

Macro-Economic Outlook for Singapore and Implications for Policy

**42nd Singapore Economic Roundtable
16 May 2025**

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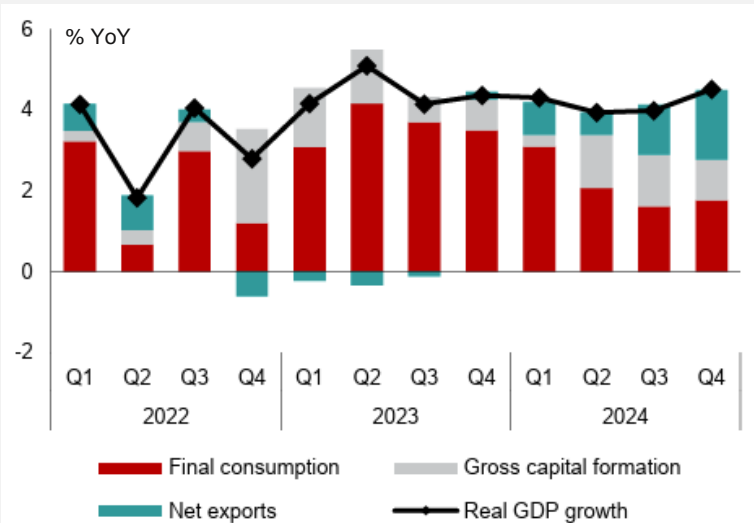
Outline of the presentation

- The ASEAN+3 region: economic outlook and key risks
- Near-term Singapore's economic outlook and implications on policies
- Medium to long-term challenges and policy responses

ASEAN+3 economies recorded robust growth and moderate inflation in 2024

2024 saw solid growth propelled by robust domestic and external demand

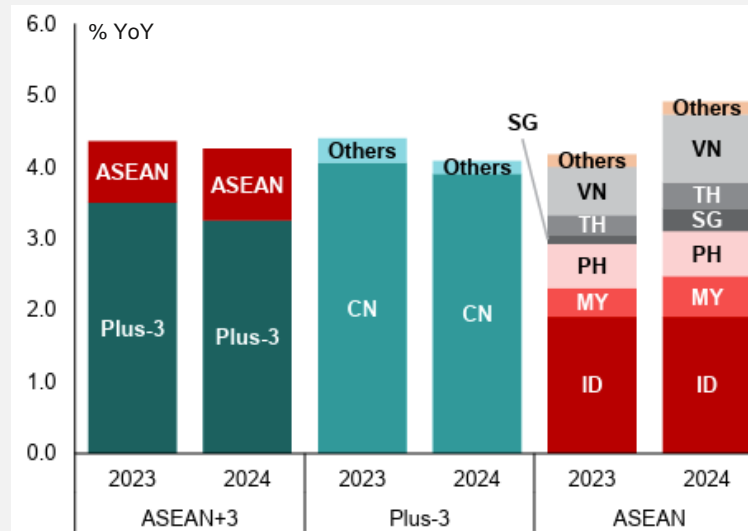
Selected ASEAN+3: Real GDP Growth



Source: National authorities; AMRO staff calculations.
Note: Excludes Cambodia, Lao PDR, Myanmar, and Vietnam due to data unavailability.

Growth in ASEAN economies drove the strong performance

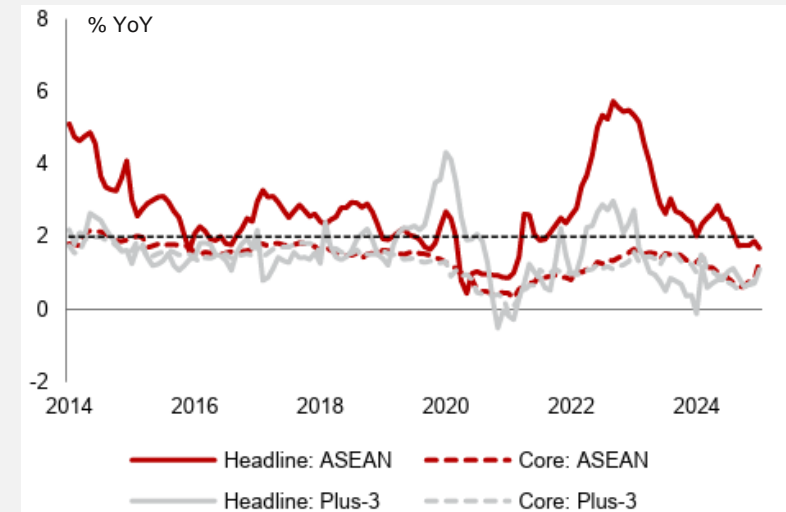
ASEAN+3: Contribution to Real GDP Growth



Source: National authorities; AMRO staff calculations.
Note: CN= China; ID = Indonesia; MY = Malaysia; PH = the Philippines; SG = Singapore; TH = Thailand; VN = Vietnam; Plus-3 = China, Hong Kong, Japan, and Korea.

Inflation cooled thanks to monetary policy tightening and fall in commodity prices

