Singapore Economic Policy

The Forty-Second Singapore Economic Roundtable

May 2025

Organised by
Institute of Policy Studies

Edited by
Sharanya Shanmugam
Manu Bhaskaran
Faizal bin Yahya

Lee Kuan Yew School of Public Policy
National University of Singapore

Institute of Policy Studies

The Singapore Economic Roundtable

The Singapore Economic Roundtable (SER) is a forum of leading economists, policy makers and business leaders who gather twice a year to discuss important issues that affect Singapore's position in the global economy. It deliberates on the role that government agencies and the private sector in Singapore should play in meeting new challenges facing the Singapore economy.

About the Institute of Policy Studies

The Institute of Policy Studies (IPS) was established in 1988 as an independent think-tank to study and generate public policy ideas in Singapore. IPS became an autonomous research centre of the Lee Kuan Yew School of Public Policy at the National University of Singapore in 2008. Today, IPS continues to analyse public policy, build bridges between thought leaders, and communicate its findings to a wide audience. The Institute examines issues of critical national interest across a variety of fields, and studies the attitudes and aspirations of Singaporeans through surveys of public perception. It adopts a multi-disciplinary approach in its analysis and takes the long-term view in its strategic deliberation and research.

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Contents

Foreword

The Institute of Policy Studies convened the 42nd Singapore Economic Roundtable (SER) in May 2025. Since 2003, the SER has been bringing public and private sector economists together with policymakers and business practitioners to key aspects of Singapore's economy and their policy implications. As in the past, the SER comprised two sessions.

The first session assessed the near-term outlook for the economy. The broad assessment was that downside risks would continue to hang over economic growth prospects as a result of the troubled trade picture and the great uncertainty over how the trade frictions might be resolved. The direct impact of the likely higher tariffs in the US could well be aggravated by the deleterious effects of uncertainty. Nevertheless, the economy would still grow in 2025, albeit at a very slow pace. With price pressures easing, Singapore was judged to have ample fiscal and monetary policy space to support the economy should economic prospects turn for the worse.

Participants generally agreed with these views but expressed concerns over the implications for exchange rate management and over how difficult it would be for the region to balance between the contending big powers.

The second session studied the implications of escalating protectionism. In general, ASEAN countries such as Indonesia, Malaysia and Singapore stand out for being especially vulnerable to the escalating US-China trade tensions. Indeed, an American Chamber of Commerce in Singapore (AmChamSG) survey showed Singapore-based companies fearing increased costs, supply chain disruptions and greater regulatory complexity as a result. On a more positive note, it was argued that Southeast Asia’s strong comparative advantage in key areas would promote supply chain reconfiguration in its favour. This would tend to outweigh the negative effects of higher tariffs. For Singapore, it was fortunate in having taken active steps to broaden its trade relationships through multiple trade agreements.

The success of the SER depends on the contributions from its participants. IPS is grateful to the Monetary Authority of Singapore for its consistent support and to the economists from the private sector and think tanks who provide their insights so generously to enrich the discussions at the SER.

Macroeconomic Outlook for Singapore

1. Presentation by Ms Victoria Birrell

Senior Economist
Economic Surveillance and Forecasting
Monetary Authority Singapore (MAS)

Global Financial Conditions

Following the US's imposition of tariffs worldwide on 2 April 2025, global financial market volatility and risk aversion have risen sharply.

Since 2 April 2025, the MSCI All Country World Index has fallen by 5 per cent, bringing total losses for the year to 6 per cent (Fig. 1.1). Prices of growth-sensitive commodities, such as crude oil and copper, have also fallen over the same period.

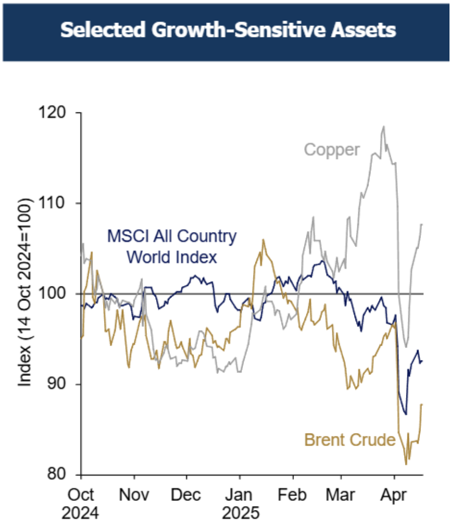


Fig. 1.1

In contrast to the previous global risk-off episodes, US Treasury yields rose sharply from 2 April. The US dollar has also depreciated against most currencies. On the whole, the Nominal Broad US Dollar Index has fallen by around 9 per cent since the beginning of the year (Fig. 1.2).

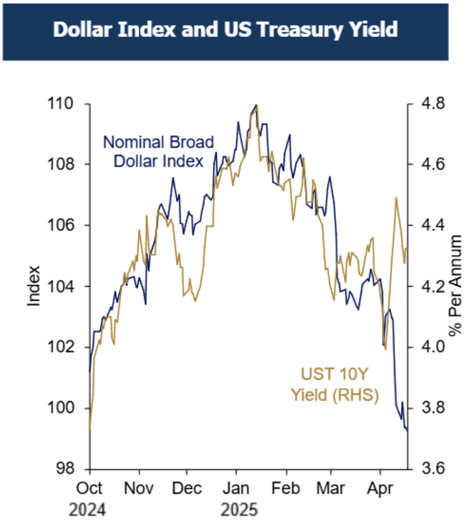


Fig. 1.2

Domestic Financial Conditions

Overall, domestic financial conditions were mildly supportive of growth over the past six months and turned neutral by the end of Q1 2025.

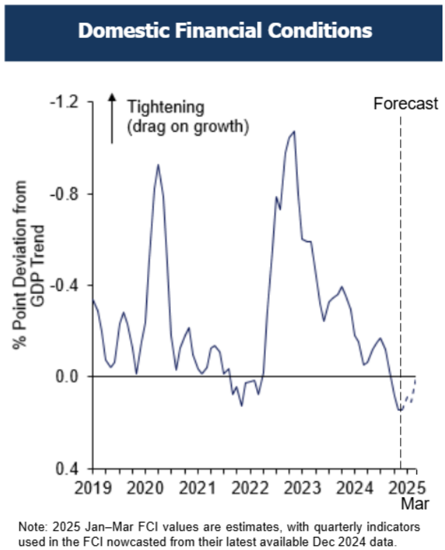


Fig. 1.3

Interest rates as measured by the Singapore Overnight Rate Average (SORA) fell by more than 100 basis points over the past two quarters, alongside lower bond yields. The decline in the cost of financing more than offset the impact of lower asset prices on overall financial conditions.

However, the deterioration in global sentiment and heightened market volatility in April has likely filtered through to an incipient of financial conditions in Singapore and a pick-up in the financial stress index (Fig. 1.4). This has manifested in further equity market corrections, slight widening of credit spreads, and a nascent tightening in lending standards. Growth is also expected to slow in the second half of 2025.

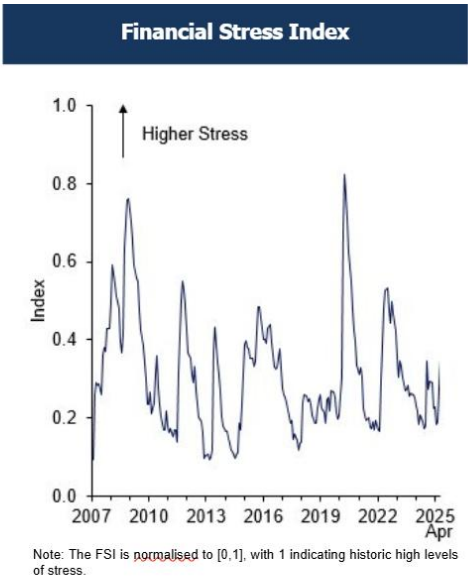


Fig. 1.4

International Economy

The global economy expanded at a firm pace of 3.2 per cent in 2024 underpinned by two key growth drivers: robust domestic demand in the US and strong export performance across Asia (Fig. 1.5). Specifically, the US economy saw resilient consumer spending and firm Information and Communication Technology (ICT) and software investment, while ASEAN's export activities and production were supported by robust US final demand as well as some tariff-related front-loading.

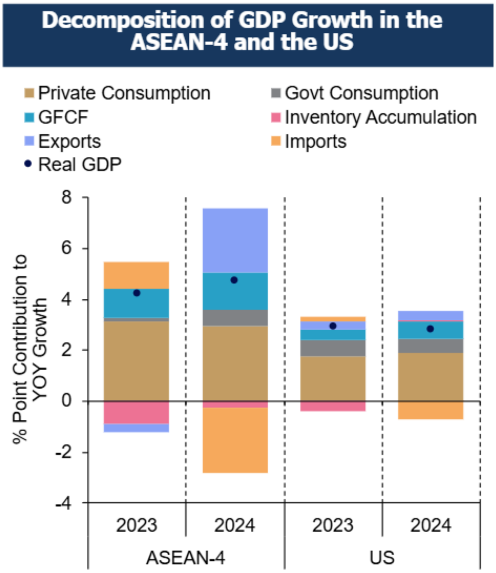
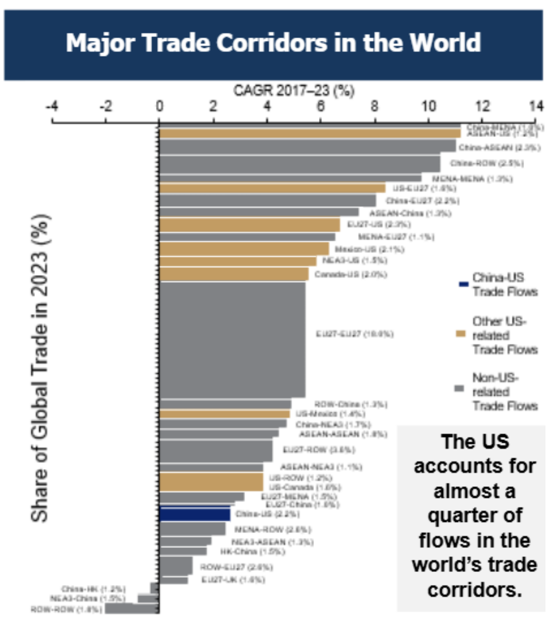


Fig. 1.5

Meanwhile, disinflation proceeded at a slower-than-expected pace. Overall, global headline inflation remained unchanged at 2.0 per cent year-on-year. While the G3 economies saw some uptick in inflation, Asia remains in a low-inflation regime.

Growth momentum showed signs of plateauing, coming into 2025. Notably, US consumer and business confidence deteriorated due to global tariff-induced uncertainty.

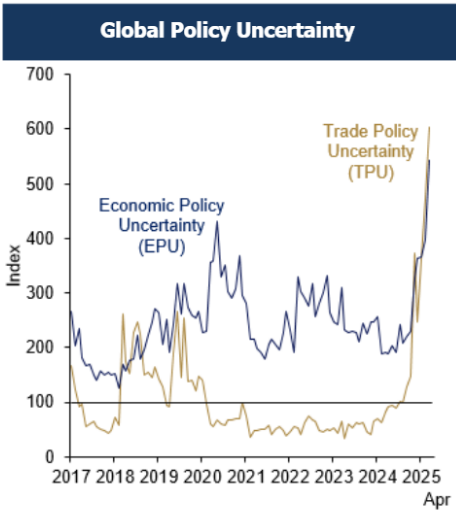
US tariff policy has serious ramifications for the global economy as it is deeply plugged into global trade, accounting for around a quarter of flows in the world's trade corridors. Cost for importers will be higher, exporters will see weaker demand, and heightened tariff policy uncertainty will weigh on investment and spending.



Note: i) The figures in the parenthesis represent the share of global trade in 2023, while the length represents CAGR over 2017–23; ii) For each corridor label, "economy A-economy B" refers to goods flow from A to B; iii) The major trade corridors above account for around 73% of global trade in 2023.

Fig. 1.6

At this juncture, the global economy is expected to slow significantly to between 2–2.5 per cent in 2025, from 3.2 per cent last year. Given the significant uncertainty around US trade policy, this forecast range encompasses a range of tariff policy scenarios, including de-escalation of trade tensions as well as reinstatement of higher reciprocal tariffs and the imposition of further product-specific tariffs (Fig. 1.7).



Note: For the EPU Index, 100 refers to the average over the period 1985-2019, while the 100 in the TPU Index is a 1% share of news articles with mention of both "trade policy" and "uncertainty".

Fig. 1.7

Global price pressures are expected to remain contained. While tariffs will impart a fresh and significant shock to prices in US, the rest of the world faces downward price pressures given the tariff-induced negative demand shock. Global headline inflation is projected to average 2.3 per cent in 2025, slightly higher than the 2.1 per cent seen last year.

Singapore's Economy

Based on the advance estimates, Singapore's GDP contracted by -0.8 per cent quarter-on-quarter (seasonally adjusted) in Q1 2025, a pullback from the 0.5 per cent expansion in Q4 2024. (Fig. 1.8). On a year-on-year basis, GDP growth moderated to 3.8 per cent from 5.0 per cent in the previous quarter. The weaker performance was driven by the trade-related and modern services sectors, following the strong outturns in H2 2024 (Fig. 1.9).

Meanwhile, activity in the domestic-facing industries such as construction and retail were generally tepid. While there are nascent indications of economic softening at the sectoral level, these weaknesses have yet to become deeply entrenched or pervasive across the various industries.

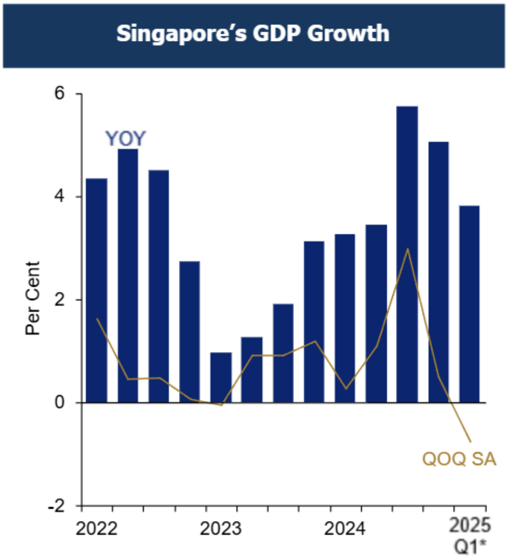


Fig. 1.8

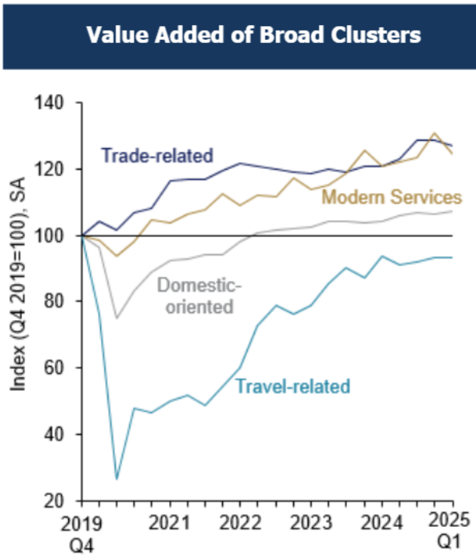


Fig. 1.9

Singapore's growth outlook has turned more cautious amid an increasingly challenging global trade environment. The impact of the US reciprocal and product-specific tariffs will propagate through multiplier effects and generate a broader negative income and demand shock to the Singapore economy. Products subject to the baseline tariff account for about 55 per cent of Singapore's domestic exports to the US, with product-specific tariffs comprising a much smaller share at this juncture (Fig. 1.10).

Singapore's Direct Trade Exposure to US Tariff Actions		
Tariff Action	**Tariff Rate (%)**	**Share of Product in Singapore's Domestic Exports to US, 2024 (%)**
Baseline Reciprocal Tariffs (excluding exempted products)	10	**54.6**
Product-specific Tariffs:		**5.4**
Steel and Aluminium	25	4.1
Automobiles & Parts	25	1.3
Exempted Products:		**40.0**
Semiconductors		1.6
Other Electronics & Semiconductor Equipment		15.0
Pharmaceuticals		12.3
Energy, Copper, Lumber, Minerals		11.1

Fig. 1.10

Singapore will also be impacted indirectly through its trade linkages with other countries, which face similar negative effects of the tariffs (Fig. 1.11).

