How does Internationalisation Contribute to Singapore?

The Singapore government supports our enterprises to grow and stay ahead in their internationalisation into new markets.

Enterprises seeking to venture overseas often do so through Direct Investment Abroad (DIA), which may take the form of establishing foreign subsidiaries or entering into joint ventures, among others.

Singapore's DIA refers to an investment where an enterprise in Singapore (direct investor) owns 10% or more of the ordinary shares or voting power in an enterprise in another economy (direct investment enterprise).

The example below illustrates the investment and income flows arising from DIA, and how they are recorded in the Balance of Payments (BOP).

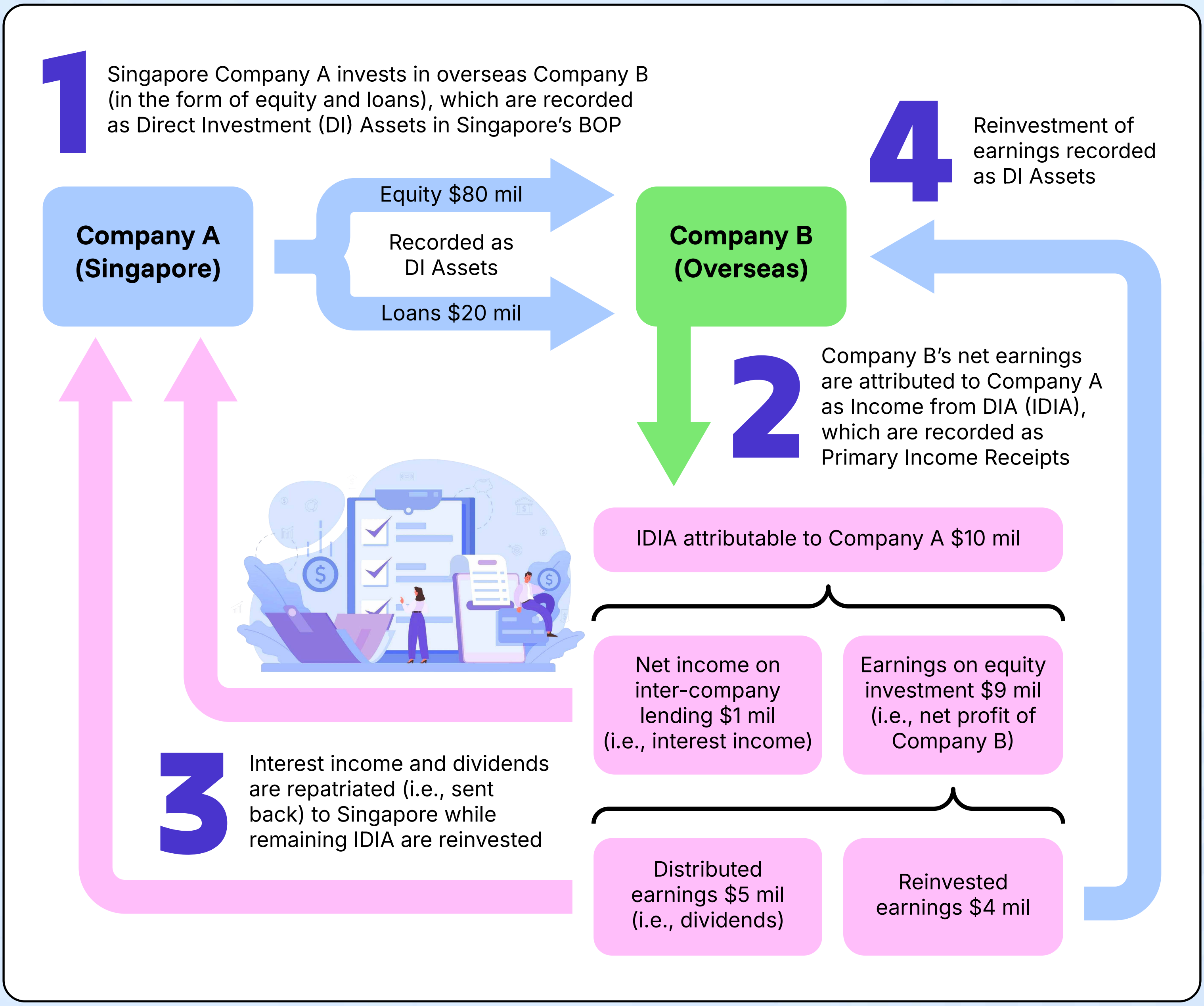


Figure 1: Investment and Income Flows from DIA

Enterprises in Singapore expanding overseas generate IDIA and in turn contribute to higher primary income receipts which, in Singapore's context, would result in a lower primary income deficit.

***Primary Income Balance** = Primary Income Receipts – Primary Income Payments*

A lower primary income deficit leads to:

(i) a higher Current Account Balance (CAB). CAB is the difference between (a) the sum of exports* and income^ receipts, and (b) the sum of imports* and income^ payments transacted by Singapore residents with non-residents. A positive CAB reflects Singapore's net earnings from the rest of the world.

***Current Account Balance (CAB)** = Goods Balance + Services Balance + **Primary Income Balance** + Secondary Income Balance*

** Exports and imports refer to both goods and services.*

^ Income refers to both primary income and secondary income

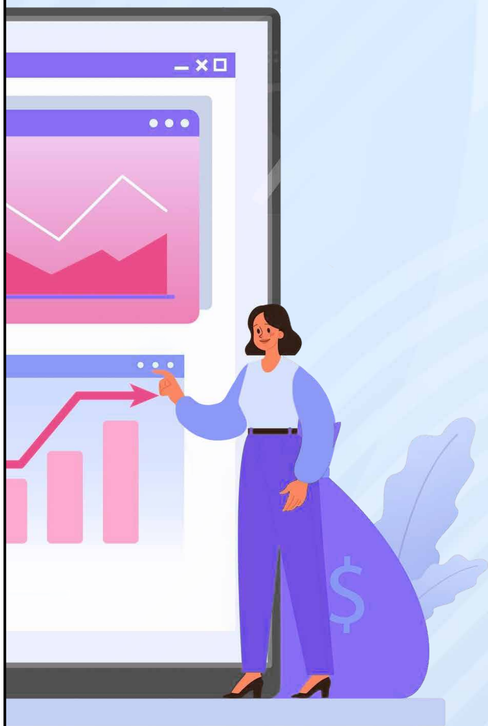
(ii) a higher Gross National Income (GNI)#. GNI measures the total income earned by Singapore residents, both domestically and abroad. GNI is measured by:

Gross National Income (GNI)#** = Gross Domestic Product (GDP) + **Primary Income Balance

 # Incomes arising from the involvement in production processes or ownership of assets receivable by resident units

Recording of Investment and Income Flows from DIA in the BOP

Balance of Payments (BOP)	($mil)
Current Account Balance (CAB)	**+10**
Primary Income Balance	+10
Primary Income Receipts	+10
Income on Equity (Dividends + Reinvested Earnings)	+9
Interest Income	+1
Financial Account Balance	**+104**
Direct Investment	+104
Assets	+104
Equity other than Reinvestment of Earnings	+80
Reinvestment of Earnings	+4
Debt Instruments	+20
Gross National Income (GNI)	**+10**
GDP	(no change)
Primary Income Balance	+10



Note: The figures illustrated above are taken from Figure 1