Global
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Post "Liberation Day" macro update

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- Stagflation is likely to be the baseline for the US economy in 2025.
- We have downgraded growth forecast for all our core markets across ASEAN and Greater China.
- We now expect regional central banks to become more supportive of growth, particularly in 2H25. We are adding rate cuts to our Vietnam, Thailand, Indonesia, Philippines and India forecasts.

President Trump has announced a 90-day pause on reciprocal tariffs for most countries, with China being the key exception. Despite this temporary reprieve, the level of uncertainty surrounding global trade policy remains elevated. Given the evolving nature of tariff implementation and the potential for further escalation, it is still premature to fully quantify the economic impact of both the tariffs themselves and the uncertainty they generate. In this report, we present our latest revisions to growth and central bank interest rate forecasts for our core markets across ASEAN and the Greater China region with our best efforts.

USA: Stagflation is the baseline for 2025
We have reduced our 2025 GDP growth forecast to 1.3% YoY, but the risks are clearly skewed to the downside from here if trade tensions remain elevated. The WTO has significantly downgraded its global merchandise trade from 3% to 0.2% YoY, stemming largely from escalating trade tensions including the intensifying US-China trade war which could lead to an expected 81% drop in their bilateral merchandise trade, ceteris paribus. Notably, North America trade is projected to slump by 12.6% YoY (2024: 2.3%), while that for Asia will slow to just 1.6% (2024: 8.0%). If there is broader spillover of policy uncertainty, the WTO tips an even sharper drop of 1.5% YoY in 2025, albeit it tips a rebound to 2.5% in 2026. The WTO also warned that such economic decoupling could cut global GDP by up to 7% in the long term. Nevertheless, the good news is that we do not observe the kind of structural imbalances in the private sector that were evident in 2008. The resilience of the household sector is expected to provide a buffer against mounting fiscal challenges. Our forecast for the Federal Reserve remains unchanged, with a cumulative 75bps in policy rate cuts anticipated by end-2025. That said, the degree of uncertainty surrounding this outlook is higher than usual amid an evolving global backdrop. This calls for greater agility in responding to incoming data and potential shifts in policy direction.

China: Stimulus to rescue

The economy expanded by 5.4% YoY in Q1, holding steady from Q4 2024. The stronger-than-expected performance in Q1 can be attributed to four main drivers including support from the front-loading activities, high-tech manufacturing, policy support from the consumer trade in program and accelerating infrastructure investment. Despite the strong Q1 data, headwinds are gathering. The intensification of U.S.-China trade tensions, particularly the reciprocal tariff hikes taking effect in April, are expected to weigh on China's exports and overall sentiment. We estimate that trade decoupling alone could shave off 1.0 to 1.5 percentage points from full-year GDP growth. That said, if China can step up fiscal stimulus—particularly in the form of additional infrastructure spending and consumption support—it may help offset some of the drag. Q1 growth appears to have peaked at 5.4%, momentum is expected to moderate in the coming quarters. Taking into account both the Q1 upside surprise and the downside risk from escalating tariffs, we downgraded our full-year GDP growth forecast for China to 4.6% from 4.8%, with a cautious bias depending on the scale and timing of further policy support.

Hong Kong: Searching for the positive catalyst

The risk of a tit-for-tat global trade war have heightened recession risks. Our full-year GDP growth forecast for 2025 and 2026 is revised downward to 1.9% and 2.3% respectively, accounting for the slowdown in global growth and worsened US-China trade relationship. Yet the forecasts were made basing on assumptions of some concessions over tariffs and more accommodative fiscal/monetary policies rolled out by the Chinese government. The housing market in Hong Kong continues to show signs of stabilization, yet the rebound in housing prices still lacks steam. The narrowing of buy-rent gap, further cut in prime rate, together with increases in non-local demand, will likely lend some support to the housing market. We now expect the price index to stay flat in 2025, with decline in the first half of the year and rebound in the latter half of the year. In view of the negative carry, we still hold on to a bearish view on the commercial real estate (CRE; including retail spaces and office) market. The price of CRE is expected to fall further by around 5%-10% this year.

Macau: High gaming revenue to support

We revise downward Macau's economic growth forecast to 4.0% in 2025, from the previous estimate of 5%, taking into account the more challenging external environment and the slowing gaming sector growth. We see downside risks to our forecast, as travel and consumption sentiment in mainland China was scathed by the growth uncertainties. Nonetheless, Macau's economy continued to benefit from sustained recovery in tourism sector and non-gaming investments. A full recovery to pre-pandemic level is unlikely to be achieved in 2025 nor 2026. Separately, the unemployment and inflation rate are pitched at 1.7% and 0.8% YoY respectively for 2025. Macau's gross total gaming revenue is expected to refresh post-Covid high in 2025, after logging a 23.9% YoY increase in 2024. Yet, with the normalised base, year-on-year growth should fall to a mid- to high single digit figure, i.e. 5%-8%.

Singapore: Bracing for the second wave of the tariff shock

Singapore, as a trade, transport and logistics hub, is deeply integrated into global trade networks and vulnerable to ripple effects of the global trade whiplash and growth slowdown, especially if supply chain disruptions adversely affect our major trading partners like China and the US. We had cut the 2025 growth forecast from 2.1% to 1.6% in view of the 10% tariffs imposed by the US and also the potential reciprocal tariff implications for our key trading partners. The externally oriented sectors like manufacturing, trade and transport logistics would be affected the most, but the domestically-oriented sectors like retail, hospitality, profession and other services may not escape the moderation in business and consumer confidence either. MAS has eased monetary policy twice this year in January and April, and downgraded both 2025 headline and core CPI forecast to just 0.5-1.5% YoY. The Singapore Economic Resilience Taskforce, chaired by DPM Gan, will focus on “sense-making” and communication, immediate support measures and longer-term strategies.