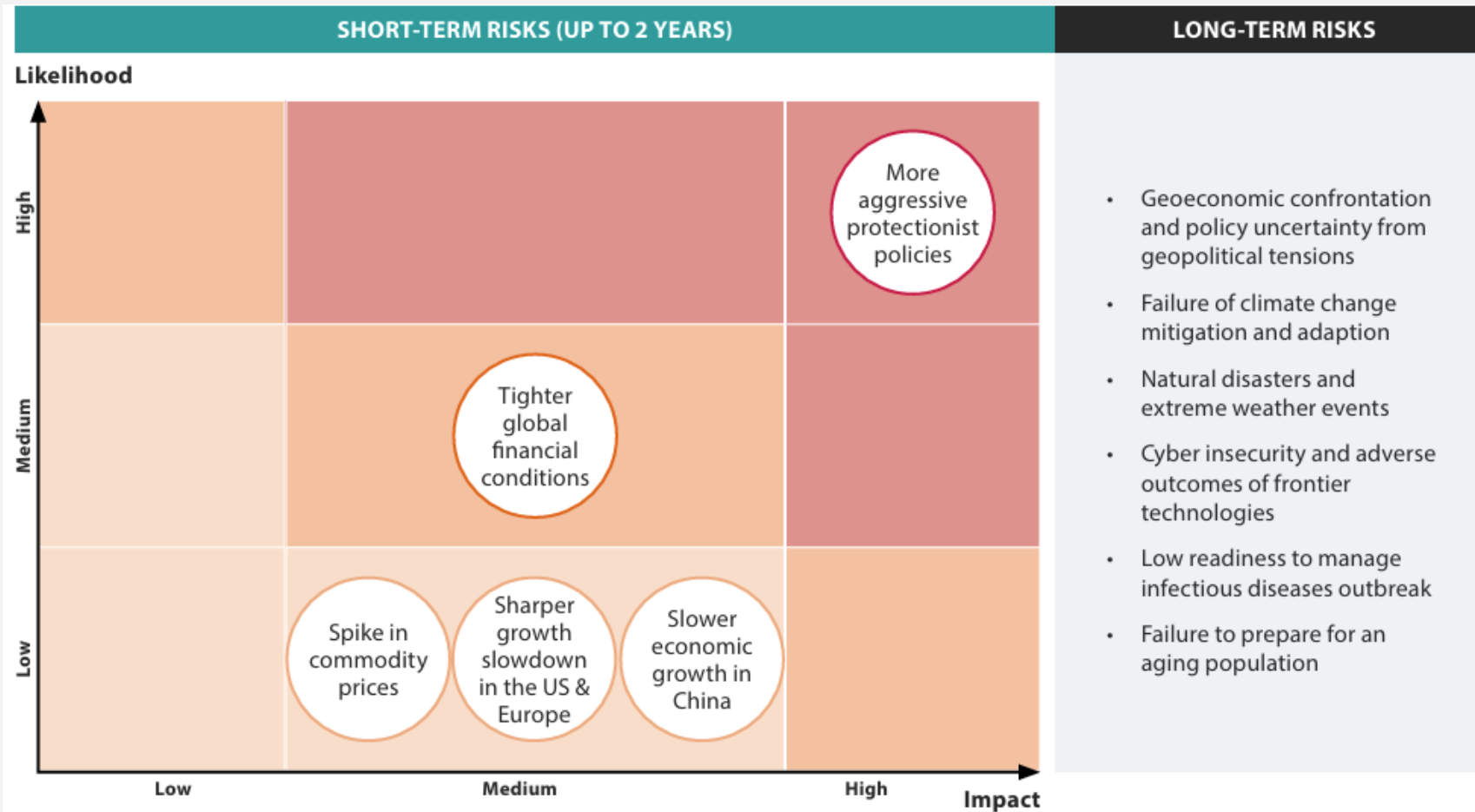
ASEAN+3: Headline and Core Inflation



Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Plus-3 = China, Hong Kong, Japan, and Korea. Regional aggregates are GDP-weighted. Data up to December 2024, except Myanmar (September 2024). Core inflation data excludes Brunei and Myanmar due to data unavailability.

But the near-term outlook is clouded by risks especially from protectionist trade policies

Regional Risk Map April 2025

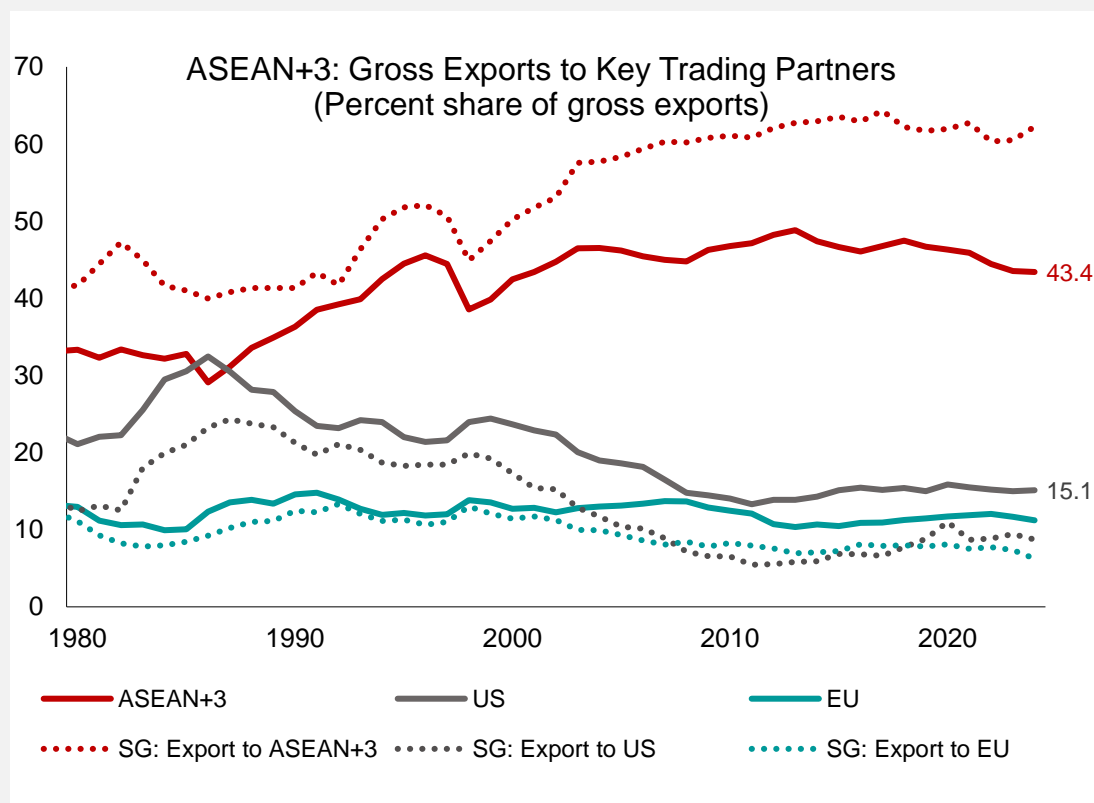


Source: AMRO staff.

Note: The Regional Risk Map captures those risks and challenges that could derail the region's macro-stability. These are in relation to (1) growth and inflation outlook, (2) financial stability concerns, and (3) other key long-term challenges. The risks and challenges are divided into two categories; (1) short-term risks (these are conjunctural risks, up to two years, where the risks represent scenarios that could materially alter the baseline path), and (2) long-term risks (these are more persistent or secular trends and/or challenges, including perennial risks).

Despite a decline in the region's reliance on exports to the US, the impact of US tariffs will likely be significant...

Exports to the US have declined alongside rising intraregional trade, which is now triple the size of exports to the US.



Source: IMF via Haver Analytics; AMRO staff calculations.

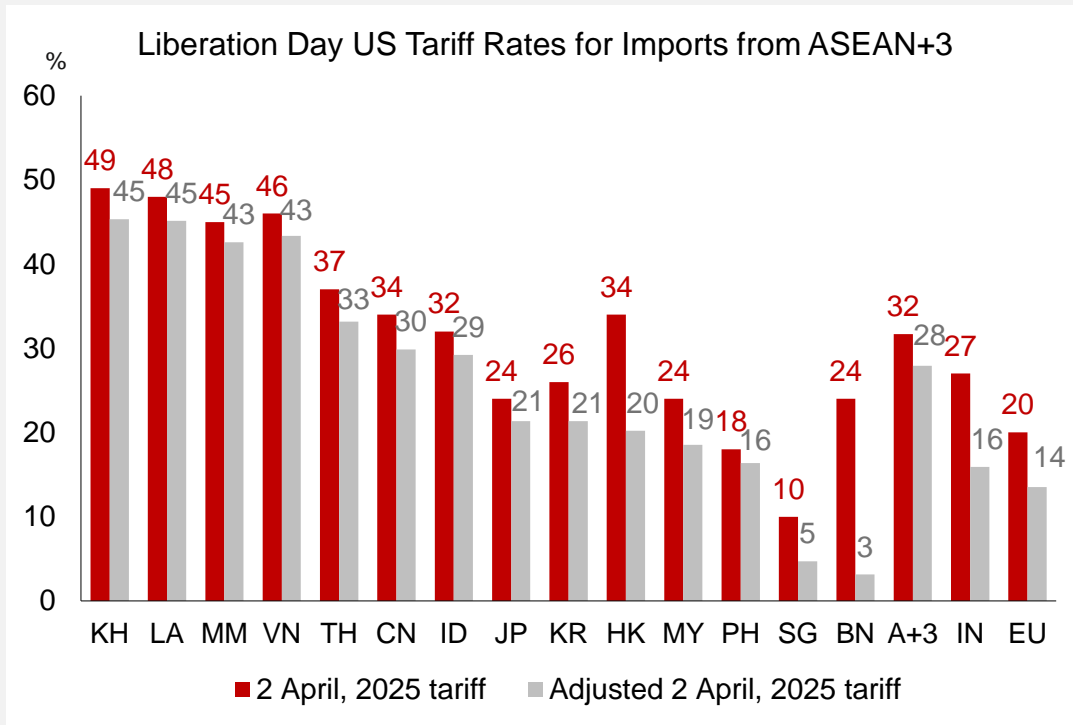
**ASEAN+3: AMRO Staff Preliminary Growth Forecasts
(Percent, year-on-year)**

Economy	AREO 2025			'Liberation Day' Scenario	
	2025F	2026F		2025F	2026F
ASEAN+3	4.2	4.1		3.8	3.4
Plus-3	4.1	4.0		3.7	3.3
ASEAN	4.7	4.7		4.4	3.8
Singapore	2.7	2.4		2.5	2.1
US	2.2	2.0		1.4	1.0
World	3.0	3.0		2.7	2.2

Source: National authorities via Haver Analytics; AMRO staff estimates.
 Note: AREO 2025 was finalised before 2 April. 'Liberation Day'.

