



Country outlook **Singapore**





Singapore



Form of Government: Parliamentary republic

Capital: City of Singapore

Official language: English, Malay, Mandarin Chinese and Tamil

Population: 5 million inhabitants (2018)

Currency: Singapore dollar (SGD)

Exchange rate: 1 EUR = 1.54 SGD (28/06/2019)
1 USD = 1.35 SGD (28/06/2019)

GDP: \$361 billion (0.4% of world GDP)

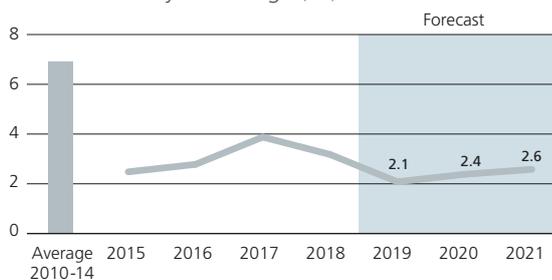
GDP per capita: \$64,041 (\$100,344 purchasing power parity)

Ease of doing business: 141 in the world out of 190 according to the World Bank (Doing Business)

Religion: Buddhist: 42%. Muslim: 14%

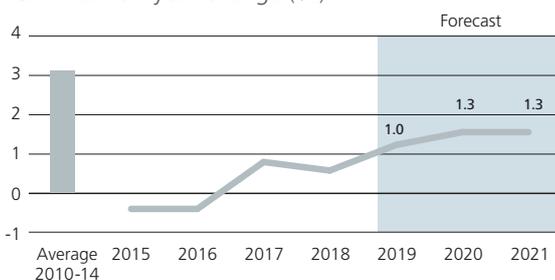
Economic forecast

GDP. Year-on-year change (%)



- Singapore's economy is heavily dependant on the global economy as exports are its main source of growth (especially electronic products exported to China). Given these circumstances, due to the decline in global dynamism, the slowdown in China and the greater uncertainty caused by protectionist disputes, we expect exports to be hit and, consequently, Singapore's economy to slow down significantly in 2019 (to levels below 2.5%). In 2020-2021 the economy will regain some of its momentum, especially if the protectionist tensions fade, although growth will be less vigorous than in recent years. One factor that will give the economy a boost over the coming years will be the global rollout of 5G technology, which will benefit Singapore's exports.

CPI. Year-on-year change (%)



- Inflation will remain low throughout 2019-2021, below the historical average. Thus, despite the small rise in 2020, factors such as the fall in the price of electricity due to the liberalisation of the electricity market and lower oil prices will prevent it from rising excessively.

Economic policy

Benchmark interest rate (%) and exchange rate (SGD/USD)

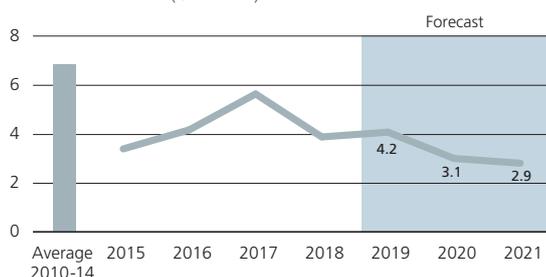


Current account (% GDP)

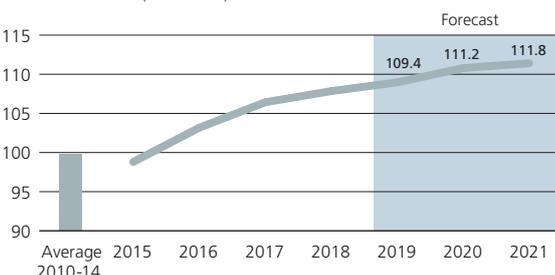


- Singapore has a balanced macroeconomic outlook, with a large current account surplus, largely achieved thanks to Chinese demand, and this will remain high in the years to come despite lower growth in China. In fiscal terms, over the next few years, we expect the implementation of more expansionary fiscal policies aimed at promoting the creation of business clusters in key sectors (healthcare, aerospace and financial services) to reduce the surplus in the public accounts. The high public debt is not overly worrisome, since it is related to the development of the domestic debt market and the investment needs of the pension fund.

