

Macroeconomic Outlook for Singapore: Implications for Economic Policy

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US Tariff Wars Have Weakened the Near-Term Global Economic Outlook

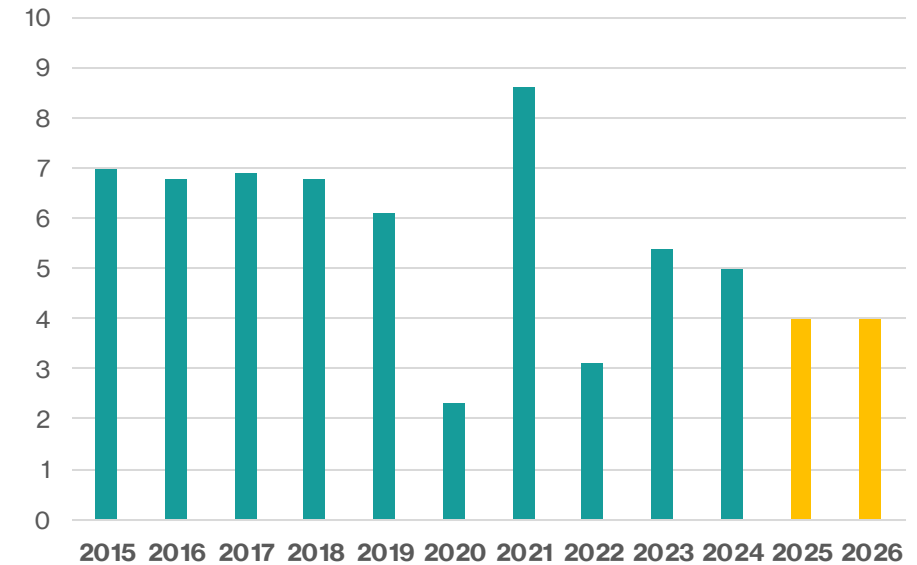
- World GDP growth in 2025 is expected to be around 2.8%, moderating from 3.3% in 2024.
- US economic growth momentum is expected to moderate from 2.8% in 2024 to around 1.8%, in 2025 reflecting the continued drag of past monetary policy tightening on economic activity, as well as the impact of rising uncertainty due to Trump 2.0 tariff policy and implications for inflation, interest rates and growth.
- Eurozone GDP growth is expected to remain weak in 2025 at around 0.8%, little-changed compared to 2024.
- China's economic growth rate is expected to moderate to 4.0%, due to sluggish consumption and the protracted housing sector crisis, as well as the negative impact of significant escalation of US tariffs.
- After being the fastest growing G-20 economy during the past two years, India faces heightened geopolitical risks and uncertainties due to the conflict with Pakistan, which will impact on economic growth.

Global Economic Outlook 2024-26			
	2024	2025	2026
US	2.8	1.8	1.7
Eurozone	0.9	0.8	1.2
UK	1.1	1.1	1.4
China	5.0	4.0	4.0
Japan	0.1	0.6	0.6
India*	6.5	6.2	6.3
South Korea	2.0	1.0	1.4
Australia	1.0	1.6	2.1
World	3.3	2.8	3.1
Source: IMF, Spring Meetings 2025			
*: India shown in fiscal years			

China Economic Outlook Faces Multiple Headwinds

- China's GDP growth rate is forecast to moderate from 5.0% in 2024 to 4.0% in 2025, reflecting a range of continuing headwinds from moderate growth in private consumption, the protracted crisis in the residential construction sector and the impact of US tariffs on exports.
- Exports grew by 5.9% in 2024 measured in USD terms, helped by front-loading of exports to the US ahead of the Chinese New Year factory shutdowns as well as accelerated shipments ahead of Trump 2.0 tariff hikes on China.
- Consumption expenditure contributed 2.2 percentage points of the 5% GDP growth in 2024, or around 44% of total GDP growth. Retail sales of consumer goods rose by 3.5% in 2024, while retail sales of services rose by 6.2%.
- Fixed asset investment growth was weak, rising by just 3.2%, with the 10.6% contraction in investment in real estate development acting as a major drag on overall investment. New home sales by the 100 largest Chinese property developers fell by 28% y/y in 2024, compared with a 16.5% drop in 2023.

