Written by Angeline Tan on December 21, 2022

Xi's Crackdown and Covid Fatigue Drive Chinese Billionaires to Singapore

SINGAPORE — A new wave of Chinese immigration and investment has recently arrived in Singapore, which is becoming a major draw for the super-rich due to socioeconomic problems back in China, based on interviews with immigrants, academics, and professionals.

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Take, for example, Chinese national Kristine Zhang. Her social media signature reads "parting is for reunion" — a motto she has adhered to while enduring long periods apart from her husband.

For the past seven years, Zhang has spent several months annually in Singapore, where her son is studying, while her husband — a former executive at a foreign company — has been running his car-painting business in Guangdong.

Although Zhang's husband had been hesitant to relocate the family to Singapore (or any other country for that matter) because he was optimistic about the Chinese market, he recently changed his stance.

"We will be reunited soon, but unlike at first, Singapore is no longer a transit country for our son, but a permanent home," said Zhang. "A sluggish domestic market, escalating lockdowns against Covid-19, depreciating properties and the (weak) yuan are all eating away at our wealth, as well as tighter tax scrutiny ahead. The point is, we don't know how long this will last."

The Zhang family hopes to sell three properties in China, which are worth about 15 million yuan, by next year, and then move to Singapore. They have plans to become Singapore citizens and start a business. "We like Singapore's multicultural society, and it's also friendly to Chinese."

Indeed, Singapore has many attractions for mainland Chinese immigrants. After all, the Chinese form the largest ethnic group in the country, and the Mandarin language is prevalent. Almost three-quarters of Singapore's four million citizens and permanent residents are ethnically Chinese, while about 13.5 percent have a Malay background and 9 percent are of Indian heritage.

What is more, around 67 percent of Singaporeans view China positively and 90 percent admit that Singapore has good ties with the country, according to a survey by the Pew Research Center unveiled in June.

For super-rich Chinese, Singapore is safe, is not too far away from the mainland, and enjoys a low tax jurisdiction.

According to data from a Henley Global Citizens Report released in June, along with the United Arab Emirates, Australia, Israel, and Switzerland, Singapore is one of the top five destinations for high-net-worth aspirants looking to emigrate.

Russia, China, India, Hong Kong, and Ukraine have the greatest net outflows of wealthy people, reported Henley & Partners, an investment migration consultancy based in London, and a net migration of 2,800 high-net-worth individuals to Singapore is expected this year — an 87 percent increase from 2019.

Wealthy Chinese regard Singapore as a sanctuary to park financial assets, as the country provides them with a pro-business environment and relative freedom as compared to Chinese President Xi Jinping's increasing crackdown on wealth back home.

The wealth exodus from China has risen even more since Xi further reined in the economy at October's Party Congress. Xi's drive for "common prosperity" has sent many wealthy Chinese packing their bags, as it marks a significant shift in government policy from the Deng Xiaoping era of "to be rich is to be glorious." The mainland is beginning to feel the ramifications of wealth emigration, as 10,000 wealthy Chinese have emigrated from the mainland this year and 3,000 have left Hong Kong.

Investment migration inquiries and applications have seen a steep rise, and by the end of the second quarter of this year, over 66 percent of web inquiries from East Asia to Henley & Partners came from Chinese nationals. The past three months saw Chinese inquiries increase by 134 percent.

The most conspicuous Chinese immigrants to Singapore are wealthy entrepreneurs who are establishing family offices in the city, said Joylin Su, an executive at an asset-management firm typically serving rich families. Over 700 family offices were established in the country in 2021; the figure was just 50 in 2018, based on the Monetary Authority of Singapore (MAS).

A "family office" refers to a legal entity that administers and manages assets and investments of ultra-high-net-worth individuals or families for capital preservation and succession planning. The MAS authorized more than 100 applications to establish single-family offices in the first four months of the year, and assets under management in Singapore increased from SG$4.7 trillion last year to $5.4 trillion this year.

More than 600 applications are awaiting approval, Su said, over half of which are from wealthy Chinese families, including those who have parked their wealth in Hong Kong in recent years. "It used to take about four months but now it takes up to 18 months to set up a family office in Singapore," she continued. "Singapore has maintained a good balance between East and West, which makes it outstanding among the list of destinations for wealthy families to move from the mainland. Its clear tax system also makes the rich from across the world feel safe for wealth management."

However, the uptick in wealthy immigrants and talent may broach concerns domestically about taxation, including on property or inheritance, said Su, particularly amid rising costs of living in Singapore.

Investors are scrambling to leverage on business opportunities linked to the new arrivals, and many professionals with experience in fund-management companies in China are moving to Singapore, Su said.

Private money-transfer services in Singapore, like Zhongguo Remittance, are providing better exchange rates than banks' official rates, indicating a robust demand for Singapore dollars among Chinese newcomers.

VIP clubs catering to Chinese are also springing up across Singapore, which is already home to tons of swanky wine bars and cocktail lounges charging exorbitant prices. “A newly established club required each member to pay S$50,000 for expensive wine and cigars as a threshold, and 50 seats were snapped up on the opening day,” Su said. “Locals in Singapore drink whiskey and wine, but the demand for Mao-tai in these clubs and fine restaurants has risen sharply to quench the nostalgia of these wealthy Chinese.”

Alfred Wu, an associate professor at the Lee Kuan Yew School of Public Policy at the National University of Singapore, said China’s strict virus-control measures explain why many Chinese are hoping to leave China. “The direct motivation of the relocations, as far as I know, is that people want to avoid the impact of Covid-19 restrictions on their daily work and life,” he said.

Singapore’s other appeals include a quality education system, better access for tech-sector workers, and the fact that Mandarin is commonly spoken, said Wu. “The Singapore government favors a certain type of people — technology talents. It has announced an extended tech visa to lure tech workers. I think people in the tech sector have a better chance to settle down in Singapore,” he continued.

From next September onward, Singapore will provide a five-year visa for tech industry jobs. This visa is an extension from the two- to three-year permits presently available, according to the Singapore Ministry of Manpower.

Additionally, said Allen Wang, a partner at an overseas education consultancy in Shanghai, inquiries to study in Singapore have been skyrocketing since spring, following the two-month lockdown of Shanghai.

“When they decide to leave the chaos and unpredictability behind, Singapore is their top choice,” said Wang, who has over ten years of experience in the sector. “Growth dynamics ebb and flow. Singapore had its prime time before China’s rise to become the world’s factory in the 1990s. If China gears down its reforms and opening up, talent will flow to Singapore and contribute to its development.”

Kevin Feng, a senior director at property company PropNex in Singapore, whose team concentrates on luxury properties, observed that inquiries from Chinese nationals surged between 60 percent and 100 percent in March and April over the previous year, especially for properties worth $8 million and more.

“There are more inquiries now, but most choose to rent due to the 30 per cent ABSD,” Feng said, referring to the additional buyer’s stamp duties foreigners must incur when they purchase any residential property in Singapore.

Notwithstanding Singapore’s increasing appeal, though, Chinese immigrants still have to grapple with challenges once they arrive, said Gao Zhendong, a Beijing-based investor in Asean property and stocks.

“Inflation is already obvious there, and the US’ interest rate hikes are siphoning the liquidity of global investors, and Singapore and other Southeast Asian markets are no exception,” he said. “In addition, if the relationship between China and the United States continues to deteriorate which leads to geopolitical tension in the region, it will be difficult for Singapore to sway one way or the other.”

The city-state has so far cultivated warm relations with the communist regime in Beijing while remaining neutral regarding the escalating friction between China and the United States.