Singapore's Indirect VA Exposure to Reciprocal Tariffs by Key Economies

Economy	Reciprocal Tariff Rate (%)		Share of US Goods Imports, 2024 (%)*	Singapore's VA in US Imports from Partner Economy (% of Singapore's GDP)
	Pre-9 April	Post-9 April		
China	34**	125**	15.4	0.14
Vietnam	46	10	5.2	0.10
EU27	20	10	18.8	0.06
India	26	10	3.1	0.05
Thailand	36	10	2.1	0.05
Malaysia	24	10	1.5	0.03
Indonesia	32	10	1.4	0.03
South Korea	25	10	2.6	0.02
Taiwan	32	10	1.8	0.02

* This is used to show the relative size of bilateral trade flows between the US and its import source economy.
** Excludes the existing 20% tariffs levied by the US on China before 2 April. On 12 May, US announced a 90-day reduction of the reciprocal tariff rate on China to 10%.
Note: Computations of trade shares exclude goods under separate product-specific tariffs (steel, aluminium, automobiles & parts) and exempted products (semiconductors, pharmaceuticals, semiconductor equipment, smartphones, laptops, TVs and other consumer electronics, energy, copper, lumber, and minerals not found in the US).

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Fig. 1.11

Singapore's external-facing industries will be the most affected by tariff actions.

In particular, the global IT industry will be the main transmission channel of the slowdown in external demand. Ongoing uncertainties are likely to further dampen the already-moderating tech cycle and pose headwinds to the global semiconductor industry. Domestically, Singapore's purchasing managers' index (PMI) and its sub-indices saw a decline from its peak in Dec 2024, with the overall and new orders PMI falling into negative territory in April (Fig. 1.12).

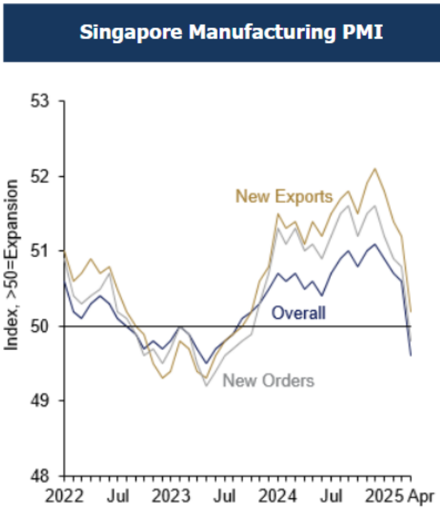


Fig. 1.12

Likewise, growth in modern services is expected to step down from last year as the uncertain economic backdrop and market volatility could pose a drag on trading and credit intermediation activity (Fig. 1.13).

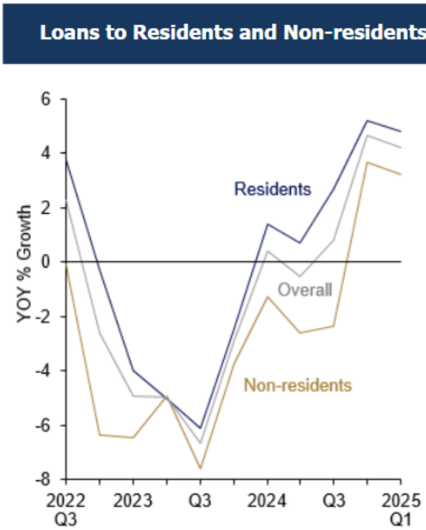


Fig. 1.13

Overall, at this juncture, the Singapore economy is projected to expand by 0.0–2.0 per cent in 2025, a step-down from the 4.4 per cent growth in 2024.

Labour Market

Employment growth continued to slow in Q4 last year, particularly in the services sectors. Labour demand weakened in some domestic-oriented services segments amid subdued consumer spending locally, while hiring in the outward-facing modern services cluster was weighed down by increased uncertainty around external growth prospects. Based on preliminary data from the Ministry of Manpower, employment growth moderated even further in Q1 this year.

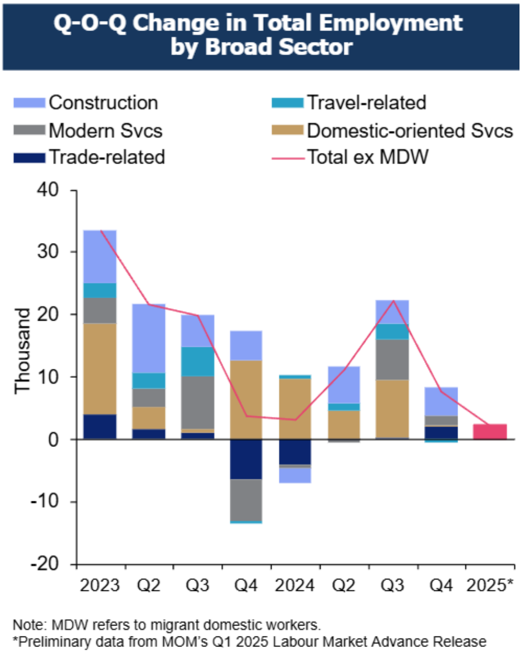


Fig. 1.14

Early signs of softening in the labour market emerged, as the resident unemployment rate, retrenchment rate, and the number of workers placed on short work-week or temporary layoff picked up slightly in Q4 last year. Nevertheless, most indicators remained close to or below their pre-COVID norms, indicating that the labour market remained in a state of broad demand-supply balance as of end 2024.

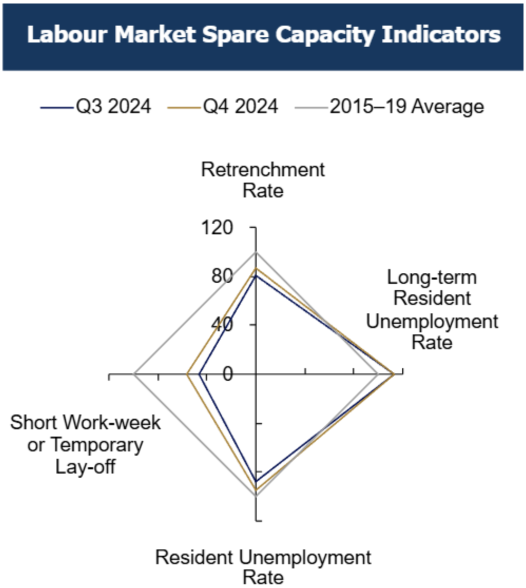


Fig. 1.15

Aggregate demand for workers is likely to soften further this year in tandem with the cyclical weakening in the economy, with the trade-related sectors of manufacturing and wholesale trade likely to see greater employment weakness. Demand weakening should lead to some decline in job vacancies alongside a modest uptick in the resident unemployment rate, resulting in a rightward movement along the Beveridge curve (Fig. 1.16).

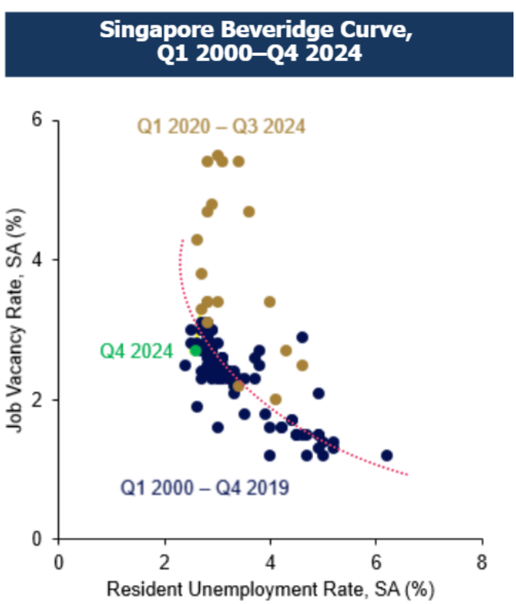
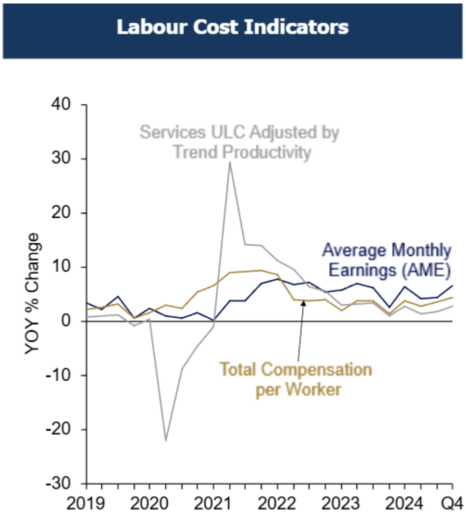


Fig. 1.16

While resident nominal wage growth has thus far remained supported, broader measures of labour costs have already eased substantially from their post-COVID peaks. Amid weaker demand conditions this year, labour cost increases should continue to remain contained. In particular, unit labour cost growth for the services sectors adjusted by trend productivity is projected to stay low and exert only modest domestic cost pressures (Fig. 1.17).



Note: Total compensation per worker refers to compensation of employees normalised by total employment. Services unit labour cost (ULC) adjusted by trend productivity refers to average labour cost in the services sector adjusted by trend services labour productivity (i.e., VA/employment).

Fig. 1.17

Inflation

Core and headline inflation slowed markedly in Q1. The extent of decline was beyond that associated with technical factors, such as the fading of GST effects (Fig. 1.18). The low inflation prints were the result of a sustained moderation in inflation momentum. Alternative measures such as the trimmed mean, which excludes volatile components, affirm a broad-based weakening of underlying core price pressures (Fig. 1.19).

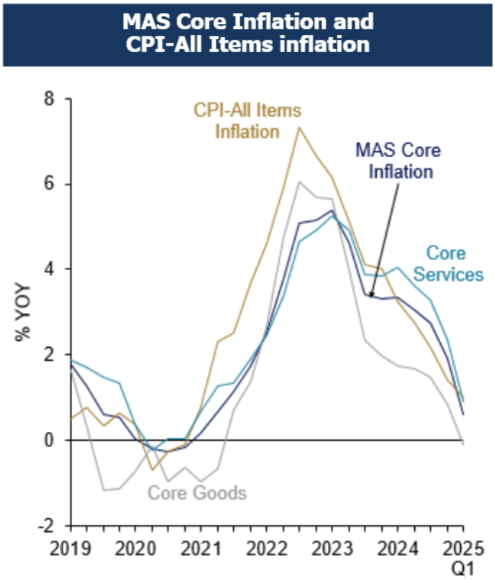


Fig. 1.18

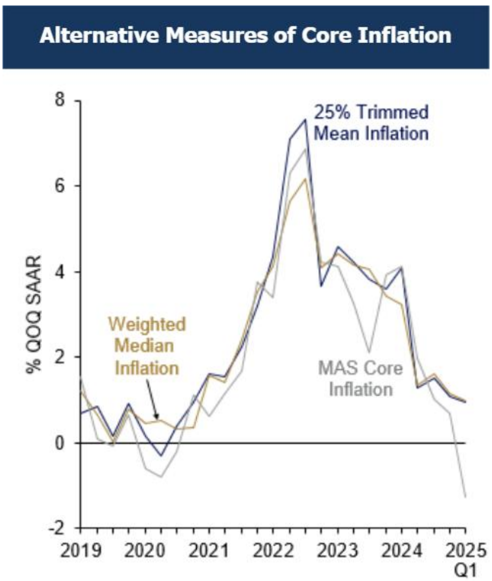


Fig. 1.19

The broad-based moderation in price pressures, in turn, was due to an easing of business cost pressures. Singapore's oil and non-oil import costs have fallen on the back of lower global inflation and declining global oil prices, which have reduced the cost of utilities and imported intermediate goods. Unit labour cost growth has also moderated alongside rising productivity, which has dampened services inflation.

Furthermore, subdued local consumer spending and heightened competition, particularly in sectors like F&B, have likely contributed to the dampening in price pressures

MAS Core Inflation Forecast

The forecast for MAS Core inflation has been downgraded to 0.5–1.5 per cent in 2025 (Fig. 1.20). This reflects the lower-than-expected inflation outturn in Q1, as well as expectations that demand and cost pressures will be more modest for the rest of the year, with expectations that demand and cost pressures will remain more moderate over the rest of the year.

External cost pressures should remain subdued. Global crude oil prices have fallen and will be lower this year compared to last year. This will cause electricity and gas prices to decline. Favourable global supply conditions should keep imported food inflation contained.

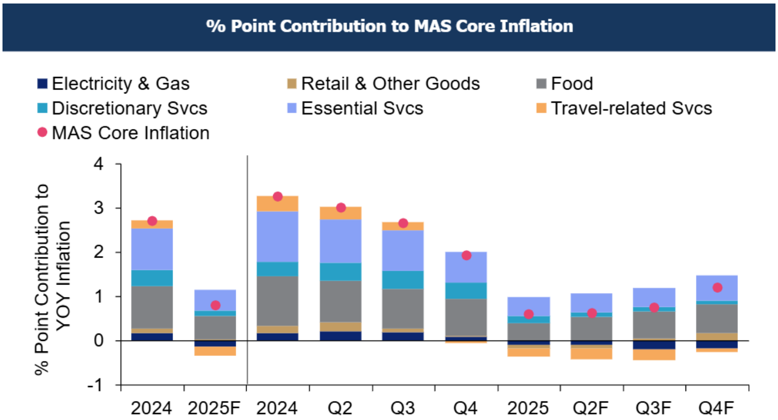


Fig. 1.20

Meanwhile, higher global tariffs are on balance anticipated to exert broad-based disinflationary impulses in Singapore. Lower global aggregate demand and the diversion of goods supply away from the US will weigh on the prices of imported commodities and manufactured goods, and dampen inflation in Singapore.

Domestic price pressures are also expected to ease. Slower services ULC growth this year, as well as government subsidies in essential services, will dampen services inflation.

In addition, any passthrough of costs to prices will be likely constrained by soft consumer demand.

Near-Term Growth Risks

Downside risks to growth remain elevated. There is significant uncertainty over how trade policy actions will evolve in the near term. Prolonged trade tensions could further weigh on growth by disrupting trade flows, dampening global demand, and undermining business investment. An extended period of uncertainty could also trigger latent financial vulnerabilities.

2. Presentation by Dr Runchana Pongsaparn

Group Head and Lead Economist
ASEAN+3 Macroeconomic Research Office

This presentation is divided into two main sections: the first covers the economic outlook and key risks in the ASEAN+3 region, while the second focuses on Singapore's near-term outlook, medium- to long-term challenges, and the policy responses addressing both.

ASEAN+3 Economic Outlook

The ASEAN+3 region has recorded solid growth, propelled by robust domestic and external demand (Fig. 2.1).

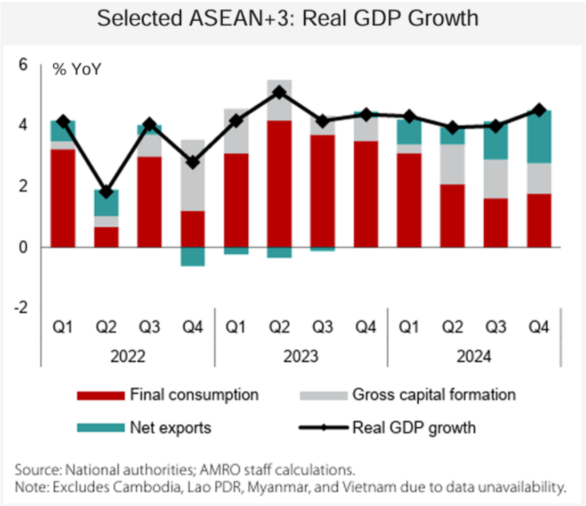

Selected ASEAN+3: Real GDP Growth
% YoY
6
4
2
0
-2
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
2022
2023
2024
Final consumption
Gross capital formation
Net exports
Real GDP growth
Source: National authorities; AMRO staff calculations.
Note: Excludes Cambodia, Lao PDR, Myanmar, and Vietnam due to data unavailability.