China GDP Growth Rate: 2020-2026
Annual % change Source: IMF

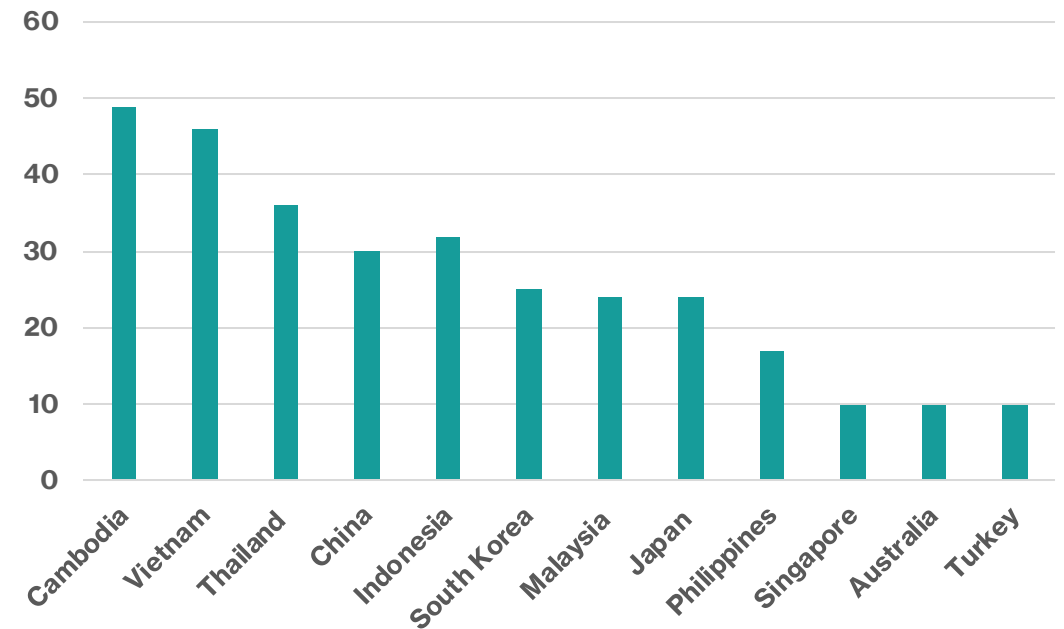


US Tariff Wars: Disruptions to World Trade

- The steep escalation in US tariffs on many key trade partners, including Canada, China and Mexico, have created a significant negative shock for world trade flows in H1 2025.
- Significant escalation of US tariffs on other key manufacturing hubs in Asia, such as Japan, South Korea, Vietnam, Thailand, Malaysia and Indonesia, will also hit the export sectors of many APAC economies unless the tariffs are mitigated significantly following bilateral negotiations.
- Singapore is among the countries that has attracted very low tariff increases from the US, at a level of 10%. This could increase the relative attractiveness of Singapore within East Asia as a manufacturing hub for exports to the US of relatively high value-added products, such as advanced electronics and pharmaceutical products.
- The recent US-UK trade deal signals a pathway for mitigation of US tariff measures through bilateral trade negotiations, although the timeframe for agreements may be more protracted for many countries, particularly where there are large trade surpluses with the US.

