

Statistics Singapore Newsletter

ISSN 0218-6810

www.singstat.gov.sg

September 2013

Trends in Singapore's Inward and Outward Direct Investment, 2001 - 2011

By
Cheng Ze Ying and Winston Tan
Business Statistics Division
Singapore Department of Statistics

Introduction

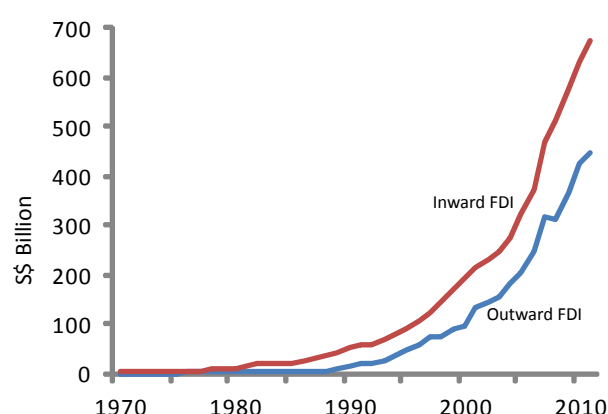
Foreign direct investment (FDI) is a cross border investment in which a resident entity in one economy (the direct investor) acquires a lasting interest in an enterprise resident in another economy (the direct investment enterprise). Direct investment implies a long-term relationship between the direct investor and the direct investment enterprise, and a significant degree of influence (by holding at least 10 per cent equity interest) by the direct investor on the management of the direct investment enterprise.

This article highlights recent trends in the extent and pattern of Singapore's FDI stock¹ from 2001 to 2011. The geographical and industrial composition of Singapore's inward and outward investment are also presented.

Overview

As at end 2011, Singapore's inward FDI stock amounted to \$672 billion, higher than its outward FDI stock of \$449 billion (Chart 1). The inward and outward FDI stock had more than tripled the 2001 stock of \$217 billion and \$132 billion respectively.

CHART 1 SINGAPORE'S FOREIGN DIRECT INVESTMENT, 1970-2011
(Stock as at Year-End)



1 Foreign direct investment (FDI) stock comprises three components namely: paid-up shares in affiliates, reserves attributed to direct investors and net outstanding debt owed by the direct investment enterprises to their direct investors. Data on inward FDI stock are compiled using administrative records from the Accounting and Corporate Regulatory Authority (ACRA), supplemented with data from the Survey of Foreign Debt and Financial Derivative Transactions conducted by the Singapore Department of Statistics (DOS). Data on outward FDI stock are compiled from the Survey of Singapore's Investment Abroad, also conducted by DOS.

Over this period, Singapore's inward and outward stocks of FDI expanded at compounded annual growth rates (CAGR) of 12 per cent and 13 per cent respectively.

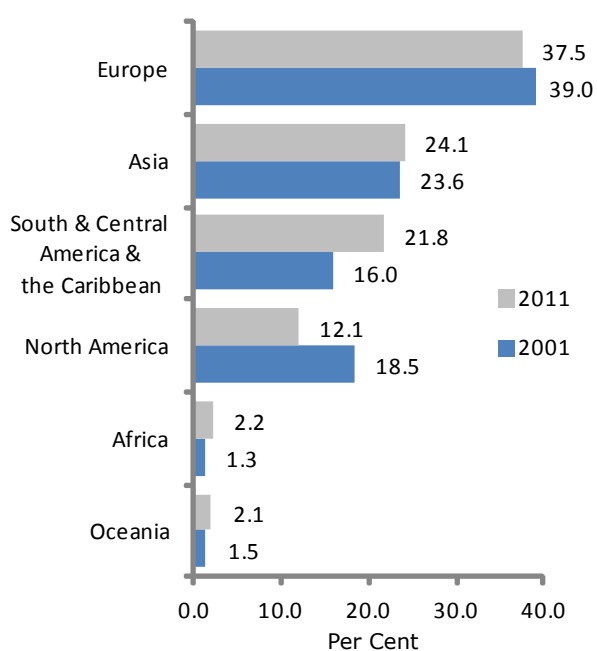
Singapore's inward FDI stock had consistently been higher than its outward FDI stock over the years. Singapore has a longer history of being a FDI recipient. As the Singapore economy developed and companies acquired resources and expertise to venture abroad, overseas direct investment picked up in the 1990s.

