

## Milestones in Singapore's External Accounts

The external accounts provide an important statistical framework for the measurement of the economic transactions of an economy with the rest of the world. Singapore's external accounts have been developed and improved over the last 40 years to meet the need for sound, timely, reliable and comprehensive economic statistics reflecting the important relationships between external and domestic economic developments.

The first set of external accounts estimates of Singapore was compiled by the Singapore Department of Statistics (DOS) in 1957 for the period 1955 to 1957. These early estimates were essentially basic annual balance of payments (BOP) aggregates relating to trade and capital flows. As Singapore has a very open economy, relatively large errors and omissions were persistently recorded in the BOP in the 1960s. This prompted the establishment of a committee in 1968, with representatives from the Development Division of the Ministry of Finance, the Monetary Authority of Singapore (MAS) and DOS to identify and bridge data gaps.

Based on recommendations of the review committee, MAS implemented the "Ticketing System" to collect statistics on Singapore's overseas transactions through banks operating in Singapore in July 1973. DOS also carried out special studies to review the system of data collection and to explore supplementary and additional data sources for both the current and financial accounts. The *Survey of*

*Foreign Investment in Singapore and Study of the Financial Structure and Operations of Companies in Singapore* were initiated in 1971 to collect data on foreign investments in Singapore.

With the rapid growth and complexities of external economic transactions, data collected through the "Ticketing System" had become increasingly inadequate. The "Ticketing System" was consequently abolished in June 1981 and DOS had to identify and develop new data sources to collect the necessary data for the compilation of the BOP. Among these was the *Survey of Singapore's Investment Abroad*, which was launched in 1981 to collect data on Singapore's outward investments as these had gained growing importance.

To meet the need for more timely data in the monitoring of the external economy, quarterly BOP estimates commencing from the fourth quarter of 1990 were introduced in the second quarter of 1992.

The last decade has seen several other methodological and conceptual improvements to Singapore's BOP. The most significant was the adoption and implementation of the fifth edition of the International Monetary Fund (IMF)'s *Balance of Payments Manual (BPM5)* which marked an important milestone in the compilation of Singapore's BOP. BPM5, which was introduced in 1993 by the IMF as the new standard in compilation and dissemination of external economic statistics, addresses many important changes and innovations

that have occurred since the release of the last BPM (fourth edition) in 1977. An important change introduced by the BPM5 was the expansion of the conceptual framework to include the international investment position (IIP), which measures the stock of a country's external financial assets and liabilities.

In its implementation of BPM5, DOS adopted a two-stage approach. Stage 1 involved the reclassification of existing data into the respective BPM5 components and was completed in 1998.

Stage 2 is an on-going process and involves the identification and development of new data sources and compilation methodologies. In conjunction with this, several new surveys have been introduced in recent years to collect data on Singapore's external debt, and foreign investments in Singapore made through local fund managers and custodians.

With the enhancements facilitated by the identification and development of new data sources,

DOS met the requirements of IMF's Special Data Dissemination Standard (SDDS) to release an annual IIP by June 2002 and quarterly external debt statistics by September 2003.

The introduction of a new reporting format for the services account in the BOP in December 2003 is the most recent significant development in Singapore's external accounts. The improvement to the BOP's services account was facilitated by the incorporation of data from the Survey of International Trade in Services (TIS), which was launched in 1996 as an additional data source. By incorporating data collected from the annual TIS surveys, DOS successfully compiled a new set of services statistics which complied with BPM5's recommendations and guidelines. The new reporting format, which shows all the standard services components in BPM5, significantly enhances the analytical usefulness of the BOP's services account.

### *New Reporting Format for the Services Account in Singapore's Balance of Payments*

The incorporation of data from the Survey of International Trade in Services (TIS) has facilitated the introduction of an expanded reporting format for the services account in Singapore's balance of payments (BOP).

The new format, which was adopted since the 2003 *Annual Economic Survey* released in February 2004, shows 10 components. In contrast, the previous reporting format showed only 5 components. These additional components include financial services and computer and information services.

The following methodological improvements and conceptual revisions were also introduced in the BOP along with the incorporation of data from TIS :

- (a) inclusion of merchanting stocks in the goods account;
- (b) reclassification of processing fees from the services to the goods account, and
- (c) expansion of the scope of financial services to include implicit service charge on foreign exchange transactions carried out by financial institutions on behalf of their clients.

The successful incorporation of TIS data and related methodological and conceptual revisions have improved the quality of BOP estimates. It also facilitated the provision of more dis-aggregated data in services statistics through an expanded reporting format for the services account.

Further information and documentation are provided in the information paper on *Singapore's Balance of Payments Methodological Improvements and New Reporting Format for the Services Account (December 2003)*. This paper is available in our Department's website ([www.singstat.gov.sg](http://www.singstat.gov.sg)).

# Purchasing Power Parity (PPP) : The International Comparison Program (ICP)

By  
Wong See Ngee  
Economic Accounts Division  
Singapore Department of Statistics

## Introduction

The International Comparison Program (ICP) is an internationally coordinated statistical project to collect prices and expenditure data for the compilation of purchasing power parity (PPP) data.

This article presents the nature and uses of PPP exchange rates as a more appropriate method for cross-country economic comparisons than market exchange rates, and provides an overview of the ICP.

## Purchasing Power Parity (PPP)

### – Basis for Cross-Country Economic Comparisons

The use of market exchange rates as the basis for cross-country comparisons of economic production [Gross Domestic Product (GDP)], incomes and living standards is generally acknowledged as inadequate. Such comparisons are known to exaggerate international income differentials by ignoring the lower cost of living that is typically observed in developing countries due to cheaper labour-intensive services in the non-traded sector.