Fig. 2.1

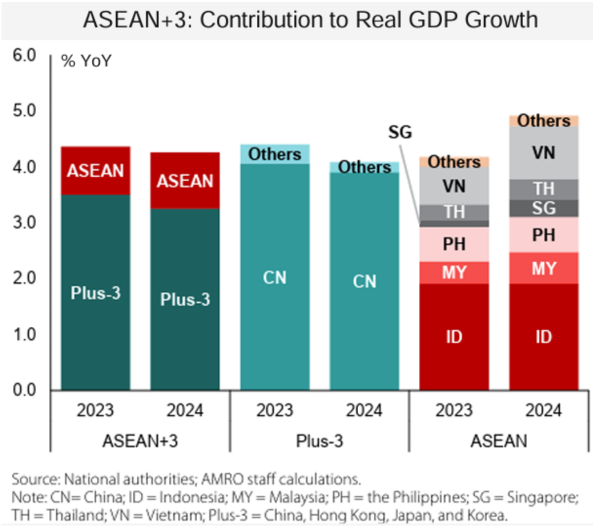
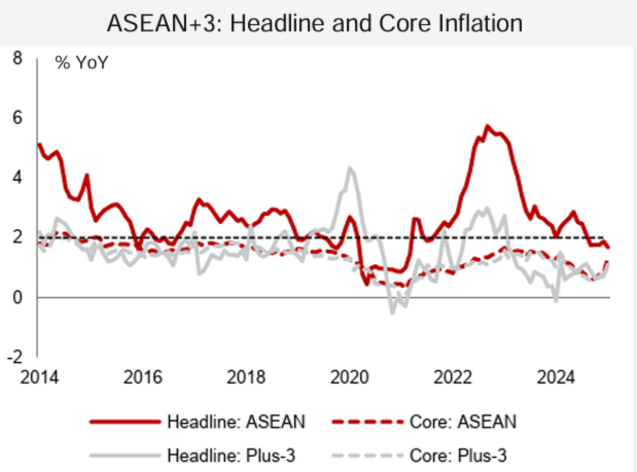


Fig. 2.2

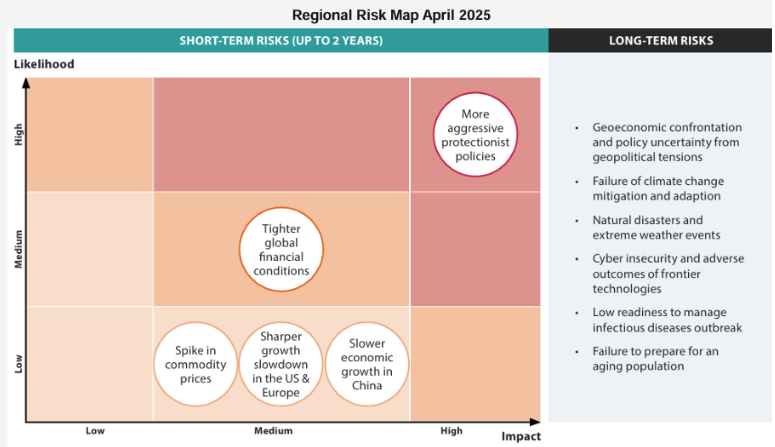
Notably, much of this momentum has come from ASEAN economies rather than the Plus-3 economies (Fig. 2.2).

At the same time, inflation has been easing (Fig. 2.3), as a result of monetary policy tightening across the region and declining commodity prices.



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.

Fig. 2.3



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).

Fig. 2.4

As seen in Figure 2.4, near-term risks remain significant. Protectionist policies from the US and potential retaliatory measures by other countries pose a high risk to the regional economic outlook.

Tighter global financial conditions also present a concern, particularly if rising tariffs increase the price of goods and prompt further interest rate hikes by the Federal Reserve.

Geopolitical tensions may lead to spikes in commodity prices, further straining the global economy. Additionally, growth slowdowns in the US, Europe and China could take a toll on overall economic growth.

Over the longer term, risks include the failure to effectively mitigate climate change, cyber insecurities, an ageing population and low readiness to manage a potential infectious disease outbreak in the future.

ASEAN+3 Trade Outlook

The region's exports to the US have been declining, while intra-regional trade has increased (Fig. 2.5). Similarly, Singapore's exports to the US have decreased, whereas its exports to ASEAN+3 economies have grown.

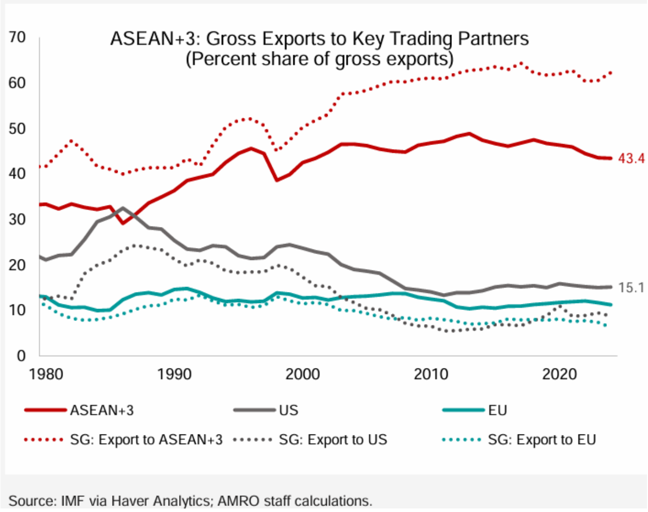


Fig. 2.5

Despite this reduced reliance on the US as an export destination, the potential impact of the US tariffs remains significant.

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

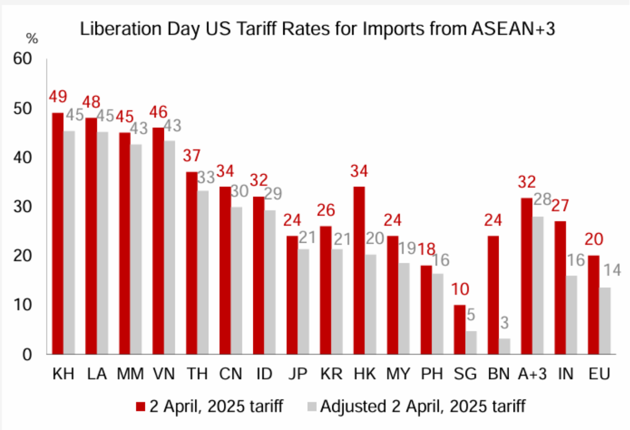
Economy	AREO 2025		'Liberation Day' Scenario	
	2025F	2026F	2025F	2026F
ASEAN+3	**4.2**	**4.1**	**3.8**	**3.4**
Plus-3	4.1	4.0	3.7	3.3
ASEAN	4.7	4.7	4.4	3.8
Singapore	2.7	2.4	2.5	2.1
US	2.2	2.0	1.4	1.0
World	3.0	3.0	2.7	2.2

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

Fig. 2.6

Figure 2.6 shows data from AMRO's economic growth forecast, published in mid-April following the announcement of the "Liberation Day" tariffs. The implementation of the tariffs is currently paused as trade negotiations take place, but uncertainty remains. Preliminary estimates suggest the tariffs could directly reduce growth by 0.4 per cent in ASEAN+3 and by 0.2 per cent in Singapore. At the time, the preliminary estimates on Singapore only took into account the direct impact, which appeared relatively small.

The overall impact of the US tariffs on ASEAN+3 economies is negative, but the extent varies across countries, depending on the reciprocal tariff rates imposed and each economy's reliance on the US export market.



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.

Fig. 2.7

Cambodia faces the highest US tariff rate at 49 per cent, followed by Laos, Myanmar and Vietnam. In contrast, Singapore faces the region's lowest tariff rate at 10 per cent.

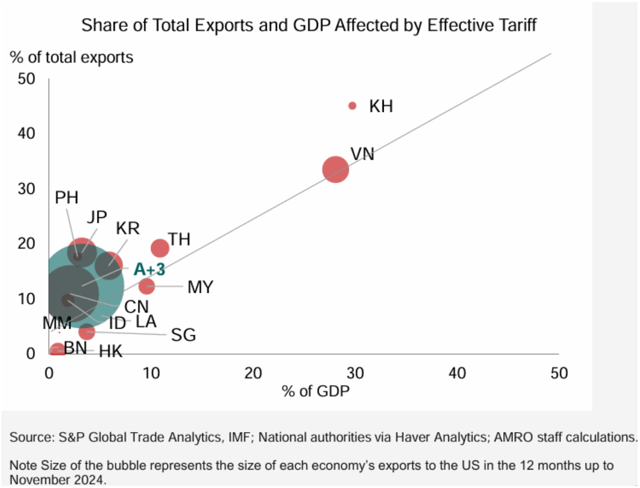


Fig. 2.8

When considering the share of exports and GDP affected by the tariffs, Cambodia and Vietnam are the most exposed (Fig. 2.8). For other economies, including Singapore, the affected exports represent a smaller portion of the GDP. However, this reflects only direct exposure to the US.

Singapore's direct exposure to the US is relatively limited, but the economy remains highly integrated into global trade (Fig. 2.9).

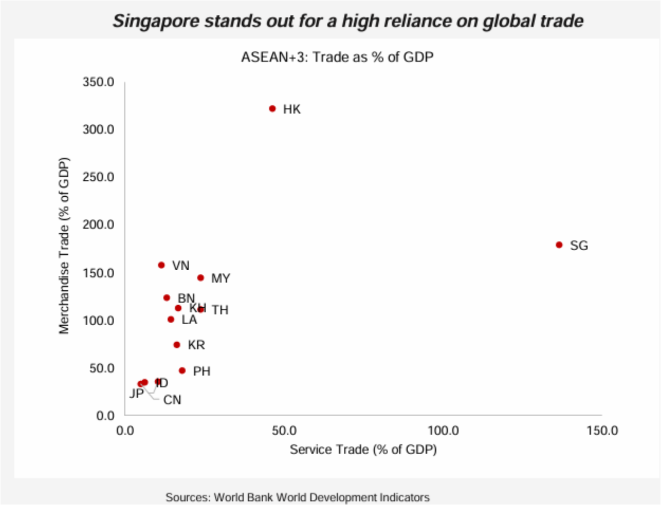


Fig. 2.9

As such, Singapore is likely to be more affected by the tariffs indirectly, through a broader decline in global trade and economic slowdowns among its trading partners.

Singapore's Near-Term Economic Outlook

Strong growth and moderate inflation in 2024

Singapore's economic growth strengthened in 2024, with GDP growth accelerating from an average of 1.8 per cent in 2023 to 4.4 per cent in 2024 (Fig. 2.10). This growth was mostly driven by the services and manufacturing sectors.

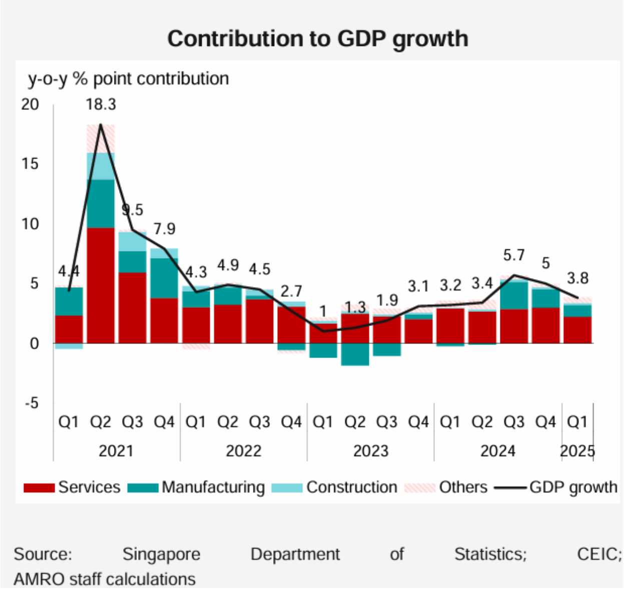


Fig. 2.10

At the same time, inflation moderated across all categories, declining from 4.8 per cent in 2023 to 2.4 per cent in 2024 (Fig. 2.11).

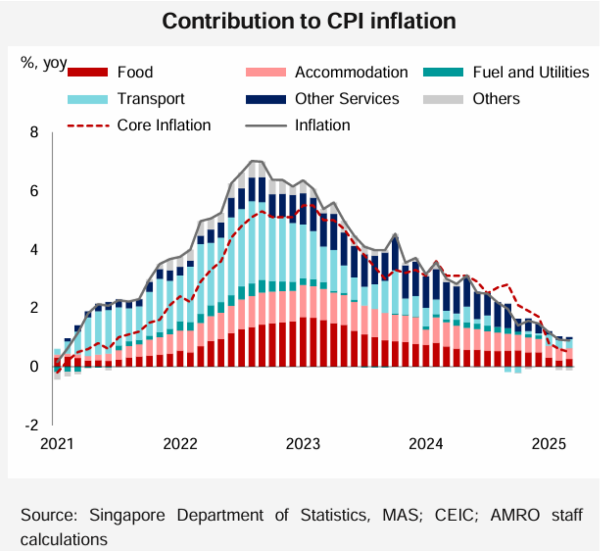


Fig. 2.11

The Monetary Authority of Singapore (MAS) has maintained the rate of appreciation of the Singapore dollar (Fig. 2.12) throughout the year, helping to ease inflationary pressures.

Fiscal pressures were assessed to be broadly neutral (Fig. 2.13).

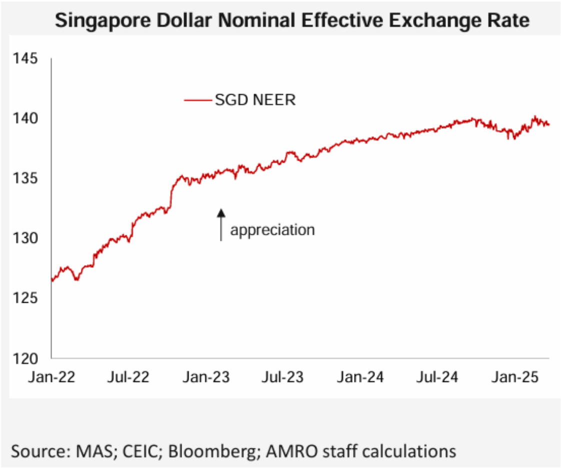


Fig. 2.12

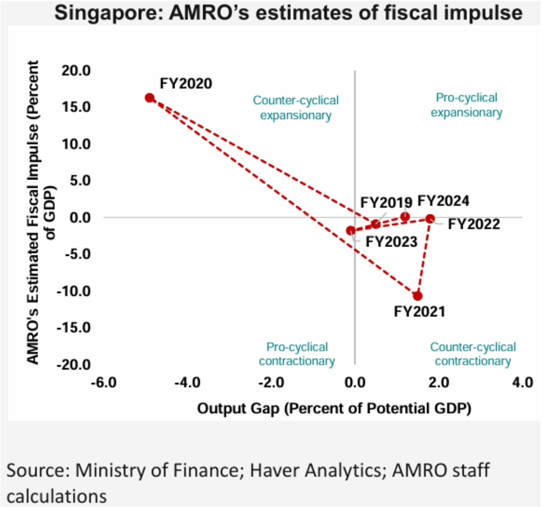


Fig. 2.13

Near-term growth faces heightened uncertainties

Singapore's near-term growth remains highly uncertain, largely due to the direct and indirect impacts of the US tariffs.

A revised preliminary assessment suggests that the direct impact on exports could lower GDP growth by at least 0.6 per cent from earlier projections (Fig. 2.14).

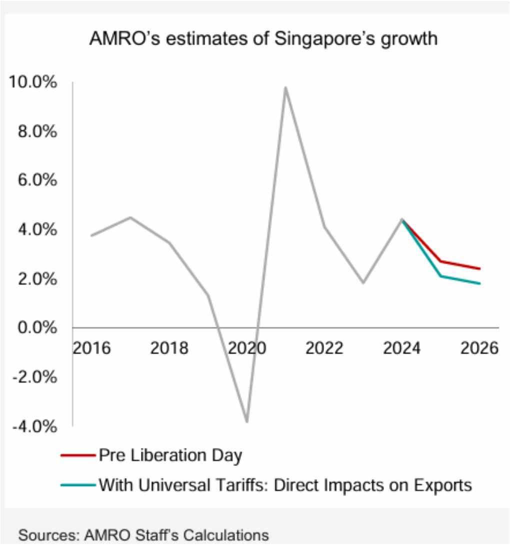


Fig. 2.14

Further negative shocks will also stem from weakening global trade and slower growth among trading partners. Sensitivity analysis indicates that a 1 per cent decline in global trade growth could reduce Singapore's GDP growth by around 0.2 per cent (Fig. 2.15).