New US "Reciprocal" Tariff Rates by Country

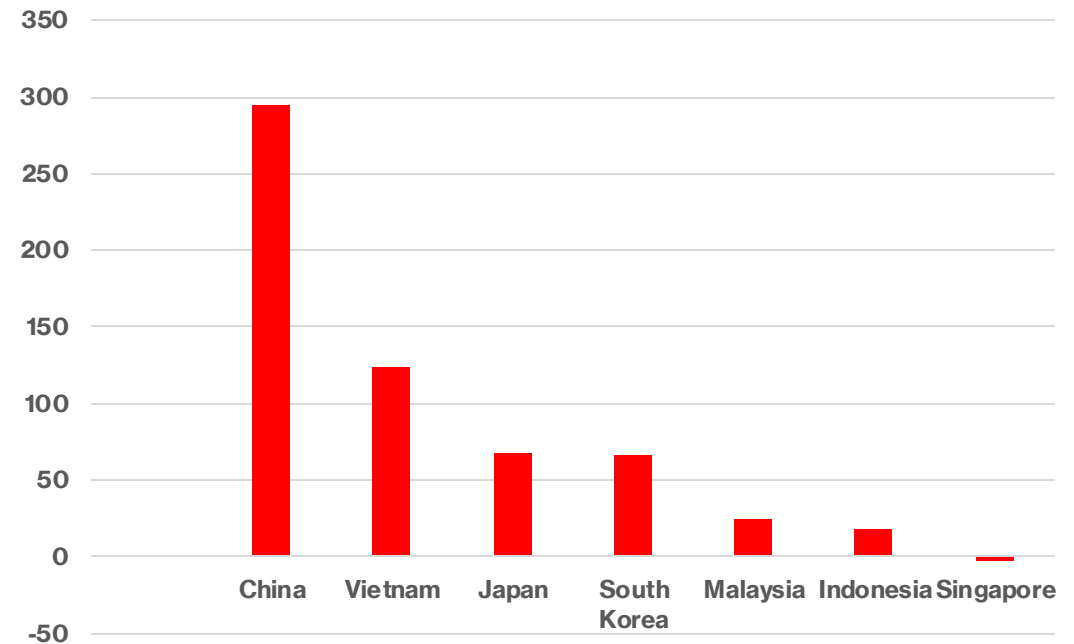
May 2025 Source: White House



US-China Trade Talks in Geneva Showed Progress

- The steep escalation in US tariffs on Chinese imports, combined with China's trade countermeasures, have created significant disruptions to bilateral trade as well as wider manufacturing supply chains.
- Although initial bilateral trade negotiations in Geneva were positive, the US-China trade war is likely to be protracted, with continued decoupling in strategic industries related to defense and electronics technology.
- The final US reciprocal tariff rate on China will be based on a range of factors, including addressing the large trade surplus with the US, the US Treasury's "currency manipulator" designation for China, tariff and non-tariff barriers as well as domestic subsidies.
- The new US tariff and trade regulation landscape is likely to be more challenging for Chinese transshipments through third countries, notably via ASEAN countries such as Vietnam and Malaysia or via Mexico. This could reduce FDI inflows from China to some ASEAN nations related to supply chain diversification.

US Bilateral Trade Deficits with APAC Nations
USD billion, 2024 Source: national trade statistics



China Faces Challenging US Trade Negotiations

- The Chinese yuan has edged up against the USD during recent weeks, as positive US-China trade talks have supported the yuan. However, the upcoming US-China trade negotiations will likely be challenging.
- Exports grew by 5.9% in 2024 measured in USD terms, helped by front-loading of exports to the US ahead of the Chinese New Year factory shutdowns as well as accelerated shipments ahead of Trump 2.0 tariff hikes on China. However, after steep new US tariffs were imposed on China, exports to the US have fallen sharply, down 21% year-on-year in April. Despite this, China's global exports rose by 8.1% y/y in April, with exports to ASEAN up 20.8% y/y.

USD to CNY Chart -0.31% (1Y)

1 USD = 7.2034 CNY May 12, 2025, 17:23 UTC

US Dollar to Chinese Yuan Renminbi



Some East Asian Currencies Rising Against USD

- “Currency Manipulator” Tag: Some East Asian economies face the challenge of having the “currency manipulator” tag in bilateral trade negotiations with USA, including China, Japan, South Korea, Taiwan, Singapore and Vietnam. This could put additional pressure on them to allow their currencies to appreciate against the USD. The US Treasury Semi-Annual Report (Nov 2024) on Macroeconomic and FX Policies of Major Trade Partners stated that the Monitoring List comprises China, Japan, Korea, Taiwan, Singapore, Vietnam in the Asia region.
- JPY: Rising inflation and monetary policy tightening have supported recent Yen appreciation against the USD. Japan had a USD 63 billion trade surplus with the USA in fiscal 2024-25.
- TWD: The Taiwanese Dollar has risen sharply against the USD as the Trump Administration has announced a new tariff rate of 32% on Taiwan after the 90 day pause expires. Taiwan had a USD 74 billion trade surplus with the USA in 2024.
- SGD: Singapore Dollar has appreciated against USD as an Asian safe haven currency amidst global financial markets turmoil over US tariffs. Singapore faces only the lowest level of US tariffs at 10%.