While originally construed as a concept underlying the theoretical determination of equilibrium exchange rates (the so-called 'law of one price'), PPP has since become the primary basis for cross-country economic comparisons. As PPP exchange rates account for the prices of all goods and services,

they are more appropriate than market exchange rates as they are not subjected to the 'traded-sector' bias.

Consequently, PPP-adjusted macro-economic statistics have featured prominently as the key fundamental macro-economic development indicators in many international studies, programs and targets. For instance, the World Bank publishes the PPP-based per capita Gross National Income (GNI) for over 200 countries in its annual *World Development Indicators*. In addition, the PPP-adjusted indicators are used to monitor the incidence of poverty and progress made towards the United Nation's Millennium Development Goals. The United Nations Development Program (UNDP) uses PPP-based per capita GDP as an input factor to compute the Human Development Indicators in its *Human Development Report*. The International Monetary Fund (IMF) also applies the PPPs in measuring the relative size of economies and computing weighted averages of regional growth rates in the *World Economic Outlook*.

## PPP Exchange Rates

### – Adjusted for Differences in Price Levels

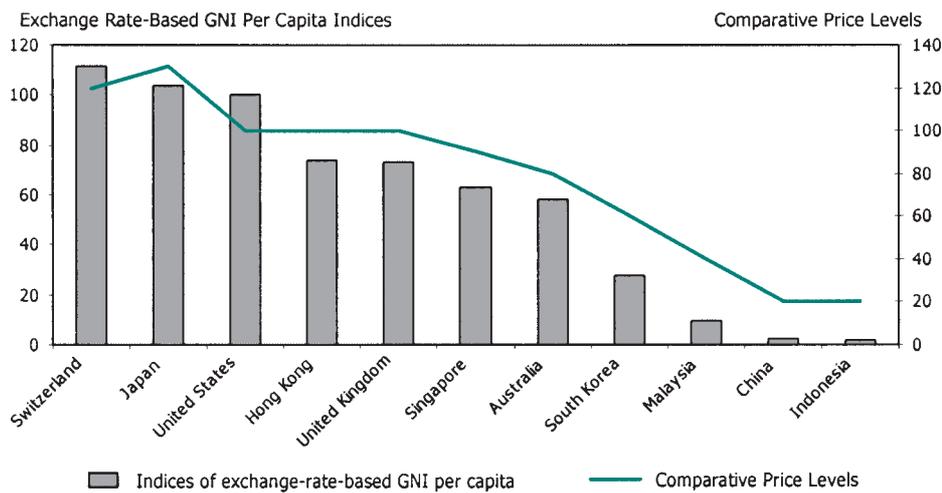
As the prices of non-traded goods and services tend to be correlated positively with the level of economic development, the ratio of PPP exchange rates to market exchange rates tend to be lower for developing countries. Since PPP exchange rates make adjustments for the differences in price levels,

this ratio has been used as a measure of comparative price levels. As shown in Figure 1, the comparative price levels (or ratio of PPP exchange rate to market exchange rate) correlate positively with per capita GNI.

The above relationship also implies that PPP-adjusted per capita GNI would be less dispersed

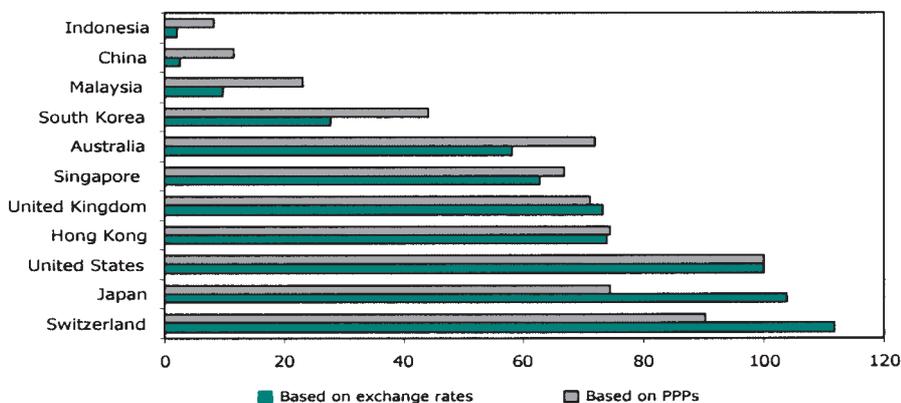
than market exchange rate-based per capita GNI. As shown in Figure 2, the difference in per capita GNI is narrowed considerably when computed on the basis of PPP exchange rates. For example, PPP-adjusted per capita GNI for the United States is only nine times that of China's in 2001, compared to thirty-nine times when the comparison is made using exchange rate-adjusted per capita GNI.

FIGURE 1 COMPARATIVE PRICE LEVELS AND INDICES OF EXCHANGE RATE-BASED GNI PER CAPITA (US=100) OF SELECTED COUNTRIES, 2001



Source : 2003 World Development Indicators, The World Bank

FIGURE 2 INDICES OF GNI PER CAPITA (US=100) OF SELECTED COUNTRIES, 2001



Source : 2003 World Development Indicators, The World Bank

PPP exchange rates are also preferred for cross-country comparisons, as they are less volatile than market exchange rates. The sharp volatility in market exchange rates has resulted in substantial changes in countries' relative per capita GNI, even when there is little change in the level of economic activity.

The relative ranking of an economy's size and per capita GNI could change considerably after PPP-adjustment (Table 1). For example, China is the world's sixth largest economy when ranked on the basis of market exchange rate, but the second largest economy if the ranking is based on PPP exchange rate.