Singapore's Inward Direct Investment

Geographical Distribution

Europe and Asia were the top two sources of FDI in Singapore, accounting for a combined 62 per cent of FDI in Singapore as at end 2011 (Chart 2).

CHART 2 SOURCES OF FDI IN SINGAPORE BY MAJOR REGION, 2001 AND 2011



The share of direct investment from Europe declined from 39 per cent in 2001 to 38 per cent as at end 2011 while that of Asia increased slightly over the same period.

Collectively, investors from South & Central America & the Caribbean contributed 22 per cent of the stock of inward FDI in Singapore as at end 2011, higher than the share of 16 per cent as at end 2001.

In contrast, North America's share declined from 19 per cent to 12 per cent during the same period.

Europe

The value of Europe FDI stock in Singapore tripled from \$85 billion as at end 2001 to \$252 billion as at end 2011 (Table 2). The top three European investors were Netherlands, United Kingdom and Switzerland.

The total direct investment contributed by the three leading investor countries rose from \$64 billion as at end 2001 to \$151 billion as at end 2011. However, their combined share of Europe's FDI stock declined from 76 per cent to 60 per cent during this period. In recent years, investors from other European countries such as Luxembourg and Norway had increased their stock of direct investment in Singapore. Luxembourg's and Norway's combined share of Europe's FDI stock expanded from 5.5 per cent to 18 per cent between 2001 and 2011.

Asia

Asia's FDI stock in Singapore more than tripled from \$51 billion as at end 2001 to \$162 billion as at end 2011 (Table 3). Japan was the top Asian investor in Singapore, but its share of

TABLE 1 SOURCES OF FDI IN SINGAPORE BY MAJOR REGION, 2001-2011
 (Stock As At Year-End)

Region	2001	2003	2005	2007	2009	2011
S\$ Billion						
Total FDI	216.5	246.2	323.8	466.6	574.8	672.0
Europe	84.5	103.9	140.0	198.3	222.2	252.0
Asia	51.2	57.8	78.3	105.3	145.8	161.9
South & Central America & The Caribbean	34.7	38.1	50.1	91.0	121.8	146.3
North America	40.0	39.7	43.2	54.7	61.7	81.6
Africa	2.9	4.0	7.5	9.0	12.8	14.9
Oceania	3.2	2.6	4.8	7.3	9.5	14.4
Per Cent (%)						
Total FDI	100.0	100.0	100.0	100.0	100.0	100.0
Europe	39.0	42.2	43.2	42.5	38.7	37.5
Asia	23.6	23.5	24.2	22.6	25.4	24.1
South & Central America & The Caribbean	16.0	15.5	15.5	19.5	21.2	21.8
North America	18.5	16.1	13.3	11.7	10.7	12.1
Africa	1.3	1.6	2.3	1.9	2.2	2.2
Oceania	1.5	1.1	1.5	1.6	1.7	2.1

 TABLE 2 MAJOR INVESTOR COUNTRIES FROM EUROPE, 2001-2011
 (Stock As At Year-End)

Region/Country	2001	2003	2005	2007	2009	2011
S\$ Billion						
Europe	84.5	103.9	140.0	198.3	222.2	252.0
Netherlands	34.7	26.9	32.1	51.4	61.4	66.3
United Kingdom	13.6	38.1	49.6	62.5	49.5	55.9
Switzerland	15.5	16.8	22.3	27.5	26.9	28.8
Luxembourg	0.7	1.2	2.9	5.6	18.7	23.7
Norway	3.9	4.6	8.6	17.1	23.1	21.8
Germany	6.3	6.1	8.2	9.2	11.1	13.0
France	4.4	5.2	7.0	11.0	8.1	10.2
Per Cent (%)						
Europe	100.0	100.0	100.0	100.0	100.0	100.0
Netherlands	41.1	25.9	23.0	25.9	27.6	26.3
United Kingdom	16.1	36.6	35.4	31.5	22.3	22.2
Switzerland	18.4	16.2	15.9	13.8	12.1	11.4
Luxembourg	0.9	1.1	2.1	2.8	8.4	9.4
Norway	4.6	4.5	6.1	8.6	10.4	8.6
Germany	7.5	5.9	5.8	4.7	5.0	5.1
France	5.2	5.0	5.0	5.5	3.6	4.1

Asian FDI stock decreased from 59 per cent to 32 per cent between 2001 and 2011. The other major Asian investor countries or

economies were India, Hong Kong, Malaysia, and China, with the emergence of India and China being a more recent phenomenon.