USD to JPY Chart +1.34% (1M)

1 USD = 145.474 JPY May 11, 2025, 15:15 UTC

US Dollar to Japanese Yen



TWD to USD Chart +7.28% (1Y)

1 TWD = 0.0330668 USD May 11, 2025, 15:18 UTC

Taiwan New Dollar to US Dollar



SGD to USD Chart +4.38% (1Y)

1 SGD = 0.770263 USD May 11, 2025, 15:36 UTC

Singapore Dollar to US Dollar

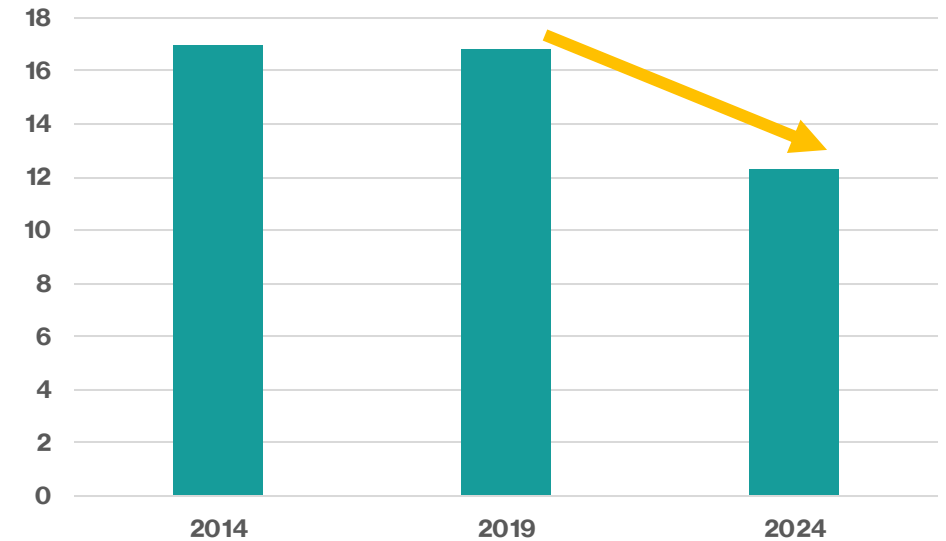


US Tariff Policy Will Shift Manufacturing Supply Chains

- Despite the bilateral trade talks underway between the US and many other nations, the impact of the recent US tariff shocks will drive APAC nations to refocus on diversifying exports to APAC economies and also fast-growing emerging markets in other regions.
- China has already successfully diversified its exports since the first US-China trade war started in 2018, with a significant reduction in the share of exports to the US, while ASEAN has risen in importance as a trade partner and export market.
- APAC regional trade agreements such as RCEP and CPTPP will support this gradual process of trade diversification, helped by continued rapid economic growth in ASEAN and India.