### The International Comparison Program (ICP)

The construction of PPP exchange rates requires the collection of fairly detailed prices and expenditure data from a large number of countries. These data are collected through the ICP, which is one of the largest internationally coordinated economic and statistical projects that has ever been carried out. The Organisation of Economic

Cooperation and Development (OECD), in collaboration with the Statistical Office of the European Union (Eurostat) spearheads the program (known as OECD-Eurostat PPP) for its member countries on a three-year cycle. For non-OECD countries, the World Bank assumes the role of global coordinator for the ICP.

The ICP was jointly launched by the United Nations Statistics Division (UNSD) and the University of Pennsylvania in 1968. Since its commencement, the ICP has conducted six phases (1970, 1973, 1975, 1980, 1985 and 1993) of the ICP survey and published PPP data since the 1975 ICP round. Within a span of 30 years, the ICP evolved from a modest project involving 10 countries in the 1970 ICP round to a program with the participation of 118 countries in the last round of the ICP.

Over the years, concerns over the relevance of the ICP and the reliability of PPP data have been raised and debated in the international statistical arena. One major constraint of the ICP is its limited coverage of countries. Outside the OECD, many countries have not participated in the ICP, while others have participated only occasionally.

TABLE 1 RELATIVE RANKING OF ECONOMY SIZE AND GNI PER CAPITA, 2001

Country	GNI				GNI Per Capita			
	Exchange Rate-Based (US\$ Billion)	Rank	PPP-Based (US\$ Billion)	Rank	Exchange Rate-Based (US\$)	Rank	PPP-Based (US\$)	Rank
<b>Singapore</b>	<b>89</b>	<b>38</b>	<b>94</b>	<b>54</b>	<b>21,500</b>	<b>26</b>	<b>22,850</b>	<b>32</b>
Switzerland	277	16	224	30	38,330	3	30,970	5
Japan	4,523	2	3,246	3	35,610	5	25,550	20
United States	9,781	1	9,781	1	34,280	7	34,280	3
Hong Kong	170	23	172	39	25,330	13	25,560	19
United Kingdom	1,477	4	1,431	6	25,120	14	24,340	26
Australia	386	15	478	16	19,900	29	24,630	24
South Korea	448	13	713	14	9,460	54	15,060	54
Malaysia	79	42	188	35	3,330	84	7,910	81
China	1,131	6	5,027	2	890	138	3,950	127
Indonesia	145	28	591	15	690	145	2,830	142

Source : 2003 World Development Indicators, The World Bank

One particular concern was the absence of China (the world's most populous and more recently, the fastest growing country) until the 1993 ICP round. For countries that have not participated in the ICP, the World Bank and other analysts have to resort to various methods of estimating PPP-adjusted GNI and other macro-economic indicators. These estimates (which are used for a wide variety of purposes) may be inaccurate and misleading.

## **2004 Round of ICP**

In an effort to revitalize the ICP, several major international agencies, including the United Nations, World Bank, OECD, Eurostat and Asian Development Bank (ADB), have collaborated to launch the next round of the ICP with 2004 as the reference year. One hundred and sixty countries (including China), covering all regions of the world, are expected to participate in the 2004 ICP round.

For the 2004 round of ICP, an international governing body comprising representatives of the main stakeholders, including the financing agencies such as the World Bank and the UN Statistical Commission, will be responsible for the overall coordination and accountability of the ICP. Regional coordinators are responsible for managing the program in each of the five major regions. The national agencies, usually the National Statistical Offices (NSOs), are largely responsible for

implementation of the ICP at the national level, involving the prices and expenditure data collection. To compile and disseminate globally consistent PPPs, an international secretariat is involved in the data processing and analysis of the regional PPPs.

For each region, a Regional Advisory Board (RAB) is established to advise and provide guidance on regional workplans, goals and priorities. This regional management structure facilitates the partnership-based ICP activities among the participating NSOs in the region. The coordinator of the Asia and Pacific Region (which includes Singapore) is the ADB. The Singapore Chief Statistician, Dr Paul Cheung, is the Chairperson of the RAB for the Asia and Pacific Region.

## **Singapore's Participation in the ICP**

Singapore participated in the previous ICP round and is participating in the 2004 ICP round within the Asia and Pacific region. Participation in the 2004 ICP round is desirable for two reasons. Firstly, our statistical capability would be further enhanced through a review and assessment of our statistical methodology and coverage in our collection and compilation of prices and expenditure data. Secondly, Singapore's participation would contribute towards global efforts in improving PPP data, as well as enhance the relevance and reliability of PPP data on Singapore.

# New International Standards on Consumer Price Index

*By  
Ng Mei Khee and Wong See Ngee  
Singapore Department of Statistics*

## Introduction

A new resolution on the Consumer Price Index (CPI) was adopted during the 17th International Conference of Labour Statisticians (ICLS) held during 24 November–3 December 2003 in Geneva, Switzerland. Representatives from various national statistical offices (NSOs) and major international institutions attended this high-level CPI committee to examine the draft CPI resolution presented by the International Labour Office (ILO).

The passing of the revised CPI resolution is of great significance. It represents the culmination of a long process of review, improvement and revision in the international standards on the CPI to address the concerns raised on the methodology, reliability and accuracy of the CPI. The accompanying revised CPI manual also updates the underlying concepts on the basis of theoretical and conceptual work carried out in recent years.

## International Standards on CPI – Historical Background

Originally intended for use in the indexation of wages and other social welfare adjustments, the CPI has since become widely used as an indicator of inflation, as well as a macro-economic indicator for monetary and fiscal policy adjustments. As it is also used as a price deflator in the compilation

of constant price or real GDP estimates, the CPI is therefore not only an important macro-economic indicator in its own right but also has consequential impact on other important macro-economic statistics.