TABLE 3 MAJOR INVESTOR COUNTRIES/REGION FROM ASIA, 2001-2011 (Stock As At Year-End)

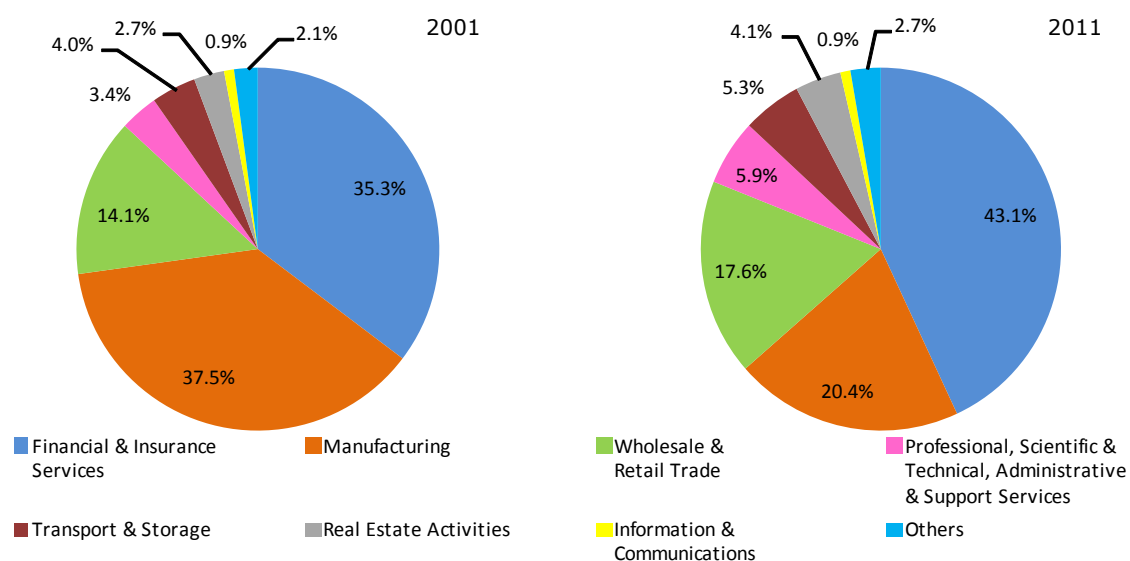
Country/Economy	2001	2003	2005	2007	2009	2011
S\$ Billion						
Asia	51.2	57.8	78.3	105.3	145.8	161.9
Japan	29.9	34.0	44.8	47.5	50.4	52.5
India	0.3	0.4	1.3	13.0	22.0	23.8
Hong Kong	5.6	3.9	4.7	6.9	18.1	23.5
Malaysia	5.9	4.4	8.2	11.4	15.9	18.6
China	0.9	0.9	0.9	2.3	9.7	14.7
Taiwan	4.8	5.9	7.2	7.7	6.2	7.3
Per Cent (%)						
Asia	100.0	100.0	100.0	100.0	100.0	100.0
Japan	58.5	58.8	57.3	45.1	34.6	32.4
India	0.7	0.6	1.7	12.4	15.1	14.7
Hong Kong	10.9	6.8	6.0	6.5	12.4	14.5
Malaysia	11.5	7.7	10.4	10.8	10.9	11.5
China	1.7	1.5	1.2	2.2	6.7	9.1
Taiwan	9.3	10.2	9.2	7.3	4.2	4.5

Industrial Distribution

As at end 2011, the financial & insurance services sector attracted the most FDI, followed by the manufacturing and the

wholesale & retail trade sectors (Chart 3). The share of FDI in financial & insurance services and wholesale & retail trade increased while that of the manufacturing sector declined from 2001 to 2011.