**US Share of China's Goods Exports:
2014-2024**

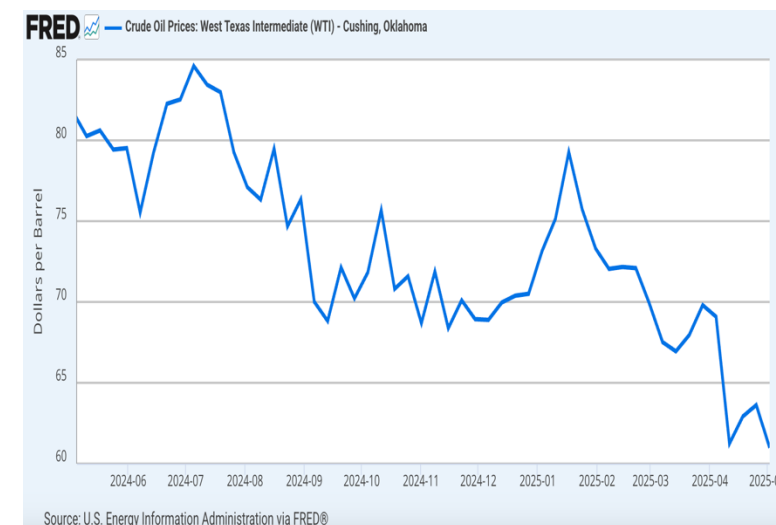
Source: Chinese government trade data



Singapore's Near Term Economic Outlook

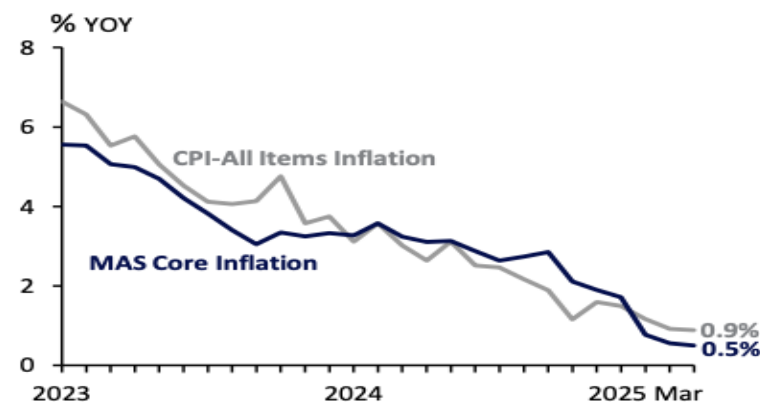
- After rapid growth in 2024 at a pace of 4.4%, the near-term economic outlook is for moderate GDP growth in 2025 at a pace of around 2%, at the upper end of the latest MTI GDP range for 2025.
- Global trade disruptions due to the Trump 2.0 tariff wars have acted as a near-term drag on world trade flows in H1 2025, although these disruptions are expected to gradually recede as the US concludes new bilateral trade deals with many key trade partners worldwide, including across the APAC region. These disruptions are acting as a drag on some key sectors of the Singapore economy, including manufacturing, financial services and shipping.
- Easing world oil prices during H1 2025 are contributing to containing inflation pressures, with OPEC+ having increased oil production. Singapore's headline CPI inflation rate moderated to just 0.9% year-on-year in March 2025, while core CPI inflation was at 0.5% year-on-year.
- A fiscal year surplus of SGD 6.8 billion or 0.9% of GDP is projected for FY 2025 in Singapore's Budget 2025, following an estimated surplus of SGD 6.4 billion in FY 2024.