The ILO is the agency within the United Nations (UN) system responsible for the establishment of international standards on CPI. The recommendations in the ILO resolution on CPI constitute internationally accepted guidelines on the compilation of the CPI which serve to enhance the relevance and international comparability of CPIs compiled in different countries and economies.

The first ILO resolution on the CPI dates back to 1925 in the 2nd ICLS. Subsequent revisions were made in 1947, 1962 and 1987. Following the adoption of the 1987 resolution, a CPI manual was published in 1989 to provide detailed guidance on the operational aspects of CPI compilation. An overview of conceptual and theoretical issues relating to the CPI is also included.

## Recent Developments

While the CPI has enjoyed widespread acceptance, rapid economic changes and technological developments have given rise to questions and concerns on its continuing relevance. To address these concerns, important development work on

the CPI has been carried out by NSOs and international organisations to improve and strengthen the underlying conceptual basis and the methodology for CPI compilation.

### ***Ottawa Group***

To promote development work and provide a forum for technical discussions on the conceptual issues on CPI, an international working group on price indices known as the "Ottawa Group" was established in 1994 under the auspices of the United Nations Statistical Commission. Specifically, the Ottawa Group discussed the need to adjust for quality changes and the incorporation of new products, among other influencing factors.

### ***ECE/ILO Meetings on CPI***

Once every two years, joint meetings between the Economic Commission for Europe (ECE) and ILO are also organized. These joint ECE/ILO meetings serve as a platform for price statisticians from the ECE region and member states of the ILO to discuss and exchange views on methodological developments relating to CPI.

### ***Boskin Commission's Report***

In 1995, the Boskin Commission's Report drew considerable attention and generated intense discussion, particularly in the United States. The report, commissioned by the Finance Conference of the US Senate, identified potential sources of measurement biases, and suggested that these could affect the accuracy and relevancy of the CPI. In particular, it noted that the upward bias of the CPI could have important unintended consequences, including the under-estimation of

economic growth and productivity. The report also presented a series of recommendations to improve the accuracy of price statistics.

Following these findings, countries such as Canada, United Kingdom, France and Australia carried out studies to investigate the possible upward biases in the CPI. These studies have facilitated improvements to the compilation of the CPI by many statistical agencies.

By the late 1990s, it became apparent that there was an urgency to update and revise both the 1987 resolution and the 1989 manual on CPI to better reflect current best practices and methodological advances. The NSOs, ILO and other international institutions collaborated extensively to revise the CPI manual and to draft a new CPI resolution for adoption by the international statistical community.

## **New International Standards on CPI**

### ***Revision of the CPI Manual***

An Intersecretariat Working Group on Price Statistics (IWGPS) comprising the ILO and several major international institutions, was set up in 1998 to coordinate the efforts and expertise of the major organizations to review and revise the CPI manual and the CPI resolution.

In 2001, the Singapore Department of Statistics (DOS), together with the Organisation for Economic Co-operation and Development (OECD) jointly organized an international workshop on CPI in Singapore to review the draft chapters of the revised ILO CPI manual. That was the first time the draft manual was discussed in an international gathering comprising representatives from developing countries.

The revised manual was finally completed at the end of 2003 and is available at <http://www.ilo.org/public/english/bureau/stat/guides/cpi/index.htm>.

### ***Revision of the Resolution on CPI***

A long and arduous process of research and consultation among major international institutions and NSOs took place during the preparation of the revised draft resolution. A Meeting of Experts, chaired by the Chief Statistician of Singapore, Dr Paul Cheung, was convened in 2001 to obtain the views of the experts on the revised draft. The Meeting's recommendations were considered and subsequently incorporated in the draft resolution to be presented during the 17th ICLS.

A CPI Committee comprising participants from more than 40 countries, the ILO and other major international institutions was set up during the 17th ICLS to deliberate on the relevancy and applicability of the revised draft resolution on CPI. Discussions were focused on the conceptual and operational issues of CPI compilation, as well as the dissemination of results.

As noted by the Chairperson, Dr Paul Cheung, the revised resolution would have to stand the test of time for a fairly long period. The challenge is to "arrive at a balanced text that would be useful to the CPI compilers in countries at all levels of development and providing them with clear guidance, while leaving sufficient flexibility to take account of relevant national circumstances and CPI objectives."

Following intensive discussions by the participants, the revised resolution on CPI was amended and adopted during the Conference. Apart from amending the existing chapters of the 1987

resolution to achieve better clarity, the following new recommendations associated with several conceptual and measurement issues are also included in the 2003 resolution :

#### *(i) Cost of Living Index (COLI)*

With increasing interest to compile a COLI, the revised resolution provides a clear conceptual distinction between an index defined to measure the cost of living and one designed as a fixed basket price index. While the fixed basket price index measures the cost of purchasing a fixed basket of goods and services of constant quality and similar characteristics, COLI measures the effects of price changes on the cost of achieving a constant standard of living. The revised resolution recommends that a fixed basket price index or another appropriate design may be employed as an approximation to COLI.

#### *(ii) Construction of a Family of Indices*

As it is unlikely that a single CPI can perform equally satisfactorily for all of its applications, the revised resolution recommends the construction of a family of indices to serve different purposes. Each index should be properly defined and named and a "headline" CPI measure should be explicitly identified.

#### *(iii) Frequent Updating of Weights*

Updating the weights is important to ensure that the basket of goods and services remain up-to-date. The revised resolution recommends that countries update their CPI weighting pattern at least once in every five years and more frequently in periods of high inflation.

