
TECHNICAL NOTES

Singapore's Direct Investment Abroad

Objective

Singapore's Direct Investment Abroad plays a crucial role in the internationalisation of enterprises and diversification of the Singapore economy. The statistics on Singapore's Direct Investment Abroad 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.

Methodology

Data Sources

The statistics on Singapore's Direct Investment Abroad are compiled from the *Cross-Border Investment Survey (CBIS)*, conducted on a quarterly and annual basis by the Department of Statistics, and supplemented with administrative and other data sources.

The CBIS survey is conducted under the Statistics Act 1973 ("Statistics Act"). The submission of survey returns is mandatory and individual returns received are kept in confidence in accordance with the Statistics Act.

In terms of the survey response rate, firms responding to the CBIS survey represented about 75% of the reported cross-border investments of the surveyed enterprises. To enhance the coverage and robustness of the statistics on Direct Investment Abroad, administrative and other data sources are incorporated for non-responding enterprises where available.

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 investment survey is generally based on stratified random sampling. All enterprises in the sampling frame are stratified by the value of their overseas investment and their major investment destination economy. Enterprises with significant overseas investment are selected with certainty (take-all stratum). Smaller enterprises are selected using simple random sampling without replacement from the remaining stratum (take-some stratum).

The sample size is 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.

Data Collection

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

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

Administrative sources are based on information from Singapore-incorporated enterprises' financial statements. Artificial intelligence (AI) is used to automate the extraction of unstructured data from financial statements and identify enterprises with overseas affiliates.

Data Quality

Survey data are evaluated for completeness in the survey questionnaire and consistency with historical data and administrative sources. Erroneous data would be amended and re-processed at regular intervals throughout the survey period. Tabulation is carried out only after all records are 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, 2025".

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 or economy?

FDI stock 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 economy or country 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 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.
Direct Investment Abroad	<p>Singapore's Direct Investment Abroad (DIA) refers to an investment where an enterprise in Singapore (direct investor) owns 10 per cent or more of the ordinary shares or voting power in an enterprise in another economy (direct investment enterprise).</p> <p>DIA is measured by the sum of three components:</p> <ul style="list-style-type: none"> • Equity Capital invested by the direct investor in Singapore in the direct investment enterprise in another economy • Reserves accrued to the direct investor in Singapore, which are accumulated retained earnings generated by the direct investment enterprises in another economy after deducting the dividends payable to the direct investor • Net Inter-company Lending between the direct investor in Singapore and the direct investment enterprises in another economy.
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 comprises (i) equity in branches and (ii) all shares in subsidiaries and associates (except non-participating, preferred shares).</p> <p>The amount of equity capital is compiled based on market value.</p>
Direct Equity Investment Abroad	<p>Singapore's Direct Equity Investment Abroad refers to equity capital and reserves of enterprises in another economy attributable to direct investors in Singapore.</p> <p>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.</p>
Debt Securities	Debt securities include bonds, debentures, commercial paper, promissory notes and other tradable non-equity securities.
Net Inter-Company Lending	Net inter-company lending refers to the net inter-company debt, in the form of loans and debt securities, between the enterprise in Singapore and its related entities in another economy.

LIST OF ACTIVITIES (SSIC 2025)

SSIC 2025	Industry of Investor in Singapore / Industry Abroad
10 – 32	MANUFACTURING
41 – 43	CONSTRUCTION
46 – 47	WHOLESALE & RETAIL TRADE
49 – 53	TRANSPORTATION & STORAGE
55 – 56	ACCOMMODATION & FOOD SERVICES
	INFORMATION & COMMUNICATIONS
58 – 60	Publishing, Broadcasting, and Content Production and Distribution Activities
61 – 63	Telecommunications, Computer Programming, Consultancy, Computing Infrastructure, and Other Information Service Activities
64 – 66	FINANCE & INSURANCE
68	REAL ESTATE
	PROFESSIONAL AND ADMINISTRATIVE & SUPPORT SERVICES
69 – 75	Professional, Scientific and Technical Activities
77 – 82	Administrative and Support Service Activities
	OTHERS
01 – 03	Agriculture and Fishing
08 – 09	Mining and Quarrying
35	Electricity, Gas, Steam and Air-Conditioning Supply
36 – 39	Water Supply; Sewerage, Waste Management and Remediation
84	Public Administration and Defence
85	Education
86 – 88	Health and Social Services
90 – 93	Arts, Sports and Recreation
94 – 96	Other Service Activities