Institute of Policy Studies

The 42nd Singapore Economic Roundtable

By Sharanya Shanmugam

The Governance & Economy Department of the Institute of Policy Studies (IPS) held the 42nd Singapore Economic Roundtable (SER) on 16 May 2025. The event had a total of 53 participants including economists, academics, business leaders and policymakers from the public and private sectors.

The 42nd SER was divided into two segments.

The first focused on the macro-economic outlook for Singapore and its implications for policy amid a highly uncertain environment following global trade tensions. It featured Ms Victoria Birrell, Senior Economist, Economic Surveillance and Forecasting, Monetary Authority of Singapore; Dr Runchana Pongsaparn, Group Head and Lead Economist, ASEAN+3 Macroeconomic Research Office; and Mr Rajiv Biswas, Chief Executive Officer, Asia-Pacific Economics Pte Ltd.

The second segment was a special session on the trade and foreign investment outlook in Singapore and Southeast Asia, given this highly troubled outlook. It featured Associate Professor Chang Pao-Li, Associate Dean (Research and Industry Engagement), School of Economics, Singapore Management University; Ms Nydia Ngiow, Managing Director, BowerGroupAsia, Singapore; and Dr Jayant Menon, Visiting Senior Fellow, Regional Economic Studies Programme, ISEAS–Yusof Ishak Institute.

Both sessions were moderated by Mr Manu Bhaskaran, Adjunct Senior Research Fellow at IPS and had respective discussion sessions that were held under Chatham House Rules.

The complete proceedings from the 42nd SER will be documented in an IPS publication and released later. A summary of the issues discussed is presented here.

SESSION ONE: MACRO-ECONOMIC OUTLOOK FOR SINGAPORE AND IMPLICATIONS FOR POLICY

Global economic outlook: Slower growth amid uncertainties

Global growth was firm in 2024 at around 3.3 per cent, but prospects for growth and trade have weakened since Q1 2025, with global growth now expected to slow to approximately 2.8 per cent, amid escalating trade tensions and easing of the United States dollar (USD).

The steep escalation in US tariffs on key trade partners, including Canada, China and Mexico, has delivered significant negative shocks to global trade flows and is expected to impact the export sectors of many APAC economies, unless the tariffs are significantly mitigated through bilateral negotiations.

Monetary policy: Currency pressures on Asian economies

Several East and Southeast Asian economies, including China, Japan, South Korea, Taiwan, Singapore and Vietnam, face the challenge of being labelled as “currency manipulators” in bilateral trade negotiations with the US, due to concerns that they deliberately weaken their currencies to gain an unfair trade advantage. This places additional pressure on them to allow their currencies to appreciate against the USD. The Singapore dollar (SGD) has gradually appreciated against the USD as a safe haven currency in Asia amid global financial market turmoil over the tariffs.

Moderate inflation across ASEAN nations

While the G3 economies (the US, Eurozone and Japan) have seen some uptick in inflation in 2024, much of Asia maintained low-inflation rates, supported by earlier monetary policy tightening and a decline in commodity prices. According to the Monetary Authority of Singapore, core inflation in Singapore is projected to remain low in 2025, averaging 0.5–1.5 per cent, aided by falling global oil prices due to increased OPEC+ oil production.

Near-term outlook for Singapore

Singapore’s near-term growth outlook remains highly uncertain, due to tighter global financial conditions and, more critically, rising protectionist policies. Although it faces a relatively low US tariff rate of 10 per cent and has less direct exposure to the US compared to its ASEAN+3 peers, Singapore’s deep integration into global trade and reliance on external demand makes it vulnerable to the broader slowdown in global trade and growth.

The challenging global trade environment will likely weigh on external-facing sectors such as manufacturing and shipping. While these disruptions may ease over time as the US concludes new bilateral trade agreements with key partners, the negotiation process is likely to be protracted for countries with larger trade surpluses with the US.

Singapore has ample fiscal and monetary policy space to support the economy through an anticipated slowdown, underpinned by fiscal surpluses over the past two financial years. Policy efforts should prioritise helping firms diversify into new markets and enhancing their competitiveness. Regional trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP), along with continued growth in ASEAN and India, can facilitate this gradual trade diversification.