(iv) *Quality Adjustments*

To address the issue of measurement bias associated with quality changes, the revised resolution recommends that an adjustment must be made to the price of a particular product when a quality change is detected. Quality adjustment should be based on objective criteria as far as possible. While listing the various quality adjustment methods which could be applied, the resolution recognizes that some of these methods are fairly complex, costly and difficult in their implementation.

(v) *Errors in Index Construction*

Recognising the importance of the accuracy in the CPI estimates to support effective decision making by users, the revised resolution brings to attention the various sources of potential error in index construction. They include incorrect selection of products and outlets, failure to adjust correctly for quality changes as well as the use of inappropriate formulae for computing elementary aggregate and upper level indices. It recommends that adequate allocation of funding and resources should be channelled to minimize the impact of such errors in the CPI estimates.

(vi) *Elementary Aggregate Indices*

The choice of formula in the computation of elementary aggregate indices depends on the purpose of the index, the same design and the mathematical properties of the formula. The revised resolution provides a greater insight into the relative

strengths and weaknesses of the various methods. In particular, the use of geometric mean (GM) formula is highlighted.

(vii) *Classification System*

To achieve international comparability, the CPI classification should be reconciled with the UN Classification of Individual Consumption According to Purpose (COICOP), at least at the division level. However, to facilitate the analysis and interpretation of the results, it is desirable to classify goods and services according to the various supplementary classifications (for example, source of origin, durability etc). Calculation of the CPI using any classification should generate the same overall results as the original index.

The reports of the Conference would soon be available at <http://www.ilo.org/public/english/bureau/stat/techmeet/16thicls/index.htm>.

## Conclusion

The adoption of the revised CPI resolution and the revision of the CPI manual updates the international guidelines and standards on the compilation of the CPI. The new standards would enhance the compilation methodology and international comparability of CPIs, while providing sufficient flexibility to facilitate their adoption by both developed and developing countries.

## *Dr Paul Cheung chaired the Committee on International Standards for the Consumer Price Indices*

The Consumer Price Index (CPI) is best known as an indicator of inflation, widely used in the evaluation and formulation of social and economic policies. While it enjoys widespread acceptance, rapidly changing economic and social situations have led to concerns being raised about its accuracy and relevance in recent years.

To address these methodological and policy concerns, a committee on the CPI is convened about once every 15 years to discuss the need for methodological revisions and to suggest a new set of guidelines and standards. The existing resolution on CPI was last adopted in 1987 during the 14th International Conference of Labour Statisticians (ICLS).

A high-level committee on CPIs was established during the 17th ICLS held in November 2003.



During the 17th ICLS :  
 Dr Paul Cheung, Singapore Chief Statistician, and  
 Ms V Stoevkka, International Labour Office

The Singapore Chief Statistician, Dr Paul Cheung was elected as the chair. Attended by delegates from more than 40 member states, this committee also brought together representatives from the Employer and Worker groups, as well as other international organisations.

“The main objective of the CPI committee is to examine the revised CPI resolution so that it reflects the current best practices and provides practical guidance on CPI construction to countries of all stages of socio-economic development for the next fifteen years,” said Dr Cheung in his opening remarks.

Substantive discussions during the committee sessions focused on issues relating to the practice of CPI construction and dissemination. Major topics discussed included the differences between fixed-basket price index and the Cost of Living Index (COLI), construction of a family of indices, frequency of weight updating, quality adjustment, sampling techniques and index computation. These committee sessions provided a useful forum for the price statisticians to share their experiences and exchange views on the stipulated international recommendations. With the passing of the revised CPI resolution as well as recent revision of the CPI technical manual, the compilation methodology and international comparability in the area of CPIs would be improved and further strengthened.

# Profile of Home Offices in Singapore

*By Kenneth Goh and Teo Wi Chian  
Business Statistics Division  
Singapore Department of Statistics*

## Introduction

The Home Office (HO) scheme was introduced on 10 Jun 2003 as part of a comprehensive package of measures to create a conducive environment for entrepreneurial-type businesses and to allow home owners or residents to conduct small-scale businesses in their homes. The scheme applies to all approved residential units. Businesses have to comply with a list of performance criteria and keep away from non-permissible activities. Each application is valid for one year and could be renewed yearly, provided the business does not pose adverse impact on the neighbourhood.

Owners, tenants or occupants of Housing and Development Board (HDB) flats who wish to use their premises as HOs have to apply for permission through the HDB. For private properties, applicants have to seek approval from the Urban Redevelopment Authority (URA). Upon approval from HDB/URA, the HO owners could proceed to register their businesses with the Registry of Companies and Businesses (RCB).

This article looks into how well-received the HO scheme had been during the first six months of its inception and provides some basic insights into the business characteristics of these HOs.

## Applications of HO Scheme

By end-Dec 2003, the HO scheme had attracted some 7,408 applicants. HDB and URA processed a total of 6,897 and 511 applications respectively. URA's applications comprised only 6.9 per cent of total applications.

The first two months (Jun–Jul 2003) saw the applications at record highs of between 1,360 and 1,520 (Table 1). In recent months though (Nov–Dec 2003), the number of applications tailed off to below 800 (669 in Nov and 755 in Dec).

TABLE 1 NUMBER OF HO APPLICATIONS BY MONTH, JUN–DEC 2003

Month	Total	HDB	URA
<b>Total</b>	<b>7,408</b>	<b>6,897</b>	<b>511</b>
Jun*	1,361	1,240	121
Jul	1,517	1,414	103
Aug	1,018	938	80
Sep	1,085	1,029	56
Oct	1,003	943	60
Nov	669	625	44
Dec	755	708	47

\* 10 Jun–30 Jun

**By Property Type**

HDB flats accounted for the majority (93 per cent) of applications (Table 2). For public dwellings, about two-thirds of the applicants were occupiers of 4-5 room flats. For private dwellings, proportionately more HOs were registered in private flats or condominiums than in landed properties.