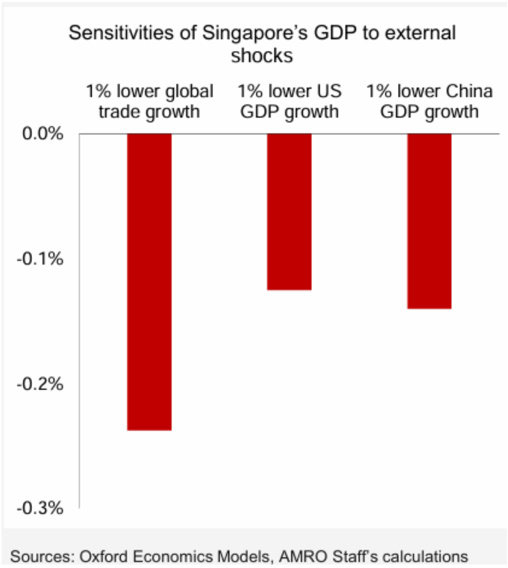

Sensitivities of Singapore's GDP to external shocks
1% lower global trade growth
1% lower US GDP growth
1% lower China GDP growth
0.0%
-0.1%
-0.2%
-0.3%
Sources: Oxford Economics Models, AMRO Staff's calculations

Fig. 2.15

Inflation projected to remain low amid weaker growth

In 2025, both core inflation and all-items inflation is projected to continue to decline, reaching four-year lows — from 7.5 per cent in September 2022 to about 0.9 per cent in March 2025 (Fig. 2.16).

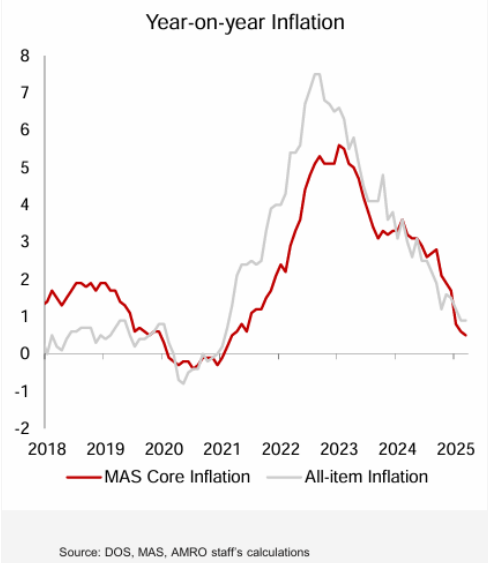


Fig. 2.16

The moderation is evident across most categories, with the exception of transport prices (Fig. 2.17).

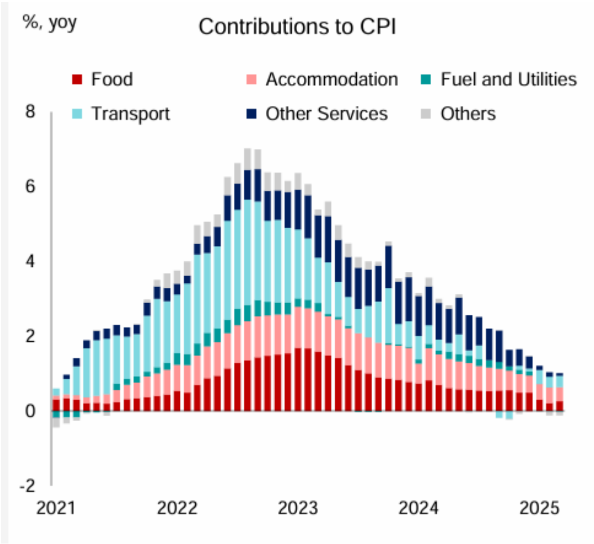


Fig. 2.17

The current trend of low inflation is expected to persist amid slower domestic and global growth. AMRO expects that inflation will average near the midpoint of MAS' forecast range of 0.5 to 1.5 per cent (Fig. 2.18).

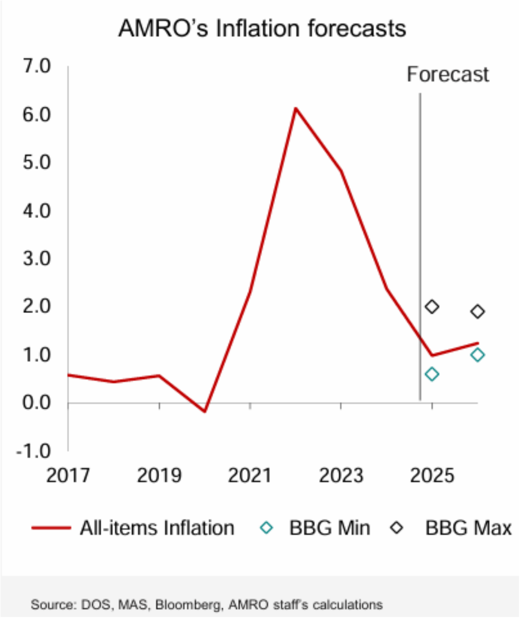


Fig. 2.18

Singapore's fiscal and monetary space

Compared to other ASEAN+3 economies, Singapore has ample fiscal and monetary space to respond the external headwinds and support the economy during the downturn (Fig. 2.19).

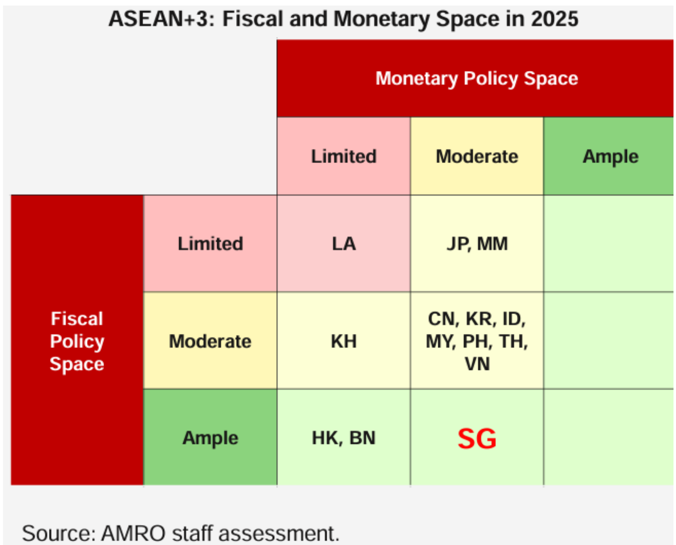


Fig. 2.19

While most ASEAN+3 economies are focused on fiscal consolidation and their fiscal balance remained in deficit, Singapore has managed to successfully reverse its fiscal position from a deficit to a surplus in the past two years (Fig. 2.20).

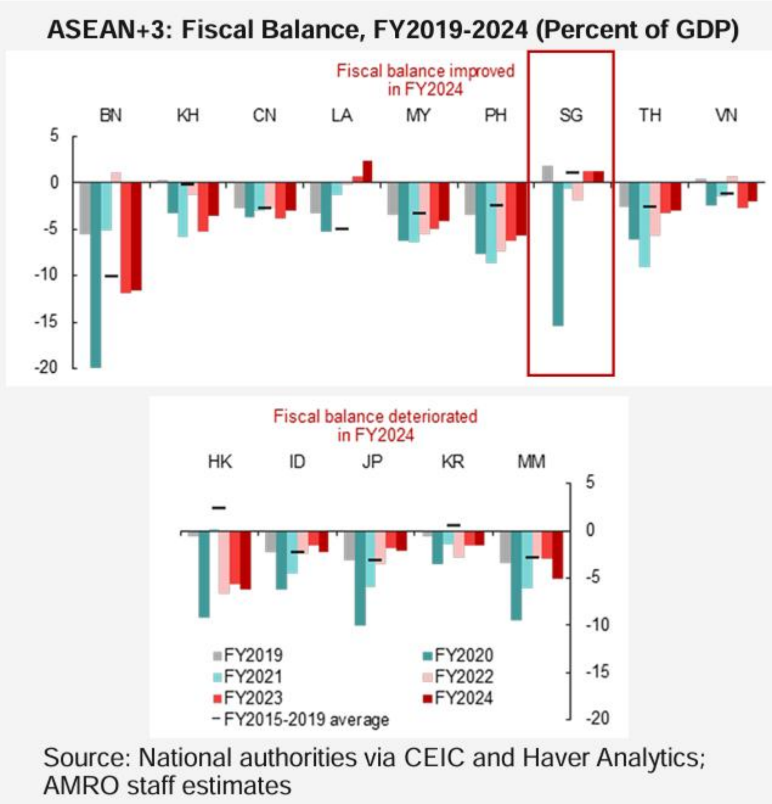


Fig. 2.20

MAS begins to ease monetary policy

In 2023 and 2024, MAS maintained the rate of appreciation of the Singapore dollar nominal effective exchange rate (S$NEER) policy band to dampen imported inflation and curb inflationary pressures. Over this period, the Singapore Dollar Nominal Effective Exchange Rate Index (S$NEER) appreciated by 2 per cent in 2023 and 0.5 per cent in 2024.

In 2025, with growth outlook weakening and inflation cooling more rapidly than expected, MAS has reduced the slope of the S$NEER appreciation twice — once in January and again in April. According to AMRO, there remains scope to further ease the S$NEER slope if the economic outlook deteriorates further.

Medium- to long-term challenges

Singapore has made significant progress in tackling long-term challenges in three key areas: climate change, technological disruption and an ageing population, through various policy initiatives (Fig. 2.21).

Climate change mitigations and adaptations	Technology disruptions and opportunities	Changing demographics
	Key policy initiatives	
• Set Nationally Determined Contributions (NDCs) and Net Zero Target	• Smart Nation Initiatives	• Financial supports for childcare and elderly care
• Singapore's Green Plan 2030	• Digital Enterprise Blueprint to support business AI adoption	• Healthier SG initiative to promote preventive care
• Carbon Tax and Carbon Credits Frameworks	• Digital Connectivity Blueprint to boost digital infrastructures	• Increase retirement and re-employment age
• Finance for Net Zero Action Plan	• TechSkills Accelerator program to upskill workers	• Senior Employment Credits for employers
• Top-ups to the Coastal and Flood Protection Funds	• Top-ups to National Productivity Funds	• SkillsFuture reskilling and upskilling grants
• Climate Vouchers for households	• Global Finance & Technology Network (GFTN)	• Complementarity Assessment Framework (COMPASS) for foreign workers

Fig. 2.21

Nonetheless, an ageing population remains a key challenge over the long term. Singapore is the oldest nation among ASEAN countries (just behind East Asian countries) (Fig. 2.22), due to its low fertility rate and high life expectancy (Fig. 2.23).

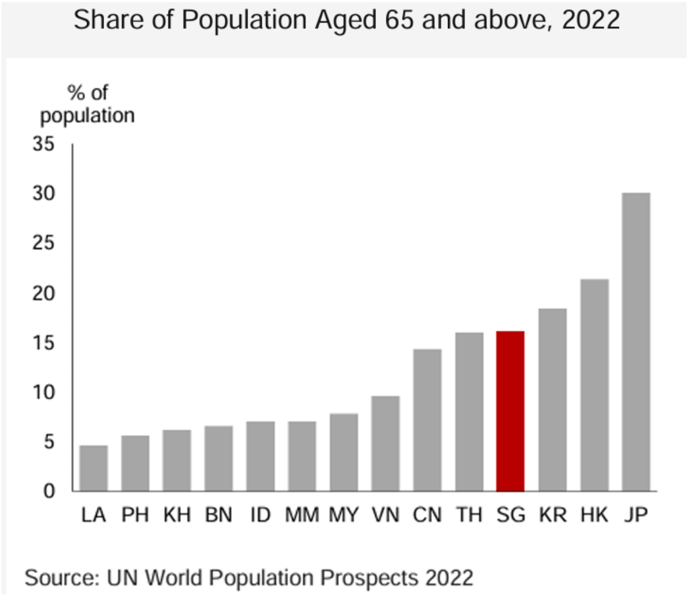

Share of Population Aged 65 and above, 2022
% of population
35
30
25
20
15
10
5
0
LA PH KH BN ID MM MY VN CN TH SG KR HK JP
Source: UN World Population Prospects 2022

Fig. 2.22

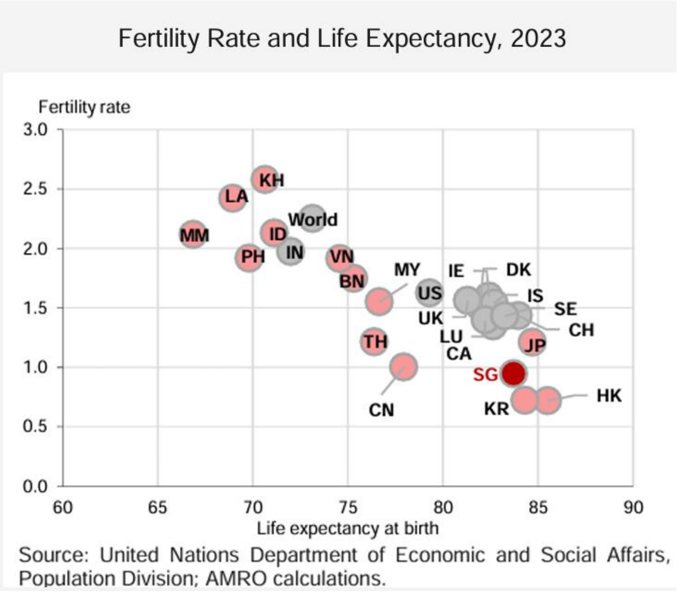


Fig. 2.23

The shrinking working-age population (Fig. 2.24) will add to the fiscal burden and weigh on per capita growth.

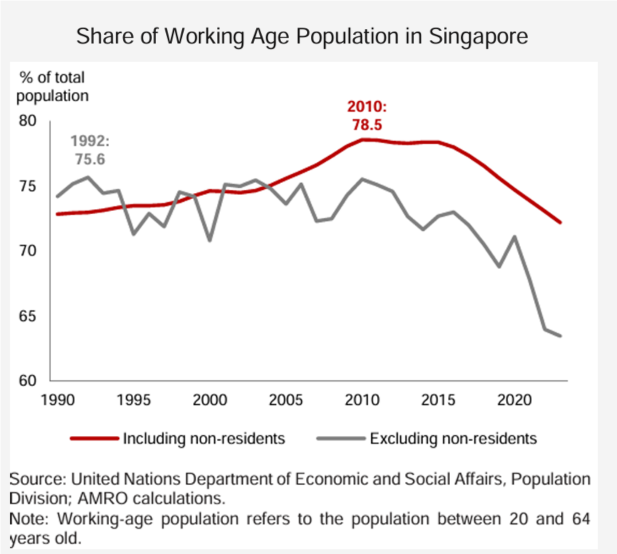


Fig 2.24

While policy efforts have helped to increase labour force participation among the elderly (Fig. 2.25), many remain employed in sectors vulnerable to technological displacement, such as administrative and support services (Fig. 2.26). In response, the government has been actively supporting older employees in acquiring relevant digital skills.

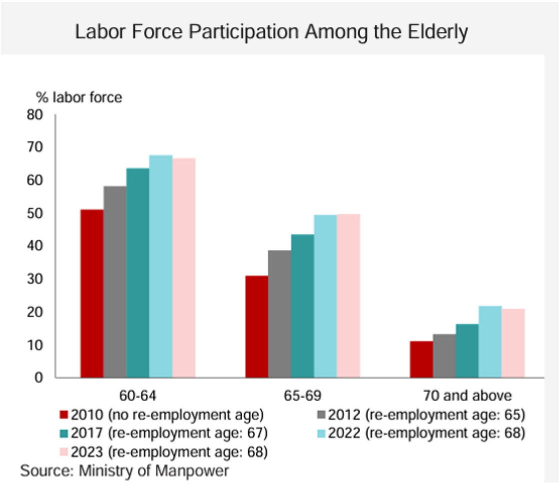


Fig. 2.25

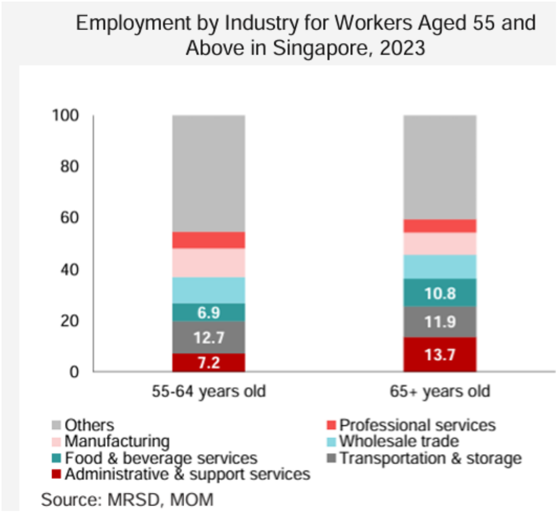
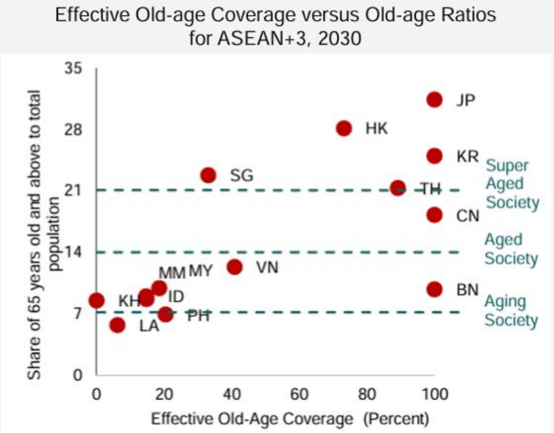


Fig. 2.26

Compared to other advanced economies, Singapore's pension coverage appears to lag behind (Fig. 2.27), suggesting a need to further enhance elderly welfare support.