Fiscal balance (% GDP)



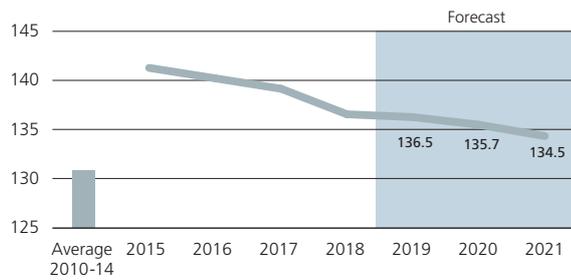
Public debt (% GDP)



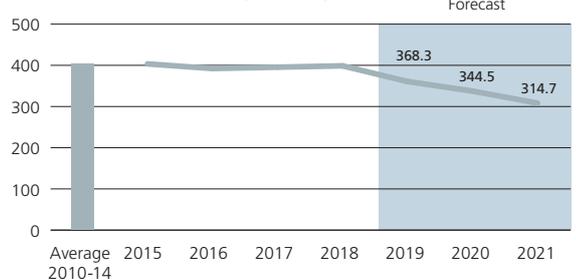
- The Monetary Authority of Singapore (MAS) uses the country's exchange rate as the main tool for its monetary policy. Specifically, it manages the Singapore dollar against a basket comprising currencies from its main trade partners, intervening when it deems necessary, to keep the exchange rate within an undisclosed band. Thus, it adjusts the appreciation or depreciation rate through changes in the parameters of this band; a "gradual, modest appreciation" of the band is generally understood as a restrictive policy stance. We expect the MAS to remain "patient" in the coming years and we estimate that, in a context in which growth is expected to be in line with potential growth (which is between 2.0% and 3.0% according to the government) and there is weak inflation, exchange rate stability is the preferred result of the monetary policy.

Financial conditions

Private credit (% GDP)



Gross external debt (% GDP)



- Singapore’s banks are highly solvent and liquid (their non-performing loans ratio of 1.9% at the end of 2018 is low) and the banks are well capitalised. The main risk focus relates to the fact that the recovery of credit in Emerging Asia has led to growth in foreign currency loans being much higher than deposits, putting the ratio between these two variables at around 130%, a level which may be considered excessive. An increase in borrowing costs in foreign currency could damage the volume of capital flows from advanced countries to Emerging Asia, channelled through the financial hub that is Singapore.
- The high external debt is due to Singapore being an international financial centre. In particular, Singapore is the first net creditor at the global level and reserves, equivalent to 80% of GDP at the end of 2019, are adequate. Although around a quarter of loans have been given to Chinese clients, according to the IMF, credit risks in China do not constitute a threat in the short-term.

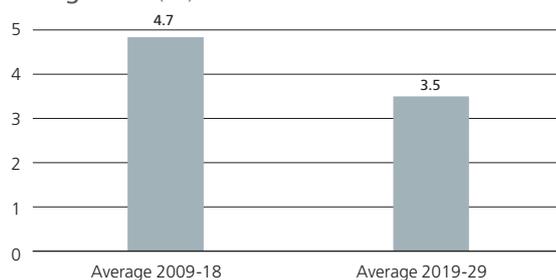
Political situation

- The Popular Action Party (PAP) holds 83 of the 101 seats in parliament and has won all of the elections for the last 50 years. Facing a weak opposition, the government is expected to be able to enjoy a mandate without any surprises, unless the economic slowdown is more severe than expected. The next elections are scheduled for 2021 and we expect there to be some new faces in the party, with a new generation of leaders being favoured to reinvigorate the party.
- Singapore will continue to advocate for free trade while trying to build good relations with

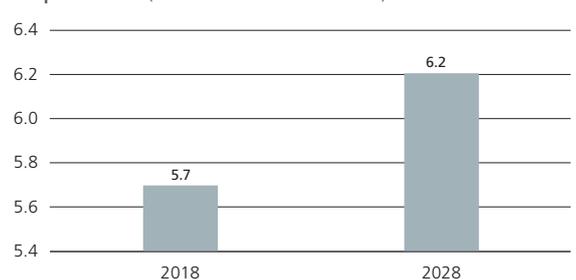
as many nations as possible (the so-called “many friends and no enemies” policy). Thus, in the coming years it is expected that a free trade agreement with the EU will be ratified and that Singapore will benefit from the Trans-Pacific Integral and Progressive Trade Treaty (a trade agreement of several countries of the Pacific Basin, successor to the TTP). Therefore, we expect Singapore to be one of the leading advocates of greater trade integration in Southeast Asia.