Oil Prices Have Declined in H1 2025



Singapore CPI Inflation

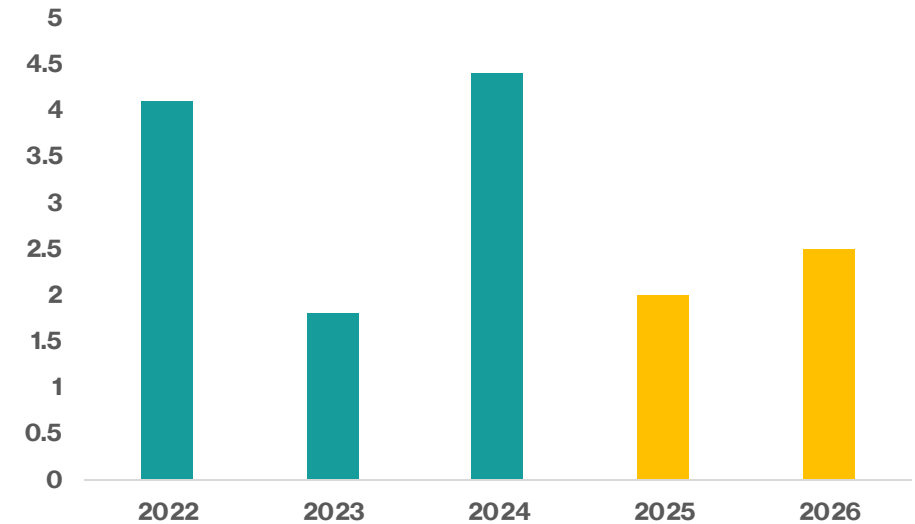
Source: MAS



Singapore's Medium Term Economic Outlook

- Singapore will continue to benefit from strong growth drivers over the medium-term economic outlook from 2025-2030 due to its role as a leading APAC international financial centre as well as commercial hub for multinationals.
- The APAC region's continued strong growth over the medium-term, driven by the continued rapid growth of ASEAN and India, will help to underpin Singapore's sustained robust economic growth over the medium-term economic outlook from 2025-2030.
- A key growth driver in the medium-term will be Singapore's continued expansion as one of the world's leading international financial centres. Singapore's Assets Under Management reached SGD 5.4 trillion in 2023. The number of single family offices rose from 1,400 in 2023 to over 2,000 by the end of 2024.
- Singapore will also remain a leading APAC transportation hub for logistics, shipping and aviation.
- As Singapore has a very low reciprocal tariff rate set by the US, at 10%, this will reinforce the competitiveness of Singapore as an East Asian manufacturing hub for high value-added exports to the USA.
- According to EDB estimates, investment commitments are expected to create 18,700 jobs in the next five years across services, manufacturing, and R&D and innovation, and contribute SGD 23.5 billion in Value-Added per annum.

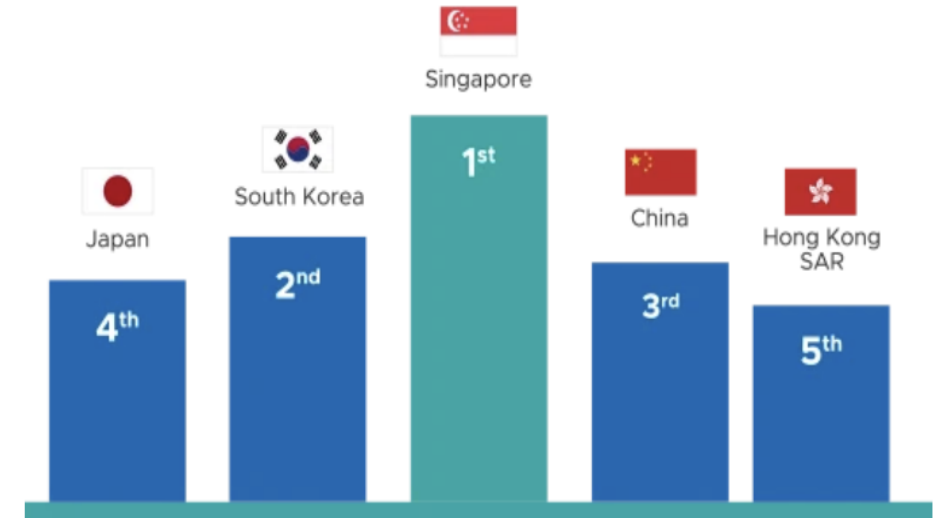
Singapore GDP Growth Rate: 2022-26
Source: IMF; Asia-Pacific Economics



Singapore is a Leading Global Innovation Hub

- Digital Industry Singapore has secured 26 AI Centres of Excellence to research and build proprietary GenAI solutions in 2024.
- EDB has also partnered with EnterpriseSG to support around 50 Singapore-based AI startups through three new AI accelerators by Google, Amazon Web Services and Nvidia.
- Singapore Budget 2025 invested an additional SGD 1 billion to build up R&D infrastructure, including a national semiconductor fab facility, as well as SGD 3 billion for the National Productivity Fund to attract high-value technology investments and boost productivity.
- There are now 140 carbon services and trading companies in Singapore, more than double the number from 2021.