Of the total dwelling units in Singapore, HDB flats comprise about 82 per cent while 18 per cent are private properties. In comparison, private properties in the HO scheme is disproportionately low, at 7 per cent. This implies that HDB owners show more interest in the HO scheme than their counterparts residing in private houses/flats.

TABLE 2 HO APPLICANTS BY PROPERTY TYPE

Property Type	Per Cent
<b>Total</b>	<b>100.0</b>
<b>HDB Property</b>	<b>93.1</b>
1/2-Room	0.6
3-Room	14.8
4-Room	34.9
5-Room	30.3
Multi-Generation/Executive Apartment/ Maisonette/Others	12.5
<b>Private Property</b>	<b>6.9</b>
Flat/Condominium	4.3
Landed	2.6

**Subsequent Registration with RCB**

Of the 7,408 HO applications approved by HDB/URA, it was found that some 88 per cent subsequently registered with RCB (Table 3). Some were new set-ups, while others were existing businesses that applied under the HO scheme to operate in their homes. The remaining 12 per cent of applicants were either untraceable or did not pursue their interest to set up a HO.

TABLE 3 STATUS OF APPLICATIONS

Status	Per Cent
<b>Total</b>	<b>100.0</b>
Registered with RCB	87.8
Not Registered/Untraceable	12.2

**Economic Characteristics**

**By Industry**

The nature of business is restricted to a handful of activities, given the several restrictions of the HO scheme. The more stringent measures include: the person conducting the HO business must continue to use the residential unit as the place of residence; the business activity should be confined wholly within the premises; the business must not generate noise, smoke, odour, effluent or dust; no posters or advertisements are allowed and the consumption of electricity and structural load must not exceed the normal residential load.

Of those who registered with RCB, one-half of private property applicants would deal in real estate and business services and another one-third in commerce (Table 4). For HDB flat dwellers, about one-third each engaged in the commerce as well as the real estate and business services industries.

Within the commerce industry, the most popular business activity for HOs is general wholesale trade (including general importers and exporters). This broad activity group includes import/export, e-commerce and general trading (Table 5). This is followed by sale of computer software, hardware and accessories, and commission agents.

TABLE 4 HO REGISTERED WITH RCB BY INDUSTRY

Industry	Per Cent	
	HDB	URA
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Construction (eg Building Installation - Electrical Works, Renovation Contractors)	6.8	1.4
Commerce (eg Import/Export, E-commerce & Commission Agents)	33.5	32.0
Transport & Communications (eg Moving Services, Freight Transport by Road)	9.8	3.6
Financial & Insurance Services	1.0	3.8
Real Estate & Business Services (eg Consultancy Services & Design Activities)	34.6	49.7
Social, Personal & Community Services	10.5	7.7
Others	3.8	1.8

TABLE 5 HO ENGAGED IN COMMERCE AND REAL ESTATE & BUSINESS SERVICES

Activity	Per Cent
<b>Commerce</b>	<b>100.0</b>
General Wholesale Trade	28.3
Sale of Computer Software, Hardware & Accessories	8.5
Commission Agents	5.0
Other Commerce Activities	58.2
<b>Real Estate &amp; Business Services</b>	<b>100.0</b>
IT & Related Services	21.8
Business & Management Consultancy Activities	21.2
Specialised Design Activities	11.2
Other Real Estate & Business Activities	45.8

As for the real estate and business services industry, IT and related services was the most favoured choice of activity (Table 5). IT consultancy, development, maintenance and other services were included in this group. Other popular business activities within the real estate and business services sector included business and management consultancy activities and specialised design activities such as graphic and interior design.

### By Legal Organisation

Majority of HDB applicants were either sole-proprietors or partners of businesses (92 per cent). Only a small proportion (7.6 per cent) established private companies (Table 6).

TABLE 6 HO REGISTERED WITH RCB BY LEGAL ORGANISATION

Legal Organisation	Per Cent	
	HDB	URA
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Private Company	7.6	37.0
Sole-Proprietorship	79.1	52.8
Partnership	13.2	10.2
Others	0.1	–

Among the applicants residing in private housing, a significant proportion of 37 per cent set up private companies. Another 63 per cent were involved in businesses (sole-proprietorships and partnerships).

### By Size of Capital

For HOs which registered as private limited companies, nearly three-fifths of those from HDB and over two-fifths from URA had a paid-up capital of under \$10,000 (Table 7). Proportionately, private companies registered with the URA had higher paid-up capital than their HDB counterparts. One in ten HOs in private properties had a paid-up capital of at least \$500,000. These are mainly existing entities with the RCB.

TABLE 7 PRIVATE LIMITED COMPANIES UNDER HO SCHEME BY CAPITAL SIZE

Capital Size (S\$)	Per Cent	
	HDB	URA
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Less than 10,000	58.4	43.3
10,000 – 99,999	24.0	29.9
100,000 – 499,999	15.7	16.4
500,000 & Over	1.9	10.4

### Concluding Remarks

The number of HO applications appeared to have stabilised over the six months since the inception of the scheme. Proportionately, HDB flat dwellers seem more receptive to the scheme. The fact that rental need not be borne as part of the operating cost in running a HO business encourages new start-ups and helps existing ones tide over difficult economic times. The flexibility of operating a business from home may also appeal to some. However, for the business to succeed, the HO entrepreneurs would have to develop self-determination and confidence, hone multi-tasking skills and strike a balance between work and home responsibilities.

