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## INVEST

### FOREIGN DIRECT INVESTMENT

According to UNCTAD's [World Investment Report 2023](#), FDI inflows to Singapore reached a record-high USD 141.2 billion in 2022, up from USD 131.1 billion one year earlier (+7.7%), making the country the third-largest FDI recipient worldwide after the U.S. and China, and accounting for almost two-thirds of flows to the ASEAN countries. This was largely due to increases in equity capital and retained earnings, which constituted the bulk of Singapore's inward direct investment flows in 2022. In the same period, the stock of FDI stood at USD 2.3 trillion. According to data from SingStat, in 2022, the top five source economies were the United States, Japan, the United Kingdom, Hong Kong, and mainland China, collectively accounting for 45% of Singapore's total inward direct investment flows. The finance & insurance services sector accounted for the largest share (35%) of the country's inward direct investment flows, ahead of wholesale & retail trade and manufacturing. The top 3 industries made up a combined 75% of foreign direct investment flows. In terms of stock, the finance and insurance sector is the one that receives far more investment, estimated at USD 1.4 trillion as of the end of 2021 (57% of the total - SingStat, latest data available).

Singapore upholds an open, extensively trade-oriented economy, holding a pivotal position in the global supply chain. Investors consistently highlight the attractiveness of its investment climate, attributing it to factors such as transparency, business-friendly laws, a favourable tax structure, efficient customs facilitation, robust intellectual property protection, and well-established infrastructure. Actively positioning itself as a hub for R&D and innovation, the government encourages businesses through the provision of tax incentives, research grants, and collaboration opportunities with domestic research agencies. Remaining a regional hub for numerous multinational corporations, Singapore continues to be as a global leader in dispute resolution, financing, and facilitating projects for regional infrastructure development. On the other end, the country has a small internal market and relies heavily on foreign workers who make up more than one-third of the workforce. In line with the trend observed in other nations that have implemented stricter regulations on foreign investments in sectors deemed sensitive to national security, Singapore declared on November 3, 2023, the initiation of the [Significant Investments Review Bill](#). This bill establishes a fresh investment screening framework, uniformly applicable to both Singaporean and non-Singaporean investors involved in entities deemed crucial to Singapore's national security interests. The country is ranked 19th on the [AT Kearney Foreign Direct Investment Confidence Index 2023](#) on the most attractive economies for foreign investment. It also ranks 5th among the 132 countries on the [Global Innovation Index 2023](#) and 1st out of 184 on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
<b>FDI Inward Flow</b> <i>(million USD)</i>	72,903	131,151	141,211
<b>FDI Stock</b> <i>(million USD)</i>	1,985,991	2,169,538	2,368,396
<b>Number of Greenfield Investments*</b>	307	364	410
<b>Value of Greenfield Investments (million USD)</b>	6,869	13,144	16,228

Source: UNCTAD - Latest available data.

Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Singapore	East Asia & Pacific	United States	Germany
<b>Index of Transaction Transparency*</b>	10.0	5.9	7.0	5.0
<b>Index of Manager's Responsibility**</b>	9.0	5.2	9.0	5.0
<b>Index of Shareholders' Power***</b>	9.0	6.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

## WHAT TO CONSIDER IF YOU INVEST IN SINGAPORE

### Strong Points

Singapore has been considered for many years by the World Bank as one of the best countries in the world in terms of the ease of doing business, ranking second in the [2020 Doing Business report](#). Advantages for FDI include:

- Its workforce is one of the most qualified in the world, and is composed of many expatriates, which by definition makes it diversified, flexible and very open to international functions
- High value-added sectors (such as ICT, finance, chemistry and pharmaceuticals) are very well developed
- Financial infrastructure (solid banking system), telecommunications and transport are excellent (Singapore is a major aerial and maritime transport and trading hub for goods and financial services)
- Its strategic location at the crossroads of shipping routes and close to major emerging markets (in Asia and in the Middle East) makes it an important hub for regional and international trade
- In order to attract more and more FDI, the country is working to maintain an attractive tax regime and offers tax reductions and facilitated loan conditions and other investment incentives
- Transparency and lack of corruption, business-friendly laws and regulations.