Singapore Ranks First in Asia in the Global Innovation Index 2024



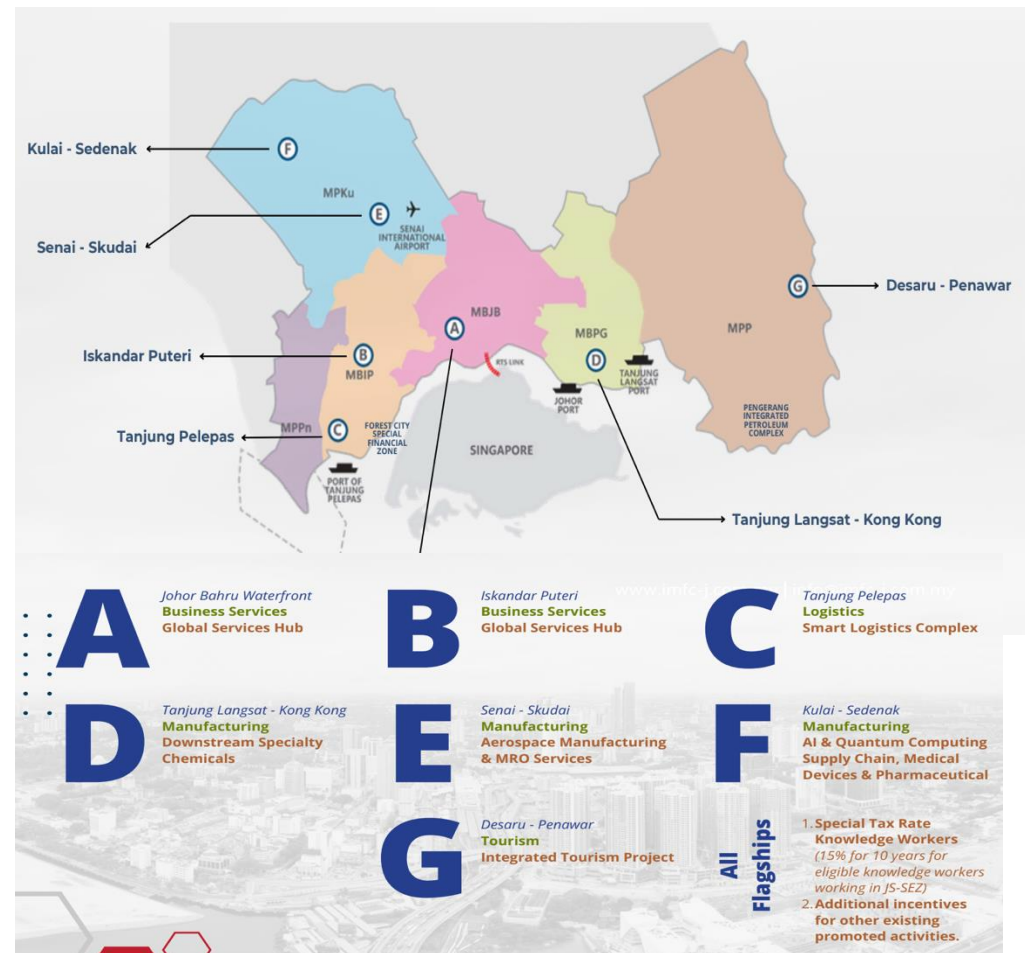
Source: Global Innovation Index, Innovation Trends and Report 2024 (Asian economies only)

Source: WIPO, EDB

Singapore-Johor Special Economic Zone

- The new Singapore-Johor SEZ will help to create a new regional economic growth corridor over the next decade, reinforcing the competitiveness of Singapore as an APAC gateway for transport, logistics, manufacturing and services.
- The rapid economic development of Johor as a source of low-cost land, water, electricity and lower labour costs will help to complement the long-term growth of Singapore as a leading APAC economic hub.
- Johor's rapid development as an international hub for data centers with relatively low-cost power and water will help to support Singapore's leading role as an AI and communications hub.
- The SEZ will focus on economic development in 11 sectors: manufacturing, logistics, food security, tourism, energy, the digital economy, green economy, financial services, business services, education and health.

JOHOR-SINGAPORE SEZ



Source: Invest Malaysia Facilitation Centre Johor



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