# Formation and Cessation of Companies and Businesses, 2003

## Companies

Company formation in 2003 increased by 20 per cent over the previous year, to reach a new high of 13,544. All major industries recorded increases in company formation, except manufacturing. Company formation in the manufacturing industry dropped by 4.6 per cent in 2003, whereas the commerce industry recorded the highest rise of 23 per cent.

In 2003, a record number of 7,745 companies ceased operations, an increase of 12 per cent over 2002. All major industries recorded increases in cessation rates over 2002. The construction industry recorded the largest rise of 32 per cent in company cessation.

## Businesses

The number of new businesses formed increased by 1.9 per cent to 25,815 businesses in 2003. Most industries recorded single-digit increases in business formation. However, businesses in the manufacturing and construction industries exhibited declining formation rates of 31 per cent and 17 per cent respectively.

The number of business closures fell by 8.8 per cent over 2002 to 10,356 in 2003. All major industries recorded lower cessations, with the largest decline occurring in manufacturing. Business cessation rates have been decreasing since 2001. This could probably be explained by the Registry of Companies and Businesses' change in administrative procedure. Prior to 2000, business registrations had to be renewed annually, but from 1 Apr 2000, businesses were given a three-year renewal period.

CHART 1 FORMATION AND CESSATION OF COMPANIES

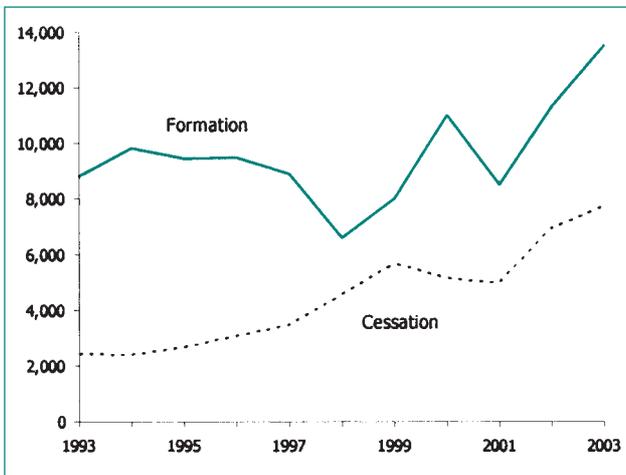
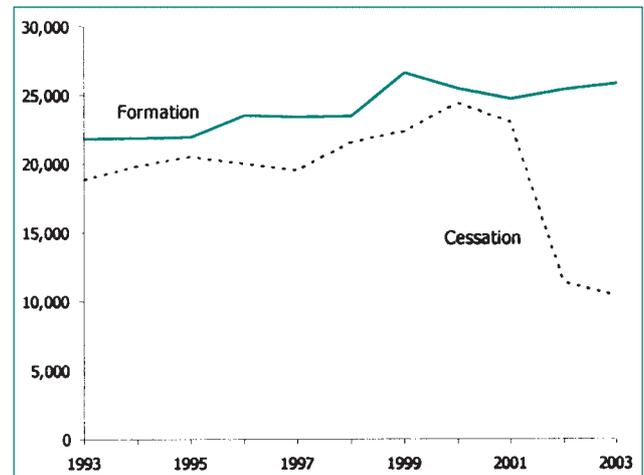


CHART 2 FORMATION AND CESSATION OF BUSINESSES



# SingStat Express

..... *your personalised data delivery service*

In response to increasing demand for more email delivery of softcopy statistical releases, the Singapore Department of Statistics has revamped the SingStat Express service. The newly launched enhanced service provides more user-friendly functions for data users to subscribe to a wide range of free and fee-based reports.

## **What's New**

Over 50 statistical indices and key indicators are now made available for subscription at a nominal fee via this email alert and delivery service. Frequently sought statistics including national accounts, business statistics, investment, price indices, external trade, manufacturing, population and demographic statistics can be purchased with just a few clicks.

Latest press releases and notice of publications are still provided free. A new free service which sends headlines of these releases via SMS is introduced so that subscribers will not miss the release while on the move.

Information Papers on conceptual, methodological changes and improvements in official statistics as well as Statistical Singapore Newsletter are new items which have been included in the free email delivery service.

Subscription to the SingStat Express service would allow users who need data on a regular basis to receive the data as soon as they are released. More information and the subscription details can be accessed via this link (<http://www.singstat.gov.sg/express/express.html>).

Give us your comments and suggestions via [info@singstat.gov.sg](mailto:info@singstat.gov.sg).

## 2003 in Brief

### **Singapore's population**

... reached a total size of 4.19 million in June 2003.

### **Average life expectancy at birth**

... was 77 years for males and 81 years for females.

### **Literacy rate**

... was 97.1 per cent among males and 91.4 per cent among females.

### **Home ownership rate**

... was 92.8 per cent.

### **Labour force participation rate**

... was 75.8 per cent among males and 53.9 per cent among females.

### **Per capita Gross National Income**

... was S\$37,555.

### **Official foreign reserves**

... increased to S\$163 billion.

### **Mobile phone subscribers**

... reached 831 per 1,000 population.

### **Internet dial-up subscribers**

... was 523 per 1,000 resident population.

### **Crime rate**

... increased to 802 per 100,000 population.

### *Change in 2003 (Year-on-Year)*

#### **Unit Labour Cost Index**

... was 0.6 per cent lower.

#### **Consumer Price Index**

... increased by 0.5 per cent.