Medium- to long-term outlook: Opportunities, key challenges and recommendations

Despite near-term uncertainties, Singapore will continue to benefit from its strong growth drivers in the long term, given its status as a regional financial and commercial hub. It has also firmly established itself as a global innovation leader, ranking first in Asia in the Global Innovation Index 2024. The 2025 Budget allocated an additional SGD 1 billion to strengthen

R&D infrastructure, while targeted government initiatives to support local AI start-ups further reinforce the nation's commitment to leadership in the AI space.

Notably, the new Singapore–Johor Special Economic Zone is set to serve as a regional economic growth corridor over the next decade. Johor's access to low-cost land, water, electricity, and labour will complement Singapore's long-term ambitions to remain a leading economic hub in the Asia-Pacific. Johor's growth as an international hub for data centres, with relatively low-cost power and water, will also support Singapore's role as a regional leader in AI and digital communications.

The ASEAN+3 Macroeconomic Research Office (AMRO) noted that Singapore has made significant progress in addressing long-term challenges such as climate change, technological disruption, and population ageing through various government initiatives. As the most aged society among ASEAN countries, Singapore faces mounting fiscal pressures and potential growth headwinds due to a shrinking working-age population. While policy efforts have led to increased labour force participation among the elderly, many remain employed in sectors vulnerable to technological displacement. In response, the government has been actively supporting older employees in acquiring relevant digital skills.

Discussion Session

Currency Pressures in ASEAN-US Trade Negotiations:

There were discussions about the feasibility of ASEAN countries enabling their currencies to appreciate. Among non-ASEAN countries also labelled as currency manipulators, Japan and Taiwan have recently allowed their currencies to strengthen against the USD. For countries like Singapore, with its high value-added economy and role as a regional financial hub, the SGD serves as a regional reserve currency. In this context, a stronger SGD would be advantageous, and a gradual appreciation is likely to support Singapore's long-term economic interests.

In contrast, for other ASEAN countries with lower value-added economies, such as Vietnam and Malaysia, maintaining a competitive exchange rate is crucial for sustaining export-driven growth. For these economies, a sharp currency appreciation, coupled with high tariffs, could lead to significant short-term economic disruptions. Nonetheless, with structural reforms and progress up the global value chain, these countries may eventually be better equipped to handle a stronger currency over the long term.

The discussion also highlighted an apparent inconsistency in U.S. fiscal policy: while the US advocates for a weaker dollar to correct trade imbalances, it simultaneously seeks to uphold the USD's role as the global reserve currency. It was noted, however, that US policy is primarily focused on trade imbalances rather than exchange rates alone. For instance, as part of its efforts to reduce these imbalances, the US has encouraged countries with large trade surpluses to purchase high-value American exports, such as military equipment.

ASEAN's strategic balance between US and China

Geostrategic competition between the US and China remains intense, particularly in the military and technology sectors. This rivalry has raised concerns about ASEAN countries being caught in the crossfire between the two superpowers. A recent example involved Singapore, which came under scrutiny for the transshipments of Chinese exports through its ports to the US — an incident that caused diplomatic friction.

ASEAN nations are keen to avoid taking sides, as both the US and China are vital economic partners. China stands as the region's largest export market, while the US remains a leading source of foreign direct investment for many member states. As such, ASEAN countries are likely to continue navigating a delicate balancing act.

SESSION TWO: SPECIAL SESSION — TRADE AND FOREIGN INVESTMENT OUTLOOK IN SINGAPORE AND SOUTHEAST ASIA

Trump's 2.0 tariffs and its direct and indirect impact on Southeast Asia

Direct US tariff rates on trading partners are calculated based on the scale of their bilateral trade imbalances with the US. Among ASEAN economies, Vietnam and Thailand record relatively high imbalances at 0.90 and 0.72, respectively, resulting in higher tariff rates of 46 per cent and 37 per cent. In contrast, Singapore's modest negative trade imbalance of -0.06 has warranted the lowest tariff rate in the region at 10 per cent.

The indirect impacts of the US-China trade war can be assessed through the value-added contributions of each country to exports between the two economies. Generally, ASEAN countries, both individually and collectively, contribute more to the production of Chinese exports to the US than to US exports to China, which suggests that US tariffs on China pose a greater risk to ASEAN economies than reciprocal Chinese tariffs on the US. Among them, Indonesia, Malaysia and Singapore stand out in their contributions to two-way trade flows, which makes them especially vulnerable to the escalating US-China trade tensions.

