Foreign Direct Investment in ASEAN – Key Findings

SINGAPORE – Developing countries in Southeast Asia gain much more economic benefits when they increase allowable foreign ownership, which leads to higher FDI inflows, according to the East Asia Pacific Economic Update released by the World Bank at the beginning of this month. The ASEAN region has been the largest recipient of FDI, relative to gross domestic product (GDP), in Asia Pacific. Between 1952 and 2012, Singapore accounts for more than half of total FDI to the whole region (52 percent). Thailand ranks the second with a 13 percent share, followed by Indonesia with 11 percent, Malaysia with 10 percent, Vietnam with 8 percent and the Philippines with 3 percent.

The European Union, Japan and the United States continue to be among leaders in providing sources of FDI to ASEAN. In particular, the European Union contributes a 25 percent share to the total FDI sources, followed by Japan with 13 percent and the United States with 11 percent. It is notable that FDI sources coming from the United States has relatively decreased, while intra-ASEAN FDI has grown rapidly, with Singapore serving as the main source of this FDI inflow. Read more.

Source: ASEAN Briefing

RMB Builds Presence in ASEAN as Singapore Becomes Second Largest Clearing Center

SINGAPORE – Singapore has reclaimed the ranking of second largest clearing center for Renminbi (RMB) in the world. Only Hong Kong has a greater share of the market. In March, 6.8 percent of international RMB payments were carried out via Singapore. Hong Kong accounted for 72.8 percent and London, 5.9 percent. A clearing center is essential for international trade and is used to fulfil promises of bank payments between international accounts.

Singapore was the first clearing center for RMB outside of China. It was established in June 2011 and, alongside Hong Kong, was one of two global clearing centers for the Chinese currency. This turned Singapore into a hub for Chinese companies to open trade links in Southeast Asia, especially with the ASEAN region. Since March 2013, RMB cleared in Singapore has grown by 375 percent, surpassing London, which grew at 203%. This has seen Singapore overtake London in February and March 2014, having previously been surpassed by London in June 2012. Read more.

Source: ASEAN Briefing
Country Risk Update

Country Risk Spotlight
- Singapore

Industrial activity continues to record a modest expansion path.

Singapore continued to record a modest expansion path for industrial activity in March, Purchasing Managers Index (PMI) data indicated as they remained inside the over-50.0 territory a third consecutive month. Despite the small decline of 0.1 points from February, the PMI recorded a level of 50.8. Moreover, the PMI electronics subcomponent (arguably the most important sector of Singapore’s economy) increased in March, rising 0.4 points to 51.6.

The electronics sector remained in expansion territory for the fourteenth consecutive month adding to a string of positive surprises to come out of Singapore recently. Specifically, Q4 real GDP was stronger than originally anticipated by the Ministry of Trade and Industry. The final real GDP number for Q4 helped to raise the annual 2013 growth rate to 4.0 percent. In addition to better than expected economic growth Singapore recently recorded a cooler inflation rate. Consumer price inflation fell to a four-year low in February growing at a year-on-year rate of 0.4 percent. Strengthening economic growth and a low inflation climate bodes well for Singapore over the short term.

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New Businesses Continue to Climb in Singapore

New business registrations in Singapore have been on the rise over the past 4 years since 2009. The greatest increase in number of new business registrations in Singapore was seen in 2013 when new businesses rose markedly by 6.08% from 2012. With more government-assisted funding support and greater SME access to different sources of financing, the increase in number of new business registrations bodes well for the Singapore economy ahead. From January to April 2014, there is already a total of 20,508 new business registrations in Singapore, compared to approximately 20,044 during the same period in 2013. The number of new business registrations from Jan to April this year was nearly 38.6% of new business registered in 2009.

The signs are certainly encouraging with Singapore’s pro-business government policies to promote a vibrant SME sector. Earlier in March this year, the Government has offered another $150 million in spur equity financing/private investments in SMEs. The additional capital will be allocated to namely the SME Co-Investment Fund II – where the fund will serve as a form of government-assisted direct equity financing for firms alongside other private equity investments— and the SME Mezzanine Growth Fund—a hybrid debt-equity financing option for SMES that do not wish to dilute their equity but face challenges in traditional commercial debt financing from the banks. Enhancements were also made to Spring’s Micro Loan Programme (MLP) where the government’s risk-share has been increased from 50 per cent to 70 per cent for firms which have been registered for less than 3 years.

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Budget 2014: More support for Singapore companies to raise funds. Source: AsiaOne

Budget 2014: Measures For Businesses. Source: Singapore Government
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