#### **Domestic Supply Price Index**

... rose by 2.5 per cent.

#### **Retail Sales Index**

... was 8.2 per cent higher.

#### **Catering Trade Index**

... was 4.7 per cent lower.

#### **Domestic Wholesale Trade Index**

... rose by 3.7 per cent.

#### **Foreign Wholesale Trade Index**

... increased by 16.4 per cent.

#### **Business Receipts Index**

... fell by 3.5 per cent.

#### **Industrial Production Index**

... rose by 2.8 per cent.

# IT Services Request System

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## Introduction

Information Technology Services (ITS) implemented a notes-based IT Services Request System (ITRS) in May 2003, to replace some of the manual processes in servicing users' requests for IT services.

This system enables electronic processing of requests via the following IT forms, namely,

- (i) IT resource request form;
- (ii) Service request form;
- (iii) Application access form; and
- (iv) Shared folder access form.

Requests for IT resources include the application for new email accounts, desktop PC set-up and configuration, etc. Some of the common service requests include enhancements of the existing application systems, creation of databases and migration of files from one server to another.

Request for application access broadly applies to the creation, deletion or modification of user IDs for application systems and Local Area Network access. For shared folder access, it enables the granting or removal of rights to users for the network shared folder access, notes database access, etc.

## Benefits of ITRS

The ITRS was designed as an integrated system for multiple parties namely, the users, user management, application system vendors, facility management vendors and the relevant approving authorities. The ITRS enables better co-ordinated

management of IT services requests, thus achieving higher operational efficiency.

It improves the workflow significantly as it reduces the manual transfer/dispatch of forms and the need to physically approach supervisors to approve the requests. The submission of IT services requests and status tracking of the requests can be carried out online throughout the entire workflow.

## Key Features of ITRS

The system focuses on the ease of use, improved control and proper management of the requests :

- ◆ *Ease of Use and Retrieval* – IT services request forms can be saved as a 'draft' by the requestors for submissions at a later date.
- ◆ *Tracking Online* – Users can track the status of their requests (for example, approved, rejected, in progress, void or completed).
- ◆ *Access Control* – Each section in the IT services request form can only be accessed by the authorised parties to ensure system integrity.
- ◆ *Avoiding Omissions* - The system assigns a unique number for every IT services request form. This facilitates the tracing of a particular request if the need arises.
- ◆ *Tracing Unauthorised Access, if any* – Audit Trail/History log captures the user name, date and time, upon any editing and saving of the request by the respective parties.

## Feedback on ITRS

Some of the comments from users :

*Requestor*: "The system is user-friendly and I can use the system even without training or briefing. I do not need to physically dispatch the forms and I can view the status of all my requests."

At the click of an icon, I can also easily refer to the FAQs and the user guide."

*IT request approving authority* : "I just have to click on the designated button to approve or reject the request and my in-tray will not be clogged with the physical IT forms."

*IT staff* : "The system assigns a sequential request number automatically. It enables us to view the status of all the requests assigned and those pending action, at one glance. It is an efficient tracking tool."

# Overseas Visitors

The Singapore Department of Statistics received the following visitors in the past six months. Topics discussed include research and development of statistics, services statistics, data dissemination, knowledge management, surveys on companies/businesses and Singapore's statistical system.

### Shanghai

– *Municipal Statistics Bureau*

- Mr Pan Jianxin  
Director-General
- Mr Zhu Zhanghai  
Director  
Comprehensive Department
- Mr Zhao Jiangqing  
Director  
Social and Technology Department
- Ms Yang Li  
Director  
Industry and Communication Department
- Ms Zhang Yan  
Director  
National Economy Statistics Department
- Mr Yu Daiyu  
Researcher  
Enterprise Survey Department
- Mr Lu Zhou  
Vice Director  
Calculation Center

### Hong Kong

– *Census & Statistics Department*

- Mr Parmod K Sharma  
Senior Statistician

### Korea

– *National Statistical Office*

Planning Division

- Mr Hak-Yong Park  
Section Chief
- Mr Taejun Kim  
Statistician

### Taipei Representative Office in Singapore

Economics Division

- Mr Chen Chern-Chyi  
Director

## International Seminar on Economic Indicators and Business Cycles

The Singapore Department of Statistics and the Conference Board, USA, will jointly organise an international seminar on Economic Indicators and Business Cycles from 26–28 May 2004.

The two-day seminar is designed specifically for practitioners from economic planning and statistical agencies with the intention of providing a forum for practitioners in the region to exchange views on the importance, relevance and compilation of high quality economic indicators and their relevance to business cycle dynamics. Representatives from the ASEAN countries as well as from Australia, China, Hong Kong, India, Japan, New Zealand, South Korea and Taiwan have been invited.

The seminar will be followed by a one-day symposium on Asian Economies and Financial Markets. Participants in the seminar will be invited to join the symposium, which will provide opportunities for senior executives, policy analysts and policy makers to review and discuss changes in the product and financial markets, and how policies can be adjusted to promote growth and stability.

More information on the seminar is available on our Department's website at :  
[www.singstat.gov.sg](http://www.singstat.gov.sg)

The *Statistics Singapore Newsletter* is issued half-yearly by the Singapore Department of Statistics. It aims to provide readers with news of recent research and survey findings. It also serves as a vehicle to inform readers of the latest statistical activities in the Singapore statistical service.

Contributions and comments from readers are welcomed. Please address all correspondence to :

The Editor  
*Statistics Singapore Newsletter*  
100 High Street #05-01  
The Treasury  
Singapore 179434  
Fax : 65-6-332 7689  
Email : [info@singstat.gov.sg](mailto:info@singstat.gov.sg)

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