CHART 3 SINGAPORE INWARD FDI STOCK BY MAJOR SECTOR, 2001 AND 2011



Financial & Insurance Services

The bulk of inward FDI stock in the financial & insurance services sector was in investment holding companies, and their share of FDI

stock in the sector rose from 78 per cent to 84 per cent between 2001 and 2011 (Table 4). Banks accounted for 5.1 per cent of the sector's FDI stock as at end 2011, lower than the 12 per cent as at end 2001.

TABLE 4 INWARD FDI IN FINANCIAL AND INSURANCE SERVICES, 2001-2011 (Stock As At Year-End)

Sector/Industry	2001	2003	2005	2007	2009	2011
S\$ Billion						
Financial & Insurance Services	76.4	86.4	121.7	195.4	239.3	289.7
Financial Services	73.7	82.9	116.0	187.9	231.4	280.3
Banks	8.8	8.9	9.7	11.3	14.3	14.7
Investment Holding Companies	59.3	67.3	95.3	161.9	197.8	242.9
Other Financial Services	5.6	6.6	10.9	14.7	19.2	22.7
Insurance Services	2.7	3.5	5.7	7.4	8.0	9.4
Per Cent (%)						
Financial & Insurance Services	100.0	100.0	100.0	100.0	100.0	100.0
Financial Services	96.5	95.9	95.3	96.2	96.7	96.7
Banks	11.5	10.3	8.0	5.8	6.0	5.1
Investment Holding Companies	77.6	77.9	78.4	82.9	82.6	83.8
Other Financial Services	7.4	7.7	9.0	7.5	8.0	7.8
Insurance Services	3.5	4.1	4.7	3.8	3.3	3.3

Manufacturing

FDI stock in manufacturing expanded from \$81 billion to \$137 billion between 2001 and 2011 (Table 5). As at end 2011, FDI stock in manufacturing was concentrated in pharmaceuticals (32 per cent), electronics (30 per cent) and refined petroleum products (15

per cent) which together contributed 78 per cent of the sector's FDI stock as at end 2011. While the share of pharmaceuticals industry in manufacturing FDI stock increased from 22 per cent as at end 2001 to 32 per cent as at end 2011, the share of electronics industry in manufacturing FDI stock decreased from 45 per cent to 30 per cent during the same period.

TABLE 5 INWARD FDI IN MANUFACTURING, 2001-2011 (Stock As At Year-End)

Sector/Industry	2001	2003	2005	2007	2009	2011
S\$ Billion						
Manufacturing	81.2	90.0	103.7	116.5	123.3	137.3
Pharmaceutical Products	17.4	29.3	38.7	47.9	37.0	44.5
Computer, Electronic and Optical Products	36.6	30.9	31.7	31.6	40.5	41.4
Refined Petroleum Products	12.3	13.6	13.9	14.1	19.7	21.2
Per Cent (%)						
Manufacturing	100.0	100.0	100.0	100.0	100.0	100.0
Pharmaceutical Products	21.5	32.6	37.3	41.1	30.0	32.4
Computer, Electronic and Optical Products	45.1	34.3	30.6	27.1	32.8	30.1
Refined Petroleum Products	15.1	15.1	13.4	12.1	16.0	15.4

Singapore's Outward Direct Investment

Geographical Distribution

Asia, Europe and South & Central America & the Caribbean were the top three destination regions for Singapore's outward FDI.

Asia had been the top destination region for Singapore's outward FDI, with its share increasing to 58 per cent as at end 2011 from 49 per cent as at end 2001 (Chart 4).

Europe accounted for 14 per cent of Singapore's outward FDI stock as at end 2011, higher than the 9.6 per cent recorded as at end 2001.

South & Central America & the Caribbean accounted for 13 per cent of outward FDI stock as at end 2011, lower than the 30 per cent recorded in 2001, though the investment amount increased from \$40 billion

as at end 2001 to \$57 billion as at end 2011. In contrast, Oceania accounted for a higher proportion of Singapore's outward FDI stock as at end 2011 (8.8 per cent) compared to 2001 (2.6 per cent).