..such impact will vary across countries in the region depending on the effective tariff rates and export exposures to the US

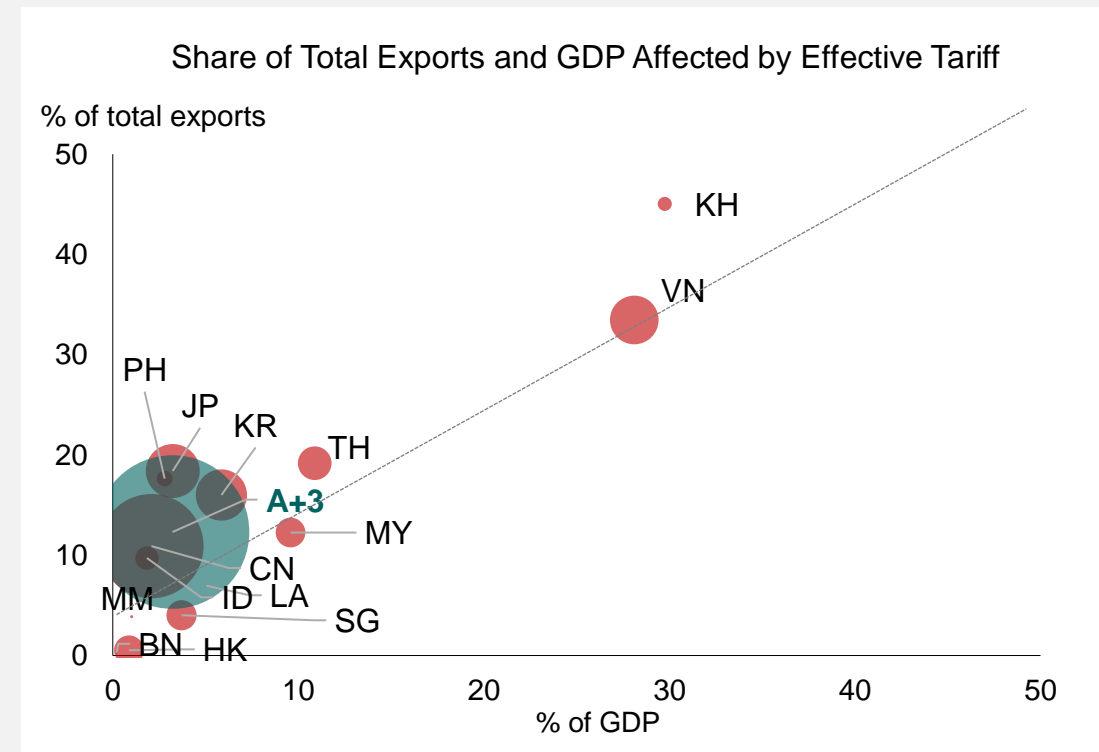
The ASEAN+3 region bears a disproportionate burden of the new trade measures.



Source: S&P Global Trade Analytics; AMRO staff calculations.

Note: Adjusted April 2, 2025 tariff is calculated by adjusting the tariff rate announced on April 2, 2025 to account for product exemptions listed in Annex II of the April 2 Executive Order and applying a 25-percent tariff specifically to automotive, steel, and aluminum products.

Cambodia and Vietnam are most exposed, while for other economies, affected exports represent a smaller percent of GDP.

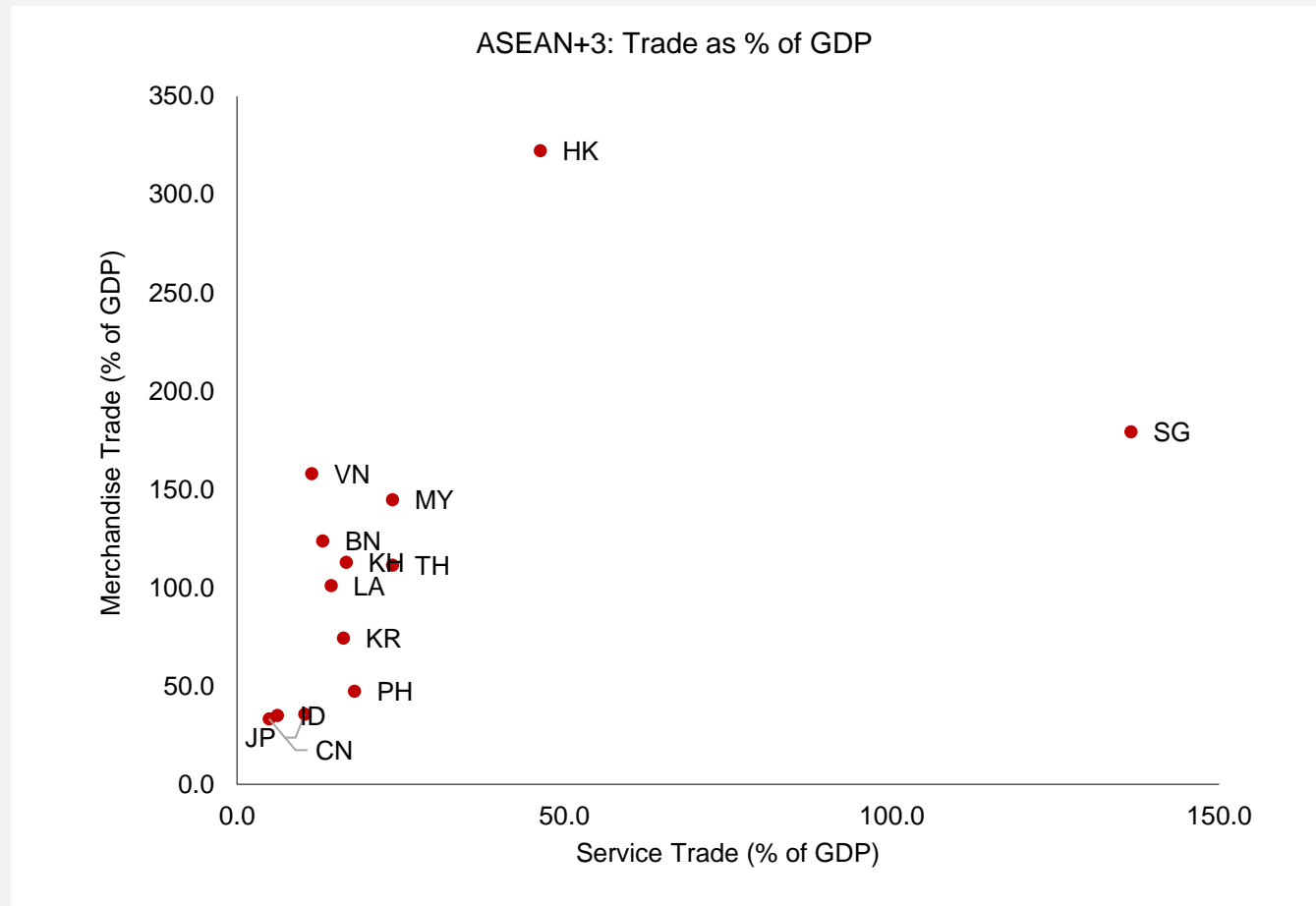


Source: S&P Global Trade Analytics, IMF; National authorities via Haver Analytics; AMRO staff calculations.

