

TECHNICAL NOTES

Foreign Direct Investment in Singapore

Objective

The statistics on Foreign Direct Investment in Singapore are compiled primarily using administrative records of government agencies, supplemented with returns from the *Survey of Foreign Debt and Financial Derivative Transactions* 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.

Administrative Data

Data on the foreign direct equity investment of companies were obtained from financial statements and records filed by companies with the Accounting and Corporate Regulatory Authority (ACRA).

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. Administrative data and 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 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 FDI in Singapore?

FDI in Singapore refers to an investment in which a foreign direct investor owns 10% or more of the ordinary shares or voting power in a Singapore direct investment enterprise.

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 debt.

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 borrowing are also not included.

What is FDI stock by country?

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

The geographical origins of the investors are established based on their residential or registered addresses. Foreign investment is recorded according to the immediate country source based on the recommendations of the BPM6. For example, if Country A invests in Singapore through Country B, it would be recorded as an investment from Country B (immediate) and not Country A (ultimate).

How different is FDI compared to Investment Commitments?

Other measures of investment include investment commitments or intentions, and 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 foreign investor has committed \$100 million to set up a manufacturing plant in Singapore. During the year, the investor injected funds amounting to \$30 million of which \$20 million was borrowings by the manufacturing plant from a local bank. 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 sets of statistics, data on investment commitments may be used to provide a quick assessment of the FDI trends in Singapore.

Under what circumstances will stock of FDI in Singapore decline?

The stock of FDI in Singapore may decline due to:

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

Under which circumstances are negative FDI in Singapore recorded?

Negative stock of FDI in Singapore may be recorded when:

- a) the Singapore direct investment enterprise has negative reserves due to the dividends distributed by the Singapore direct investment enterprise being higher than current earnings recorded, and/or cumulative losses.
- b) the Singapore direct investment enterprise lends more to their foreign related entities than they are borrowing from them.

Definition of Terms

Foreign Direct Investment (FDI)	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.
FDI in Singapore	FDI in Singapore refers to an investment where a foreign direct investor owns 10% or more of the ordinary shares or voting power in a Singapore enterprise. FDI comprises foreign direct equity investment and the net inter-company lending between the Singapore enterprise and its foreign related entities.
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, Direct Investment Enterprise	A subsidiary is a direct investment enterprise in which an investor owns at least 50% of its voting power.
Associate, Direct Investment Enterprise	An associate is a direct investment enterprise in which an investor owns at least 10% but less than 50% of the voting power.
Branch, Direct Investment Enterprise	A branch is an unincorporated direct investment enterprise resident in an economy and fully owned by its direct investor in another economy.

Affiliate, Direct Investment Enterprise	Subsidiaries, associates and branches of a direct investor are collectively known as affiliates of the direct investor.
Equity Capital	<p>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.</p> <p>The amount of equity capital is compiled based on market value.</p>
Foreign Direct Equity Investment	<p>Foreign direct equity investment in Singapore refers to equity capital in Singapore direct investment enterprises attributable to foreign direct investors.</p> <p>For branches of non-resident banks, their net fixed assets are used as a proxy of equity capital. For branches of other non-resident entities, the net amount owed by branches to their non-resident head office is used.</p>
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 the Singapore direct investment enterprises and foreign related entities (i.e. value of debt from foreign related entities net of debt extended to the foreign related entities).
Income of Foreign Direct Investment	<p>Income of FDI consists of earnings on equity investment (i.e. foreign direct investor's share in the net income or earnings of its resident direct investment enterprises) plus net income on inter-company lending.</p> <p>Income on equity is measured after deducting provisions for depreciation and corporate taxes. It does not include any realised or unrealised holding gains or losses arising from valuation changes (including exchange-rate-related gains and losses), revaluations of fixed assets, or changes in market prices of financial assets and liabilities. It also does not include gains</p>

and losses due to other changes in volume of assets, such as write-offs of intangibles, write-offs of bad debts, and uncompensated seizures of assets.