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

Fig. 2.27

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 these risks.

The 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 the US compared to its 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 space to support the economy through the expected slowdown. Policy responses should focus on helping firms diversify into new markets and strengthening their competitiveness.

Singapore should also continue to support a rules-based international order and champion collaborations across multiple fronts, including trade, financial integration and climate change mitigation. In the longer term, the ageing population remains a key policy challenge.

3. Presentation by Mr Rajiv Biswas

Chief Executive Officer
Asia-Pacific Economics Pte Ltd.

This presentation begins with an overview of the global economic landscape, before examining the near- and medium-term outlook for Singapore, as well as positive initiatives underway to bolster economic growth amid the slowing global economy.

US Tariffs Have Weakened Near-Term Global Economic Outlook

Based on data from the International Monetary Fund's Spring Meetings (Fig. 3.1), the economic outlook for 2025 does not appear encouraging. World GDP growth in 2025 is projected to slow to 2.8 per cent, down from 3.3 per cent in 2024, as major economies face significant headwinds.

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

Fig. 3.1

In the US, growth momentum is expected to moderate from 2.8 per cent in 2024 to around 1.8 per cent in 2025 reflecting the effects of previous monetary policy tightening, in addition to rising uncertainty from Trump 2.0 tariff policies, with implications for inflation, interest rates and broader economic growth.

Growth in the Eurozone and the UK is likewise expected to remain weak in 2025, at around 0.8 per cent and 1.1 per cent respectively — with little change compared to 2024 levels.

In China, the largest economy in the APAC region, growth is expected to moderate from 5.0 per cent in 2024 to 4.0 per cent in 2025, due to sluggish consumption and the protracted housing sector crisis. The sharp escalation of US tariffs, despite the temporary pause, remains a concern for growth prospects in the medium term.

India has been the fastest growing economy within the G20 the past two years, where GDP growth forecasts remain positive at about 6.2 per cent in 2025 and 6.3 per cent in 2026. Inflation has declined significantly, enabling monetary policy easing. However, heightened geopolitical tensions following a recent conflict with Pakistan introduces risks, although these are expected to remain contained for the foreseeable future.

Australia is an exception among advanced economies, where growth is expected to strengthen. Monetary policy easing, alongside moderating inflation and personal income tax cuts will support consumer spending and overall economic growth.

Overall, while global growth is expected to be weak in 2025, prospects are expected to improve slightly, with GDP growth projected to rise to 3.1 per cent in 2026.

China's Economic Outlook Faces Multiple Headwinds

China's GDP growth rate is forecast to moderate from 5.0 per cent in 2024 to 4.0 per cent in 2025 (Fig. 3.2), reflecting a range of continuing headwinds from moderate growth in private consumption, the protracted crisis in the residential construction sector and now, the impact of US tariffs on exports.

Fig. 3.2

Exports grew by 5.9 per cent in 2024 measured in US dollar 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 per cent GDP growth in 2024, or around 44 per cent of total GDP growth. Retail sales of consumer goods rose by 3.5 per cent in 2024, while retail sales of services rose by 6.2 per cent.

Fixed asset investment growth was weak, rising by just 3.2 per cent, with the 10.6 per cent 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 per cent year-on-year in 2024, compared with a 16.5 per cent drop in 2023.

The Trump 2.0 tariff hikes have caused a considerable drag on Chinese exports to the US in the first half of 2025. Even after negotiation conclude, significant tariffs are likely to remain in place.

US Tariffs Disruptions to World Trade

The steep escalation in US tariffs on many key trade partners worldwide have created a significant negative shock for world trade flows in the first quarter of 2025.

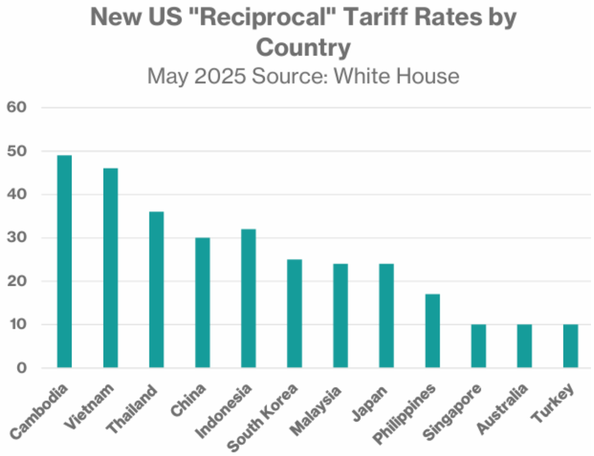


Fig. 3.3

Significant escalation of US tariffs on other key manufacturing hubs in Asia, such as Japan, South Korea, Vietnam, Thailand, Malaysia and Indonesia, will also weigh on the export sectors of many APAC economies, unless the tariffs are substantially mitigated following bilateral negotiations.

Singapore is among the countries that has attracted very low tariff increases from the US, at 10 per cent (Fig. 3.3). This could increase Singapore's relative attractiveness within East Asia as a manufacturing hub for high value-added exports to the US, such as advanced electronics and pharmaceutical products.

The outlook for the second half of the year appears more positive, as the US begins concluding bilateral trade negotiations with its trading partners to ease tariff measures, such as the recent US-UK trade agreement. Similarly, in Asia, several deals are expected to be reached that could result in lower tariff rates than those initially indicated by the US. However, the timeframe for reaching these agreements may be more protracted for countries that have larger trade surpluses with the US.

US-China Trade Talks Show Progress, But Challenges Remain

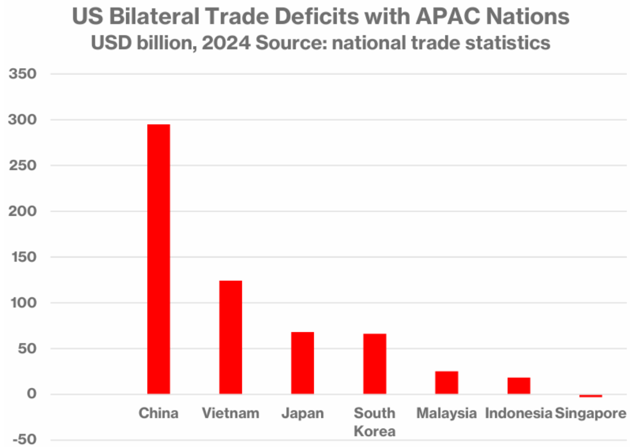


Fig. 3.4

Although initial bilateral trade negotiations between the US and China were positive in significantly reducing tariff levels, the final reciprocal tariff rate imposed by the US on China is still likely to be substantial. This is due to several complex issues, including China's large trade surplus with the US, the US Treasury's designation of China as a "currency manipulator," persistent tariff and non-tariff barriers, as well as domestic subsidies.

As a result, the US-China trade war is likely to be protracted, with continued decoupling in strategic industries such as defence and electronics technology.

The new US tariff and trade regulatory landscape is likely to be more challenging for Chinese transshipments through third countries, notably via ASEAN countries like Vietnam and Malaysia, or through Mexico. This could reduce foreign direct investment inflows from China into some ASEAN nations related to supply chain diversification. Furthermore, an important part of the negotiations between the US and ASEAN economies will be efforts to ensure that transshipments channels are not exploited as a loophole to avoid US tariff measures on Chinese exports.

China Faces Currency Manipulator Tag in US Trade Talks

An obvious area of concern in US-China trade talks is the US Treasury's designation of China as a currency manipulator. The Chinese yuan has edged up against the US dollar in recent weeks, as expectations of trade negotiations have supported the yuan (Fig. 3.5).

Fig. 3.5

Source: XE

In 2024, exports grew by 5.9 per cent in US dollar terms, helped by front-loading of exports to the US ahead of the Chinese New Year factory shutdowns and accelerated shipments ahead of Trump 2.0 tariff hikes on China.

However, following the steep new US tariffs imposed on China, exports to the US have fallen sharply, down 21 per cent year on-year in April. Despite this decline, China's global exports rose by 8.1 per cent year-on-year in April, with exports to ASEAN countries up by 20.8 per cent year-on-year over the same period.

Some East Asian Currencies Rising Against the US Dollar

Apart from China, other East Asian economies also face the challenge of having the "currency manipulator" tag in bilateral trade negotiations with US, including Japan, South Korea, Taiwan, Singapore and Vietnam. This puts additional pressure on them to allow their currencies to appreciate against the US dollar.

Rising inflation and monetary policy tightening have supported recent appreciation of the yen against the US dollar (Fig 3.6). Japan has a US$63 billion trade surplus with the US in fiscal year 2024–25, which is likely to be a focal point in trade negotiations.

The Taiwanese dollar has also risen sharply against the US dollar (Fig. 3.6), as the Trump Administration announced a new tariff rate of 32 per cent on Taiwan, set to take effect after the current 90-day pause expires. Taiwan recorded a US$74 billion trade surplus with the US in 2024.

Similarly, the Singapore dollar has appreciated against US dollar (Fig. 3.6) as an Asian safe haven currency amid global financial market turmoil over the US tariff measures. Singapore, notably, faces the lowest level of US tariffs among these economies, at 10 per cent.

Fig. 3.6

Source: XE

US Tariff Policy Will Shift Manufacturing Supply Chains

Despite ongoing bilateral trade talks between the US and many other nations, the recent US tariff shocks are expected to push APAC nations to refocus on diversifying their exports toward other APAC economies and fast-growing emerging markets in other regions.

Fig. 3.7

China has already successfully diversified its exports since the first US-China trade war started in 2018, significantly reducing the share of exports to the US, while ASEAN has risen in importance as both a trade partner and export market.

Regional trade agreements in APAC, such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will support this gradual process of trade diversification, helped by continued rapid economic growth in ASEAN and India.

Singapore's Near-Term Economic Outlook

After rapid growth of 4.4 per cent in 2024, Singapore's near-term economic outlook is for moderate GDP growth in 2025, projected at around 2 per cent, at the upper end of the latest Ministry of Trade and Industry (MTI) forecast range for 2025. Global trade disruptions due to the Trump 2.0 tariff wars have weighed on key sectors of the Singapore economy, including manufacturing, financial services and shipping.

Meanwhile, easing world oil prices in the first half of 2025, supported by increased OPEC+ oil production, have helped to contain inflationary pressures (Fig 3.8). Singapore's headline CPI inflation rate moderated to just 0.9 per cent year-on-year in March 2025, while core CPI inflation was at 0.5 per cent year-on-year (Fig. 3.9). Singapore's Budget 2025 projects a fiscal year surplus of S$6.8 billion or 0.9 per cent of GDP, following an estimated surplus of S$6.4 billion in FY 2024.

Oil Prices Have Declined in H1 2025

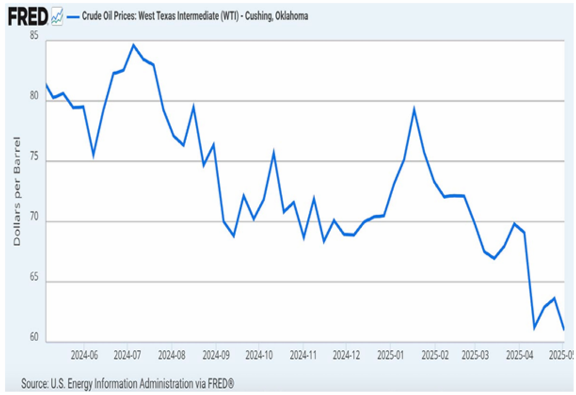


Fig. 3.8

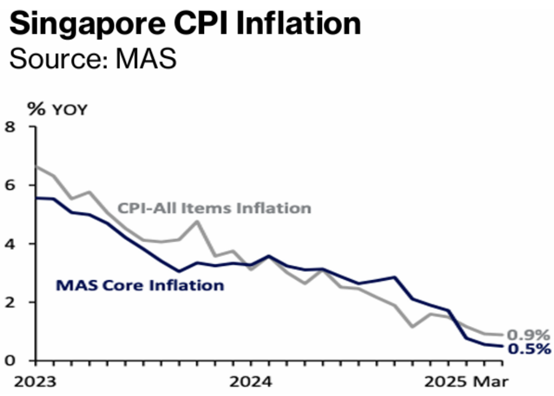


Fig. 3.9

Singapore's Medium-Term Economic Outlook

The medium-term outlook for Singapore remains positive (Fig. 3.10), due to strong growth drivers, its position as a leading APAC international financial centre, and its role as a commercial hub for multinationals.

Fig. 3.10

Continued strong growth in the APAC region, underpinned by the continued rapid growth of ASEAN and India, will further bolster Singapore's prospects over the medium term.

A key growth driver in the medium-term will be Singapore's continued expansion as one of the world's leading international financial centres. Notably, Singapore's Assets Under Management reached S$5.4 trillion in 2023, while the number of single family offices rose from 1,400 in 2023 to over 2,000 by the end of 2024.

Singapore will also maintain its position as a leading APAC transportation hub for logistics, shipping and aviation. The expansion of Changi Airport with Terminal 5 reflects expectations of increased tourism flows through Singapore.

Additionally, Singapore's very low reciprocal tariff rate set by the US, at just 10 per cent, will reinforce its competitiveness as an East Asian manufacturing hub for high value-added exports to the US.

Finally, the technology sector will be an important driver of growth. According to EDB estimates, investment commitments are expected to create 18,700 jobs over the next five years across services, manufacturing, and R&D and innovation, contributing S$23.5 billion in Value Added per annum.

Singapore A Leading Global Manufacturing Hub

The global economy is undergoing a major transformation, driven by the AI and big data, which are reshaping industry and services. Countries best positioned to harness these shifts will lead future growth.

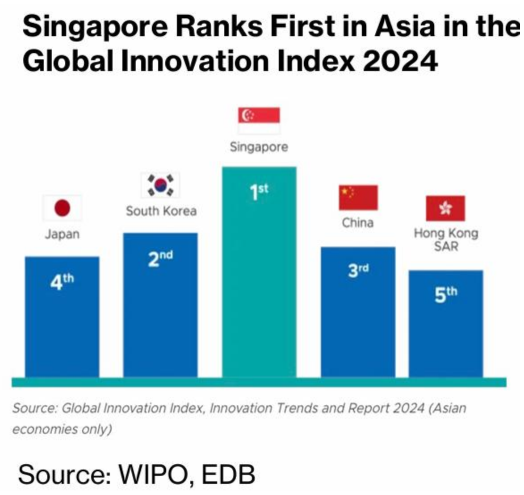


Fig. 3.11

Riding this wave, Singapore has emerged as a leading innovation hub, ranking first in Asia on the Global Innovation Index in 2024 (Fig. 3.11). In the same year, Digital Industry Singapore has secured 26 AI Centres of Excellence to research and build proprietary generative AI solutions. The Economic Development Board (EDB), together with EnterpriseSG, is also supporting around 50 Singapore-based AI startups through three new accelerators launched by Google, Amazon Web Services and Nvidia.