Note Size of the bubble represents the size of each economy's exports to the US in the 12 months up to November 2024.

Singapore's direct exposure to US tariffs may be small, but it is highly integrated into global trade

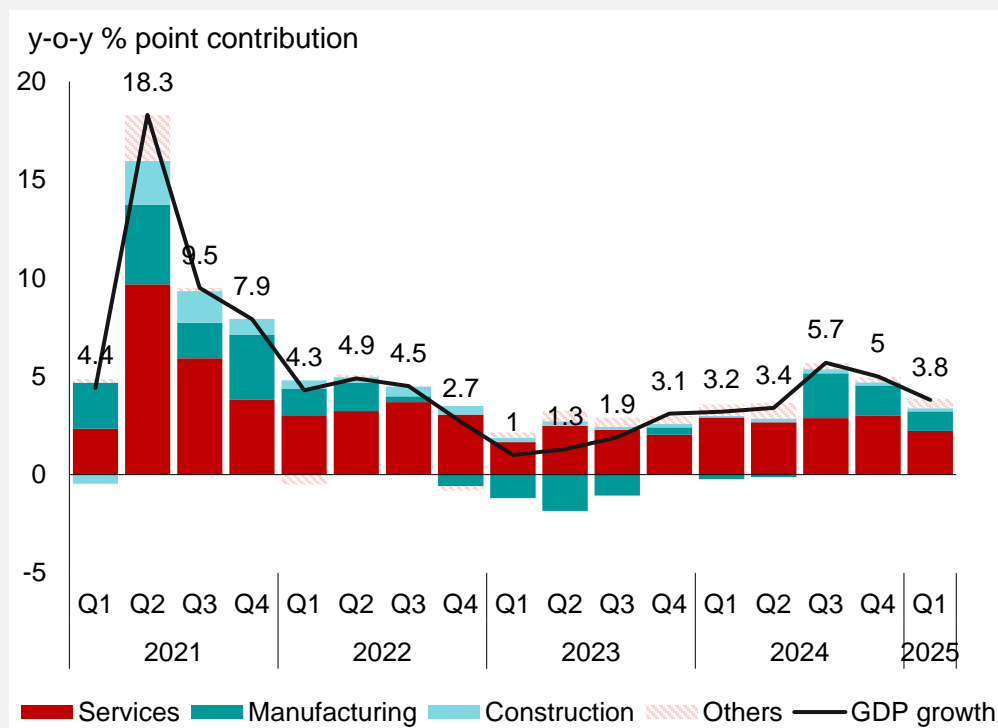
Singapore stands out for a high reliance on global trade



Sources: World Bank World Development Indicators

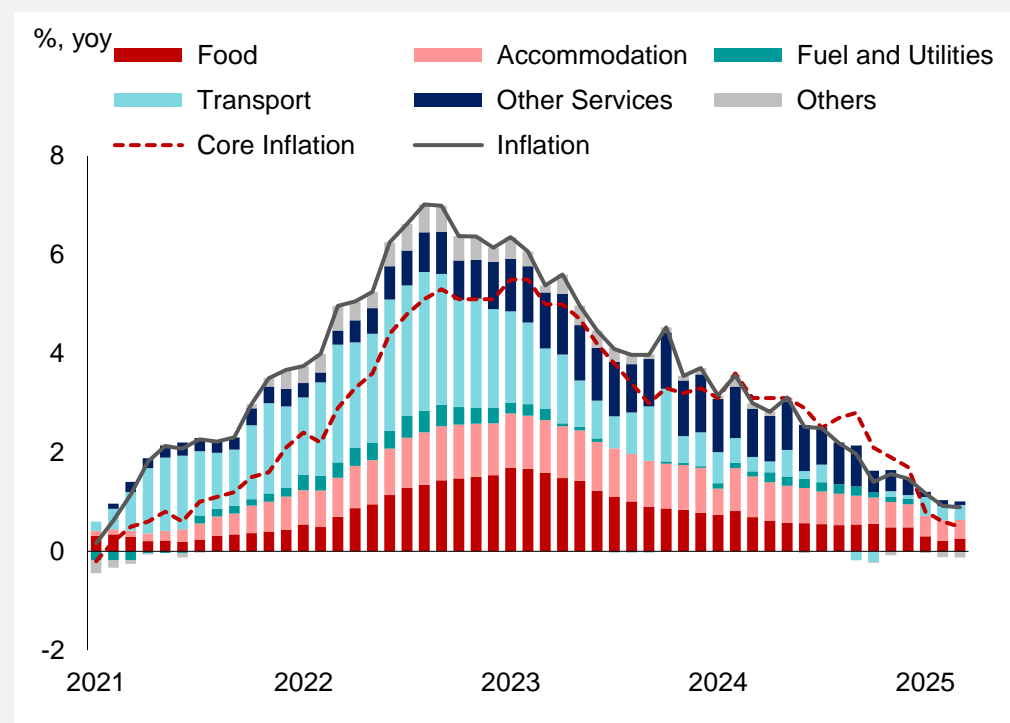
Singapore's economic growth strengthened in 2024, led by services and manufacturing sectors, while inflation moderated across all categories