Products exempted from US tariffs fall into two main categories. The first includes steel, aluminium and automobile parts, which are already subject to product-specific punitive measures. The second includes electronics and pharmaceuticals, which are excluded for strategic reasons. Within ASEAN, Malaysia, Singapore and Thailand have the highest value-added contributions to electrical and optical products as compared to other sectors, suggesting that tariff exemptions in the electronics sector may offer these countries some relief.

Businesses' tariff concerns and strategic uncertainty for US operations

A recent assessment by AmChamSG reveals that companies operating in Singapore largely view the US tariffs as having a negative impact on their operations, citing increased costs, supply chain disruptions and greater regulatory complexity. Most plan to respond by passing the higher costs on to consumers, followed by diversifying their supply chains and positioning themselves to increase their market share. Potential layoffs are seen as a last resort.

While companies believe that tariffs will harm all economies due to the interconnected nature of global trade, many anticipate that the US economy will be affected more than ASEAN's or Singapore's. There is, however, less clarity about how the tariffs will affect their corporate strategies regarding operations and investments in the US. Many companies are adopting a "wait-and-see" approach, with some exploring outsourcing to regional markets as a way to reduce reliance on the US market. These tariffs, therefore, may ultimately undermine the US objective of attracting more manufacturing and investment.

The path forward: Lessons from history and optimism for ASEAN

The US trade deficit cannot be resolved through trade policy changes alone, as its root causes are macroeconomic in nature. The current structure of ASEAN manufacturing supply chains traces back to disruptions during a similar trade conflict between the US and Japan four decades ago. It was eventually resolved through the Plaza Accord in 1985, which led to an appreciation of the Japanese yen against the USD, which then facilitated Japanese investment into Southeast Asia. However, this shift merely relocated the trade imbalance rather than solved it, highlighting that deep structural reforms to manage both private and public debt are required to effectively address the US current account and trade deficits.

Ultimately, the primary drivers of supply chain reconfiguration are comparative advantage and access to resources — factors that are likely to outweigh the negative effects of reciprocal tariffs. Importantly, ASEAN's trade within its bloc has a higher value-added ratio than its trade with external partners, suggesting strong potential for regional realignment in the face of global shocks. Hence, the trade and investment outlook for ASEAN remains optimistic, provided that member countries continue to uphold their longstanding commitment to openness.

Discussion Session

Trade diversification

There was discussion on whether Singapore, and the broader ASEAN region, could reduce their reliance on the US market. The US remains a critical player in global trade, accounting for roughly 13 per cent of global imports, making it the world's largest importer, and around 7 per cent of global exports. While it may be possible for regional economies to undergo a difficult adjustment period to lessen this dependence, the challenge intensifies when many countries pursue diversification simultaneously.

Singapore has taken active steps to broaden its trade relationships beyond its immediate region. It has expanded its network of free trade agreements, including recent initiatives such as the Pacific Alliance Free Trade Agreement and partnerships with emerging economies in Africa, as part of a wider strategy to diversify and strengthen economic resilience.

Shift towards digital services trade

At a time when the trade of goods faces increasing disruptions, digital services trade has grown rapidly. Unlike goods, digital services are not subject to the tariff measures, and advances in technology have made it easier to export these services across borders. This has led to a push to develop and export high-value digital services.

Singapore has recently signed a digital trade agreement with the European Union, while several other countries have expressed interest in deepening digital cooperation with Singapore. Looking ahead, services are expected to play a significant role in intra-ASEAN trade. This shift could help buffer trade-dependent economies in the region from external shocks linked to tariffs and other barriers affecting goods trade.

Equipping businesses for international trade

In Singapore, many small and medium-sized enterprises (SMEs) tend to rely primarily on ASEAN free trade agreements, often failing to leverage wider global markets for the export of their goods and services. This may be due to many free trade agreements being overly complex or not effectively addressing the specific challenges SMEs face. Bridging this gap will require stronger efforts to educate and support businesses in navigating trade frameworks and competing in the global economy.

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If you have comments or feedback, please email ips.update@nus.edu.sg

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