Long-term outlook

GDP growth (%)



Population (millions of inhabitants)



- The slowdown in growth in China and the ageing population will hamper growth. However, the economy could regain its momentum in the medium term if the appropriate reforms are implemented to ensure Singapore becomes a global innovation hub. Increased investment in R&D+i and the hiring of foreign workers with a high level of training could boost the country’s growth rate. No short-term improvements are expected in the latter case because, from January 2021, the cap on foreign workers in the services sector will drop from the current 40% to 35%.
- Population growth will be slower than in previous years, mainly due to a drop in the birth rate and a fall in immigration. In this regard, Singapore has a fertility rate of 1.1 children per woman, one of the lowest in the world. The fact that a compulsory savings scheme was established in 1955 to fund pensions will help to avoid any actuarial stresses from the funding and payment of pensions, although the impact of ageing will erode economic growth.

Country risk

	Rating	Last changed	Outlook
STANDARD & POOR'S	AAA	6/01/95	Stable
MOODY'S	Aaa	12/06/02	Stable
FitchRatings	AAA	14/05/03	Stable

■ Indicates that the country has "investment grade".
 □ Indicates that the country does not have "investment grade".



OECD credit risk rating (from 0 to 7, with 0 being the best)

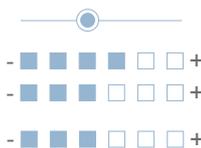


*Credit default swap: measurement of country risk that reflects the cost of ensuring the non-payment of the sovereign bond.

Risks

SHORT-TERM

- US swing towards protectionism
- Greater slowdown in China
- Increased tightening up of international financing



LONG-TERM

- Lower population growth
- Ageing



Business environment

STRENGTHS

- Developed financial market.
- Education.
- Regional business hub.
- Infrastructure.
- Institutions.
- Labour market.

WEAKNESSES

- Market size.
- Inequality.
- Insufficient number of skilled workers.

Main sectors

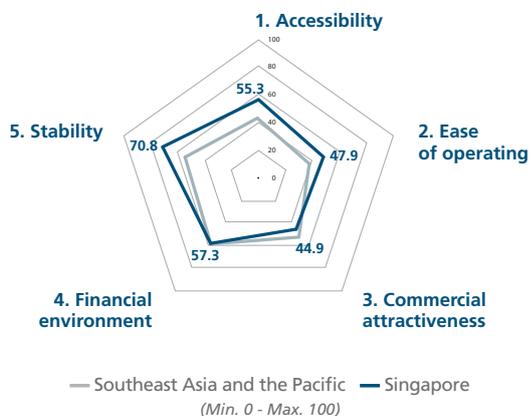
- Financial services, healthcare, tourism, electronics and machinery.

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POSITION IN COUNTRY RANKING



PILLARS



SUBPILLARS

Top

- Easiness of operating a business
- Infrastructures
- Purchasing Power

Bottom

- Distance, communications, and agreements with Spain
- Investment relations with Spain
- Financial development

Taxation

- The personal income tax varies between 0% and 20%. There are special rates for the income of non-residents in Singapore (15%) and for executive positions (20%).
- The general corporate tax is 17%. There is a total exemption with a ceiling of 100,000 SGD/year for three consecutive years and a partial exemption of 50% for the next 200,000 SGD. There are tax incentives, exemptions and reductions for companies depending on the level of the investment and activities carried out in Singapore.
- The goods and services tax (GST) is 7% for products and services sold or imported in Singapore. There is only one rate and it is applied to all categories of products and services except for financial services and the sale/lease of residential property.

Investment

In Singapore, foreign direct investment for 2015 was 65.262 billion dollars, putting it in fourth place worldwide. Foreign investment firms are not differentiated in fiscal terms, with the exception of some sectors: the media, telecommunications, energy, legal services, engineering, banking and real estate services.

The priority sectors for investment for the government of Singapore are: new technologies, infrastructures and social services. The main countries investing in Singapore are the US, the Netherlands, the United Kingdom, Japan and Switzerland.

Establishment

LOCAL COMPANY

The most common legal forms are: limited liability companies, representative offices, trust companies and associations.

Before starting operations all companies must register with ACRA (Accounting and Corporate Regulatory Authority of Singapore).

A limited liability company is the most widely used form by foreign firms in Singapore. This is a company with its own independent identity in fiscal terms and regarding legal requirements. The registration process can take between one and two days.