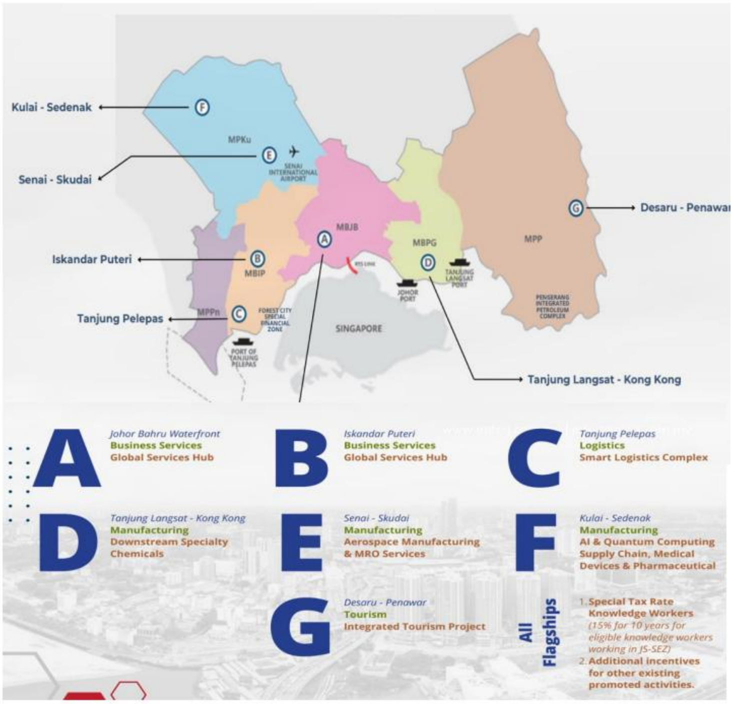
Singapore Budget 2025 reinforced this strategy by allocating an additional S$1 billion to build up R&D infrastructure, including a national semiconductor lab facility, as well as S$3 billion for the National Productivity Fund to attract high-value technology investments and drive productivity. There are now 140 carbon services and trading companies in Singapore, more than double the number from 2021.

For context, during President Trump's recent visit to the Middle East, the US and the United Arab Emirates (UAE) agreed to establish a regional AI technology cluster in Abu Dhabi with a five-gigawatt data centre. This underscores how leading economies worldwide are focused on AI, big data, and attracting top talent in these fields. Singapore is rightly positioning its policies to remain highly competitive in this space.

Singapore-Johor Special Economic Zone

Finally, the Singapore-Johor Special Economic Zone (SEZ), is a promising initiative to drive medium- to long-term growth.

JOHOR-SINGAPORE SEZ



Source: Invest Malaysia Facilitation Centre Johor

Fig. 3.12

It aims to create a new regional economic corridor over the next decade, reinforcing Singapore's position as an APAC gateway for transport, logistics, manufacturing, and services.

Johor's rapid development, offering low-cost land, water, electricity and labour, along with its rise as a data centre hub, will complement Singapore's long-term growth as a leading APAC economic hub for AI and communications.

The SEZ will focus on economic development in 11 key sectors: manufacturing, logistics, food security, tourism, energy, the digital economy, green economy, financial services, business services, education and health.

Conclusion

In conclusion, Singapore's medium- to long-term prospects remain positive. Ongoing efforts in AI and innovation will help mitigate the impact of an ageing population on productivity and support the country's long-term potential growth.

4. Discussion Session 1

Building on the presentations, several questions emerged during the first discussion session, most notably around the currency pressures facing ASEAN countries and their efforts in navigating rising tensions between the US and China — both of which remain key economic partners for the region. Participants also raised questions about how Singapore will address near-term uncertainties as well as the longer-term challenge of an ageing population.

Currency Pressures in ASEAN-US Trade Negotiations: There were discussions about the feasibility of ASEAN countries allowing their currencies to appreciate, and if such forced appreciations could serve as a silver lining by compelling Asian economies to pursue deeper structural reforms.

Among non-ASEAN countries also labelled as currency manipulators, Japan and Taiwan have recently allowed their currencies to strengthen against the US dollar. For Singapore, with its high value-added economy, the highest per capita GDP in the region, and its role as a regional financial hub where the Singapore dollar serves as a regional reserve currency, a stronger Singapore dollar would be beneficial. Hence, 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.

A discussant also highlighted an apparent inconsistency in US fiscal policy: while the US advocates for a weaker dollar to correct trade imbalances, it simultaneously seeks to uphold the US dollar's role as the global reserve currency. It was noted, however, by another discussant 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.

Managing Near-Term Uncertainties

Participants asked whether Singapore should pivot away from an export-driven growth model toward greater reliance on domestic consumption, given that external conditions have become less favourable. While an ageing population will naturally lead to some increase in domestic consumption over time, it is unlikely to reach levels sufficient to fully offset external demand.

When asked whether Singapore might see negative inflation in the near term, a discussant noted that Singapore strives to maintain a low, stable inflation environment, and does not anticipate a shift into negative inflation. The impact of the US tariffs is expected to push up the cost of imports. At the same time, low oil prices, softening wage growth — which currently suppress inflation — and policy decisions on costs such as transport, will all influence the overall inflation outlook.

Managing Long-Term Challenges

There were also questions about whether immigration policies could address the challenges of an ageing population, especially in the context of rising global protectionism.

Singapore has attempted to increase its labour force by raising the retirement age and supporting the employment of elderly workers. In parallel, the growing adoption of AI and automation is promising for mitigating demographic pressures, supported by subsidies that help firms integrate such technologies.

Ultimately, a multi-pronged strategy will be needed to sustain long-term growth — combining higher domestic consumption, continued attraction of multinational companies, and cross-border initiatives such as the economic corridor with Johor. These policies are expected to complement and reinforce one another, although some will require time to yield results.

Special Session: Trade and Foreign Investment Outlook in Singapore and Southeast Asia

5. Presentation by Assoc Prof Chang Pao-Li

Associate Dean (Research and Industry Engagement)
School of Economics
Singapore Management University

This presentation provides an overview of the balance of concessions among major economies under the World Trade Organization (WTO)-implemented tariffs, before exploring the potential direct and indirect impacts of the recent US reciprocal tariffs on ASEAN economies.

Bilateral concessions under the WTO

To better understand the context of recent tariffs, it is important to first consider the balance of concessions between countries under the WTO-implemented tariff schedules. The terms-of-trade concessions of each economy granted to its trading partners are measured by the implied terms-of-trade gains its trading partners receive from the economy's restraint from exercising its bilaterally optimal tariffs and keeping to the status quo tariffs under the WTO. The concessions presented in Figures 5.1 to 5.5 are calculated using the OECD-WTO inter-country input-output (ICIO) tables on production and trade, covering the period from 1995 to 2018.

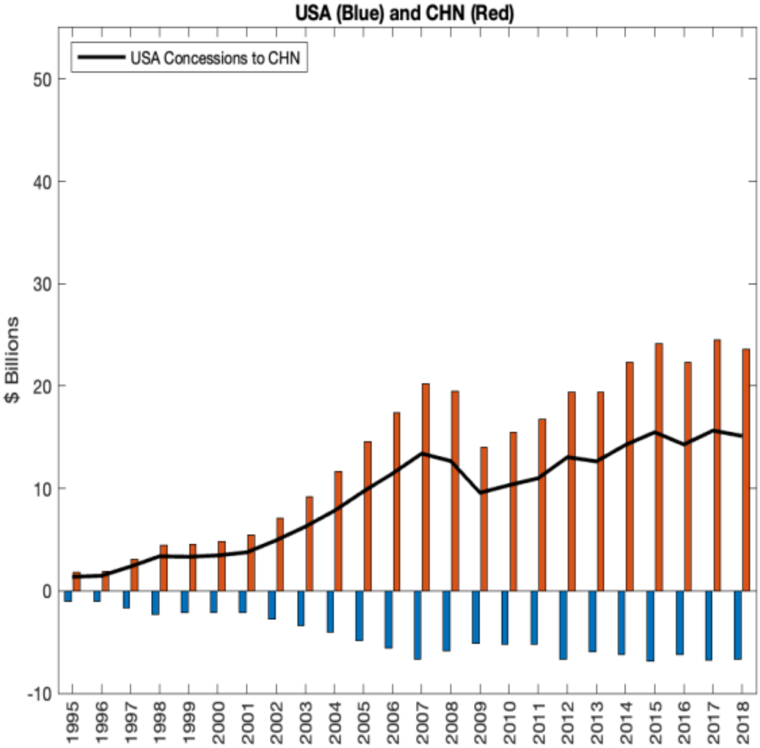


Fig. 5.1

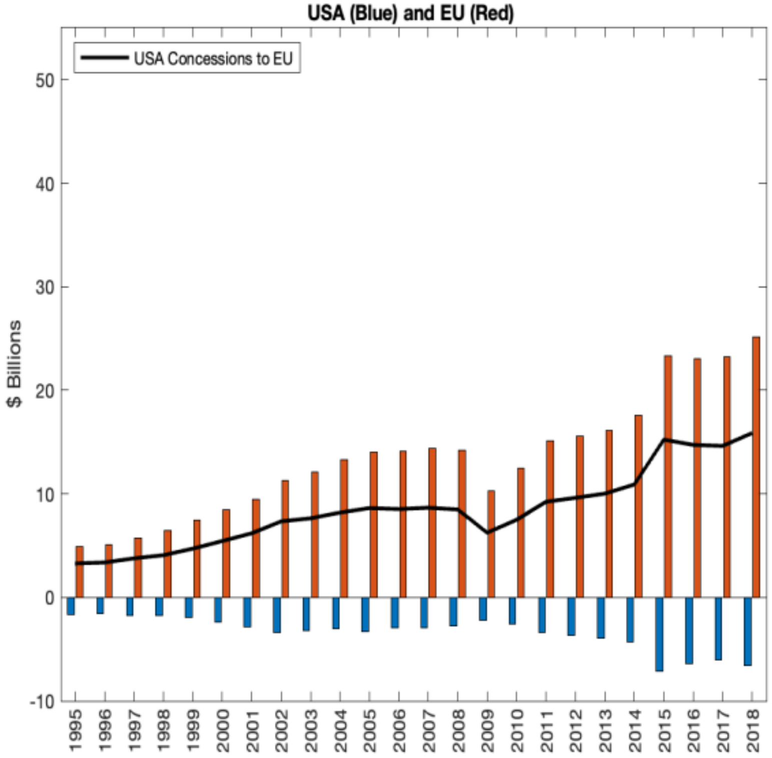


Fig. 5.2

In Figures 5.1 and 5.2, the blue (red) bars indicate the effect on the US terms of trade (on those of its trading partners — China and the EU, respectively) from adhering to the WTO-implemented tariffs (instead of flexing their respective bilaterally optimal tariffs). The patterns indicate that the net concessions of the US to China and the EU have increased over time.

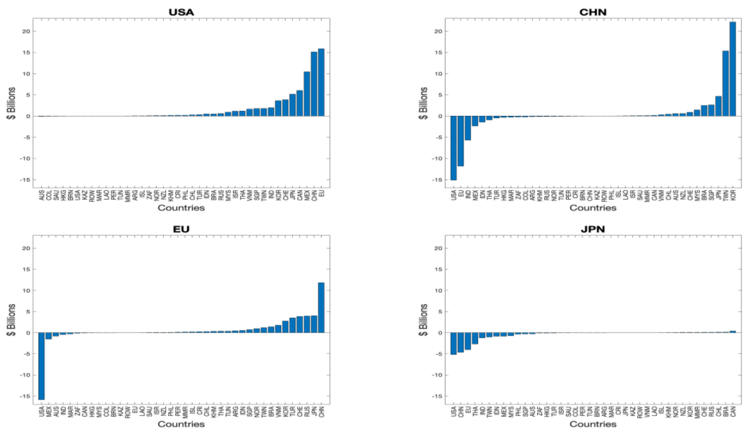


Fig. 5.3

Figure 5.3 presents the bilateral concessions of the US, China, the EU and Japan to their trading partners in 2018. The figure shows that the US is a net granter of concessions to nearly all its trading partners, with the EU and China receiving the largest net concessions at US$16 billion and US$15 billion, respectively.

Following its accession to the WTO in 2001, China initially benefited as a net recipient of concessions. Over time, it transitioned into a net granter of concessions to its East Asian trading partners, while continuing to receive net concessions from the US, the EU and India.

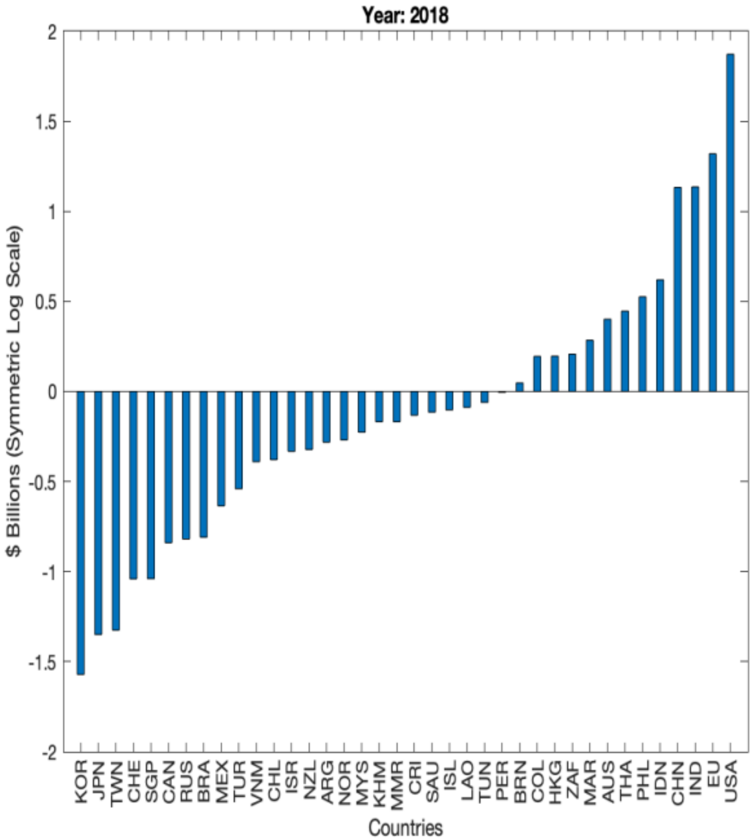


Fig. 5.4

Figure 5.4 presents the multilateral concessions of the major economies in 2018. The US stands out as the largest overall contributor under the WTO tariffs, while South Korea appears as the largest recipient of concessions.

Counterfactual: Balanced Trade Scenario

Figure 5.5. introduces a counterfactual scenario in which multilateral trade imbalances are eliminated. In this figure, the blue bars represent the pattern of concessions under the current state of trade imbalances, while the red bars illustrate the corresponding concessions under the hypothetical scenario of balanced trade.

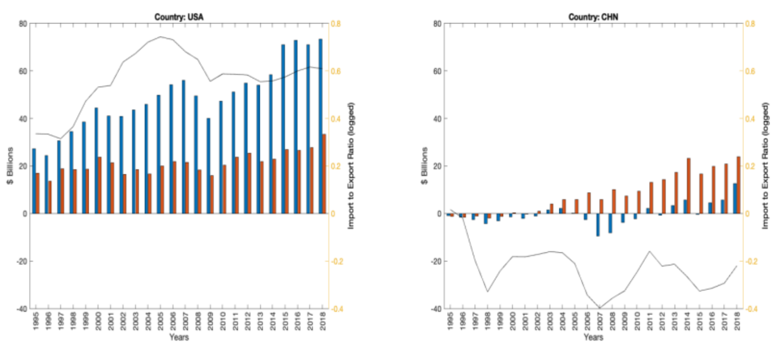


Fig. 5.5

In the balanced trade scenario, the multilateral concessions granted by the US would decrease significantly — from US$73 billion to around US$30 billion in 2018, making trade relationships more reciprocal from the US perspective.

Conversely, eliminating multilateral trade imbalances has the opposite effect on the balance of concessions of China, increasing its net multilateral concessions from around US$13 billion to US$25 billion.

This shift highlights that much of the observed asymmetry in US concessions stems from existing trade imbalances. These findings help contextualise US's growing dissatisfaction with the current WTO-implemented tariff framework, and its resulting decision to take unilateral action — to revise trade terms with trading partners — with the imposition of tariffs outside the multilateral system.

US Tariffs and Their Impact on ASEAN Economies

Direct impact on ASEAN economies

In April 2024, the US announced potential new tariffs on its trading partners. The tariff rates were determined based on the scale of each country's bilateral trade imbalance with the US.

Figure 5.6 depicts each country's trade imbalance with the US (column E) and the tariff rate imposed (column A).

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	(A) US reciprocal tariff rate	(B) 2024 goods exports to US (millions)	(C) 2024 goods imports from US (millions)	(D) 2024 goods trade surplus with US (millions)	(E) (D) / (B)	(F) 2024 total exports (millions)	(G) (B)/(F)
Cambodia	49%	12,700	322	12,378	0.97	26,000	0.49
Laos	48%	803	40	763	0.95	8,100	0.10
Vietnam	46%	136,600	13,100	123,500	0.90	405,530	0.34
Myanmar	45%	657	77	580	0.88	14,920	0.04
Thailand	37%	63,300	17,700	45,600	0.72	300,500	0.21
Indonesia	32%	28,100	10,200	17,900	0.64	264,700	0.11
Malaysia	24%	52,500	27,700	24,800	0.47	329,450	0.16
Brunei	24%	239	127	112	0.47	11,308	0.02
Philippines	18%	14,200	9,300	4,900	0.35	73,200	0.19
Singapore	10%	43,200	46,000	-2,800	-0.06	674,500	0.06

Note: Columns (B)–(D) are based on the USTR website. Column (F) is based on the WTO website and various other sources; may or may not include services exports.