Contribution to GDP growth



Source: Singapore Department of Statistics; CEIC; AMRO staff calculations

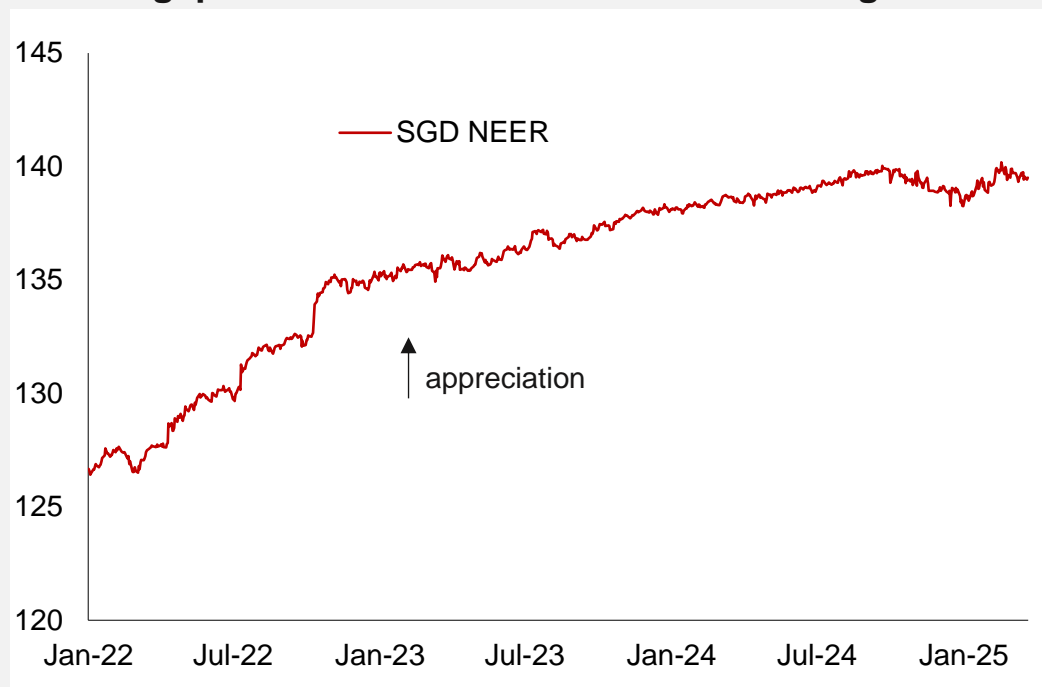
Contribution to CPI inflation



Source: Singapore Department of Statistics, MAS; CEIC; AMRO staff calculations

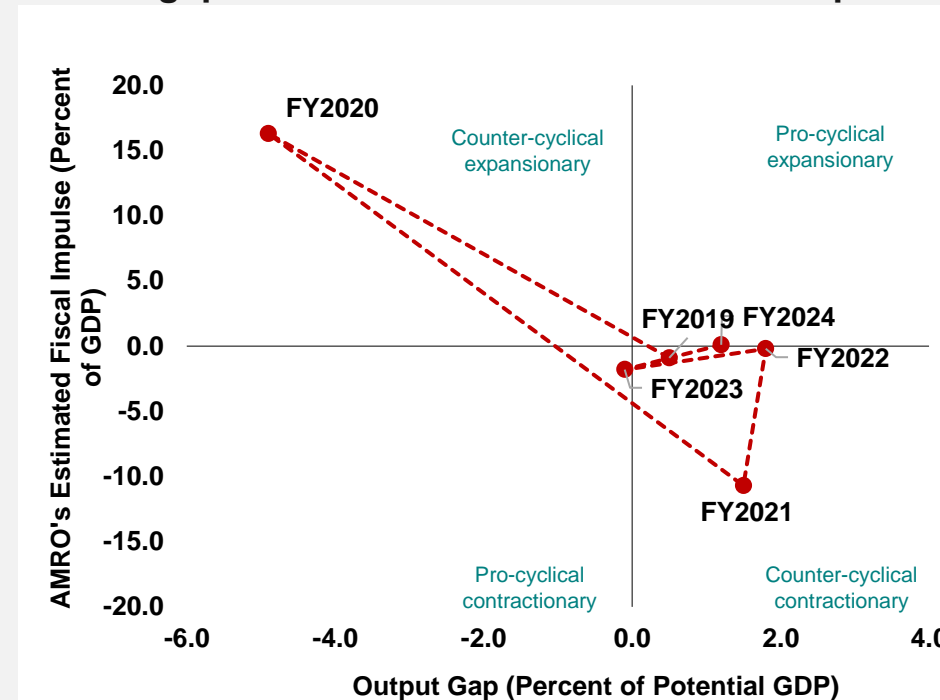
In 2024, MAS maintained the rate of appreciation of the SGD NEER, while fiscal policy was assessed to be neutral

Singapore Dollar Nominal Effective Exchange Rate



Source: MAS; CEIC; Bloomberg; AMRO staff calculations

Singapore: AMRO's estimates of fiscal impulse

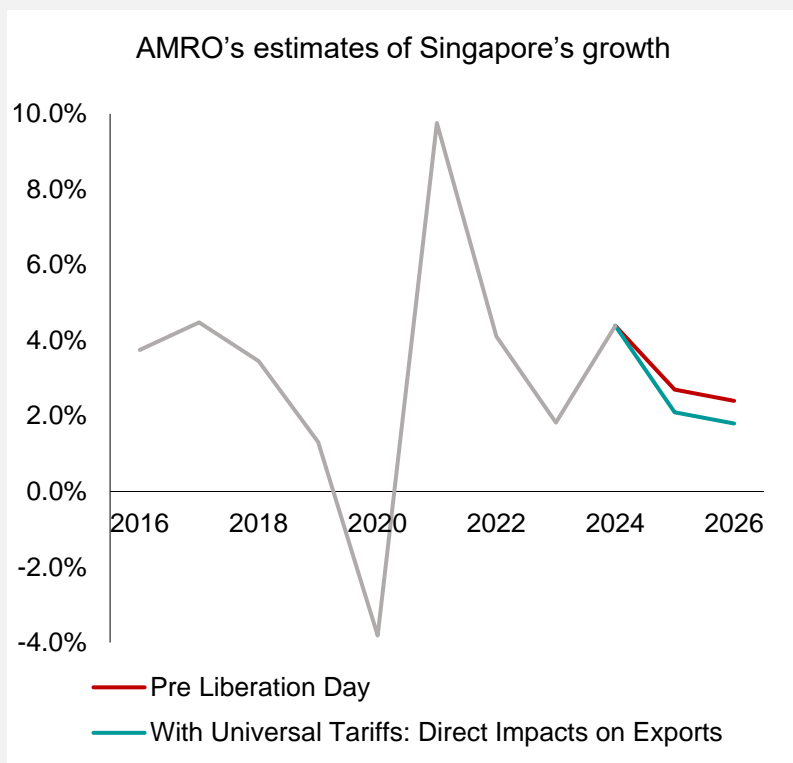


Source: Ministry of Finance; Haver Analytics; AMRO staff calculations

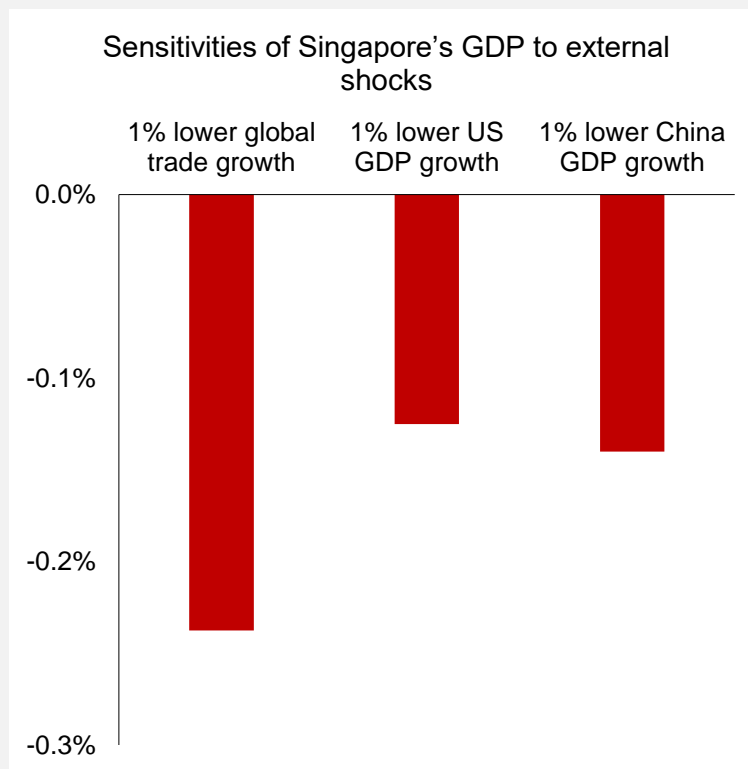
Going forward, Singapore's near-term growth is subject to high uncertainties from direct and indirect impacts from US tariffs

Preliminary assessment shows that impact on exports to the US alone will bring growth down from previously expected

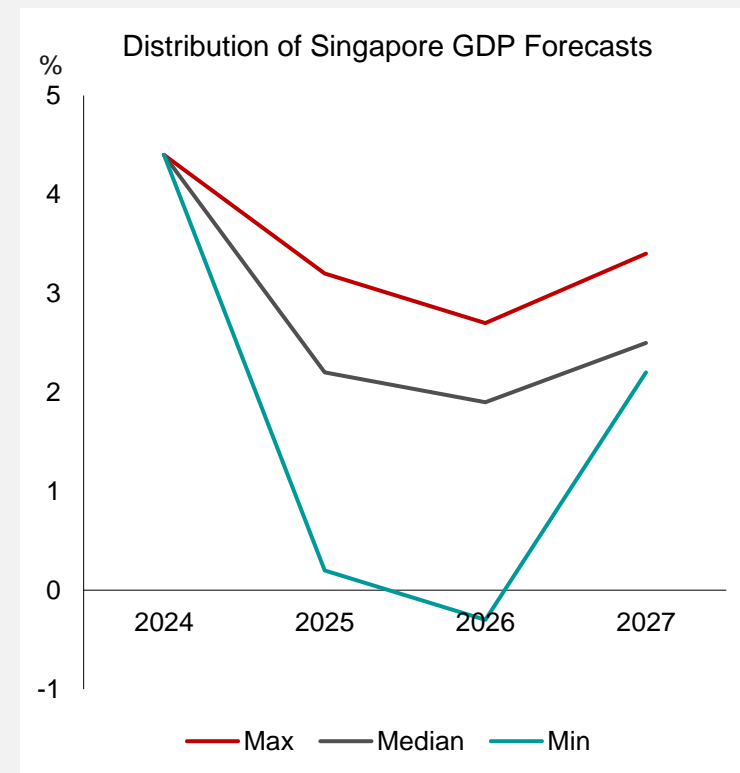
Further negative shocks will be felt from the decline in global trade and trading partners' GDP