Malaysia: Waiting for semiconductor tariffs

We reduce our 2025 GDP growth forecast to 4.3% YoY from 4.5%. This is given the impact of weaker external demand as most of Malaysia’s trading partners are hit by tariffs. The relief for Malaysia’s exports is that ~46% of US imports from Malaysia including semiconductor exports are still exempt from the reciprocal tariffs. We expect a cumulative 50bp in rate cuts from Bank Negara Malaysia in 2026 and could be brought forward if downside risks to growth become more evident.

Indonesia: Surprisingly hard hit

The reciprocal tariff rate of 32% is substantial and one of the most surprising, by our estimates. The economy is already hard hit by perceived uncertainties around domestic policy direction and cloudy fiscal policy outlook given weaker-than-expected revenue collections and budget reallocations. The higher-than-expected tariff rate will exacerbate these risks. We reduce our 2025 GDP growth forecast to 4.7% from 4.9% and expect that the worsening of current account deficit (1.4% of GDP in 2025 versus 0.6% in 2024) will put further pressure on the economy to maintain strong capital inflows even as the outlook for the latter remains uncertain. Bank Indonesia has tied further rate cuts to IDR stability, however, with the downside risks to growth becoming increasingly obvious. It is worth noting that the anecdotal activity data during the Eid holidays have been lower compared to 2024. We expect BI to now cut by a cumulative 50bps in 2025, compared to 25bp previously. However, the timing for BI needs to become more proactive and less tied to currency outcomes to enable more timely growth support.

Vietnam: Hardest hit

We reduce our 2025 GDP growth forecast to 5.0% YoY versus our previous forecast of 6.2%. Vietnam's exports to the US totalled USD119.4bn in 2024, which can be reduced by as much as 35-40%, by our estimates. The impact on economic growth, however, is not straightforward particularly for 2025 considering that 1Q25 GDP growth was already relatively resilient at 6.6% YoY, by our estimates. Moreover, with semiconductors exports still exempted from the reciprocal tariffs' announcements, the hit to exports will likely be reduced.

Thailand: Next in line

The reciprocal tariff rates imposed on Thailand is 37%. We reduce our 2025 GDP growth forecast to 2.0% from 2.8%.While the authorities have been transparent about their intent to negotiate with the US, and the Thai authorities have agreed to import certain goods from the US, the outcomes of further negotiations and the fate of the semiconductor tariffs remain uncertain. We now expect the Bank of Thailand (BoT) to reduce its policy rate by 50bps in 2025 to further bolster downside risks to growth, with the government continuing to pursue supportive fiscal policies.

Philippines: Better by comparison

The reciprocal tariffs at 18% is the lowest in the region and the impact on GDP growth will also be concomitantly lower. Similar to Malaysia, Philippines exports to the US is biased towards semiconductors, which are still exempt from tariffs at the moment. We expect GDP growth to be slightly lower at 5.9% YoY in 2025 versus 6.0%, previously. We expect Bangko Sentral ng Pilipinas (BSP) to follow on with a 25bp cut at its 10 April meeting. We now add in an additional 25bp rate cut for the rest of 2025, particularly as headline inflation remains well within BSP's 2-4% target range.

India: In the middle but limited impact

India's tariff rate of 27% looks more manageable compared to regional peers. However, there will be a modest hit to growth of 0.2pp considering weaker external demand. As a predominantly domestic demand driven economy, the impact of higher tariffs from the US will likely have sector specific impacts.From a policy perspective, further simplification of non-tariff trade measures, continued negotiations with the US will likely keep the Indian economy in good stead. The Reserve Bank of India's (RBI) has increased banking sector liquidity to allow for further rate cuts, in our view. We expect the RBI to reduce its policy rate by another 25bp in rate cuts for the remainder of 2025. The risk is for deeper cuts.

%YoY	Pre tariff forecast (2025)	Post tariff forecast (2025)	Change in GDP growth
US	1.7	1.3	-0.4
China	4.8	4.6	-0.2
Hong Kong	2.2	1.9	-0.3
Macau	5.0	4.0	-1.0
Singapore	2.1	1.6	-0.5
Malaysia	4.5	4.3	-0.2
Indonesia	4.9	4.7	-0.2
Vietnam	6.2	5.0	-1.2
Thailand	2.8	2.0	-0.8
Philippines	6.0	5.9	-0.1
India	6.2	6.0	-0.2
Source: OCBC.			

Central banks more inclined to support growth

We now expect regional central banks to become more supportive of growth, particularly in 2H25. We are adding rate cuts to our Vietnam, Thailand, Indonesia, and India forecasts. We expect the State Bank of Vietnam and Bank of Thailand to cut by an additional 50bps in 2H25, while Bank Indonesia and Reserve Bank of India will likely cut by an additional 25bp on top our current forecast of 25bp. This implies an additional 50bps in rate cuts by end-2025. Although the growth impact is limited for BSP, we expect it will take the opportunity to lower rates further to mitigate downside risks. We, therefore, expect a cumulative 50bp in rate cuts in 2025.

Central banks	Present rate as of April 17 2025	2025 Rate cut expectation pre tariff (bps)	2025 Rate cut expectation post tariff (bps)	Additional rate cuts
US	4.25-4.50	75	75	No change
China (1-year LPR)	3.10	40	40	No change
Vietnam	4.50	0	50	50bps
Thailand	2.00	0	50	50bps
Malaysia	3.00	0	0	50bps cut in 2026
Indonesia	5.75	25	50	25bps
India	6.00	25	50	25bps
Philippines	5.50	25	50	25bps
Source: OCBC.				

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