CHART 4 SINGAPORE OUTWARD FDI STOCK BY REGION, 2001 AND 2011

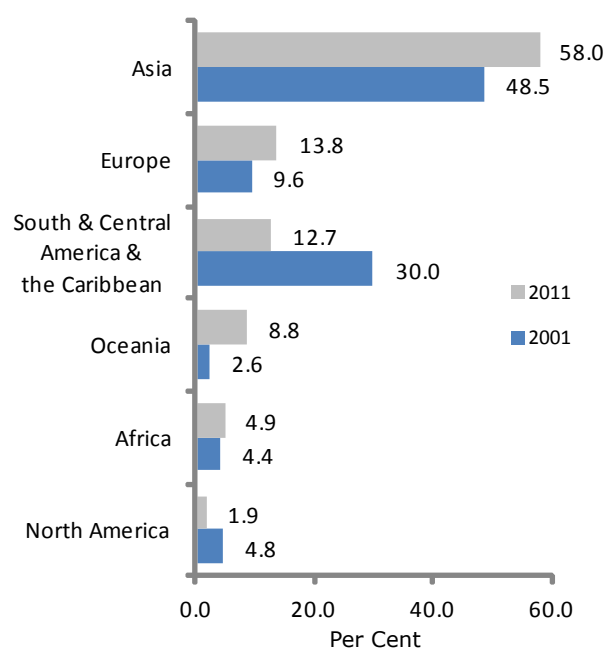


TABLE 6 SINGAPORE OUTWARD FDI BY MAJOR REGION, 2001-2011 (Stock As At Year-End)

Region	2001	2003	2005	2007	2009	2011
S\$ Billion						
Total FDI	132.1	153.7	201.5	317.5	368.7	449.0
Asia	64.1	76.7	103.6	148.1	200.5	260.2
Europe	12.7	13.5	17.5	46.5	51.0	61.8
South & Central America & The Caribbean	39.6	42.2	47.3	56.2	58.4	56.9
Oceania	3.5	6.4	11.1	20.2	26.4	39.5
Africa	5.9	6.7	11.9	32.5	18.4	22.1
North America	6.4	8.2	10.1	14.0	14.0	8.5
Per Cent (%)						
Total FDI	100.0	100.0	100.0	100.0	100.0	100.0
Asia	48.5	49.9	51.4	46.6	54.4	58.0
Europe	9.6	8.8	8.7	14.6	13.8	13.8
South & Central America & The Caribbean	30.0	27.5	23.5	17.7	15.9	12.7
Oceania	2.6	4.2	5.5	6.4	7.1	8.8
Africa	4.4	4.3	5.9	10.2	5.0	4.9
North America	4.8	5.3	5.0	4.4	3.8	1.9

Asia

Singapore's outward FDI stock in Asia quadrupled from \$64 billion to \$260 billion during the period 2001 to 2011 (Table 7). China remained the top Asian destination, increasing its share of Singapore's direct investment in Asia to 32 per cent as at end 2011 from 25 per cent at end 2001.

Hong Kong and Malaysia were the other two Asian economies favoured by Singapore investors, although their share of Singapore's FDI stock in Asia declined from 2001 (Hong Kong: 18 per cent; Malaysia: 18 per cent) to 2011 (Hong Kong: 15 per cent; Malaysia: 13 per cent). Indonesia was another popular investment destination, accounting for 12.8 per cent of Singapore's FDI in Asia as at end 2011.

TABLE 7 MAJOR DESTINATIONS OF OUTWARD FDI IN ASIA, 2001-2011 (Stock As At Year-End)

Country/Economy	2001	2003	2005	2007	2009	2011
S\$ Billion						
Asia	64.1	76.7	103.6	148.1	200.5	260.2
China	15.7	19.8	27.3	40.3	60.6	82.1
Hong Kong	11.4	11.1	15.3	20.0	23.4	38.5
Malaysia	11.2	13.6	16.8	22.7	27.6	34.3
Indonesia	5.6	10.3	14.6	20.1	25.9	33.4
Thailand	4.5	4.7	8.8	16.9	20.4	19.1
Per Cent (%)						
Asia	100.0	100.0	100.0	100.0	100.0	100.0
China	24.5	25.8	26.3	27.2	30.2	31.5
Hong Kong	17.7	14.4	14.8	13.5	11.7	14.8
Malaysia	17.5	17.7	16.2	15.3	13.8	13.2
Indonesia	8.7	13.4	14.1	13.6	12.9	12.8
Thailand	7.0	6.1	8.5	11.4	10.2	7.3

Europe

Singapore's FDI stock in Europe amounted to \$62 billion as at end 2011, up from \$13 billion in 2001 (Table 8). The United Kingdom continued to be the most attractive European destination, accounting for 60 per

cent of Singapore's FDI stock in Europe as at end 2011. Netherlands and Switzerland were the other main European countries favoured by Singapore investors, accounting for 11 per cent and 5.4 per cent of Singapore's outward FDI stock in the region respectively as at end 2011.