Sources: AMRO Staff's Calculations



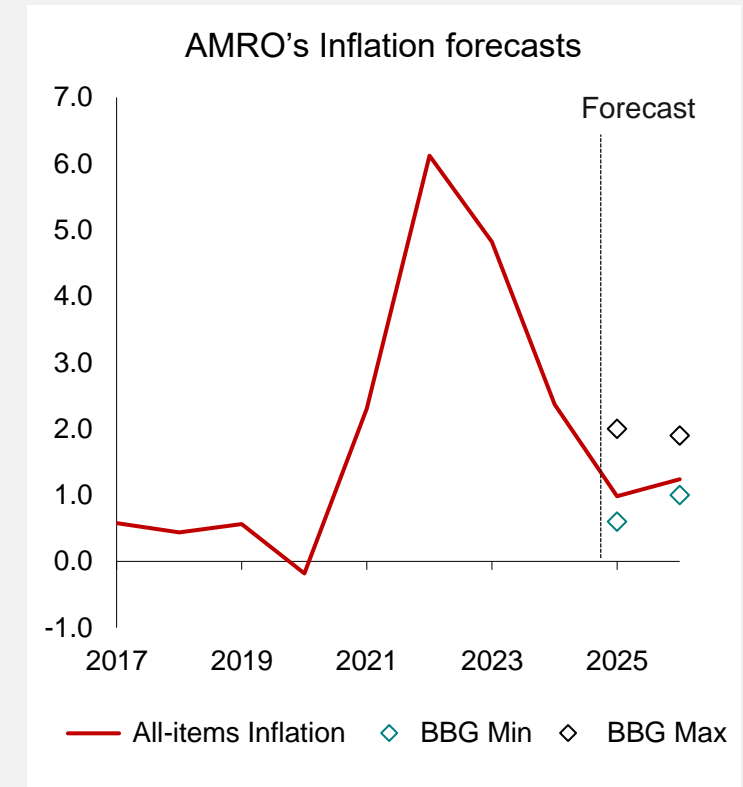
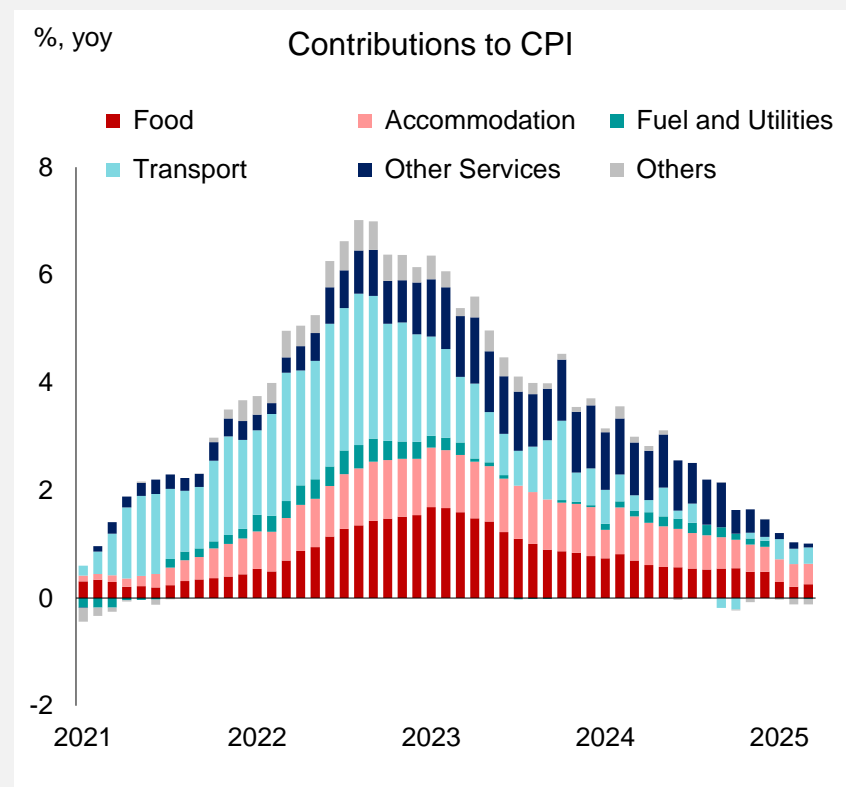
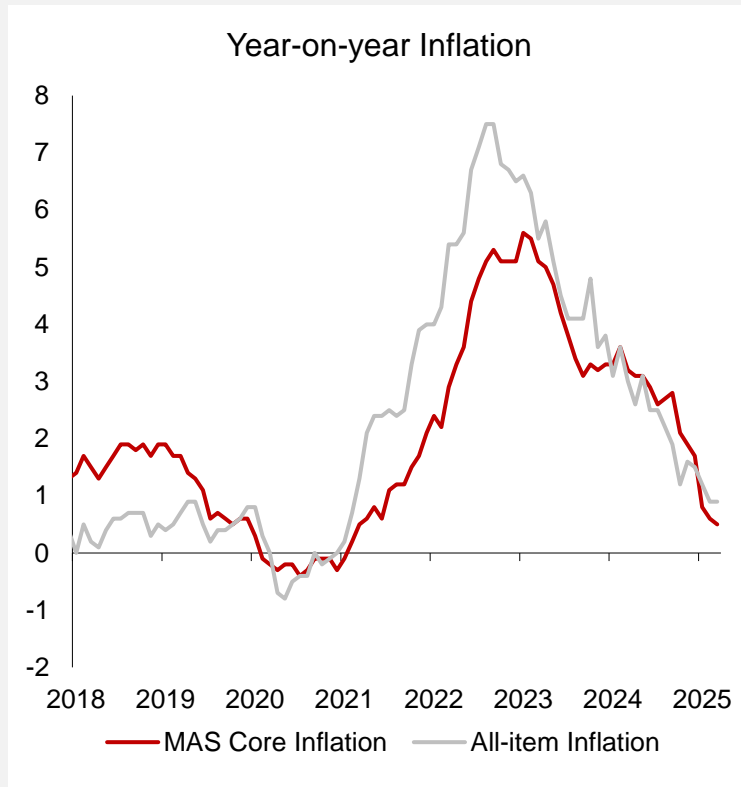
Sources: Oxford Economics Models, AMRO Staff's calculations



Sources: Bloomberg. Include forecast submissions in April 2025.

Inflation is projected to remain low amid weaker growth backdrop

- In 2025, both Core inflation and All-items Inflation continued to decline, hitting 4-year low levels. The moderation is seen across most categories, with an exception of transport prices.
- The current momentum is expected to continue amid slower domestic and global growth. AMRO expects inflation to average near the mid point of MAS' forecast range of 0.5 – 1.5 percent.