BRANCH

Branches are not recognised by the Singapore authorities as a separate entity from its parent company and are limited to exclusively carrying out the activities of the parent company, which has responsibility for its branch. Singapore law requires the appointment of two local agents, which can be Singapore

citizens or foreigners with permanent residence in Singapore. The branch name must be the same as the parent company. The process of registering a branch in Singapore may take one to two days if all necessary documents are in order.

REPRESENTATIVE OFFICE

The representative office is the formula used by foreign companies seeking to start their business in Singapore and other nearby markets in Asia and the Pacific. All representative offices must register with International Enterprise of Singapore (www.iesingapore.gov.sg). The establishment

of a representative office is recommended as a temporary way to assess the business climate in the country before permanently setting up. Representative offices in Singapore cannot generate revenue for activities on behalf of its parent company.

Alliances strategic

FREE TRADE ZONE

Free zones in Singapore suspend the payment of taxes and import duties. Businesses must pay taxes only on goods and services when they leave the territory of the free zone. The free trade zones in Singapore can be used for packing and storing products for import and

export. They are often used to re-export goods to other countries. Both local firms and foreign companies enjoy the same rights of access to free trade zones. Production is not permitted in facilities located in free trade zones.

JOINT VENTURE

There is no obligation to enter Singapore via a joint venture for foreign investors. Local firms and foreign companies are subject to the same regulations. Singapore's strong protection of

intellectual property rights and developed legal regime also make it one of the most attractive countries in Asia to access the market via licensing.

Customs conditions**FREE TRADE AGREEMENTS**

Singapore is a staunch defender of free trade and open markets in all economic matters. It plays an active role in the Asia-Pacific Economic Cooperation (APEC) and the Trans-Pacific Partnership (TPP). There are several agreements between Singapore and the EU such as the Free Trade Agreement (FTA) and Partnership and Cooperation Agreement (PCA). The EU/Singapore FTA is a global agreement with broad commitments by both parties to facilitate the other party's access to the markets, by

liberalising services, investment and public contracts and by suppressing tariff and non-tariff barriers (for example regulatory or technical barriers) to trade, among other measures. Singaporean exporters of electronic devices, pharmaceutical products, chemical products and transformed food products particularly benefit from the suppression of EU tariffs while EU exporters have duty free access to Singapore's market for all products.

FREE TRADE ZONE

There are eight free trade zones in Singapore: six free trade zones for goods arriving by sea and two for those arriving by air. Singapore's

free trade zones are located in the following cities: Singapore, Sembawang, Pasir Panjang and Changi.

GENERALISED SYSTEM OF PREFERENCES (GSP)

Singapore is a beneficiary country under the Generalised System of Preferences. It belongs to Group I.

Negotiations and protocol**BUSINESS CULTURE**

The most widely used language is English and, in fact, this is the language that unites all the different ethnic groups. It is the least bureaucratic place to do business in Asia; it has an extremely skilled workforce, a favourable tax regime and represents a testing ground for multinational companies. These are some of the features that make the country one of the favourite destinations for business and international investment. Doing business in Singapore involves

the building of trusting relationships. The personal approach is paramount when it comes to closing a deal. Timetables are strictly respected. Singapore's main values are: the nation, family, support for the community, consensus and harmony between races and religions. Regarding greetings and gestures there may be differences between the religions existing in the country but a handshake is generally accepted.

Top fairs

- Sea Asia.
- Manufacturing Technology Asia.
- Singapore International Jewelry Expo.
- Archxpo.
- Hotel Asia.
- Office Expo Asia.

Websites of interest

- Investing in Singapore: <https://www.edb.gov.sg/>
- Singapore customs: <http://www.dian.gov.co/>
- Singapore International Chamber of Commerce: <http://www.sicc.com.sg/>
- International Enterprise Singapore: <http://www.iesingapore.gov.sg/>
- Maritime and Port Authority of Singapore: <http://www.mpa.gov.sg/>

Payment and charging methods**MEANS OF COLLECTION**

Means of collection in Singapore vary depending on the exporting country. Drafts and letters of credit are the most common means. The average

payment period is 30 to 90 days. It is advisable to establish payment terms in US dollars.

MEANS OF PAYMENT

International transfers are a widespread means of payment when trading with Singapore.

Letters of credit, import remittances and guarantees are also frequently used.