TABLE 8 MAJOR DESTINATIONS OF OUTWARD FDI IN EUROPE, 2001-2011 (Stock As At Year-End)

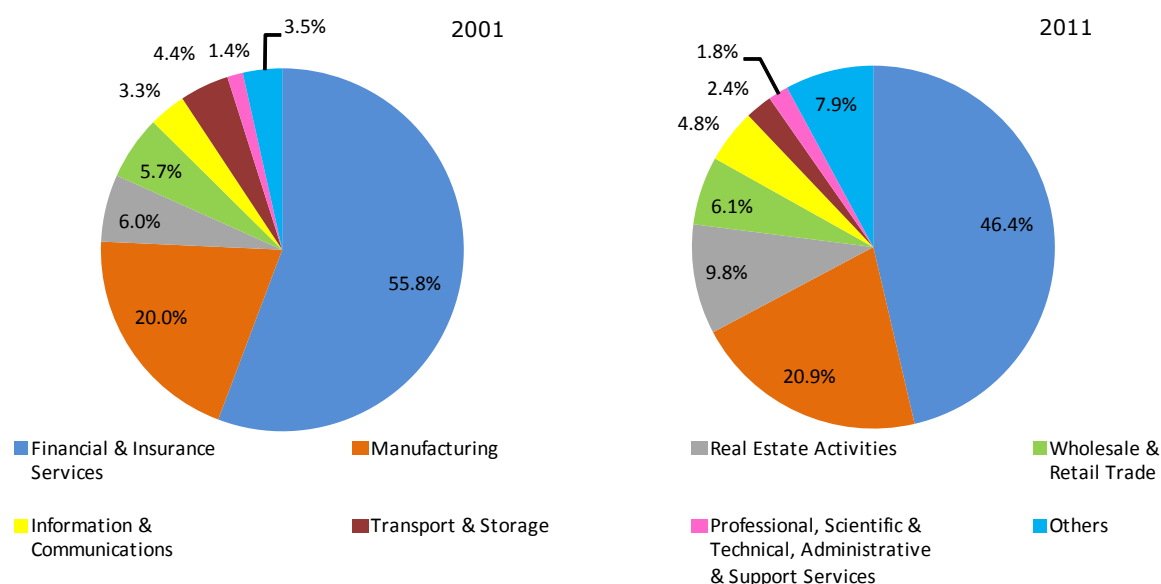
Region/Country	2001	2003	2005	2007	2009	2011
S\$ Billion						
Europe	12.7	13.5	17.5	46.5	51.0	61.8
United Kingdom	6.8	7.5	7.2	31.4	32.4	37.1
Netherlands	1.3	0.7	2.5	3.9	5.0	6.9
Switzerland	0.4	0.6	0.6	4.4	4.7	3.4
Per Cent (%)						
Europe	100.0	100.0	100.0	100.0	100.0	100.0
United Kingdom	53.5	55.7	41.3	67.6	63.5	60.1
Netherlands	10.2	5.5	14.5	8.4	9.8	11.1
Switzerland	3.5	4.4	3.6	9.5	9.3	5.4

Industrial Distribution

The top sectors where the bulk of Singapore's outward FDI stock was residing were financial & insurance services, manufacturing and real estate sectors (Chart 5).

The share of outward FDI stock in financial & insurance sector decreased while manufacturing's share remained relatively stable from 2001 to 2011. In contrast, the share of direct investment in real estate sector became larger over the same period.

CHART 5 SINGAPORE OUTWARD FDI STOCK BY MAJOR SECTOR, 2001 AND 2011



Financial & Insurance Services

Similar to Singapore's inward FDI stock, the bulk of Singapore's outward FDI stock in the financial & insurance services sector was in investment holding companies.