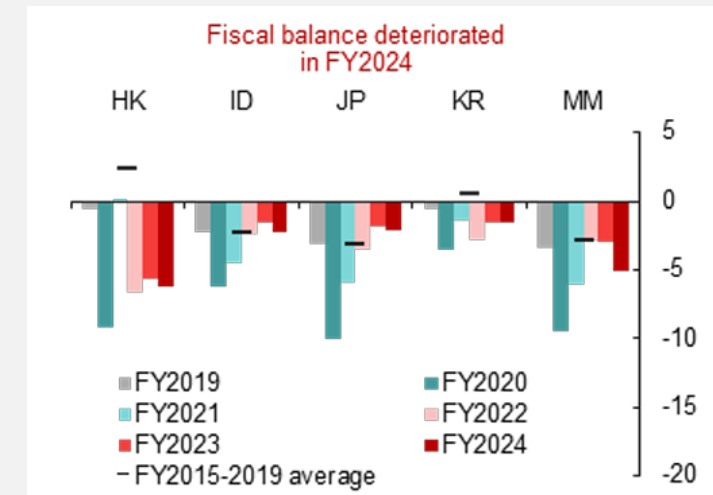
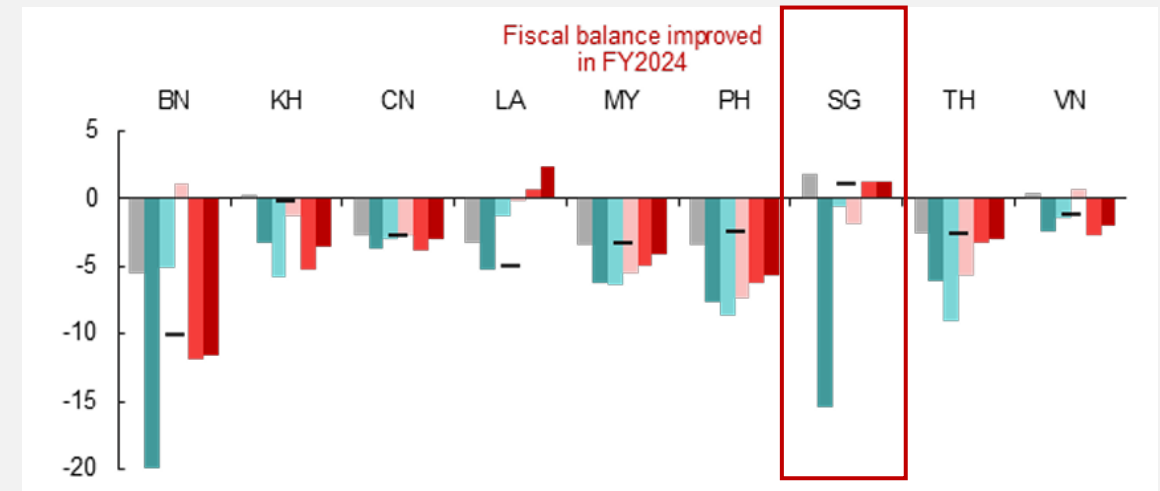
Singapore has policy room to respond to external headwinds: both in terms of fiscal policy and monetary policy

ASEAN+3: Fiscal and Monetary Space in 2025

		Monetary Policy Space		
		Limited	Moderate	Ample
Fiscal Policy Space	Limited	LA	JP, MM	
	Moderate	KH	CN, KR, ID, MY, PH, TH, VN	
	Ample	HK, BN	SG	

Source: AMRO staff assessment.

ASEAN+3: Fiscal Balance, FY2019-2024 (Percent of GDP)



Source: National authorities via CEIC and Haver Analytics; AMRO staff estimates

MAS has started easing monetary policy

- **During 2023 – 2024**, MAS maintained the appreciation rate of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band to dampen imported inflation and curb inflationary pressures.
 - The S\$NEER appreciated 2 percent in 2023 and 0.5 percent in 2024.
- **In 2025**, MAS as growth outlook weakened and inflation cooled faster than expected, MAS reduced the slope of the appreciation path twice in January and April.
 - Analysts see further room to ease the S\$NEER slope if the growth outlook worsens.

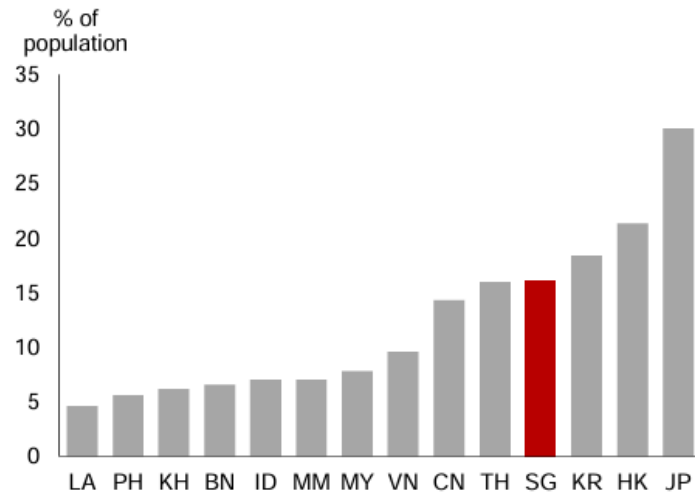
Medium to long-term: Singapore has made major progress in tackling long-term challenges

Climate change mitigations and adaptations	Technology disruptions and opportunities	Changing demographics
Key policy initiatives		
<ul style="list-style-type: none"> Set Nationally Determined Contributions (NDCs) and Net Zero Target 	<ul style="list-style-type: none"> Smart Nation Initiatives 	<ul style="list-style-type: none"> Financial supports for childcare and elderly care
<ul style="list-style-type: none"> Singapore's Green Plan 2030 	<ul style="list-style-type: none"> Digital Enterprise Blueprint to support business AI adoption 	<ul style="list-style-type: none"> Healthier SG initiative to promote preventive care
<ul style="list-style-type: none"> Carbon Tax and Carbon Credits Frameworks 	<ul style="list-style-type: none"> Digital Connectivity Blueprint to boost digital infrastructures 	<ul style="list-style-type: none"> Increase retirement and re-employment age
<ul style="list-style-type: none"> Finance for Net Zero Action Plan 	<ul style="list-style-type: none"> TechSkills Accelerator program to upskill workers 	<ul style="list-style-type: none"> Senior Employment Credits for employers
<ul style="list-style-type: none"> Top-ups to the Coastal and Flood Protection Funds 	<ul style="list-style-type: none"> Top-ups to National Productivity Funds 	<ul style="list-style-type: none"> SkillsFuture reskilling and upskilling grants
<ul style="list-style-type: none"> Climate Vouchers for households 	<ul style="list-style-type: none"> Global Finance & Technology Network (GFTN) 	<ul style="list-style-type: none"> Complementarity Assessment Framework (COMPASS) for foreign workers

Aging population remains a challenge in the long term

SG is the oldest nation in ASEAN

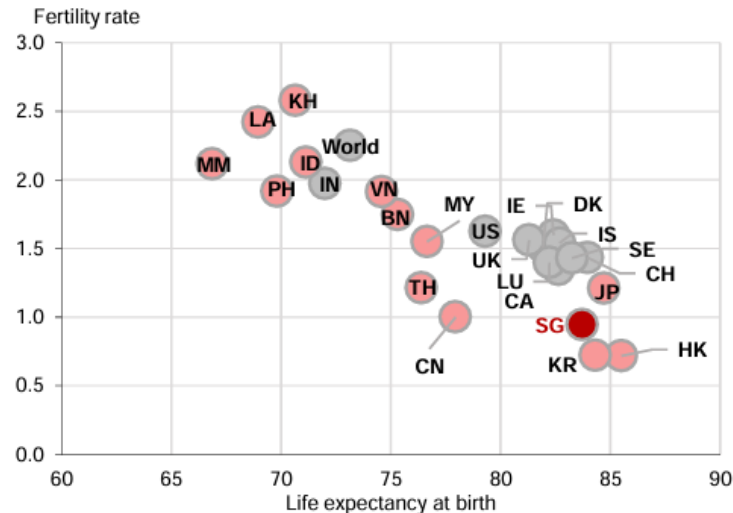
Share of Population Aged 65 and above, 2022