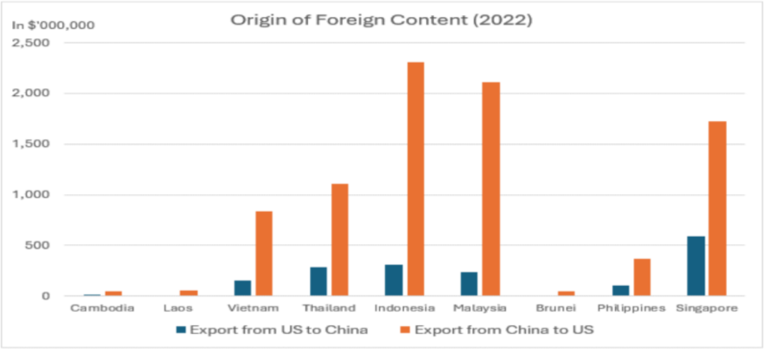
Fig. 5.6

Although the US has cited a more economics-founded formula for the calculation of the reciprocal tariff rates, the US proposed reciprocal tariffs (in column A) are basically 1/2 of each ASEAN economy's goods trade surplus ratio with the US (in column E). The exception is Singapore, which had a trade deficit with the US in 2024 and faced the lowest tariffs of 10 per cent. Vietnam, for instance, has a net trade surplus of

US$123 billion with the US and a trade imbalance ratio of 0.90. This resulted in a high 46 per cent tariff against Vietnam. Likewise, Thailand's significant trade surplus with the US led to relatively higher reciprocal tariffs. These two economies are highlighted as they also rely on the US as a major export market (column G).

Indirect impact on ASEAN economies

Beyond direct tariffs, the US-China trade war generates significant indirect impacts on ASEAN economies, through the ASEAN value-added contributions embedded in the US-China bilateral exports. In the event of a trade war, the ASEAN economies whose contents are more involved in the production of exports — by either the US or China destined to the other market — will be subject to more potential negative impacts.



Note: Based on the 2022 ADB MRIO tables.

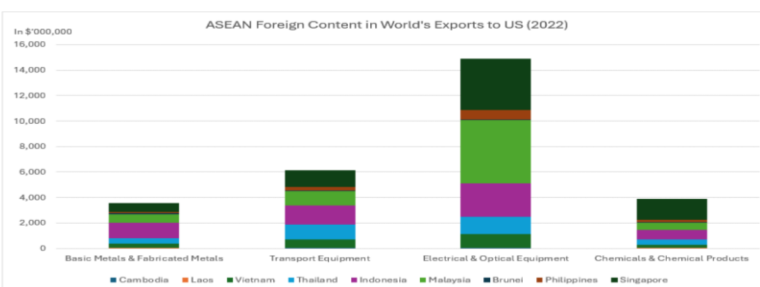
Fig. 5.7

Figure 5.7 shows that ASEAN countries contribute more to the production of Chinese exports to the US than US exports to China, which suggests that US tariffs on China pose a greater risk to ASEAN economies than Chinese retaliatory measures. 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.

Sectoral Reliefs

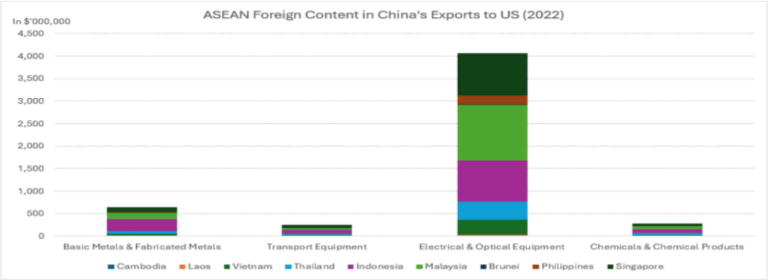
Products exempted from US tariffs fall into two main categories. The first comprises steel, aluminium and automobile parts, which are already subject to product-specific punitive tariffs at a rate of 25 per cent. The second includes electronics and pharmaceuticals, which are excluded for strategic reasons.

Figures 5.8 and 5.9 present ASEAN's foreign contents in world exports to the US and in China's exports to the US, respectively, across the key sectors that include the above-mentioned products.



Note: The sectors in the ADB MRIO table which include these products are, respectively: basic metals & fabricated metal, transport equipment, electrical & optical equipment, and chemicals & chemical products.

Fig. 5.8



Note: The sectors in the ADB MRIO table which include these products are, respectively: basic metals & fabricated metal, transport equipment, electrical & optical equipment, and chemicals & chemical products.

Fig. 5.9

Foreign contents originating from ASEAN embedded in the World sectoral exports to the US are substantial in the electrical & optical equipment sector (proxying for electronics and semiconductors) compared with the other sectors. Malaysia, Singapore and Indonesia stand out in terms of their contribution to the global value chain (GVC) in this sector embedded in the world's exports to the US, suggesting that the tariff exemptions in these sectors may offer these countries some relief.

The benefits of the tariff relief on electrical & optical equipment become even starker, when focusing on the exports from China to the US.

Global Value Chain Position and Exposure to US Tariffs

Economies positioned further downstream in the GVC are likely to carry the weight of the world's trade imbalance with the US, and consequently, are more likely to be subjected to higher tariffs.

	Backward Linkages	Forward Linkages	GVC Participation	Downstreamness
Laos	10.5	30.0	40.6	25.9
USA	11.5	29.6	41.1	28.0
Indonesia	16.3	21.3	37.6	43.3
China	16.6	19.1	35.7	46.6
Brunei	34.5	23.4	57.9	59.6
Philippines	30.9	16.5	47.4	65.2
Malaysia	39.4	19.0	58.3	67.5
Cambodia	37.3	16.5	53.8	69.4
Thailand	37.6	12.8	50.4	74.6
Singapore	46.8	13.6	60.4	77.5
Vietnam	56.1	6.2	62.4	90.0

Note: Based on the 2022 ADB MRIO tables.

Fig. 5.10

Figure 5.10 presents the GVC positions of the US, China and ASEAN economies. Within ASEAN, Vietnam, Singapore and Thailand are the most downstream economies, which can explain why Thailand and Vietnam have been subjected to some of the highest tariff rates imposed by the US.

Global Value Chain Intensity of Trade Blocs

Figure 5.11 compares gross exports and GVC trade across major trade blocs.

EU	Gross Exports	GVC Trade	GVC^{BM}
World	9,396,782	5,354,803	57.0
Within Bloc	5,086,992	3,180,802	62.5
Outside Bloc	4,309,790	2,174,001	50.4

ASEAN	Gross Exports	GVC Trade	GVC^{BM}
World	2,061,768	1,125,897	54.6
Within Bloc	322,382	200,822	62.3
Outside Bloc	1,739,386	925,075	53.2

RCEP	Gross Exports	GVC Trade	GVC^{BM}
World	8,205,744	3,596,942	43.8
Within Bloc	3,027,276	1,494,000	49.4
Outside Bloc	5,178,467	2,102,941	40.6

CPTPP	Gross Exports	GVC Trade	GVC^{BM}
World	4,969,849	2,416,060	48.6
Within Bloc	664,696	357,579	53.8
Outside Bloc	4,305,153	2,058,480	47.8

USMCA	Gross Exports	GVC Trade	GVC^{BM}
World	4,323,990	1,827,576	42.3
Within Bloc	1,676,200	732,053	43.7
Outside Bloc	2,647,789	1,095,523	41.4

World	Gross Exports	GVC Trade	GVC^{BM}
World	30,166,931	14,559,141	48.3

Note: The gross exports and GVC trade are in million US$. The calculation of gross exports or GVC trade is based on the bloc members' exports to the world, to the countries within the bloc, or to the countries outside the bloc, respectively. Based on the 2022 ADB MRIO tables.

Fig. 5.11

In 2022, ASEAN demonstrated a high level of GVC participation (54.6 per cent), second only to the European Union (EU) (57.0 per cent), and surpassing that of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (48.2 per cent), the Regional

Comprehensive Economic Partnership (RCEP) (43.8 per cent) and the United States-Mexico-Canada Agreement (USMCA) (42.3 per cent).

Furthermore, ASEAN's intra-bloc trade had a higher GVC ratio (62.3 per cent) compared to its trade with countries outside the bloc (53.2 per cent). The strong within-bloc GVC link of ASEAN (by a gap of 9.1 per cent) is again lower than the EU (12.1 per cent), but more significant relative to those of the RCEP (8.7 per cent), the CPTPP (6.0 per cent) and the USMCA (2.3 per cent).

This stronger within-bloc GVC-connectedness in ASEAN implies a stronger potential for regional realignment in the face of global shocks.

6. Presentation by Ms Nydia Ngiow

Managing Director

BowerGroupAsia, Singapore

This presentation is based on a survey conducted on AmCham Singapore members by BowerGroupAsia Singapore, in collaboration with American Chamber of Commerce in Singapore. The survey aims to assess the impact of tariffs on the business environment, company operations and investment decisions.

Navigating Tariffs: Insights from March 2025 Flash Survey

Responses to the survey were collected between March 3 and March 10, 2025, prior to the announcement of Trump's "Liberation Day" tariffs.

Given that Singapore is a global trade hub, businesses operating here are deeply integrated into global supply chains and are highly sensitive to shifts in US-China trade relations. The survey began by asking whether companies felt the tariffs impacted their operations.

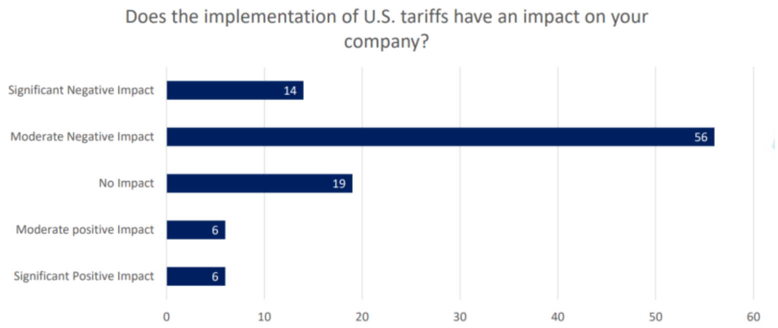


Fig. 6.1

The majority of companies reported that the tariffs will have a negative impact on their business (Fig. 6.1). Around 12 per cent of respondents answered that the tariffs could have a positive impact — they were primarily from the services sector, which tends to have less direct exposure to traded goods. They also anticipated potential opportunities to support or advise industries more directly affected.

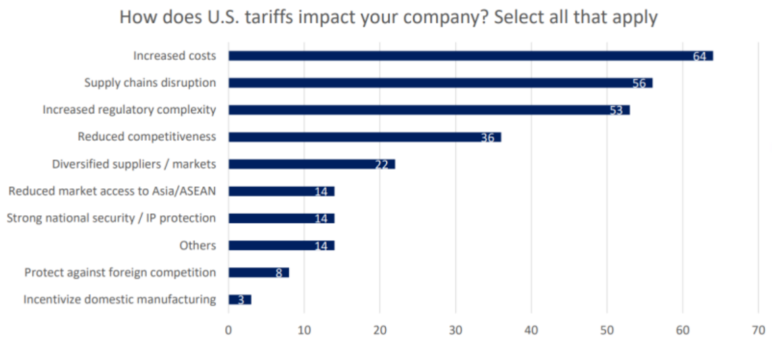


Fig. 6.2

Cost increases, supply chain disruptions and increased regulatory complexities from the tariffs were cited as primary concerns by most companies (Fig. 6.2). Far fewer companies see the positive side to these tariffs, such as enhanced IP protection and protection against foreign competition. Only one company viewed the tariffs as a potential catalyst for incentivising domestic manufacturing. Overall, the burdens imposed by the tariffs were seen to outweigh any potential benefits.

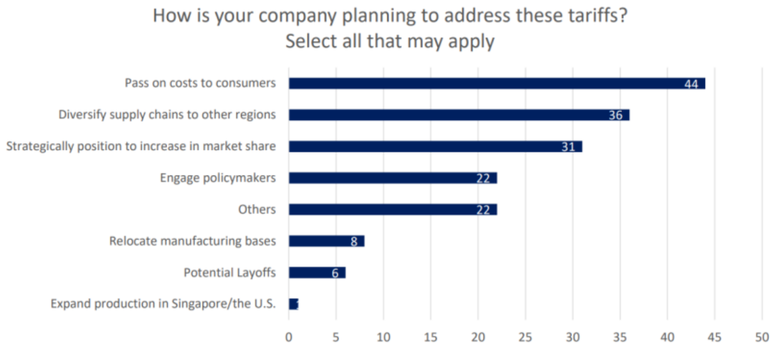


Fig. 6.3

When asked how they planned to address the tariffs, passing on increased costs to consumers was cited as the most common strategy — by 44 per cent of respondents. Other strategies included diversifying supply chain to reduce dependence on high-tariff markets and leveraging on the disruptions to increase their own market share, particularly where competitors may be slower to adapt.

Notably, only two companies indicated that they were considering layoffs, suggesting that workforce reductions are largely seen as a last resort.

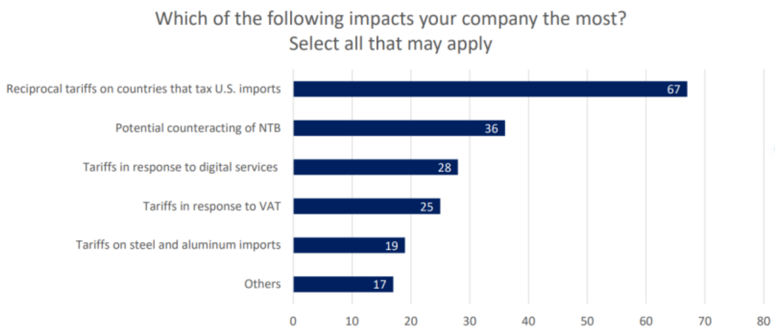


Fig. 6.4

Potential reciprocal tariffs on countries that tax US imports were a greater source of concern for roughly two-thirds of respondents, surpassing concerns about current tariffs on steel and aluminium, which directly impact only about a quarter of the surveyed companies. Others also pointed to increased markets costs linked to tariffs on goods manufactured in China, highlighting the broader ripple effects of US-China trade tensions across the region.

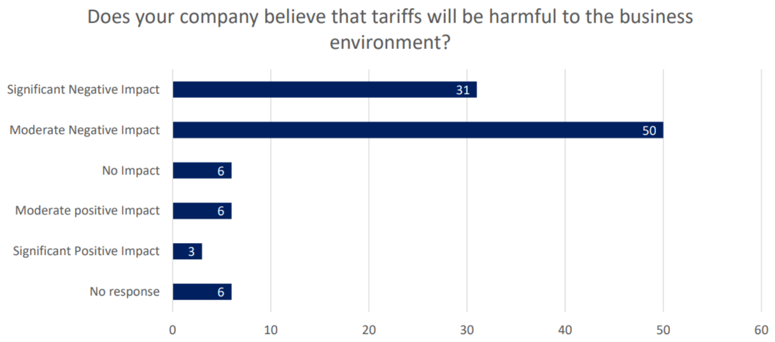


Fig. 6.5

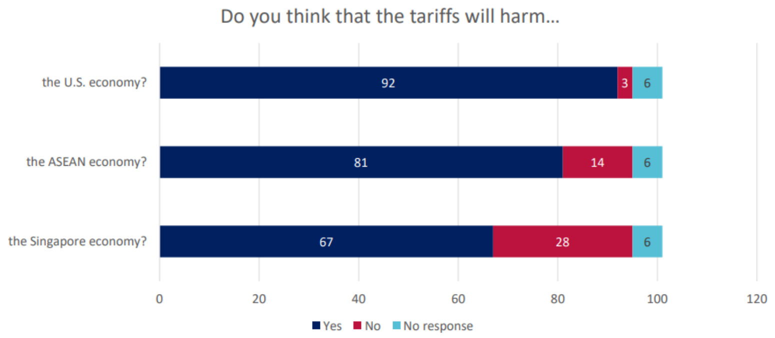


Fig. 6.6

Figure 6.5 shows that the majority of surveyed companies (83 per cent) believe the tariffs will negatively impact the overall business environment. As illustrated in Fig. 6.6, over 90 per cent of these respondents also think the tariffs will harm the US economy more than ASEAN's or Singapore's.