EXCHANGE RATE INSURANCE

Fluctuations in Singapore's exchange rate require exchange rate insurance to be taken out.

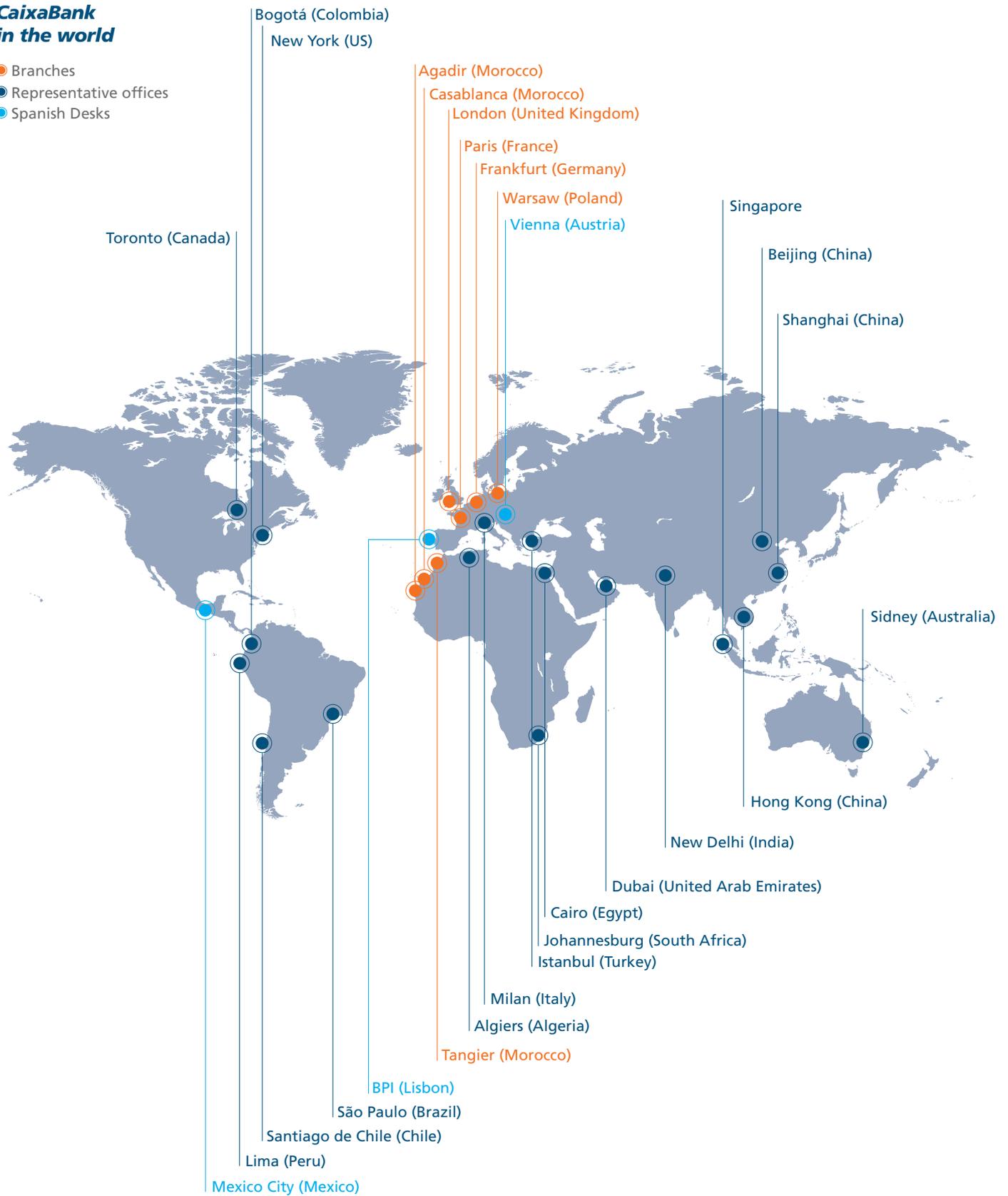
CaixaBank in the country

The main objective of the Singapore office is to improve communication channels with local financial institutions, supporting CaixaBank customers' activities in the country, be they

foreign trade or investment and deployment projects. It also offers consulting and accompanies Spanish companies that wish to develop their business abroad.

**CaixaBank
in the world**

- Branches
- Representative offices
- Spanish Desks



Singapore representative office

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