of Wood and of Products of Wood and Cork, except Furniture; Manufacture of Articles of Straw and Plaiting Materials |
| | Paper, Paper Products & Printing |
| 17 | Manufacture of Paper and Paper Products |
| 18 | Printing and Reproduction of Recorded Media |
| | Refined Petroleum Products |
| 19 | Manufacture of Coke and Refined Petroleum Products |
| | Chemicals & Chemical Products |
| 20 | Manufacture of Chemicals and Chemical Products |
| | Pharmaceutical & Biological Products |
| 21 | Manufacture of Pharmaceutical and Biological Products |
| | Rubber & Plastic Products |
| 22 | Manufacture of Rubber and Plastic Products |

| SSIC 2020 | Industry |
|-----------|--|
| 24 | Basic Metals Manufacture of Basic Metals |
| 25 | Fabricated Metal Products Manufacture of Fabricated Metal Products except Machinery and Equipment |
| 26 | Computer, Electronic & Optical Products Manufacture of Computer, Electronic and Optical Products |
| 27 | Electrical Machinery & Apparatus Manufacture of Electrical Equipment |
| 28 | Machinery & Equipment Manufacture of Machinery and Equipment |
| 29 | Transport Equipment Manufacture of Motor Vehicles, Trailers and Semi-Trailers |
| 30 | Manufacture of other Transport Equipment |
| 13 | Other Manufacturing Manufacture of Textiles |
| 14 | Manufacture of Wearing Apparel; Manufacture of Articles of Fur; Manufacture of Knitted and Crocheted Apparel |
| 15 | Tanning and Dressing of Leather; Dressing and Dyeing of Fur; Manufacture of Footwear |
| 23 | Manufacture of Other Non-metallic Mineral Products |
| 31 | Manufacture of Furniture |
| 32 | Other Manufacturing |
| | Construction |
| 41 | Construction Construction of Buildings |
| 42 | Civil Engineering |
| 43 | Specialised Construction Activities |

| SSIC 2020 | Industry |
|-----------|--|
| | Wholesale & Retail Trade |
| 46 | Wholesale Trade Wholesale Trade |
| 47 | Retail Trade Retail Trade |
| | Accommodation & Food Services |
| 55 | Accommodation & Food Services Accommodation |
| 56 | Food and Beverage Services |
| | Transportation & Storage |
| 50 | Water Transport & Supporting Services Water Transport |
| 5222 | Supporting Services to Water Transport |
| 5225 | Marine Surveying Services and Classification Societies |
| 49 | Land & Air Transport & Supporting Services Land Transport and Transport Via Pipelines |
| 51 | Air Transport |
| 5221 | Supporting Services to Land Transport |
| 5223 | Supporting Services to Air Transport |
| 521 | Warehousing, Post & Courier Services Warehousing and Storage |
| 5224 | Cargo Handling |
| 5229 | Other Transportation Support Activities |
| 53 | Postal and Courier Activities |

| SSIC 2020 | Industry |
|-----------|--|
| | Information & Communications |
| | Information & Communications |
| 58 | Publishing Activities |
| 59 | Movie, Video, Television and Other Programme Production, Sound Recording and Music Publishing Activities |
| 60 | Radio and Television Broadcasting Activities |
| 61 | Telecommunications |
| 62 | Computer Programming, Information Technology Consultancy and Related Activities |
| 63 | Information Services Activities and Online Marketplaces |
| | Finance & Insurance |
| | Banks |
| 6412 | Full Banks |
| 6413 | Wholesale Banks |
| 6414 | Merchant Banks |
| 6415 | Finance Companies |
| | Activities of Holding Companies |
| 6420 | Activities of Holding Companies |
| | Other Financial Services |
| 6419 | Other Monetary Intermediation |
| 643 | Trusts, Funds and Similar Financial Entities |
| 649 | Other Financial Services Activities, except Insurance and Pension Funding Activities) |
| 661 | Activities Auxiliary to Financial Service Activities, Except Insurance and Pension Funding Activities |
| 663 | Fund Management Activities |

| SSIC 2020 | Industry |
|-----------|---|
| | Insurance Services |
| 65 | Insurance, Reinsurance, Provident Funding and Pension Funding |
| 662 | Activities Auxiliary to Insurance and Pension Funding |
| | Real Estate |
| | Real Estate Activities |
| 68 | Real Estate Activities |
| | Professional and Administrative & Support Services |
| | Professional, Scientific & Technical Activities |
| 69 | Legal and Accounting Activities |
| 70 | Activities of Head Offices; Management Consultancy Activities |
| 71 | Architectural and Engineering Activities; Technical Testing and Analysis |
| 72 | Scientific Research and Development |
| 73 | Advertising and Market Research |
| 74 | Other Professional, Scientific and Technical Activities |
| 75 | Veterinary Activities |
| | Administrative & Support Services Activities |
| 77 | Rental and Leasing Activities |
| 78 | Employment Activities |
| 79 | Travel Agencies, Tour Operators and Timesharing Service Activities |
| 80 | Security and Investigation Activities |
| 81 | Cleaning and Landscape Maintenance Activities |
| 82 | Office Administrative, Office Support and Other Business Support Activities |

| SSIC 2020 | Industry |
|-----------|---|
| | Others |
| 01 | Agriculture and Related Service Activities |
| 02 | Forestry, Logging and Related Service Activities |
| 03 | Fishing, Operation of Fish Hatcheries and Fish Farms; Service Activities Incidental to Fishing |
| 08 | Mining & Quarrying |
| 09 | Service Activities incidental to Oil and Gas Extraction (excluding Surveying and Engineering Design and Consultancy Services Supporting Mining, Oil and Gas Extraction and Offshore Exploration Activities) |
| 35 | Electricity, Gas, Steam and Air Conditioning Supply |
| 36 | Water Collection, Treatment and Supply |
| 37 | Sewerage |
| 38 | Waste Collection, Treatment and Disposal Activities; Materials Recovery |
| 85 | Education |
| 86 | Health Services |
| 87 | Residential Care Services |
| 88 | Social Services without Accommodation |
| 90 | Creative, Arts and Entertainment Activities |
| 91 | Libraries, Archives, Museums and Other Cultural Activities |
| 92 | Gambling and Betting Activities |
| 93 | Sports Activities and Amusement and Recreation Activities |
| 94 | Activities of Membership Organisations |
| 95 | Repair of Computers, Personal and Household Goods and Vehicles |
| 96 | Other Personal Service Activities |