Nevertheless, more than two-thirds of the respondents believe the tariffs will harm economies in general, reflecting a broad recognition of the global interconnectedness of trade.

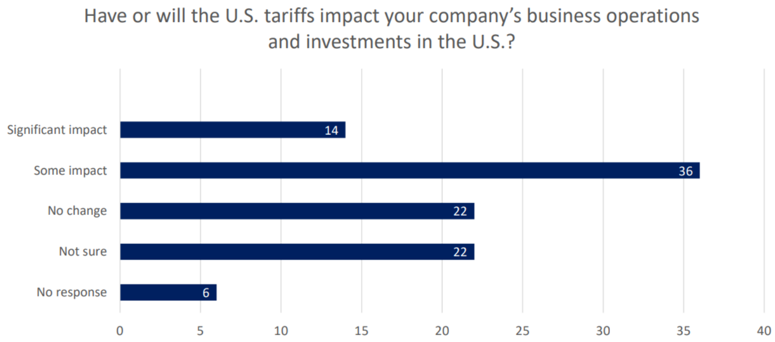


Fig. 6.7

When asked whether the US tariffs have impacted or will impact their business operations and investments in the US, 47 per cent of companies indicated that they expect an impact, while 44 per cent remain unsure or foresee no changes (Fig. 6.7). This near-even split highlights not only the uncertainty, but also the lack of consensus among companies regarding how tariffs will shape their corporate strategies moving forward.

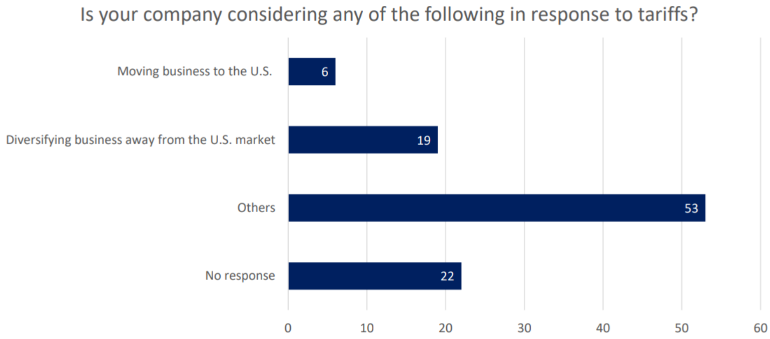


Fig. 6.8

When asked about their strategies in response to the tariffs, a significant proportion of respondents selected either "Others" or provided no response, indicating a hesitation or uncertainty within companies. Some respondents indicated that they were considering diversifying away from the US market, but many were holding off major decisions until there was greater clarity.

Conclusion

The survey results reveal a complex picture of concern and caution among companies operating in Singapore. The uncertainty about the long-term implications of the tariffs has led firms to adopt a wait-and-see approach, delaying mitigation strategies. However, this cautious stance could leave them vulnerable if competitors act more swiftly to diversify supply chains or reposition themselves in more resilient markets.

Singapore's position as a regional business hub provides both stability and opportunity. While the tariffs may not cause immediate disruption to Singapore-based operations, shifting trade flows and rising costs will inevitably influence regional supply chain decisions and investment priorities.

Overall, the findings highlight not only the risks posed by the tariffs, but also the potential for forward-looking companies to turn the disruption into competitive advantage.

7. Presentation by Dr Jayant Menon

Visiting Senior Fellow
Regional Economic Studies Programme
ISEAS–Yusof Ishak Institute

This presentation begins with a historical overview of trade conflicts to provide context for current developments, before exploring the key factors shaping the trade and investment outlook for ASEAN.

Singapore's Central Role in ASEAN

The trade and investment outlook for Singapore and the broader region in the short-to-medium term will largely depend on how supply chains in ASEAN adapt to Trump's "Liberation Day" tariffs.

This region is characterised by a high level of interdependence, with ASEAN supply chains largely centred around China. Singapore sits at the heart of this network, acting as a strategic hub for numerous multinational companies with regional headquarters based here.

In addition, Singapore plays a leading role in research and development, as well as in high value-added services such as digital services, giving it outsized influence on business and innovation activities across the region.

Trade Conflict: Lessons from History

Manufacturing supply chains in ASEAN today were essentially borne out of a similar trade conflict nearly four decades ago between the US and Japan. While the context is comparable, with the US having a significant trade deficit with Japan, a crucial difference is that unlike today's tariff-driven tensions, the imbalance was addressed through negotiation rather than confrontation resulting in a trade war.

This culminated in the Plaza Accord of 1985, an agreement among the G5 countries aimed at correcting the US's trade imbalances by revaluing their currencies, most notably the Japanese yen and the Deutsche mark. Following the agreement, the yen appreciated by about 50 per cent against the US dollar. This sharp appreciation made manufacturing in Japan more expensive, prompting Japanese firms to relocate operations to Southeast Asia, where the trade disruption eventually set the stage for the emergence of supply chains in ASEAN today.

While the Plaza Accord succeeded in depreciating the US dollar, it did not eliminate the US trade deficit, particularly with Japan, as some manufacturing activity and associated exports simply shifted to ASEAN economies. This historical episode serves as a timely reminder that the causes of persistent trade imbalances are macroeconomic in nature, rooted in a savings-investment imbalance. Addressing them requires structural reforms, including measures to manage rising private and public debt. This context is especially relevant given the Trump administration's focus on significantly reducing bilateral trade deficits. However, changes in trade policy alone cannot sustainably resolve the US trade or current account deficit.

Pause in Liberation Day Tariffs

In early April 2025, the "Liberation Day" tariffs were paused for 90 days. It is likely that this will lead to a series of rolling pauses before any lasting resolution to the reciprocal tariffs. The first extension to the 90-day pause has moved the deadline to August 1.

In the worst-case scenario, tariffs could remain at prohibitive levels of above 50 per cent for China, risking trade decoupling and severe repercussions not only for ASEAN, but for the global economy. Conversely, the best-case scenario would involve a reversion to pre-Liberation Day tariff levels of around 20 per cent on China, similar to the current rates applied to the electronics sector.

Looking ahead, the outlook for global trade will also depend on whether the US and China can negotiate a permanent reduction in non-tariff barriers, which often play a more decisive role than tariffs in shaping long-term trade relationships. Of course, the tariffs imposed on individual ASEAN countries, some of which are the highest in the world, will matter. Since Singapore runs a trade deficit with the US, it is subject to the lowest tariff of 10 per cent, although there are sectoral tariffs that are higher.

The End of the "China Plus One" Strategy?

An important question shaping the trade and investment outlook in the region is whether the "China Plus One" strategy remains relevant today.

This strategy initially gave a strong boost to regional trade, particularly in ASEAN, as the Trump 1.0 tariffs targeted firms operating in China. This created a significant incentive to reconfigure supply chains to avoid US tariff exposure.

Tariffs are applied to the total landed value of imports into the US, but only about one-third of that value typically reflected Chinese value-added during the Trump 1.0 trade war with China. As a result, a 20 per cent tariff effectively became a 60 per cent penalty on the Chinese portion of production. It was therefore economically rational to shift production to another location, such as Vietnam, if it could undertake the same activities for no more than 60 per cent above China's cost, which created a huge margin for reconfiguration. This explains why even relatively small tariffs drove major supply chain reconfiguration into ASEAN.

However, the strategy's effectiveness has been reduced since President Biden shifted the focus from production location to ownership, targeting not just "Made in China" but also "Made by China", through measures aimed directly at Chinese firms. He also cracked down on transshipment practices used to avoid tariffs. These moves significantly reduced the incentive for Chinese firms to relocate solely for tariff avoidance.

The rationale for "China Plus One" has further weakened following the Geneva Trade Talks in May 2025, where US tariffs on Chinese imports were reduced by 115 percentage points, from 145 per cent to 30 per cent. This has temporarily narrowed the tariff gap between China and other "Plus One" economies, making it less urgent to shift operations purely for tariff reasons. Going forward, the extent of this tariff gap will play a key role in determining how trade and investment flows evolve across the region.

ASEAN's Commitment to Openness

Ultimately, the primary drivers of supply chain reconfiguration remain relative cost related to comparative advantage and access to scarce resources, technology and markets. These factors are likely to outweigh the negative impacts of reciprocal tariffs in the long run. The continued strength of trade and investment in the region will hinge critically on ASEAN's long-standing commitment to openness. Singapore, as a small, open economy deeply reliant on global trade and investment, is expected to stay the course.

It is essential that ASEAN countries resist the temptation to raise trade barriers, which could trigger a domino effect of protectionist responses regionally. If ASEAN upholds its consistent record of openness amid the uncertainty, trade and investment in the region can be expected to remain resilient and continue to grow. ASEAN's historical record of embracing "open regionalism" provides room for optimism.

8. Discussion Session 2

The second discussion focused on the evolving trade landscape in the region and the strategies Singapore and Southeast Asia are adopting in response. It explored efforts to diversify trade partnerships, the growing prominence of digital services trade, addressing non-tariff barriers in trade negotiations, and the need to better equip businesses, particularly small and medium enterprises, to participate effectively in the global economy.

Trade Diversification

Participants questioned whether Singapore and the broader ASEAN region could realistically reduce their reliance on the US market, given its position as the world's largest consumer society. The US remains a critical player in global trade, accounting for roughly 13 per cent of global imports 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 on the US, the challenge intensifies when multiple countries attempt this diversification simultaneously. Regardless, a speaker noted that apart from highly elastic products, demand from the US is expected to remain relatively resilient in the near term.

Nevertheless, 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 African economies, 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, and 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. Given the persistent structural challenges and a lack of political consensus to resolve trade disruptions, this shift towards services could serve as a buffer for regional trade-dependent economies, protecting them from external shocks linked to tariffs and other barriers affecting goods trade.

Addressing Non-Tariff Barriers

A potential silver lining in the ongoing trade negotiations between the US and its trading partners is the opportunity to scrutinise non-tariff barriers, such as licensing arrangements, foreign investment caps and other regulatory restrictions that often impede trade. These barriers should be integral to trade negotiations, with countries demonstrating the commitment to reform, confronting any entrenched vested interests domestically. By doing so, we could reduce distortionary forms of protection and unlock significant gains for overall trade in the long term.

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. Major agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN Plus One FTAs remain underutilised. This may be due to these frameworks being overly complex or not effectively addressing the specific challenges SMEs face.

While the government has been active in broadening and strengthening Singapore's trade ecosystem, businesses must keep pace with these developments. Bridging this gap will require stronger efforts to educate and support businesses, ensuring they can understand and leverage on the available tools and frameworks to export their goods and services and compete in the global economy.

Appendix 1: List of Participants

Chairperson

Mr Manu Bhaskaran
Adjunct Senior Research Fellow
Institute of Policy Studies, Singapore

Speakers

Ms Victoria Birrell
Senior Economist
Economic Policy Group
Monetary Authority Singapore

Dr Runchana Pongsaparn
Group Head and Lead Economist
ASEAN+3 Macroeconomic Research Office

Mr Rajiv Biswas
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Appendix 2: Curricula Vitae of Chairperson and Speakers

Chairperson

Manu BHASKARAN is Adjunct Senior Research Fellow at the Institute of Policy Studies. He is concurrently Partner and Member of the Board, Centennial Group Inc, a policy advisory group based in Washington DC, where he heads the group's economic research practice. Mr Bhaskaran co-leads the institute's work in the area of economics. His major area of research interest is the Singapore economy and the policy options it faces. Prior to his current positions, he worked for 13 years at the investment banking arm of Societe Generale as its Chief Economist for Asia. He began his professional career at Singapore's Ministry of Defence, focusing on regional security and strategic issues. Mr Bhaskaran graduated from the University of Cambridge with a Master of Arts and also has a Master's in Public Administration from Harvard University.

Speakers

Victoria BIRRELL is Senior Economist in the Economic Policy Group at the Monetary Authority of Singapore. She monitors and forecasts regional economies as part of the International Economy Division. Ms Birrell holds a Bachelor of Social Science from the Singapore Management University.

Runchana PONGSAPARN is Group Head and Lead Economist at the ASEAN+3 Macroeconomic Research Office (AMRO). Since joining AMRO in 2022, she has served as Mission Chief for Japan, Malaysia, the Philippines and Singapore. She also oversees Financial Surveillance Group. Before joining AMRO, Dr Pongsaparn had 18 years of experience as a central banker at the Bank of Thailand covering several key areas: monetary policy, exchange rate policy, macroeconomic modelling and forecasting, macroeconomic analysis, monetary operations and financial markets, financial stability, banking risk assessment and crisis management. Dr Pongsaparn also worked at the International Monetary Fund for several years — as an economist in country and regional surveillance (Asia and the Pacific), a financial sector expert specialising in monetary policy, monetary operations and financial markets, as well as a financial stability advisor. Dr Pongsaparn holds Bachelor's and Master's degrees in Economics from the University of Cambridge (UK), and a Doctor of Philosophy in Economics (Monetary Policy and Theory) from the University of Bristol (UK).

RAJIV Biswas is the Chief Executive Officer of Asia-Pacific Economics, an economic research firm that provides macroeconomic analysis and geopolitical risk assessments for the Asia-Pacific (APAC) region. His previous experience includes working as Executive Director for APAC Country Risk at UBS AG, as APAC Chief Economist for IHS Markit and as Director for Southeast Asia for The Economist Group. Mr Rajiv has also worked as a consultant for the United Nations. He is a graduate of the London School of Economics for his Bachelor of Science in Economics with Honours, and received his Master of Science and Diploma of Imperial College from Imperial College, London University. He has frequently spoken at international conferences including at World Economic Forum, Euromoney and UN events. He has often appeared on international TV programmes, including the BBC, Bloomberg, CNA, CNBC, CNN, Deutsche Welle and TRT World TV.

CHANG Pao-Li is currently the Associate Dean (Research and Industry Engagement) and an Associate Professor of Economics at Singapore Management University (SMU). She graduated with a Doctor of Philosophy in Economics from the University of Michigan. Her research studies the issues on: General Agreement on Tariffs and Trade/World Trade Organization institution and laws, political economy of trade policies, empirical and quantitative analysis of trade and foreign direct investment, measurement of global value chain, and estimation of firm-level production function with spatial dependence. Dr Chang has published in renowned journals such as Management Science, International Economic Review, Journal of International Economics, Journal of Development Economics, and Econometrics Journal. She has served on the editorial boards of Review of World Economics (Weltwirtschaftliches Archiv), Economic Modelling, Taiwan Economic Review (National Taiwan University, Taiwan), Taipei Economic Inquiry (National Taipei University, Taiwan), and several others.

Nydia NGIOW is Managing Director of BowerGroupAsia's (BGA) Singapore office. With over 15 years of experience in international relations and trade, she advises Fortune 500 companies, start-ups and industry associations on navigating geopolitical risk, regulatory challenges and stakeholder engagement. Ms Ngiow is known for building strong relationships across corporate, government, and civil society sectors, offering expertise in AI, digitalisation, sustainability, healthcare and trade policy. Under her leadership, BGA Singapore has partnered with AmCham Singapore to publish several white papers on US-Singapore trade relations and healthcare policy. Her insights have been featured in Bloomberg, The Straits Times and CNA. She has spoken at and moderated for events organised by AmCham Singapore, the US-ASEAN Business Council and other organisations. Previously, she represented Singapore in key bilateral and multilateral trade issues through roles at the Ministry of Trade and Industry and the Singapore Embassy in Washington, DC.

Jayant MENON joined the Institute of Southeast Asian Studies (ISEAS)–Yusof Ishak Institute in 2020 as Senior Fellow to continue his work on trade and development in the Asian region, following a long career at the Asian Development Bank (ADB). His last post at the ADB was Lead Economist (a Director level post) in the Office of the Chief Economist. He began work life as an academic in Australia, spending almost a decade at the Centre of Policy Studies at Monash University, world-renowned for computable general equilibrium modelling. He also worked at the University of Melbourne, Victoria University, the American University in Washington, DC and the ADB Institute in Tokyo. He has served as a board director of Cambodia Development Resource Institute, Cambodia, and on the advisory board of the University of Nottingham, Malaysia. He holds adjunct appointments with the Australian National University, University of Nottingham, UK and Institute for Democracy and Economic Affairs (IDEAS), Malaysia. He has authored/edited more than 15 books, 50 chapters in books, and 80 articles in peer-reviewed journals. Dr Menon holds a Doctor of Philosophy in International Economics from the University of Melbourne.