**Distributed
Earnings**

Distributed earnings consist of dividends and distributed branch profits. Distributed earnings can be paid out of current or past earnings and may result in negative reinvested earnings if the distribution of dividends exceeds total earnings in a particular reference period.

**Reinvested
Earnings**

Reinvested earnings refer to earnings on equity accruing to direct investors less distributed earnings, proportionate to the percentage ownership of the equity owned by the direct investor(s).

**Return on Foreign
Direct Investment**

The return on FDI is a measure of the profitability of direct investment enterprises. Return on FDI is the ratio of the current year income of FDI to the average of the FDI position in the current and preceding years.

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 and Chemical Products
20	Manufacture of Chemicals and Chemical Products
	Pharmaceuticals & Biological Products
21	Manufacture of Pharmaceuticals and Biological Products
	Rubber & Plastic Products
22	Manufacture of Rubber and Plastic Products
	Basic Metals
24	Manufacture of Basic Metals
	Fabricated Metal Products
25	Manufacture of Fabricated Metal Products Except Machinery and Equipment

SSIC 2020	Industry
	Basic Metals
24	Manufacture of Basic Metals
	Fabricated Metal Products
25	Manufacture of Fabricated Metal Products Except Machinery and Equipment
	Machinery & Equipment
28	Manufacture of Machinery & Equipment
	Electrical Machinery & Apparatus
27	Manufacture of Electrical Equipment
	Computer, Electronic & Optical Products
26	Manufacture of Computer, Electronic & Optical Products
	Semiconductor Devices
2611	Manufacture of Semiconductor Devices
	Computers and Peripheral Equipment
2620	Manufacture of Computers and Peripheral Equipment
	Instrumentation, Photographic & Optical Goods
2651	Manufacture and Repair of Measuring, Testing, Navigating and Control Equipment
2652	Manufacture of Watches and Clocks
2660	Manufacture and Repair of Irradiation, Electromedical and Electrotherapeutic Equipment
2670	Manufacture of Optical Instruments and Photographic Equipment
	Other Electronics nec
2612	Manufacture of Other Electronic Components and Boards
2630	Manufacture of Communications Equipment
2640	Manufacture of Consumer Electronics
2680	Manufacture of Magnetic and Optical Media

SSIC 2020	Industry
	Transport Equipment
29	Manufacture of Motor Vehicles, Trailers and Semi-Trailers
30	Manufacture of Other Transport Equipment
	Other Manufacturing
13	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
	Construction
41	Construction of Buildings
42	Civil Engineering
43	Specialised Construction Activities
	WHOLESALE & RETAIL TRADE
	Wholesale Trade
46	Wholesale Trade
	Retail Trade
47	Retail Trade
	ACCOMMODATION & FOOD SERVICES
	Accommodation & Food Services
55	Accommodation
56	Food and Beverage Services

SSIC 2020	Industry
	TRANSPORTATION & STORAGE
	Water Transport & Supporting Services
50	Water Transport
5002	Freight Water Transport
	Other Water Transport nec
5001	Passenger Water Transport
5222	Supporting Activities to Water Transport
5225	Marine Surveying Services and Classification Societies
	Land & Air Transport & Supporting Services
49	Land Transport and Transport via Pipelines
51	Air Transport
5221	Supporting Services to Land Transport
5223	Supporting Services to Air Transport
	Warehousing, Post & Courier Services
521	Warehousing and Storage
5224	Cargo Handling
5229	Other Transportation Support Activities
53	Postal and Courier Activities
	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 Service Activities and Online Marketplaces

SSIC 2020	Industry
	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
6411	Central Bank
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
663	Fund Management Activities
	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

SSIC 2020	Industry
	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 Service 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	Repairs of Computers, Personal and Household Goods and Vehicles
96	Other Personal Service Activities