### Weak Points

Disadvantages for FDI include:

- Voluntarily very open internationally, the national economy is very dependent on exports and is therefore vulnerable to the state of the economies of its main trading partners and to the world economy
- Like all highly industrialised countries, the country is facing an ageing population and "soft" growth, forcing the country to find new growth drivers
- It is becoming increasingly difficult to obtain a work permit in Singapore, while the island state needs manpower for its technology sectors
- The lack of transparency in administrative incentives and the non-internationalisation of the Singaporean dollar are the main obstacles to investment
- Although Singapore is a free port, tariff protection for industrial enterprises is not granted
- Singapore levies high excise taxes on alcohol, tobacco, automobiles and petroleum products

- Limited freedom of speech
- The preponderant role of (semi)-public companies can inhibit investment in certain sectors.

### **Government Measures to Motivate or Restrict FDI**

Singapore is open to foreign investment and offers tax benefits that businesses can enjoy after registering with the [Economic Development Board](#). The government is continuously supplying the national economy with public investments. Examples include transportation infrastructure projects (such as the high-speed train line between the city-state and Kuala Lumpur) or programs encouraging the transfer towards the future economy. The main obstacle to FDI lies in the fact that the country continues to hold a monopoly on certain key sectors (financial services, professional services, media, telecommunications). Government-related enterprises play a dominant role in the domestic economy and, in turn, in investment.

The government actively promotes the country as a R&D and innovation center for businesses by offering tax incentives, research grants, and partnership opportunities with domestic research institutions.

In an effort to increase the ratio of local employees to foreign workers, the government has recently introduced programs that partially subsidize the cost of recruiting, hiring, and training Singaporean workers.

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## **INVESTMENT OPPORTUNITIES**

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### **The Key Sectors of the National Economy**

Manufacturing (petrochemical, electronics, machinery, and equipment) and services (financial services, wholesale and retail trade, and business services), medical research, chemicals, pharmaceuticals.

For a sectorial analysis, refer to the "Industries" section of the [Singapore Economic Development Board \(EDB\)](#) website.

### **High Potential Sectors**

Singapore is poised to attract foreign investments in digital innovation and cybersecurity. The local government is investing heavily in automation, artificial intelligence, and integrated systems under its [Smart Nation](#) initiative and seeks to establish itself as a regional hub for these technologies.

Other developing sectors include aeronautics and aircraft parts, petroleum and refinery trade, telecommunications, computer hardware and software, environment, luxury goods.

### **Privatization Programmes**

Full and partially state-owned enterprises have been privatized in recent years; however, the government of Singapore has not publicly announced further privatization plans. To date, the government still retain controlling stakes in strategically important sectors, including telecommunications, media, public transportation, defence, port, gas, electricity grid, and airport operations.

The Energy Market Authority (EMA) is currently extending the liberalization of the electricity retail market.

### **Tenders, Projects and Public Procurement**

[GeBIZ](#), Public Tenders

[Tenders Info](#), Tenders in Singapore

[Asian Development Bank](#), Procurement Plans in Asia

[DgMarket](#), Tenders Worldwide

## Sectors Where Investment Opportunities Are Fewer

### Monopolistic Sectors

Singapore has an extensive network of full and partially state-owned enterprises which operate under the control of the Ministry of Finance (through its company [Temasek Holdings](#)). Such companies are active in many sectors: telecommunications, media, healthcare, public transportation, defence, port, gas, electricity grid, and airport operations; and to a lesser extent in the banking, subway, airline, consumer/lifestyle, commodities trading, oil and gas engineering, postal services, infrastructure, and real estate sectors.

In principle, such companies operate on a commercial basis and compete on an equal basis with private businesses, both local and foreign; however this is not always the case.

### Sectors in Decline

Electronics, manufacturing and non-digital advertising industries.

## Finding Assistance For Further Information

### Investment Aid Agency

[Economic Development Board \(EDB\)](#)

[Enterprise Singapore](#)

### Other Useful Resources

[Singapore Business Federation](#)

[Singapore International Chamber of Commerce](#)

### Doing Business Guides

[PwC International Tax Guide - Singapore](#)

[Doing Business in Singapour - World Bank](#)