Its share of the sector's FDI stock declined from 92 per cent as at end 2001 to 80 per cent as at end 2011 (Table 9). In contrast, the share accruing to banks increased from 5.4 per cent to 12 per cent over the same period.

TABLE 9 OUTWARD FDI IN FINANCIAL AND INSURANCE SERVICES, 2001-2011 (Stock As At Year-End)

Sector/Industry	2001	2003	2005	2007	2009	2011
	S\$ Billion					
Financial & Insurance Services	73.8	85.3	104.6	177.4	183.0	208.2
Financial Services	73.3	84.6	103.8	176.0	181.4	206.2
Banks	4.0	5.5	14.0	29.3	22.4	25.7
Investment Holding Companies	67.7	78.0	86.8	133.0	147.0	166.2
Other Financial Services	1.6	1.0	3.0	13.6	12.0	14.3
Insurance Services	0.4	0.7	0.8	1.4	1.6	2.0
	Per Cent (%)					
Financial & Insurance Services	100.0	100.0	100.0	100.0	100.0	100.0
Financial Services	99.4	99.2	99.3	99.2	99.1	99.1
Banks	5.4	6.5	13.4	16.5	12.2	12.4
Investment Holding Companies	91.8	91.5	83.0	75.0	80.3	79.8
Other Financial Services	2.2	1.2	2.8	7.7	6.6	6.9
Insurance Services	0.6	0.8	0.7	0.8	0.9	0.9

Manufacturing

Singapore's outward FDI in manufacturing were relatively diversified. The top three manufacturing industries preferred by Singapore investors were food, beverage & tobacco (22 per cent), electronics (14 per cent) and transport equipment (13 per cent) as at end 2011 (Table 10).

The other manufacturing industries which attracted significant FDI from Singapore were chemicals (9.2 per cent) and machinery & equipment (7.8 per cent).

Conclusion

Singapore's inward and outward direct investment expanded significantly in the last decade, reflecting Singapore's continued attractiveness to foreign investors and its expansion abroad to complement its domestic economic activities.

Europe and Asia are the major regional contributors of foreign direct investment in Singapore. The two regions are also the preferred destinations for Singapore-based companies which invest abroad.

TABLE 10 OUTWARD FDI IN MANUFACTURING, 2001-2011 (Stock As At Year-End)

Sector/Industry	2001	2003	2005	2007	2009	2011
	S\$ Billion					
Manufacturing	26.4	33.0	46.6	69.6	80.1	93.7
Food, Beverages & Tobacco	4.4	5.7	7.6	11.1	13.8	21.0
Computer, Electronic & Optical Products	7.3	8.2	10.5	16.3	15.7	13.0
Transport Equipment	1.2	2.2	5.4	8.6	3.5	12.2
Chemicals & Chemical Products	1.2	1.8	2.7	4.7	6.8	8.7
Machinery & Equipment	1.2	2.0	2.3	3.9	6.1	7.3
	Per Cent (%)					
Manufacturing	100.0	100.0	100.0	100.0	100.0	100.0
Food, Beverages & Tobacco	16.6	17.4	16.3	15.9	17.2	22.4
Computer, Electronic & Optical Products	27.8	24.8	22.5	23.4	19.5	13.9
Transport Equipment	4.5	6.7	11.5	12.4	4.4	13.1
Chemicals & Chemical Products	4.6	5.3	5.8	6.7	8.5	9.2
Machinery & Equipment	4.5	6.0	5.0	5.6	7.6	7.8

The latest report on Foreign Equity Investment in Singapore 2011 contains key findings compiled from the Survey of Financial Structure and Operations of Companies and the Survey of Foreign Debt and Financial Derivative Transactions for the year 2011. Download the report at

http://www.singstat.gov.sg/publications/publications_and_papers/investment/foreign_investment.html

Latest data on Singapore's overseas investment are available in the report on Singapore's Investment Abroad 2011, which contains key findings compiled from the Survey of Singapore's Investment Abroad for the year 2011. Download this publication at

http://www.singstat.gov.sg/publications/publications_and_papers/investment/investment_abroad.html