Source: UN World Population Prospects 2022

... due to low fertility rate and high life expectancy

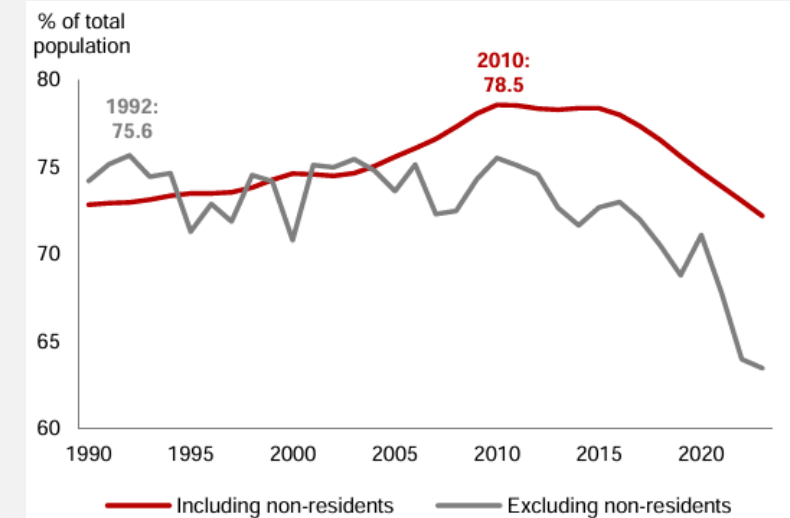
Fertility Rate and Life Expectancy, 2023



Source: United Nations Department of Economic and Social Affairs, Population Division; AMRO calculations.

Shrinking working-age population will add to fiscal burden and drag per capita growth

Share of Working Age Population in Singapore



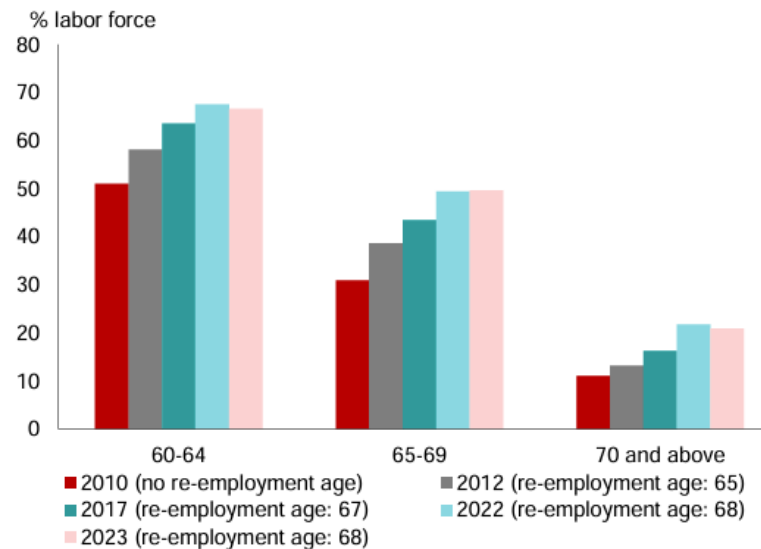
Source: United Nations Department of Economic and Social Affairs, Population Division; AMRO calculations.

Note: Working-age population refers to the population between 20 and 64 years old.

More can be done to prepare for an aged nation

Elderly labor force participation has increased as a result of policy efforts

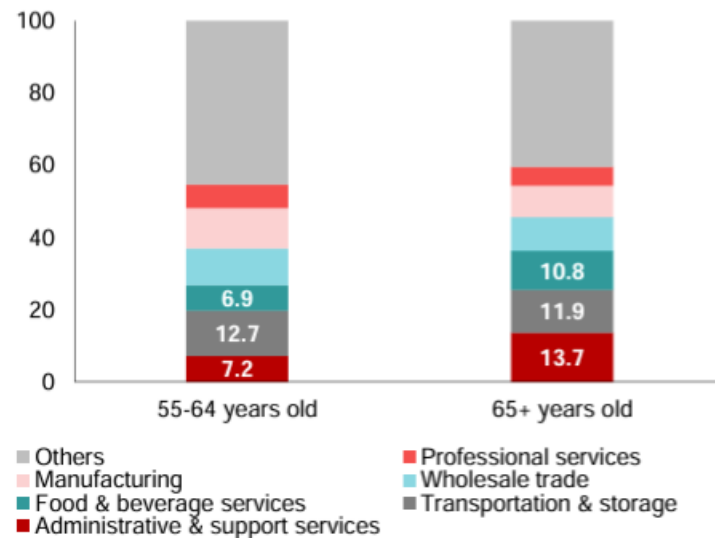
Labor Force Participation Among the Elderly



Source: Ministry of Manpower

Many elderly workers are in sectors vulnerable to technological disruptions

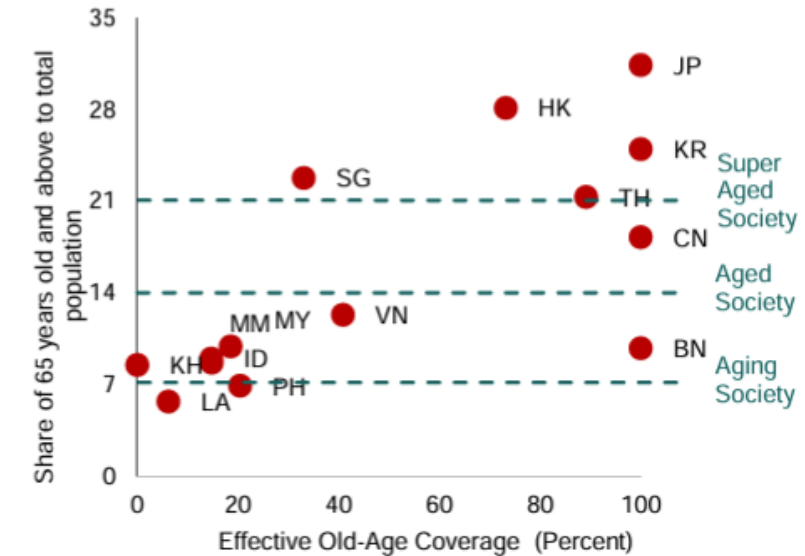
Employment by Industry for Workers Aged 55 and Above in Singapore, 2023



Source: MRSD, MOM

Singapore's pension coverage lags behind peers, suggesting a need to enhance elderly welfare support.

Effective Old-age Coverage versus Old-age Ratios for ASEAN+3, 2030



Source: United Nations Department of Economic and Social Affairs, Population Division; International Labour Organization; AMRO staff calculations.

Conclusion

- After a robust performance in 2024, ASEAN+3 economies face high uncertainties from US tariffs and their impact on global trade and growth. Intra-regional trade and collaborations can help countries mitigate the risks.
- Global trade conflict also presents a major risk to Singapore's near-term outlook. Singapore is subject to a lower tariff rate and has smaller direct exposure to US compared to ASEAN+3 peers. However, given its openness, it faces material risks from the decline in global trade and growth.
- Singapore has ample fiscal and monetary policy room to support the economy through an expected slowdown. Policy responses should focus on helping firms diversify to new markets and strengthening their competitiveness.
- Singapore should continue to support rules-based international order and champion collaborations across multiple fronts, including external trade, financial integration, and climate change mitigations.
- In the longer-term, policy challenge remains from an aging population.